September 2, 2009

Dr. Steven Chu
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C., 20585-0121

Re: Proposed Financial Institutions Partnership Program

Dear Dr. Chu:

Our organizations, representing thousands of clean energy technology companies, appreciate your personal attention to the Title XVII Loan Guarantee Program and your commitment to expediting the disbursement of loans and loan guarantees authorized under the American Recovery and Reinvestment Act (the "Recovery Act"). We are writing to urge you to take the actions set forth below related to the proposed Financial Institutions Partnership Program ("FIPP") for renewable energy projects that employ commercial technologies to ensure that it is properly structured and implemented without further delay.

Since February, our members and the financial community have been waiting for the opportunity to apply for loan guarantees for renewable energy projects that employ commercial technologies. Commercially viable renewable energy projects, including projects with power purchase agreements, construction contracts, permits and sites, are in some cases being delayed due to the continued tight conventional credit markets for some technologies, the cost of capital in those markets and the absence of credit support from the Department of Energy ("DOE"). This element of the Recovery Act has accordingly had an anti-stimulus effect, as some developers wait to seek financing support from DOE. A DOE loan guarantee for these projects could create thousands of new jobs in the United States and advance the Administration's clean energy and climate change goals.

We understand that DOE plans to exercise its authority to provide loan guarantees to renewable energy projects that employ commercial technologies under the Recovery Act through

FIPP. Unfortunately, DOE has not published any plans for FIPP to date, and we are left with speculation regarding how the program will function and whether it will be structured so that it is functional for both borrowers and private lenders. Based on information that has been circulated regarding FIPP, we understand that DOE is considering pre-qualifying private commercial lenders to issue loans to renewable energy projects and related manufacturing facilities. Then, the private commercial lenders would apply to DOE for a loan guarantee in an amount equal to 80% of the loan. A commercial lender would be required to provide the balance of the loan funds on an un-guaranteed basis.

We believe that if properly structured, FIPP could be the catalyst for the construction of hundreds of renewable energy projects and thousands of new jobs. For FIPP to realize its potential, however, the rules governing the program must accommodate the market needs of borrowers and lenders.

There is a risk that FIPP will contain fatal flaws that render it an unattractive financing option. We believe that it is critical that you act to eliminate this risk by implementing a public process through which key elements of FIPP would be made available to interested parties, who could provide valuable feedback before the FIPP solicitation is issued.

Based on information that has been made available about FIPP to date, there are many aspects of the proposed program that raise serious concerns, including the following:

1. <u>DOE should accept applications under FIPP on a rolling basis and review and approve applications as they are received</u>. FIPP would have the most immediate stimulus effect if DOE provides loan guarantees to qualified projects on a rolling basis rather than conducting competitive reviews of applications. We note that other federal credit programs administered by the Overseas Private Investment Corporation and the Export-Import Bank do not require competitive reviews, which could otherwise delay construction of worthy projects. Applications should be reviewed and approved based on their merits when the project achieves necessary project milestones as preconditions for financing.

2. <u>FIPP must permit borrowers to use Federal Financing Bank loans for the portion of the loan that would be guaranteed by DOE</u>. Under DOE's existing loan guarantee solicitations, if a borrower applies for a full guarantee of a loan (for 80% of project costs), that loan will be issued by the Federal Financing Bank. In the case of FIPP, we understand that a portion of the loan would be guaranteed by DOE and the remaining portion of the loan would not be guaranteed. DOE should permit the guaranteed portion of the loan to be issued by the Federal Financing Bank rather than requiring that the guaranteed portion of the loan be syndicated to commercial lenders. This would ensure that borrowers could benefit from the relatively low interest rates of Federal Financing Bank loans to the same extent as borrowers under DOE's existing loan guarantee solicitations.

3. <u>FIPP must provide opportunities for long-term financing of up to thirty years without limiting the ability of un-guaranteed lenders to maintain their own liquidity requirements</u>. The Energy Policy Act, which governs DOE's Title XVII Loan Guarantee Program, permits

DOE to guarantee loans for up to the lesser of 90% of the projected useful life of project assets or thirty years. FIPP must be designed to allow project developers to obtain a loan guarantee for the maximum term authorized under the Energy Policy Act. Most commercial lenders, however, are currently unwilling to provide loans for terms longer than five to seven years due to internal liquidity constraints. To address existing market conditions, while also allowing borrowers to benefit from long-term financing provided by the Federal Financing Bank, FIPP must permit lenders that provide the unguaranteed portion of a loan flexibility to syndicate the loan, including through assignments and participations to other financing institutions, and to assign the loan after an acceptable timeframe, in order to provide unguaranteed funding for a term matching the DOE guarantee. We believe that there are a number of approaches that DOE could adopt to address this critical issue without impairing the alignment of risks between DOE and commercial lenders that FIPP is intended to provide.

4. FIPP must allow project bundling. FIPP must ensure that developers have the ability to bundle small projects, such as distributed generation systems, under one loan guarantee to gain the efficiencies necessary to make the programs attractive for small projects. Absent a mechanism to provide guarantees to support financing of multiple small projects, FIPP would not be helpful to, for instance, a simple distributed generation project, because the transaction costs would outweigh the benefit of the guarantee, leaving such projects stranded.

5. FIPP must be adequately funded. Ever since the Recovery Act appropriated $6 billion for the credit subsidy cost of loan guarantees issued under DOE's Section 1705 Loan Guarantee Program (under which FIPP would be established), developers of renewable energy projects have been relying on the availability of a sufficient portion of this amount to provide liquidity for hundreds of shovel ready projects. Then, in early August, Congress transferred $2 billion of the Recovery Act's $6 billion appropriation to the "Cash for Clunkers" program, which currently, given allocations of that appropriation already made by DOE under other solicitations, leaves only $715 million for the credit subsidy cost of loan guarantees to renewable energy projects that employ commercial technologies. This sudden and unexpected drop in Recovery Act support for these projects discourages continued development and equity investment. It also reduces the interest of financial institutions that may participate in FIPP. DOE must work with Congress to restore the $2 billion appropriation that was transferred to the "Cash for Clunkers" program. In the interim, with assurances from Congress and the President that this amount will be restored, DOE must make $2.715 billion in credit subsidy costs provisionally available for loan guarantees issued under FIPP.

6. Other FIPP issues. FIPP must also address several other important issues. For example, projects should not be required to meet any specific requirements regarding the commercial status of their technology, provided that they otherwise meet criteria established by DOE and un-guaranteed lenders.

We believe that FIPP can still achieve its goals of providing financing for renewable energy projects and creating thousands of jobs if it is implemented expeditiously and resolves certain key issues in a manner that enables the financing community and borrowers to participate in the program. We urge you to undertake a more open process to ensure that FIPP could achieve its objectives. We believe that this process could be completed in under two weeks, which at this point would not seem to cause any further delays to the program. We would welcome the opportunity to share additional thoughts on the structure and implementation of FIPP and to discuss any of these issues in more detail. Thank you for your attention to this critical matter.

Sincerely,

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