

ONE HUNDRED TWELFTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115

Majority (202) 225-2927  
Minority (202) 225-3641

**MEMORANDUM**  
**November 22, 2011**

**To: Democratic Members of the Subcommittee on Oversight and Investigations**  
**Fr: Subcommittee on Oversight and Investigations Democratic Staff**  
**Re: Secretary Chu's Testimony at the Hearing Titled "The Solyndra Failure: Views from DOE Secretary Chu"**

On Thursday, November 17, 2011, the Committee received testimony from Dr. Steven Chu, Secretary of the Department of Energy, at a hearing titled: "The Solyndra Failure: Views from DOE Secretary Chu." This memorandum provides additional context for some of the Secretary's statements on DOE's due diligence in the lead up to the closing of the Solyndra loan in September 2009.

At the hearing, Secretary Chu was asked to describe the market forces behind Solyndra's bankruptcy. He stated:

When the bottom of a market falls out and the price of solar decreases by 70 percent in two and a half years, that was totally unexpected, not only by us — if you look at the range of predictions that were being made by financial analysts from the last quarter of 2008, 2009, they — the average — there are some outliers. But the average of those were not expecting these prices to plummet. And so fundamentally this company [Solyndra] and several others got caught in a very, very bad tsunami, if you will.<sup>1</sup>

In his "Fact Checker" column in the Washington Post, Mr. Kessler took issue with the Secretary's statement, writing: "While Chu said that Wall Street analysts generally were not predicting such a steep price drop, it is clear ... that they were warning prices would fall further. ... The OMB e-mail shows that at least one arm of the government was aware that Wall Street

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<sup>1</sup> House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, *The Solyndra Failure: Views from DOE Secretary Chu*, 112th Cong. (Nov. 17, 2011) at 42.

was quickly souring on solar energy and that the tsunami that swept the industry should not have been such a surprise.”<sup>2</sup>

Mr. Kessler’s analysis is unfair to Secretary Chu. Secretary Chu’s position was not that no one was expecting prices of solar panels to plummet; it was that no one – with a few outliers – was expecting them to fall as much as they did.

The information provided to the Committee shows that the Department of Energy did in fact consider the implications of a fall in prices on Solyndra’s financial viability. In an interview with Committee staff, the director of the loan guarantee program, David Frantz, stated that he was confident the loan would be repaid in part because DOE’s financial model for Solyndra had been “stress tested.”<sup>3</sup> He said that this included examining the impact on Solyndra of a substantial drop in the selling price of solar panels.<sup>4</sup>

Documents provided to the Committee confirm that DOE did examine the impact of falling solar panel prices on Solyndra. On August 25, 2009, the Department of Energy presented modeling scenarios to the Office of Management and Budget containing a decrease in the average selling price per watt of 40% over a six year period.<sup>5</sup> The Credit Committee Paper for Solyndra modeled the scenario of a 40% decrease in two years.<sup>6</sup>

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<sup>2</sup> *Steven Chu’s Solyndra Testimony: Misleading Jobs Stats and Missing Context*, Washington Post (Nov.18, 2011).

<sup>3</sup> House Committee on Energy and Commerce, Interview of David Frantz (Nov. 10, 2011).

<sup>4</sup> *Id.*

<sup>5</sup> Department of Energy, *OMB Briefing Solyndra FAB 2, LLC 733 Million Capacity Expansion for Manufacturer of Thin film Omnifacial Solar Modules for Commercial Roof Top Applications* (Aug. 25, 2009).

<sup>6</sup> Department of Energy, *Credit Committee Paper Request for Loan Guarantee Approval Project Solyndra Fab 2, LLC* (Mar. 11, 2009).