



“White House Analyst Warned Saving Solyndra Could Cost More Than Letting It Fail”

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By Joe Stephens and Carol D. Leonnig
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As the Obama administration moved last year to bail out Solyndra, the embattled flagship of the president’s initiative to promote alternative energy, a White House budget analyst calculated that millions of taxpayer dollars might be saved by cutting the government’s losses, shuttering the company immediately and selling its assets, according to a congressional investigation.

Even so, senior officials in the White House’s Office of Management and Budget did not discourage the Energy Department from proceeding with its plan to restructure a federal loan to Solyndra — a move that put private investors ahead of taxpayers for repayment if the company closed, the investigation by Republicans on the House Energy and Commerce Committee found.

The restructuring went forward, but within months Solyndra failed anyway, leaving federal taxpayers on the hook for much of the half-billion-dollar federal loan. Now, a year after the company’s collapse, debate continues over whether the refinancing plan was legal or a wise investment. Last week, Solyndra’s final liquidation plan estimated that the government will recover just \$24 million of the \$527 million that taxpayers lent to the company.

Details about the debate emerge in internal government documents. ...

They also show that career OMB staff members circulated a series of e-mails emphasizing the risks of restructuring the loan. In congressional testimony last year, the agency’s deputy director suggested that career staff members made the final determination about what to do and “used their best expertise.” ...

Documents show that in January 2011, when Solyndra was in technical default on its loan, OMB analyst Kelly Colyar concluded that if the company were immediately liquidated, taxpayers would lose \$141 million. If the loan were restructured and more money were released to Solyndra, she estimated, a subsequent default would cost taxpayers \$385 million. The loss was attributable in part to allowing private investors to recover some of their money first.

Colyar said in e-mails that the Energy Department appeared to be giving away its “upper hand” in financing negotiations with private investors, creating additional risk. At the time, Solyndra had failed to

meet the terms of its loan and was on the edge of bankruptcy because disbursements from the loan had been frozen.

Colyar said in one e-mail that she was “vastly confused by DOE’s decision to negotiate away their senior position in this transaction.” She also questioned whether the Energy Department underestimated how much taxpayers could recoup if the company were shut immediately and its California factory sold. The proceeds of an immediate sale would be “significantly HIGHER than DOE’s estimate,” she wrote in a January 2011 e-mail, meaning that the government “is better off liquidating the assets today than restructuring under DOE’s proposal.” ...

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