

U.S. DEPARTMENT OF ENERGY

**ADVANCED TECHNOLOGY VEHICLES
MANUFACTURING LOAN PROGRAM**

Forrestal Building
Large Auditorium
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Friday, December 5, 2008

Panel Members:

Lachlan Seward
Carol Battershell
Daniel Cohen
Matthew McMillen



TABLE OF CONTENTS

| | |
|---|----------------|
| OPENING REMARKS | PAGE 3 |
| <hr/> | |
| Lachlan Seward, Director Advanced Technology Vehicles Manufacturing Loan Program (ATVMLP) | |
| TECHNICAL ASPECTS | PAGE 6 |
| <hr/> | |
| Carol Battershell, Senior Advisor Office of Energy Efficiency and Renewable Energy (EERE) | |
| NATIONAL ENVIRONMENTAL POLICY ACT | PAGE 11 |
| <hr/> | |
| Matthew McMillen, Director of National Environmental Policy Act (NEPA) Office of the Chief Financial Officer, Loan Guarantee Program (LGO) | |
| RULEMAKING PROCESS | PAGE 16 |
| <hr/> | |
| Daniel Cohen, Assistant General Counsel for Legislation and Regulatory Law Office of General Counsel (GC) | |
| QUESTIONS AND ANSWERS | PAGE 19 |
| <hr/> | |
| MEETING ADJOURNED | PAGE 59 |



Advanced Technology Vehicles Manufacturing Loan Program

OPENING REMARKS

MR. SEWARD: Good morning and welcome to all of you to this second session of briefings that we are doing on the Advanced Technology Vehicles Manufacturing Program. I am Lachlan Seward the Director of the program. And with me today on the panel are: Carol Battershell, Senior Advisor of Energy Efficiency and Renewable Energy; Dan Cohen, Assistant General Counsel for Legislation and Regulatory Law; and Matt McMillen, the NEPA Compliance Officer for the Chief Financial Officer.

At the outset, I want to be clear that the purpose of this meeting today is to provide information to potential applicants and answer their questions concerning the application process, and to receive comments on the Interim Final Rule. I know many of you have been following the events on Capitol Hill on the auto industry. But today we are not going to discuss policy questions concerning the advanced technology program generally, events or news of the potential or future action by Congress regarding the automobile industry and any of the applicants or applications that we have received so far.

We prepared packages for you that you should have picked up on the way in here which consists of a copy of the authorizing statute, the Interim Final Rule, technical information on what constitutes a substantially similar vehicle, which it goes into the definition of an advanced technology vehicle and information on how to mark your applications confidential which is important for FOIA requests.

As detailed in the Interim Final Rule comments on the Final Rule must be received by DOE by December 12th. Comments may be submitted through a number of routes but the preferred is the Federal e-Rulemaking Portal, and, of course, you can submit them by dedicated e-mail or courier to DOE.

As set forth in the Final Rule, applicants must either be an automobile manufacturer that meets the approved fuel economy standards or a manufacturer of qualifying components as detailed in the law. And we'll get into a lot of the specifics of that as we go.

We will initially provide you some background on the program giving you an overview of the application process. Then Carol will get into the technical specifications on the vehicle technical



Advanced Technology Vehicles Manufacturing Loan Program

requirements. Matt will discuss the environmental requirements and finally Dan Cohen will review the rulemaking process.

After these presentations are complete, we will proceed to a question and answer format. At that time you will be able to ask a question or provide a comment on the Interim Final Rule.

When you are recognized to ask a question, please hold your hand up and there will be somebody with a microphone who will approach you. State your name and organization and then your question or comment.

We will post all questions and comments on our Web site, <http://www.atvmloan.energy.gov/>. And I urge you to check the Web site regularly as we post all information relevant to the program on that site.

So let's just go through briefly what the program is all about. It was authorized last year under Section 136 of the Energy Independence and Security Act and actually funded this year with the continuing resolution which passed at the end of September. It authorizes up to \$25 billion in loans that's supported by a \$7.5 billion appropriation to cover the risk of default.

The Final Rule was issued November 5th and published in the Federal Register on November 12th.

The timeline for issuance of funds will depend on when applications are submitted, and their thoroughness and the processing of required permits and approvals.

The IFR or the Final Rule or the Interim Final Rule identifies qualifying elements for the loan program as well as application requirements. We do not have an application forum. So you need to read this carefully and respond as best you can in your application.

Applicants are allowed to make multiple loan requests in a single application. However, we review each of those projects individually.



Advanced Technology Vehicles Manufacturing Loan Program

We've designed the process so that there's an initial tranche of applications that are evaluated as they come in through December 31st of this year. Then we have, depending on funding, we'll have additional 90-day tranches beginning on January 1st and evaluated thereafter.

Following a 30-day public comment period, which, as I said, is running out here on December 12th, we'll evaluate the program and determine when to issue a final rule.

I just want to go over sort of the steps in the process, because apparently there's some confusion out in the public.

The initial step is screening and information requests. And for some of the applications that we have received we've already done this and sent notices to people as to what they need to -- what additional information they need to send. That does not constitute an application rejection or approval or anything else, it's just a request for additional information.

The next step is to determine eligibility. And we'll talk about that a little bit later.

The third step, assuming we get through steps one and two are a full application and underwriting of the -- a full evaluation and underwriting of the applications and development of draft terms, an estimate of the credit subsidy which has to be approved prior to actually closing.

And then, of course, the fourth stage is to negotiate and close on the loan and develop a final credit subsidy which has to be approved by OMB.

The criteria for projects, of course, is set by Congress and the key criteria are manufacturing facilities need to be located in the U.S.; engineering integration, which is part of one of these projects, needs to be performed in the U.S.; costs need to be reasonably related to the reequipping, expanding, or establishing a facility in the U.S.; and costs of the engineering integration, of course, need to be performed in the U.S.

Loans are not available on a retroactive basis. In other words, the loan money will only be extended to costs going forward. That isn't to say that some of that -- that funding may not -- it may be available to satisfy the requirements for equity in the project, but not on the loan side.



Advanced Technology Vehicles Manufacturing Loan Program

All right. Having done that, I think because we are dealing with a free form application, I want to draw your attention to several of the elements that I think you need to focus on. First of all, under Section 611.3(b) the definition of an advanced technology vehicle which Carol will more fully develop in her presentation.

In 611.101, a certification that the company meets all the statutory and regulatory requirements, some people have not met that. That's a thing that we need to get.

A description of how the project qualifies including vehicle simulations using standard industry model or data. And, again, Carol will go through that.

Under 611.101, information sufficient for DOE to determine that you comply with NEPA and Matt will explain some of those aspects. An analysis showing at the time of the application the applicant is financially viable without additional funding associated with the project. And that's under 611.101.

Written assurance that all laborers and mechanics employed in the project are paid at a rate not less than the prevailing wage rate in the locality. That's 611.101(m).

And then finally, we touched on this in the presentation, applications can include requests of one or more projects, but must contain complete and separable information on each project. And that's 611.2. So those are things that you need to focus on as you're preparing your application.

With that, I'm going to turn it over to Carol who will go through some of the technical aspects that you're faced with here.

TECHNICAL ASPECTS

MS. BATTERSHELL: Thanks. Okay. So I'm going to go through primarily the things about eligibility and what qualifies technically to get the loan. It's a little tricky and there are a couple different tests. So I'll take them one at a time.

The first one, are you a company who is able to apply? And those tests are different whether you're a vehicle manufacturer a component manufacturer. So I'll do the component one first because that one is really easy.



Advanced Technology Vehicles Manufacturing Loan Program

For the component manufacturers there is no test for your company. There's only a test for the component itself. So I'll come back to that later. But for the vehicle manufacturer, there are two different tests. You don't have to do two; you have to do one or the other. There's one if you had a fleet in 2005 and then there's another if you're a new manufacturer and didn't have a fleet in 2005.

So if you had a fleet in 2005 you basically need to look at your fleet now, the one that you have the most recent data for and there's a detailed definition of most recent data in the rule itself. It's the most recent year for which data are available. Which means the model year for which a manufacturer has final data for the purposes of compliance with the fuel economy standards. So you're basically looking at the most recent CAFE compliance data that you have.

So you look at the year that you have the most recent compliance data, it's probably 2007, you look at your fleet in 2005, and you do the harmonic mean, which if you have cars, you've done that a lot and I'm not going to bore the rest of the people with the math equation for that, but it's in the rule. It's fascinating, I'm sure you'll want to read it in detail. So you look at your fleet in 2005, you look at your fleet in 2007, the fleet in 2007 needs to be at least as good on the miles per gallon as 2005.

So, again, if you're a manufacturer of vehicles, you had a fleet in 2005, you have to first pass that test to even look at whether a new vehicle that you might want to apply for qualifies. So that's the manufacturers' test.

If you did not have a fleet in 2005, it's a slightly different test because you didn't have a fleet in 2005 to compare it to. So instead you look at the industry average of all the fleets in 2005 and you compare that because you don't have something probably most recent in 2007 either, you compare it to the vehicle that you're applying for a loan for. Again, there're more detail in the rule on that, but I think the most important thing to understand is there's first an eligibility test for the company. And then there's a subsequent test for either the vehicle or the components that you're applying for a loan for.

So that's the manufacturers' test.

I think we have another slide on the next slide, Brent, on the manufacturers.



Advanced Technology Vehicles Manufacturing Loan Program

Okay. So then there's a test on the vehicle itself. And there's three parts to kind of look at for this test, again, vehicles and components different. But for the vehicles there's three parts that I'm going to go through. It's basically there's a couple air emission standards which are pretty clear and are spelled out in the rule. But then there are a number of tests about the miles per gallon of the vehicle that you're requesting a loan for. It needs to be 125 percent as compared to a specific base year of cars with substantially similar attributes. And I'll take those in three parts.

It's 125 percent, that's the simplest one. The only caveat that you need to know about, if you have a flex fuel vehicle, in some conditions like when you're doing your fleet compliance for CAFE, you can put a portion of the flex fuel miles per gallon into the calculation. You cannot do that for this test. So the 125 without any calculations for flex fuel vehicles.

The base year. The base year we've selected is 2005.

And then substantially similar attributes which is a little trickier and I've got a couple slides to go through on how that substantially similar attributes test works.

But in general it's trying to get at as much as possible comparing like vehicles to like vehicles if you're trying to see how they're -- if they're doing 125 percent better than other tests, than other cars.

And we tried to use existing classifications so that there was data to rely on. So the first thing that we looked at was the EPA existing vehicle classes. And this is how you put things into those EPA existing classes and for vehicle manufacturers, that's a classification that you're familiar with already.

Then the two things that happened with those classes were in a couple instances we actually combined classes. You'll see the small pickups and standard pickups get combined into one category and the midsize and large wagons get combined into one category. And that was really pragmatism because for 2005 there actually were no small wagons -- no -- no midsize wagons and no small pickups. We also looked at the data for some other years and realized that combining them did not actually make a substantial difference in the miles per gallon.



Advanced Technology Vehicles Manufacturing Loan Program

So for two of the categories they get combined and much more important is the categories that got divided. So, again, we were trying to compare like to like. And if we look within these EPA vehicle classifications, they actually have a fairly wide range of vehicles within some of those classes. And so we looked at each of the classes and said, how wide is that variation and is there something that looks like a performance class within there that's substantially different; power compared to the rest of the vehicles and different miles per gallon for the rest of the vehicles. So I've got another slide which is an example of how we looked at each of those classes to determine whether there was a performance class.

So we first looked at all of the vehicles within that class for 2005. We put them in ascending order for their power and weight ratio. So this is the data for power and weight ratio. And you see that in general a lot of them are fairly similar and then you have an uptake at the end and that's basically the performance class. So this is just trying to provide a little bit additional data. If people are curious about why there was a split of performance and nonperformance for some of the categories. So some of the categories when graphed looked like this with an uptake at the end. Some of them were much flatter for the entire graph and those are the ones that were not split into a performance class. And if you want to go into more detail to understand this, this is in, I think it's called a technical support document which we also have copies of outside and just explains a little bit more how we got to that numeric chart within the rule that says for this type of vehicles it's this miles per gallon. That's just a bit of background on how we arrived at the miles per gallon test. But the fact is, once you sort out what your type of vehicle is that you're applying for, you don't have to do any of these calculations. These have been done before; it's really just a way to explain to you the methodology. But all you really need to do is go into the rule and look at what the miles per gallon for 2005 is and look at the power to weight ratio and sort out if your vehicle falls into performance or the standard classification.

It's a little tricky because it's complicated and because we're not doing the questions now I can't really tell if people understand. So I guess we'll figure that out in the question and answer part after this.

Do I have one more slide with the final table?



Advanced Technology Vehicles Manufacturing Loan Program

So this is the table that's actually within the rule. Well, it looks roughly like this, but it's split into two pages. And, again, if you look at what your classification is, you look at the power to weight ratio, it tells you what the fuel economy was in 2005 and then this is the fuel economy that your vehicle must be at least this for you to qualify for the loan.

It doesn't say that then everyone with these miles per gallon gets the loan, but this is the qualification, the eligibility test for applying. This defines whether it's an advanced technology vehicle.

One other note on this chart, these numbers in red is a little error in our cargo van numbers. So apologies to any of you that were doing advanced technology cargo vehicles, those numbers were wrong, but now this has been amended in the electronic docket. So that's basically what I wanted to cover on the definitions of how we got to the advanced technology vehicle and help understand that a little bit more.

The other things that Lach alluded to before was the simulation data that's needed within the rule. So given that this is a really key number in determining whether a vehicle is an advanced technology vehicle when you're submitting applications, we really need to see information about how you arrived at that calculation. So normally this is a vehicle that doesn't exist yet because you're applying for a loan to manufacture it and so there's an assertion about what the miles per gallon is which is the fundamental test for how it's eligible. So we basically really need to show your work. We presume that everyone is using some kind of simulation model. The one that we normally rely on is PSAT which is an Argon test. But if you're modeling the simulation data, we need to see the input and the output from the simulation and you need to tell us which model you've used. And that allows us to verify everyone's numbers in the same model. So that's an important application criteria.

All right. So that was the complexity that goes with defining an advanced technology vehicle.

For components it's in some ways simpler, but in some ways requires a bit more thinking in your part on how to explain whether this qualifies. Whereas, for a vehicle you just tell us the miles per gallon that it hits.



Advanced Technology Vehicles Manufacturing Loan Program

I'm just going to read from the regulation in the Federal Register at 66728, the first column near the top. "A qualifying component is defined as one that the Secretary determines to be designed for advanced technology vehicles and installed for the purpose of meeting the performance requirements of advanced technology vehicles. And given that the performance requirements of the advanced technology vehicles are the low air emissions and the high fuel miles per gallon, the advanced components need to both be intended to go into an advanced technology vehicle and be components that help that vehicle either/or, or they could do both, help improve the miles per gallon or reduce the air emissions.

Okay. That's all I was going to cover, so I will turn over so you can hear a bit about the NEPA requirements.

NATIONAL ENVIRONMENTAL POLICY ACT

MR. McMillen: Thank you, Carol. We are going to go through some of the National Environmental Policy Act requirements. That's the statute here that's controlling.

It's considered to be the Seminole environmental statute for the United States. It directs federal agencies to consider the environmental consequences of any major federal action that the agencies take. It applies strictly to federal agencies. The idea of an auto loan actually constitutes a major federal action and that's why it's covered under the statute.

The statute is implemented in a couple of different ways primarily through regulations that were developed by the Council on Environment Quality. This is the White House arm that's responsible for implementing the National Environmental Policy Act and their regulations are contained in the Code of Federal Regulations in Title 40 at Parts 1500 through 1508. Those regulations apply to all federal agencies. But what those regulations did was they required each agency to adopt their own implementing regulations to supplement the Council on Environmental Quality's regulations. So the Department of Energy has promulgated regulations also for implementing the procedural provisions of the National Environmental Policy Act. And those are contained in Title 10 of CFR Part 1021.



Advanced Technology Vehicles Manufacturing Loan Program

So we have to comply with both sets of regulations when we do our NEPA reviews. The also at the Department we have our internal procedures and they're contained in an internal order 451.1(b). And this really lays out the roles and responsibilities of all the officials at DOE and what we have to do to comply.

Of interest to us here today are the environmental requirements contained in the Interim Final Rule. Those are found in Section 611.106 of the environmental review requirements. What it states in there is that each of the applications will be evaluated pursuant to the appropriate applicable statutes, regulations and executive orders. And what that means is NEPA and all of the other procedures that are covered under the NEPA process. I'll speak more to that in a little bit.

It's not just the NEPA regulations that we have to address when we are going through these environmental reviews, but it's also all of the other statutes that fall under the NEPA umbrella.

But in the applications they must include a substantial basis for any decisions that we make about what level of NEPA review that's required, whether that would be an environmental assessments or an environmental impact statements. And that's important to remember that they have to provide a substantial basis. We have to have enough information so that we can decide, okay, what level of NEPA review do we have to prepare. Then they need to include enough information that's -- obviously it's got to be commensurate with the complexity of the project, you know, how detailed, what's the potential for significant environmental effects. And that means that it's going to have to address all of the resource areas that would be affected by the proposal. Or why those resource areas would not be affected by the proposal. And it needs to be very clear, conclusory statements that don't have any support to them are not adequate. That will not work. We have to understand why it is that you can make a conclusion about whether your do or don't have an effect on a resource.

Then it will also need to talk about any significant environmental effects. In particular effects from construction, operation, termination, and then these things called cumulative effects where you're



Advanced Technology Vehicles Manufacturing Loan Program

looking at other actions that contribute to your incremental action and how that might affect a resource significantly.

There's going to be three different reports that are required for the application, three individual reports. The first of the reports describes the project itself. And this needs to be in enough detail that we can understand what are the resource consumption rates, what are the effluent emission streams. So you're going to need to be able to show, you know, where is this going to happen, how is it going to happen and what are we going to be doing. It's got to be very detailed so that we can understand the technology and what kind of ramifications it has in the environment. That means, like, you know, what kind of air emissions are going to come out of it. You know, what resources will be consumed? Where are they going to come from? How is the transportation going to be affected?

The second report is a socioeconomic report. That report will go into things such as the effect of the proposal, your project on local infrastructure, governmental services, schools, payroll, things like that including how it will affect the job market in that area.

The third report is a prosthesis on alternatives. In other words, is there an alternative way of accomplishing your objective? And in that there's also a requirement to show what are the tradeoffs that you're looking at? What's the economic benefit versus the environmental effect?

Now I just want to show you how NEPA works here at the Department. Our process when we consider what we're going to do for the National Environmental Policy Act, as I mentioned, the first thing we have to do is assess the information that we've got available to us to, to decide what level of NEPA review is required. Then I provide a recommendation, in this case, to the secretarial officer who happens to be the chief financial officer of the Department on what level of review I think is going to be required. And, that, of course, will depend on what we see as the significance of the effects.

The regulations that the Council on Environmental Quality came out with not only indicated that every agency had to develop their own supplemental regulations, but in those regulations you had to identify various levels of actions that normally require certain types of review. And that would be



Advanced Technology Vehicles Manufacturing Loan Program

whether they require an environmental impact statement, whether the actions require an environmental assessment or whether it's a category of actions that the Agency is able to justify that there are no potential effects either individually or cumulatively that would be significant. And we have to publish those categories in our regulations and those are called "categorical exclusions." If an action falls under a categorical exclusion there is no environmental assessment or environmental impact statement would be required. Those lists of categorical exclusions are in our regulations at 10 CFR Part 1021.

So the three levels of NEPA review then would be environment impact statement which is a very intensive transparent process. It involves a lot of detail and it has some specific -- it's a very structured process and it has some specific time frames. I think early on a lot of the press was picking up on the fact that the Secretary was indicating that the NEPA process could take up to a year. While that's true, an environmental impact statement and sometimes environment assessments can take that long depending on the complexity of the project. In fact, they can take a lot longer than that. It just depends on the quality of the information that's generated and the complexity of the project and how much information needs to be developed and analyzed with regard to the possibility of potentially significant effects.

Then we've got environmental assessments which is a very -- if you conceive of it as a very pared down environmental impact statement, over the course of the last 35 years of implementing the National Environmental Policy Act, we've gone through a lot of litigation about NEPA and it seems like now the environmental assessments look pretty much like environmental impact statements. They contain the same types of information but it's geared down in terms of alternatives because you don't have to include as many alternatives if you don't have any unresolved conflicts over the availability of resources. So it's generally considered to be a less structured process. There's no specific format for the documents. But like I say, the courts have kind of dictated how these things should look over the course of the last 35 years. But what will result, if you are able to go through the environmental assessment process successfully and there's no identification of any significant impacts, the process will end with a finding of no significant impact. Unfortunately, if there is a finding that there will be significant impacts, then it



Advanced Technology Vehicles Manufacturing Loan Program

will be kicked into an environmental impact statement process. So, a lot of times, the intent of preparing an environmental assessment are to determine whether or not there are significant effects and then an environmental impact statement is necessary. The finding of no significant impact is not a finding to take action on the project. It is a finding to decide whether or not an environmental impact statement is needed or not.

Then I mentioned the categorical exclusions.

So lastly, I just want to go through just an example of -- because we do a hundred to one environmental assessments to environmental impact statements in the United States. So just an example of the environmental assessment process. And this is not to imply to that this is the process that will be used in all cases. This is just an example of how it works.

First, as I mentioned, we have to be able to determine -- there's a determination that's made to prepare the environmental assessment. Then we notify the states that are affected or the state in most cases, or any affected Indian tribe that we are going to prepare this environmental impact -- or this environmental assessment. While we're preparing the documentation for the environmental assessment, there's a lot of other things going on at the same time. There's a lot of other complementary processes and concurrent processes. Some examples of those happen to be getting concurrence on a determination that you do or do not have an impact on any historic resources. And we go to the state historic preservation officer to get that determination. And we need to do that to comply with the National Historic Preservation Act. Just like we have to go to the Fish and Wildlife Service with our determination as to whether or not we have any impact on endangered species as a result of proposed action and that's to comply with Section 7 of the Endangered Species Act. And then we also, because of some Executive Orders, need to consult with any affected Indian tribe to make sure that we consider any concerns that the tribe may have. Then after we've got all that information together from all the consulting parties and we've got it incorporated into the document, we prepare a draft of the environmental assessment and that goes to any affected state or tribe for their review. And then following incorporation of their comments,



Advanced Technology Vehicles Manufacturing Loan Program

we prepare -- if we don't find any significant impacts, we prepare a finding of no significant impact. If we do find that there are significant impacts, then we prepare a notice of intent to prepare an environmental impact statement. And that goes into the Federal Register. And that would complete the process. If you have a finding of no significant impact, that completes the NEPA process. If you have a notice of intent to prepare an EIS, you've just begun your NEPA process.

But in order to make these determinations, I have to just reiterate, it requires a substantial amount of detail in the applications. If we don't have enough information, if we don't know what you're doing, if we don't know where you're doing it, and we don't know how you're going to do it, we're going to have a lot of trouble being able to justify our decision on what level of NEPA review is required. So it's incumbent upon the applicants to provide that information up front so that we have it to make our determination. And that would include all of the resources that are going to be consumed by the proposed action and all the effluent emission streams that would be associated with it. That would be like air emissions, waste emissions, things like that. But it's important that we just remember that in this process, if you come to a conclusion, the conclusion needs to be supported by an appropriate level of detail. And that's really essential because I've had a lot of calls the past few days and e-mails from people about what is it that I need to have in my application to satisfy these environmental requirements. And, of course, my advice is, you know, first and foremost is to look at Section 106 and make sure that each of the elements in 106 is addressed. And address it in enough detail that we can use that information to come to a determination as to what level of NEPA review is required.

So I'll pass it on to Dan.

RULEMAKING PROCESS

MR. COHEN: Good morning. I want to talk briefly about the rulemaking process and how it runs for this particular program. When the Energy Independence and Security Act of 2007 was enacted in December of last year, Section 136 was included and that's the authorizing statute for this program. There was a requirement on the Department in that statute at the time to issue regulations. Through



Advanced Technology Vehicles Manufacturing Loan Program

September of this year, we hadn't actually issued those regulations, because truth was, there was no money appropriated for the program until then.

When the Continuing Resolution that's currently funding the government was enacted on September 30th, there was -- in that continuing resolution there were several amendments to Section 136 as originally enacted. Two of them had to do with the rulemaking process.

First, the continuing resolution told us to issue what's called an Interim Final Rule. I'll get into what that means in a moment. But the second thing is, it told us to do it quickly, which was we had 60 days to issue that Interim Final Rule. So the continuing resolution was enacted on September 30th of this year, the due date for the rulemaking, for the Interim Final Rule, was actually November 29th, last Saturday. And we issued the rule on the 5th of November and it published on the 12th in order to meet that statutory deadline.

As I said, it was an Interim Final Rule that Congress directed us to issue. Now, so the typical rulemaking process that the federal government follows is that we issue a proposed rule, out for public comment for some period of time, we review the comments we receive and we issue a final rule that responds to the comments. That final rule takes effect a period of time after publication.

In some circumstances agencies can short circuit that process. And one of those circumstances is when Congress tells us to follow a different process. And that's what they did here by telling us to issue an Interim Final Rule. So an Interim Final Rule is a rule that takes effect when it is issued. There is no prior public comment period on it and that's why it's final. However, it allows for public comment after the rule gets published and takes effect and that's why it's interim. So there is a public comment period that's open right now. It's open through the 12th of December and we have to receive any comments that you would like to submit to us -- and you can do it right here today -- by the 12th of December. We will then review those comments and we'll issue a final rule that will respond to those comments. It may result in no changes to the Interim Final Rule; it may result in a number of changes to the Interim Final



Advanced Technology Vehicles Manufacturing Loan Program

Rule. But the Interim Final Rule -- until those changes or the final rule gets published -- is effective and we follow the requirements of the Interim Final Rule.

There is no date, by the way, that the final rule is due. So we do have some time and we are actually obviously running the program. So we are trying to do both things together.

I do want to mention, though, sort of we're doing real-time rulemaking here in some respects. When we had this meeting on Monday, there were at least two comments that came up, two issue areas that came up that we would like to clarify today because we really didn't have answers to them on Monday. And there may be other issues that come up today that we may not necessarily have answers to and we have to think through. Those two were -- there were questions about the financial viability test that's in the statute. The test is that the Secretary has to find that an applicant is financially viable without the receipt of additional federal funding for the proposed project. So the way to think about that test is that if an applicant can take advantage of -- and this is explained, we thought, well, but maybe not so. We'll have to think about how we might clarify this in issuing a final rule. The Interim Final Rule covers this, but to the extent that an applicant can take advantage of say some sort of tax rebate or some, you know, depreciation availability in the tax code or they have a grant award maybe from some federal agency to undertake some project, that figures into their financials. That's okay. That doesn't get discounted from their financials.

To the extent that an applicant might have some other federal assistance for the proposed project, that would then have to be backed out of their financials in order to make the determination of financial viability.

The second question that came up on Monday, that I'd like to just touch on quickly was this question, so as Carol walked through the eligibility requirements for the project that the manufacturing has to occur in the United States either of the automobile itself or of a component, or engineering integration has to be performed in the United States. And questions came up about, well, what if there is some aspect of a vehicle project from beginning to end that may occur outside of the United States. The



Advanced Technology Vehicles Manufacturing Loan Program

rule of thumb to think about is that the project for which you will be applying needs to be performed in the United States. Even if some other aspect of the project may be elsewhere. Hopefully that clarifies the issues. And if we have more we can obviously answer the questions about that.

Thank you.

QUESTION AND ANSWER PERIOD

MR. SEWARD: Thanks, Dan.

So, having heard a brief description of the program, we are now read to take some questions from you all. Yes. We're getting the boom to you, it's taking a while. Right here.

MS. MANDONS: On the environmental impact study that needs to be prepared --

MR. SEWARD: Could you tell us who you are and what organization?

MS. MANDONS: Oh, I'm sorry. I'm Cheryl Mandons and I'm here representing Firefly Energy.

MR. SEWARD: Okay.

MS. MANDONS: For the environmental impact study that needs to be prepared, can that be done in house, or does the applicant need to have an outside specialist?

MR. COHEN: It can be done in house if you have the expertise to do it.

MS. MANDONS: While I have the boom, can I ask a second question?

MR. SEWARD: Sure.

MS. MANDONS: I think I understood Carol to say that a component must be designed for an advanced technology vehicle. Does that preclude specifically a component that could allow a current automobile or vehicle to meet the standards?

MS. BATTERSHELL: While the component that people would be applying for a loan for, it needs to be designed for an then installed in advanced technology vehicles. I have to see if I can find it in the rule. There's also language in the rule that says, while it has to meet those conditions, that in no way says that it could be used in other vehicles, conventional vehicles or even in aftermarket sales. So that



Advanced Technology Vehicles Manufacturing Loan Program

isn't precluded, but it has to meet the first test that it was designed for meeting either the emission standards or the fuel economy of an advanced technology vehicle. But after that's met, it could be used other places.

MS. MANDONS: Okay. Great. Thank you.

MR. SEWARD: Thank you. Over here.

MR. PITTAS: My name is Jay Pittas with Remy International. The question I have is, the rules suggest there's both loans and grants although most of the discussions have been around loans. Can you clarify what is available or what would be different about a grant application versus loan?

MR. SEWARD: Currently there is no funding for the grant provision. Section 136, as you correctly stated, includes both provisions. However, the grants were not funded at the time that the loan was funded. So we're not enacting anything that has to do with grants at this point.

MS. BATTERSHELL: Lach, just to add to that point, though, while it wasn't funded, the rules are written for both --

MR. SEWARD: Yes.

MS. BATTERSHELL: -- the loans and the grants. So if money were now to be allocated for it, the rules are ready.

MR. SEWARD: Yes.

MS. GRESKO: My name is Joyce Gresko. I'm with Foley and Lardner. I have two questions. One is about the evaluation factors for the awards and if someone could just enumerate the evaluation factors and what are the relative weights of them when looking at the projects.

The second question is sort of related which is, who looks at the applications first? Is it a financial person or a technical person and what's the sort of pecking order in the review?

MR. SEWARD: The evaluation criteria have not been formally adopted by the Board. As you may or may not know, we have a Board which directs our activities and we are close to having that approved. But we don't yet have it approved.



Advanced Technology Vehicles Manufacturing Loan Program

As far as the evaluation goes, depending on which stage you're in, we would have teams from the financial side evaluating, certainly on the NEPA side and on the technical side. We will have a legal team assisting us at the point in time that we're getting ready to negotiate terms and close the loan. But we are making arrangements to have all of those resources available right now.

MS. BATTERSHELL: Lach, can I -- just to add to that, while Lack is absolutely correct that we haven't agreed on the final evaluation criteria, there is a list in the rule that says it will include these, but it's not an inclusive list. But you can at least see which factors have been agreed on already. But it's the weighting and if there are additional factors. But on 66734 in the middle column it does go through the list of evaluation criteria.

MR. SEWARD: Yes.

MR. GRAY: Patrick Gray from Lear Corporation. I have a question on Section 611.107, loan terms. (a)(1) Seems to talk in terms of an eligible facility which obviously doesn't involve engineering integration costs whereas part (2) is 25 years after the gate is -- the loan is closed. What is the loan term for engineering integration costs and how do you determine that? Is it 25 years?

MR. SEWARD: Um --

MS. BATTERSHELL: Well, it has to -- the engineering costs have to be associated with the project.

MR. SEWARD: Right.

MS. BATTERSHELL: So you can't have a loan, just, I want engineering costs to go with something.

MR. COHEN: But you're talking about repayment terms; right? And how long you have to pay it back?

MR. GRAY: Right.

MR. COHEN: Yeah.

MR. GRAY: So you're saying that the engineering integration costs --



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: It could be longer than 25 years.

MR. GRAY: -- have to be tied to a facility?

MR. COHEN: They have to be tied to a --

MR. SEWARD: Right.

MR. COHEN: -- a project.

MS. BATTERSHELL: Project.

MR. GRAY: A project? Okay.

MR. COHEN: Which would be an eligible component or an eligible --

[Simultaneous conversation.]

MR. GRAY: If you have a project that involves a qualified component, obviously it's not a facility.

MR. COHEN: Right.

MR. GRAY: Is it a loan for 25 years?

[Simultaneous conversation.]

MR. COHEN: That should have really -- I think should have been eligible project instead of just eligible facility which would have covered both.

MR. GRAY: How do you determine the length of the loan?

MR. COHEN: Yeah, that's a good question.

It's no longer than 25 years, I'll tell you that.

MR. GRAY: Well, you've got the five-year deferment --

MR. COHEN: Right.

MR. GRAY: My second part of my question was relative to whether the five-year deferral was available with respect to engineering costs incurred with essential qualified components and at what point in time do you ask for the deferral?

In many respects this is important to that financial viability because you asked for --



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: Right.

MR. GRAY: -- something that --

MR. SEWARD: No, I think --

MR. GRAY: Do you have to show solvency throughout the period of the loan? And if it's 25 years, that's somewhat difficult since mostly we do five-year projections.

MR. COHEN: Right.

MR. GRAY: How do we show 25?

MR. SEWARD: As far as when you would ask for the deferral, I think you need to ask for it up front. The reason being is that one of the things we have to do is a credit subsidy analysis. And that will definitely have an effect on the risk profile that comes out of that. So I think you would need to do that right away.

MR. GRAY: Is there anything that disqualifies the engineering integration costs from the five-year deferral? Is it also eligible?

MR. SEWARD: That would disqualify it?

MR. GRAY: Yeah.

MR. SEWARD: I don't think so.

MR. GRAY: Okay. And behind me and I didn't get the gentleman's name. He wants to know if deferral limits your chances of getting a loan?

MR. SEWARD: Well, as I said, I think the deferral would impact the -- at least that aspect, the credit subsidy calculation. Whether that would have any impact overall, I can't say. It depends on a lot of the other factors that would be in the application.

MR. GRAY: So basically at this time I don't know how long I can even ask for a loan? Is that what you're telling me?

MR. SEWARD: How long you can ask for a loan?

MR. GRAY: Yes. My loan term.



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: His repayment terms.

MR. SEWARD: For engineering integration.

MR. GRAY: For purposes of the application.

MR. SEWARD: It should be tied to the profile of the project itself. Since engineering integration needs to be tied to a specific project.

MR. GRAY: So project life?

MR. SEWARD: Pardon?

MR. GRAY: Project life?

MR. SEWARD: Project life of the project. Yeah.

MR. COHEN: That would be your safest approach.

MR. GRAY: For certification, do you have any boilerplate language or any language you want in particular relative to the certification and who must certify?

MR. SEWARD: No, I don't think we do; do we?

MR. COHEN: No. I mean, you have to certify to the requirements that are in the application section. It requires certification. You have to be a responsible officer.

MR. GRAY: Responsible -- yeah.

And one other thing. If your lenders are reluctant to issue a currency letter to you saying that your interest payments what do you do? Does that disqualify the application? I mean, we've got a short window here to get the application in. And I don't know how long it would take J.P. Morgan or a trustee of the bond holders to actually issue a letter. Or is that something where the application could be considered substantially complete?

MR. COHEN: You may not be substantially complete without that actually.

MR. GRAY: I mean, it is somewhat time sensitive.

MR. COHEN: Uh-huh. Yeah. I would think the way the reg is written you are not substantially complete without it.



Advanced Technology Vehicles Manufacturing Loan Program

MR. GRAY: Okay. So we would be barred?

MR. COHEN: Yes. Or rejected.

MR. GRAY: One other question. Our accountants and finance people wonder what you mean by the term, "fixed charges".

MS. BATTERSHELL: Where is that?

MR. GRAY: I think it's in the viability, all the ratios. There's one in particular or one or two that says, "fixed charges." That term is not defined.

MR. COHEN: Using general accounting principles.

MR. GRAY: Unfortunately, it's our accountants who are asking the question.

[Laughter.]

[Simultaneous conversation.]

MR. COHEN: Yeah, not being -- I assume that that was a GAP concept. So I'm not sure with that, not being an accountant.

MR. GRAY: Yeah. Might that be addressed in the final rule?

MR. COHEN: Yeah. I think with just a clarification. We can go back and get that answer.

MR. GRAY: Thank you. Sorry for taking all that time.

MR. SEWARD: Behind.

MR. MICHAELSON: Steve Michaelson from Kelley Anderson and Associates. I want to go back to the evaluation question. Will the National Renewable Energy Laboratory or its contractors or the DOE standing list contractors under the alternative fuels program be used in the evaluations?

MR. SEWARD: I'll let Carol answer that.

MS. BATTERSHELL: So we are now looking at a number of resources at the National Labs, not just NREL, but other national labs and some contractors that work both for DOE here and at some of the national labs as potential resources. Part of it depends on how the -- what the actual applications are that come in. So it's a bit fluid figuring out the reviewers because it would be different if it's a hybrid vehicle



Advanced Technology Vehicles Manufacturing Loan Program

versus say it's a tire with low rolling resistance. So partly it's being determined as the applications come in. But, yes, we are looking at the experts at our national labs to assist with that.

MR. MICHAELSON: It's not clear in the Interim Final Rule as to whether you're looking for formal, independent financial assessment like a Moody's or S&P. Is that the case or can somebody else do internal analysis?

MR. COHEN: We did not specify that you need an agency.

MR. SEWARD: No, we didn't specify.

MR. MICHAELSON: Okay. Thanks.

MR. SEWARD: Yes.

MR. KELLER: I'm Mike Keller and I work for a company called Sonex, spelled S-o-n-e-x. Research Incorporated from Annapolis. And we've been involved for the past five years of funded Defense Department work to develop a lean burn combustion process and we've been working on our patent which relates to the design of a piston. So I'm very intrigued by your definitions of qualifying components. And, Carol, you made a -- you read the words on what's here page 66732 and it says under (2) "installed for the purpose of meeting" and so on. And then you said in your discussion of it, you used the word "intended" and I think the word "intended" is much more qualifying than the word "installed" because "intended" gives the applicant, in our case, the opportunity to submit a preproduction kind of endeavor or a -- you know, various stages of development have to take place before you can obviously qualify a piston for production in a -- you know, production engine coming down somebody's production line. So I think the word "intended" is a really -- what you used in your comments is, for our purposes anyway, is certainly much more advantageous than the word "installed."

MS. BATTERSHELL: So a couple comments on that. One of them is that the program's intention is really about getting vehicles onto the road. So it is explicit that it's not about research and development. It's about producing vehicles for sale, putting those advanced components into the



Advanced Technology Vehicles Manufacturing Loan Program

vehicles. I actually think I probably misspoke because I think the legislation, not just the regulation, but the act from Congress says the word "installed."

MR. MICHAELSON: It does say "installed"; yes. That is in the law.

MS. BATTERSHELL: So one of the things that's also spelled out a bit more about the selection criteria is it's talking about the extent to which you can show that a component will be installed in a vehicle. So, you know, kind of it's probably a bit of a sliding scale. But when comparing component applications, one that would come in and say, I have contracts with the vehicle manufacturer that an order is placed that show that this component is going to be installed in 100,000 vehicles, that's probably -- no, not probably, that would fare better for that component application as compared to one that says, we are planning on calling an auto manufacturer and we think we'll get it in about 5,000 vehicles. So there's both the how many vehicles is it going into and the surety about its installation in a vehicle are both evaluation criteria for the components. And I can find that in there, but that is spelled out somewhere in there.

MR. OWEN: Steve Owen with Magnesium Products Group out in California. Assuming we get all the wickets for the components, how long do you anticipate loan approval --

MR. SEWARD: That's always the \$64,000 question.

MR. SEWARD: You know, we will try to expedite approval as best we can. But in all fairness, I mean, the process takes some time in order for us to do what we need to do to evaluate and then do the due diligence and negotiate the closing documents. So I can't give you a precise time. But this program is on as fast a track as you're going to find in the government, I believe.

MS. BATTERSHELL: And it's going to be different whether, you know, really depending on the stuff that was talked about on NEPA whether it's a -- I don't have the technical --

MR. McMillen: Environmental assessment versus environmental impact statement.

MR. SEWARD: Yeah, that has to happen before the loan closes.

MR. McMillen: Well, whether or not --



Advanced Technology Vehicles Manufacturing Loan Program

MR. OWEN: --fast process.

MR. SEWARD: Well, it's going to be as fast as we can make it. And I can't tell you how long that's going to be. But --

MR. OWEN: After 30 years in the Marine Corps --

MS. BATTERSHELL: Well, have you seen a lot of rules come out in 36 days? So --

MR. SEWARD: Yes, in the front.

MS. BATTERSHELL: There's always hope.

MR. COBOS: Good morning, Anthony Cobos El Paso County. Under project eligibility establishing a manufacturing facility in the United States, it's clear the loan amount can be up to 80 percent. But if part of establishing that facility were to purchase licensing and intellectual property upwards of around 20 percent, would that comply with the 20 percent match?

MS. BATTERSHELL: So can that be previously intended?

MR. COHEN: So you're talking about -- just to be clear, about two different things. Lach had mentioned earlier that loan proceeds are forward-looking. It can be used to pay for forward costs. We're not talking about a refinancing program here.

MR. SEWARD: Right.

MR. COHEN: There can be prior incurred costs that can be applicable to that 20 percent equity as long as it's part of the project. So if you have -- you know, just making up numbers here, if you have a \$100 project and you've already spent \$10 towards that project, those \$10 could be counted toward the equity requirements. You can't get the loan proceeds to cover the \$10 that's already been incurred.

MR. COBOS: Okay. But -- okay, so a follow-up question is, is the -- can the 80 percent loan amount be for part of the licensing and intellectual costs?

MR. COHEN: It's considered.

MR. COBOS: Or is it for property, plant and equipment only?

MR. COHEN: We have to take a look at that actually.



Advanced Technology Vehicles Manufacturing Loan Program

MR. COBOS: Okay.

MR. COHEN: Depending on what the project is, I think. But we'll have to take a look at that.

MR. COBOS: Property, plant and equipment definitely qualify?

MR. COHEN: Yes. Yes.

MR. COBOS: Okay. So if the company were to come up with the intellectual property and the licensing fees, et cetera, et cetera, then that would be --

MR. COHEN: It might be covered, yes.

MR. COBOS: It might be covered. It might be the 20 percent covered and the remaining 80 percent of the project costs would then be considered?

MR. COHEN: Oh, I thought you were asking if you could use loan proceeds to actually cover some acquisition of some license?

MR. COBOS: Well, yeah, and I think that's a little bit vague.

MR. COHEN: Yes.

MR. COBOS: I don't know that you're willing to go that far.

MR. COHEN: Right. That's the question I wanted to -- that's the question I was thinking we need to think about.

MR. COBOS: So if the company -- if the entrepreneur were to pay the 20 percent licensing intellectual property costs --

MR. COHEN: That might well be --

MR. COBOS: -- the additional 80 percent could potentially be covered for property, plant and equipment.

MR. COHEN: I would think that would count towards the equity investment. I think that might count --

MR. SEWARD: I think so.



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: We'll take a look at that too, but I think that seems an easier question. But the issue about the equity is not this statute. It's a requirement that's imposed by the Office of Management and Budget in light of something called the Federal Credit Reform Act. So we'd have to look at that other statute which I just don't know internalizes well within this one. We have to look and see what the OMB requirements allow for in their implementation of the Federal Credit Reform Act. I just don't know that off the top of my head.

MR. COBOS: Okay. Thank you. And then under "peer review modeling" to what degree does the modeling have to be complete and will an application be considered complete if that modeling is not 100 percent defined?

MS. BATTERSHELL: So the modeling is used to determine the fuel efficiency of the vehicle. So you need to do -- if it's a car that isn't operating yet, to get its miles per gallon, you have to do the simulation work. And so because that's an essential test for eligibility you have to have done the modeling to show what the miles per gallon of the proposed vehicle is. So an application would not be complete if you had not run the -- well, we couldn't even determine if it was eligible if you aren't submitting the results of the test. And as far as completeness of the application, you need to send both the input data and the results of that model as well as saying which model you used.

MR. COBOS: Okay. Thank you. And then the last question is, there was an article in the New York Times December 2nd. It listed a few companies and most of the companies were asking for development costs. Is research and development covered under this program?

MR. COHEN: It's got to be -- not directly. So it can't be just research and development. It has to be tied -- it has to be engineering integration.

MS. BATTERSHELL: Yeah, it can't be research.

MR. COHEN: Right.



Advanced Technology Vehicles Manufacturing Loan Program

MS. BATTERSHELL: If development means the engineering to integrate a component into a vehicle, if that's what you're counting as development, yes. But what people consider classic R&D, no. It's more development deployment funding.

MR. COBOS: Thank you.

MR. VANCAT: Sylvain Vancat, Zero Pollution Motors. If we have a product that can be applied to existing vehicle as if were a profit unit, does the demonstration of the mileage has to be on a specific car or can it be on a theoretical car? On a car that say that makes 25 miles per gallon, with that unit we can make 50 miles per gallon, is that enough or do you need to be more specific?

MS. BATTERSHELL: It's not so much whether the test has to be on a specific vehicle, but it goes back to the component needs to be installed on an advanced technology vehicle. So it kind of brings into question which vehicle is it going to be installed in and then I would say that's the one that you run the test on.

MR. COHEN: Unfortunately that's just the way the law is set up. It is not as theoretical, you know, as seems to me you're suggesting. There has to be a connection there to installation --

MR. VANCAT: It could apply to a number of vehicles, it's just that --

MR. COHEN: It could apply to a number of vehicles.

MR. VANCAT: Yeah.

MR. COHEN: But you have to have at least one of them if you want us to --

MS. BATTERSHELL: So if it was something that -- it's not "could" apply to several vehicles, but it will be installed in a number of vehicles --

MR. COHEN: Right.

MS. BATTERSHELL: -- then it would be fine to say, it's going to go into this compact, this SUV, this subcompact, this sedan, and this is what it does to the miles per gallon of each of those vehicles that it's going to be installed in, then that's fine. But here's what it could do in a theoretical vehicle



Advanced Technology Vehicles Manufacturing Loan Program

generally gets 25 percent improvement in mileage, then it's having problems on the installed in a vehicle test.

MR. COHEN: Right.

MR. VANCAT: And one last question. The test that needs to be done, the simulation that needs to be done, who pays for that?

MS. BATTERSHELL: That's something that the manufacturer needs to run. But there are publicly available models. Argonne Labs has something called the PSAT model which you could probably get somewhere off of one of the Web sites. I think in fact we even referenced the Web site in the rule. So it's really -- it's a computer model. It's not like you have to take a vehicle somewhere and run a simulation. You put in the weight of the vehicle, the aerodynamics, a number of factors and you run it through this model and it tells you what the miles per gallon would be.

MR. VANCAT: That means that it's done by yourself, but not by a neutral --

MS. BATTERSHELL: The verification --

MR. VANCAT: -- a neutral party.

MR. COHEN: Uh-huh.

MS. BATTERSHELL: It's done in a couple ways. It's done by the applicant saying, I used either PSAT or I used my own company model. This is the miles per gallon I got. This is the data I put in. You send that to the Department of Energy. We have a model which we've told you which one we're going to be using, we're going to look at the PSAT model, put the data in and verify that that is --

MR. VANCAT: So the verification is done by you?

MS. BATTERSHELL: We are doing that.

MR. VANCAT: But we can do it internally?

MS. BATTERSHELL: You need to run your own simulation and show the Department what you've done.

MR. VANCAT: Okay. Thank you.



Advanced Technology Vehicles Manufacturing Loan Program

MR. SEWARD: Okay. Wow.

MR. BORNS: I'm Rick Borns from Compass Automotive Group. We make lightweight aluminum and magnesium castings mainly for chassis and suspension applications. And most of these components are currently made from fabricated steel or iron. And we're -- as far as automotive suppliers, we're fairly far down the chain. So our ability to be able to show new alloys, new casting processes and connect it to specifically installation on a specific ATV would be very difficult because we need to develop the alloys, the technologies to be able to sell that to the automakers. So to be able to articulate in the loan application on a specific ATV would be very difficult. But I think what we would propose to develop would be very important for empowering the OEMs to hit the fuel efficiency target. So, can you provide any insight on how someone that's down the supply chain like we would be could be able to explain that in an application?

MS. BATTERSHELL: Yeah, the difficulty, again, with the statute is that it says, "installed" in an advanced technology vehicle. I don't know for sure where you are in your development process, but it sounds like part of the issue may be not just where you are back in the chain, but how far down you are in having something actually developed and getting to the point that you either discuss that with another component supplier that sells onto the OEMs or your own discussions with the OEM saying, I know you're trying to develop lightweight vehicles, here's something that, you know, could really take weight out of the vehicles. But things do need to have progressed to the point where you're sorting out which vehicle is it going to go in because otherwise it's a loan for the manufacturer of a component which may or may not ever actually be installed and help the fuel economy of the U.S. fleet. Which is what the law and the rule are intending to do is actually make changes in the fleet. It's not research and development. It's trying to effect changes which is why the language is about "installed" in the vehicle. Sorry, that's probably not very helpful, but it does have to do with -- it needs to be --

MR. BORNS: It's the way the law is written.

MS. BATTERSHELL: -- progressing far enough that the components would be installed.



Advanced Technology Vehicles Manufacturing Loan Program

MR. BORNS: Yes. Well, we have -- nearly ready for production, but in the matter of between now and December 31st when the first tranche applications are due, I guess I don't understand how a supplier would be able to -- you referenced earlier -- having the ability to show a contract for installation of a component on an ATV. It just seems like there's a disconnect in the ability for a supplier to be able to illustrate that as a part of the application process because things just don't happen that fast, you know, in automotive development.

MS. BATTERSHELL: So part of the issue may be with the timing in the rule and we really are having a bit of a balancing act here trying to respond to the instruction from Congress to move as quickly as possible. But also trying to be understanding that these are not simple projects and people need some time to get the applications together and have discussions with the automakers. Hence, the tranches tiers of applications. So this first tier of applications is really trying to respond to the fact that we're trying to move with all due speed and that if people have the applications ready, we've provided a window for those almost-ready-to-go applications. If you need to have further conversations with automakers to try and find potential partners for the components that you want to manufacture, there are subsequent sets of windows for the applications. So maybe it's not done by now, but you might be completed by, say, March 30th which is -- well, the end of March is when the next round would close.

MR. COHEN: Yeah, don't think about the -- the application windows are -- I mean, if you think about it they're ongoing. They're constant. There's no stopping of the ability to file an application. We just talked about the tranches and how we would consider them.

MR. BORNS: So let's say if we applied for the first tranche and because we weren't able to show that these components were going on a specific ATV and the application was rejected, could we reapply for basically exactly the same project later demonstrating that we did have a contract with --

MR. COHEN: That's without prejudice, yes.

MR. SEWARD: Yes.

MR. BORNS: Okay. Thanks.



Advanced Technology Vehicles Manufacturing Loan Program

MR. MALONEY: Hi, I'm John Maloney from Ricardo. I'm asking this question on behalf of a client. In terms of the financial viability that needs to be demonstrated as part of the loan application, it talks about having three years of audited financial data available. If we're working with a start-up company, can you expand on how you would recommend they deal with that?

MR. COHEN: So the rule actually covers that. Actually, if you look on page 66733, on the right-hand column paragraph (h) "Financial statements for the past three years or less if the applicant has been in operation for less than three years and has been audited." And so, you know, if you have -- whatever information you have give it to us. If it's not audited --

MR. MALONEY: I guess that's the question. What if it's not audited, would you accept internal financial data or, I don't know, something not fully audited?

MR. COHEN: We require an auditing. So --

MR. MALONEY: Okay.

MR. SEWARD: Barry.

MR. FROMM: I'm Barry Fromm with USA Energy Advisors. I want to ask a question from a different perspective. Since it talks about 20-year old factories, you're really talking about Brownfield Redevelopment. Can the funding be used for retooling factories and bringing in foreign manufacturers that meet the emission standards that you're looking for and the mileage standards that you're looking for? In other words, have the funding be used for infrastructure and remediation to retool the factory.

MR. COHEN: Remediation, no. It's not -- it's got to be production of an advanced technology vehicle. Retooling, if that's part of the production of it, yes.

But just to be clear about the 20 years -- let me go back on the 20-year priority. I think there has been some misconception that the 20-year provision is an overarching priority. It's not written that way. It's written to say if it is -- if the loan is going to a manufacturer that has facilities that are in excess of 20 years in age, priority should be given to those facilities even if they're idle.



Advanced Technology Vehicles Manufacturing Loan Program

So if there is a manufacturer that doesn't have a facility 20 years in age, that priority doesn't apply.

MR. FROMM: I don't want to lose sight of what I'm asking. If you're trying to attract the right components and the right manufacturers in the assembly of vehicles and they're already completed in China or other jurisdictions, with all that closed factories in the Great Lakes region and the emphasis to bring jobs back, would this qualify for the redesign of that factory to meet the needs of that manufacturer?

MR. COHEN: Well, it's got to be to produce an advanced technology vehicle.

MR. SEWARD: Right.

MR. FROMM: Correct.

MS. BATTERSHELL: But there's nothing that disqualifies foreign manufacturers, it just says that the U.S. provisions are about that the manufacturing needs to happen in the U.S.

MR. SEWARD: In the U.S.

MR. FROMM: Okay.

MS. BATTERSHELL: It doesn't say it needs to be a U.S. company.

MR. SEWARD: Right.

MR. FROMM: Thank you.

MR. SEWARD: How about some in the back.

MR. MICHAELSON: Steve Michaelson from Kelley Anderson. I want to go back to the eligibility requirement. We already talked about pre-existing loans would make you ineligible, grants perhaps would not. But DOE under its current standing and interim rules under loan guarantees and grants and assistance programs and USDA under the same types of programs are inconsistent in how they look at grants, prior grant money. Would DOE consider a previously received grant for the purpose of this project to be counted as equity or would it be discounted and just effectively reduce the cost of the project?

MR. SEWARD: No, I don't think it would be counted as equity.



Advanced Technology Vehicles Manufacturing Loan Program

How about this fellow right here.

MS. LOVELACE: I think the lights, you probably can't see me because of the lights.

MR. SEWARD: I can't see you, yeah.

MS. LOVELACE: Laura Lovelace from Fabiani. First of all, I want to thank you for getting the ruling out so quickly on the 36 days. That's been a huge help.

Two quick questions and a clarification. Dan, I know you said this earlier, but I just want to be really, really clear that I understand it that if the parts for the car are manufactured in the U.S., like full on and sort of assembled in all their respective components, shipped overseas to be tooled into that car and then the car sold in the U.S. that that does qualify.

MR. COHEN: It depends on what the loan is for. In other words, what I said was that the project for which you are seeking the loan has to be performed in the United States. So if the project and what you just laid out is the component manufacturer --

MS. LOVELACE: Yes.

MR. COHEN: -- and that is the loan that's being sought --

MS. LOVELACE: Yes.

MR. COHEN: -- the component is manufactured in the United States and then the advanced technology vehicle is produced someplace else and then brought back to the United States for sale, that component manufacturer project is eligible because that is being produced in the United States.

MS. LOVELACE: Thank you. And second question, for the engineering component, the component integration portion, we have multiple, multiple -- I don't know how many, hundreds of components that are actually going to be engineered and integrated in a facility in Michigan. Now, what percentage of those components need to be manufactured in the U.S.? Just the part that we're using the money for; is that sort of how we -- you know, we just need to split up our components and say, explain how we're --



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: The rule of thumb that I laid out was that, you know, the project for which you are seeking the loan has to be in the United States because, as we talked about this, the permutations of the upstream and the downstream become, you know, that may be elsewhere become kind of muted.

MS. LOVELACE: Okay. Right.

MR. COHEN: so --

MS. LOVELACE: That makes sense.

MR. COHEN: -- the thing you're applying for has to be done here.

MS. LOVELACE: Okay. And lastly, in terms of the retooling, if we have the intent to retool and we have located several potential facilities so that money would be used in the U.S. for retooling and it meets the other criteria, do we have to have the exact factory, the exact location pinpointed within the next few weeks?

MR. COHEN: So that's going to be an environmental issue actually.

MR. McMillen: It makes it very difficult to do the NEPA analysis if we don't have a site.

MS. LOVELACE: Okay.

MR. McMillen: Because most of the effects are site-specific.

MS. LOVELACE: Okay. Thank you very much.

MR. SEWARD: This gentleman here has been trying to ask a question for a while.

MR. CLARK: My question -- Jeff Clark with NGV America. My question has to do with the vehicle test and the 125 percent. It was touched on today and there was a lot of discussion in the preamble about no additional credits for flex fuel vehicles. There's no discussion though about dedicated vehicles, vehicles that only operate on alternative fuel and whether they're receive any kind of special consideration with respect to CAFE.

MS. BATTERSHELL: So there is some stuff. Dan is going to be looking for that while I fill a bit. The test for 125 percent that I did mainly talk about the gasoline/diesel test. For alternative fuel vehicles, particularly things like plug-in hybrids for which there isn't a CAFE test yet, what we said was,



Advanced Technology Vehicles Manufacturing Loan Program

there are some standards under consideration, but it's hard to base a rule on things that are still being considered. But we said, use the industry-agreed standards. Like there's a J-1711 or something being developed for plug-in hybrids. That might be the type of thing that you would rely on to say this is my plug-in hybrid and this is what it would do under that statute or under that proposed rule and describe that. If it's something like a natural gas vehicle or another alternate fuel, you need to be doing a petroleum equivalent test and those methodologies are laid out and somewhere it specifies what those are. But we did try to think of each type of vehicle and include something for that. If when you read through that section it's not covering the type of vehicle that you're thinking about, then you should have a follow-up question. But we did try to get it --

MR. COHEN: There's a footnote at the bottom of 66725.

MS. BATTERSHELL: 66725, have, it's in a footnote. Perhaps that's how we hid it from you. So it's the footnote at the bottom of column three in calculating the percent improvement in average base year combined fuel economy. If the vehicle at issue is an all electric drive, range extended electric vehicle or plug-in hybrid vehicle then the applicant will need to submit information that allows the Department to determine that the vehicle meets the 125 percent average. So it's kind of saying that we understand the rules that we've specified don't cover those in particular.

I thought there was also something in there for the gasoline equivalent for other fuels. That might be within the other regulation that we cite.

MR. COHEN: Yes, that's in the NITSA rule.

MS. BATTERSHELL: So there should be an equivalent test for the plug-in hybrids and electric vehicles that use the different tests and the petroleum equivalent calculations for some of the alternate fuels are actually specified, I'm pretty sure, within the NITSA rule that we specify.

MR. SEWARD: Over here?

PARTICIPANT: (Off microphone) -- I'm sorry you mentioned about staff and all electric vehicles --



U.S. DEPARTMENT OF
ENERGY

Advanced Technology Vehicles Manufacturing Loan Program

MR. SEWARD: Excuse me, you are?

MR. KAZZAZ: I'm sorry. Amos Kazzaz with ZAP.

MR. SEWARD: Okay.

MR. KAZZAZ: Manufacturing all electric vehicles. So in this case if you have any additional insight of what you're looking for to meet that footnote standard or will be seeing some additional data yet to come?

MS. BATTERSHELL: There won't be additional data yet to come. You should look at what -- you're probably doing something already to give yourself some idea of what the miles per gallon equivalent is of the vehicle. You should lay that out. And I was just saying there are also some industry standards out there, the American Society of -- I can't remember what J1711 is part of, but there are some other industry standards out there that are beginning to look at how to run the tests for all electric or plug-in electric vehicles. And relying upon those is one methodology, your other tests, you need to send in some data to prove and to show us how you're calculating for an electric vehicle.

MR. SEWARD: Back here.

MR. MARCUS: Mike Marcus for Internet Corporation. Two questions. Back to Section 611.101 subsection H. If we have a wholly-owned subsidiary we're going to make the loan application from and we only have audited financials for that parent corporation, will that work?

MR. COHEN: There's no financials for the substance?

MR. MARCUS: I have financials, but they're not audited.

MR. SEWARD: They're not audited.

MR. MARCUS: They're part of the parent.

MR. COHEN: Are they in the parent's numbers?

MR. MARCUS: Yes, they're in the parent numbers.

MR. COHEN: Yes, then that will be fine.

MR. SEWARD: Yeah, I would think so.



Advanced Technology Vehicles Manufacturing Loan Program

MR. MARCUS: Okay. Second question then, I just want to make sure I understand this that a loan application as a component supplier we virtually have to peg it to a particular vehicle -- an advanced technology vehicle. We have to say it's going to be on this platform or that platform; is that correct?

MR. SEWARD: That's correct.

MR. MARCUS: Okay. So we have to absolutely identify at least one?

MS. BATTERSHELL: At least one.

MR. SEWARD: At least one.

MS. BATTERSHELL: It could be more.

MR. MARCUS: Okay. All right. Okay. Thank you.

MR. SEWARD: And let's see, all the way in the back there. Well, not quite all the way in the back. In the shadows.

MR. WEINER: Jeff Weiner with Fabiana. My question is, if we are looking to retool a factory or there's a factory that is no longer in use and use that for an automotive purpose, need the factory have been an automotive factory in its prior life? Could it have been a toy factory?

MR. COHEN: For purposes of the 20-year priority you're asking or just generally?

MR. WEINER: If we're asking for a loan to go after -- to use this factory towards an ATV --

MR. COHEN: Then I guess they could have made cupcakes before.

MR. COHEN: That may lead to some environmental issues though because I don't know what the -- I mean, you can maybe talk about this, but, you know, the footprint of that place, if it were making cupcakes before might be different than it would be when you're making a vehicle or components for a vehicle.

MS. BATTERSHELL: But I think that might be one of these other misunderstandings about what the 20-year priority means. If you think that -- well, I don't know what your real intent in the question is, but if you were thinking that buying up an old factory, an old auto factory to get you, you



Advanced Technology Vehicles Manufacturing Loan Program

know, a better chance of getting a loan because now you have a 20-year old or older facility, that actually does not help.

MR. WEINER: All right. But my question is, need that factory to have been used whether as a battery supplier, as a tire company, could it have been a cupcake factory?

MR. COHEN: Uh-huh.

MR. SEWARD: Sure.

MS. BATTERSHELL: You have a cupcake factory.

MR. McMillen: From an environmental standpoint it's probably preferable to have a facility there as opposed to building a brand-new facility. Because where you run into problems environmentally is when you start sticking shovels in the ground.

MR. SEWARD: Over here.

MR. MARSINO: Paul Marsin with Butzel Long. My question is, is there any estimate or range or anything at all at this time that can be said about the applicable interest rates that will be attached to these loans, or is that something that won't be determined until after the loan has already been granted?

MR. SEWARD: It's based on the cost of funds at Treasury. As we probably should have pointed out the direct loans are furnished by the Federal Finance Bank at their cost of funds. So, you know, you would have to look at a Treasury yield curve right now to see exactly what that is.

MR. COHEN: It did say in the regulation that if, you know, you're talking about draw downs the interest rate would be calculated at each drawdown depending on what the Treasury cost of money is at the time of that drawdown. So it ends up it could be a blend.

MR. SEWARD: Behind over here.

MR. MALLEY: Hi, Bill Malley with Perkins Coie law firm. I have three questions regarding NEPA. The first one is, can you get some examples of the types of projects that you would envision requiring in the EIS or in environmental assessment? I mean, what would be the type of project that would require that?



Advanced Technology Vehicles Manufacturing Loan Program

MR. McMillen: A new facility that's being built in jurisdictional wetlands; a facility that would be built on top of critical habitat; a facility that would require air emissions that exceed the National Ambient Air Quality Standards. Those would be the things that would trigger environmental assessment or an environmental impact statement.

MR. MALLEY: That's EIS and what about EA?

MR. McMillen: EA's would be those projects that there's no reasonable presumption of significance and we're actually looking at the effects to determine whether or not they are significant. There's all kinds of different examples. But those that are not identified as actions normally requiring an environmental impact statement in our regulations but there's a need to define whether or not there's significant effects, all those projects would be environmental assessments.

MR. MALLEY: Okay. My second question relates to categorical exclusions. Do you have any categorical exclusions that already exist that would apply or might apply to these types of activities? And if not, are you considering developing new categorical exclusions to expedite NEPA?

MR. McMillen: If you can imagine, the agency has never done anything of this sort before, so we don't have any experience where we could have developed justification for categorical exclusions. So the categorical exclusions that we do have in Subpart d and Appendix B to Subpart d are not specifically designed to address auto manufacturing. We are looking at all of our categorical exclusions. We are trying to consider every different type of NEPA avenue that we can take. The ability to develop a categorical exclusion specifically for this program you have to remember that any time you revise your NEPA procedures it has to go through a public comment period. In addition to that, in order to justify a categorical exclusion, you have to have enough information, you have to have enough justification that you can get the Council on Environmental Quality to agree that that's sufficient to warrant a categorical exclusion and you have to also prove that if the public request that during the public comment period it takes a long time to promulgate the categorical exclusions. It takes a long time to make changes to the rule basically. So --



Advanced Technology Vehicles Manufacturing Loan Program

MR. MALLEY: The take away from that, I think, is that in the absence of existing CEs and in the absence of any new rulemaking that the default here is that you would need an environmental assessment for most projects that we can't really assume that categorical exclusions would be applicable here.

MR. McMillen: We can't assume that, but we're not going to rule it out at this point. We're looking at everything that we can possibly do to expedite the process.

MR. MALLEY: Sure. One last question is, has there been any discussion or consideration of any legislative efforts to limit or exempt the NEPA requirements?

MR. COHEN: We're not -- you know, that's beyond us, basically. We are here to run a program.

MR. MALLEY: Sure.

MR. COHEN: What Congress may or may not do is up to Congress.

MR. SEWARD: How about in the back over here. No, up a row or two. Get somebody new.

MR. GALLETT: Thank you. I'm Scott Gallett with Borg Warner. My question pertains to components. It's a simple question. It was mentioned by Carol about either the components are designed for or installed for purpose of fuel economy or emissions, and emissions is really my question. My question is, will you accept an application for a project that is only an emissions project and does not improve fuel economy?

MS. BATTERSHELL: Yeah, the component definition talks about meeting the performance requirements of an advanced technology vehicle. There is a, b, and c in the performance requirements and two of those are air emissions. So, yes.

MR. SEWARD: Over here.

MR. VanDIEREN: Mike VanDieren from *Winamar Corporation. We are a power train component supplier. A question on the project evaluation. We have very specific programs that we will be launching in the foreseeable future in the next two to five years with the big three, as an example.



Advanced Technology Vehicles Manufacturing Loan Program

Those projects are very specific, we know our MPV, internal rate of return, the question is, what type of detail in the application do you need? As an example, our senior management and board have a one-page summary of the P&L, the labor impacts, the investment details, is that adequate if we warrant that those are the actual financials, or do you guys need the backup that goes into our cost estimating models that get into tach times, process flows, you name it. I guess the question is, just what level of detail is required.

MR. COHEN: So just to be clear -- one thing that came up actually on Monday, and we probably should have talked about this today, the way the regulation is set up we need a substantially complete application to begin the eligibility determination and then evaluation process. So substantial completeness is not absolute completeness. It just means we need the basic information we asked for in Section 101 of the regulation to start the process. Once that process starts it will be iterative. It won't be, you know, you've submitted a substantially complete application and you'll hear back from us in six months with an answer. If we need additional information we'll come back to you and figure out what that will be.

MR. VanDIEREN: Okay. That's helpful. And then the next question is, we have another set of projects that at we're going after for our application that they don't have specific MPVs. As an example, we are looking at expanding our Detroit R&D facility for brick and mortar and engineering and test equipment that just supports another bigger \$50 or 100 million business that it's a requirement to stay in business. So it doesn't have an MPV on it specifically, but we need to do it and there's a question we're facing right now, do we do this investment in Detroit or do we do it in Canada, as an example? Can you still submit on that without the full financial justification but that it's for a very specific business line of the overall corporation and then how would you evaluate that?

MR. COHEN: Well, if you're going to build it in Canada, no.

MR. VanDIEREN: Obviously not.

MR. VanDIEREN: But with the right incentives we'll do it in Detroit.

MR. COHEN: Yes.



Advanced Technology Vehicles Manufacturing Loan Program

MR. VanDIEREN: If you don't have a specific project MPV but it's the cost of doing business and supporting that business, how do you evaluate that?

MR. COHEN: Yes, well, see, remember it has to be tied to an advanced technology vehicle. So you still have to have that. That nexus needs to be there and what you're describing sounds somewhat tangential to --

MR. VanDIEREN: It does. It's a portion of the existing business that goes into ATVs and future -- okay. That answers it.

MR. SEWARD: In the middle here next to this gentleman.

MR. FRIZZELL: Willie Frizzell here Allison Transmission. Is the definition of an advanced technology vehicle limited to vehicles under 8500 pounds? Or why wouldn't commercial vehicles at 8501 pounds be applicable for this project?

MS. BATTERSHELL: It is limited to automobiles and light-duty trucks. And that was what was in the Congressional act. So we're bound by that. So the definitions reflect that.

MR. SEWARD: Okay. Here.

MR. HARRINGTON: Will Harrington with Inside Washington Publishers. Just so I'm clear, if a major auto manufacturer were to receive a multi-billion dollar bridge loan that's being discussed on the Hill, which would or would not preclude them from being eligible for a 136 loan?

MR. COHEN: You know, it's sort of speculative. We're not -- and it's not a topic we can really address here. So I don't know how to answer that question.

MR. SEWARD: Over here.

MR. MacDONALD: My name is Luis MacDONALD and I'm representing Electro Via USA. It is an electric vehicle manufacturer that just opened a new facility in upstate New York. And because of that we don't have three years of audited financial statements as of yet, however we do have a joint venture with a Canadian company that does have three year of audited financial statements. Can that be



Advanced Technology Vehicles Manufacturing Loan Program

used in the loan application and can the assets be used as collateral also from our joint venture partner that's Canadian, you know a foreign corporation?

MR. COHEN: The question there is going to be, who is the actual applicant.

MR. SEWARD: Right.

MR. MacDONALD: The U.S. company in New York will be the applicant.

MR. COHEN: Will be the applicant.

MR. MacDONALD: But does not have three years of audited financial statements. We're trying to meet the --

MR. SEWARD: Unless there's a commitment by your joint venture partner, I think you would have to submit whatever financials you had, as Dan had pointed out earlier.

MR. COHEN: Right.

MR. SEWARD: If you have a commitment with your partner to pursue this project, then I think you could submit the financials from your joint venture partner.

MR. MacDONALD: Okay. So my understanding is we can submit their --

MR. SEWARD: It depends on how you present your project.

Mr. MacDONALD: Okay. Thank you.

MR. SEWARD: Down here.

MR. PISANI: Mike Pisani from LM, Inc. A few questions. Is there any priority or penalty associated with if you're the leader of the supply chain? So in other words, under the engineering integration if you're producing, you know, certain parts of the project in house but others are manufactured by your suppliers, is there any priority or penalty there in terms of eligibility?

MR. COHEN: No.

MR. PISANI: All right. So then forward to that, if you wanted to either purchase that company or supply it outright or just their assets, can you use the funds for that?



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: No, it has to be towards production. You know, this is not a venture capital program.

MR. PISANI: All right. So then in facility wise, any weight associated with location. If you're opening up another facility and, you know, you're open to location, are you targeting any certain areas for, again, more priority?

MR. COHEN: The United States.

MR. PISANI: One other --

MR. COHEN: Someplace in the United States.

MR. PISANI: Okay. Can the loan be used for further regulatory testing, whether it be EPA if it's a new vehicle, crash testing?

MR. COHEN: No, again, it has to be production of a component or a vehicle.

MS. BATTERSHELL: Or a vehicle.

MR. COHEN: Or engineering integration for a vehicle.

MR. PISANI: If the project is a vehicle, at ATV and you're going to be, you know, conducting, you know, your EPA -- so you do the simulation but you then have to -- then to go get the NITSA certification and the EPA certifications you can't use the loan for those testing?

MR. COHEN: No, that's just the way the statute is written.

MR. PISANI: Okay.

MR. COHEN: It's for the production of a vehicle.

MR. PISANI: All right.

MR. SEWARD: Over here.

MR. KELLER: Thank you. Mike Keller, from Sonex Research. On page 66732 there's a definition of engineering integration costs. And those items that are listed there under that definition certainly imply a considerable timeline. I mean, it says, "are costs related to incorporating qualified components into the design of an advanced technology vehicle and includes designing tooling and



Advanced Technology Vehicles Manufacturing Loan Program

equipment and so on.” I’m sure you have the experience to realize that those type of definitions imply things measured in years. So when I asked about the piston, it seems to me that if I could convince one of the automobile manufacturer to incorporate our piston -- quote, “piston technology” whatever you want to call it -- into the design of an advanced technology vehicle, we could construct a project or two one way or the other that the piston I’ve been alluding to is a qualified component.

Now, Carol -- and the reason I’m bringing this up -- I think she was trying to dismiss the idea of developments. This whole thing under engineering costs is development.

MS. BATTERSHELL: It was research that I was saying is not.

MR. KELLER: I agree with you on that.

And by the way, I think the easiest way to handle that question, are you familiar with the TRL, technology readiness levels? It’s used by the Department of Defense and it’s used by NASA. I think that would be a very cogent way to answer my concerns. Because it very clearly defines technology at various levels of accomplishment relevant to an application. And I think that’s a crisp, clean way of dealing with it so we’re not wrestling with this if we’re going to put an application together.

I just want to emphasize the fact that I think this definition of engineering costs under 1 and 2 there certainly imply something measured in years.

MS. BATTERSHELL: So if you’ve got a component that is going to be incorporated into a vehicle, then the engineering with figuring out how to get that component into the vehicle --

MR. KELLER: And manufacturing. It says, that’s getting it in. That’s one. But in our case it would include the tooling, the equipment and developing manufacturing processes and material suppliers or production facilities to produce this thing. So it’s all covered.

MS. BATTERSHELL: So certainly if you believe what you have fits inside those definitions, then you should apply.

MR. KELLER: Okay. Thank you. But I think the TRL thing really handles this issue.

MS. BATTERSHELL: It’s a good suggestion. We’ll have a look at that.



Advanced Technology Vehicles Manufacturing Loan Program

MR. SEWARD: How about here.

MR. TAKAMURA: Hi, one of the things that I'm not sure if I --

MR. SEWARD: Excuse me, who are you?

MR. TAKAMURA: I'm Eric Takamura with NuGen Mobility --

MR. SEWARD: Okay.

MR. TAKAMURA: -- of Virginia. I'm not sure if I missed it, per se, but obviously the first application deadline is December 31st and then every quarter there's continuing applications, as I read through there, as funds are available. One thing that I'm curious which is on the line with a lot of small companies since there a lot of information to put together for the application, is it going to time based or merit based as to when and how selections are done? In other words, out of the total allotment of funds, is there going to be maximum allotments per quarter? Or is it going to be anything that's found to be merit worthy you may distribute all the funds within the first application section?

MR. SEWARD: Well, the first tranche was designed for people who are ready to be first movers and so that one is dependent on getting it in prior to December and they will be evaluated as they come in.

The subsequent tranches will probably have more of a merit evaluation in regard to stacking them up against one another through that period. So it may be that the actual decision is not made until all the applications are in during that second tranche.

MR. TAKAMURA: Okay. So I guess in other words, it is possible that the total funds of allotment, if enough people applied and applied December 31st could be allocated?

MR. SEWARD: It's possible. And the other thing to realize is that the \$25 billion in loans is dependent upon the \$7.5 billion of appropriations for the credit default. Now, if in fact when we go to make the award the credit default calculation for each of the applications turns out to be greater than 7.5 or it uses the 7.5 and we don't get to the 25 billion, that's all we can do. So we may wind up with less than 25 billion in awards -- in the actual loan awards.



Advanced Technology Vehicles Manufacturing Loan Program

MR. TAKAMURA: Okay. Yeah, because I'm trying to figure out, you know, how much say time and money do you expense to make sure that --

MR. SEWARD: Right.

MR. TAKAMURA: -- for the December 31st one.

Also, just if you don't mind a quick follow-up question which was I think "connected" meant in many ways to the Electric via question. For smaller, newer companies, two or three years and things like that, would there be any weighting or allowance, say, if one of the primary customers was willing to effectively cosign? You know, you still provide all the particular information and everything else, but say your asset to liabilities and everything else may not be the same great ratios that a longer-term existing company may be. You know, from a financial record, let's face it, smaller companies don't look as well or newer companies don't look as well. So, is there a method that we could leverage, you know, our customer by having them sign up and saying, yes, we will attest to this, or if they should default back the loan or something?

MR. SEWARD: I am not sure that that would, you know, in itself be a determining factor. I think what we are looking at is the whole package of what you're submitting. In other words, when the evaluation is done, it will be done across the board based on financial factors, based on technical factors, based on all of the elements in your application. So we'd just have to look at it and see how that plays out.

MR. COHEN: Yes, and just to be clear, the financial viability test is in the statute. Again, it's one of these things we didn't come up with. It's the way the law is written. And it's based on the award recipient being financially viable. So we'd have to make a judgment based on who is actually going to be getting the loan, not --

MR. TAKAMURA: I understand absolutely. I mean, it's basically the same thing as what a bank would do, but from a continuing revenue basis if you're only three or four years along and let's face it, most of your stuff is probably hooked up in liabilities or expense and you're not technically -- the last



Advanced Technology Vehicles Manufacturing Loan Program

three or four years, even though you may have a contract or are looking for a contract in place, it is a betting game. And that's why I'm just wondering if there is any --

MR. COHEN: But that contract, if that contract is in place, that's something that obviously is going to play into the financials.

MR. TAKAMURA: Okay.

MR. SEWARD: This gentleman here has been trying to ask a question.

MR. KELLY: Thanks very much. I'm Matt Kelley with Pillsbury-Winthrop. I just wanted to ask a question about the retroactivity and make sure I understand that. If you have a company whose technology is relatively complete they themselves will plan to manufacture an advanced technology vehicle and it's possible that that technology will go on to other manufacturers, automotive manufacturers in their own advanced technology vehicles. Would they qualify under this plan as it's written or is there - - say there's no retroactivity, it doesn't look backwards, they're developing, first the technology, second their own vehicles which are planned for manufacture, not in manufacture just yet, and then eventually to push this technology further on out into the marketplace. Does that sound like a profile that would qualify for the program?

MR. COHEN: So the retroactivity has to do with --

MS. BATTERSHELL: I don't understand that.

MR. COHEN: Yeah, I'm not sure that I actually understand the question. The retroactivity has to do with what the proceeds can be used for.

MR. KELLY: Okay.

MR. COHEN: Not the project itself. The proceeds of the loan can only be used in prospectively.

MR. KELLY: Right. Absolutely. Okay.

MS. BATTERSHELL: Was that what it was about, costs? Or is it about where the components are going?



Advanced Technology Vehicles Manufacturing Loan Program

MR. KELLY: I guess looking also at your emphasis on R&D so the R&D piece is not what this is about. And I get that. If the technology is relatively complete, it's the forward deployment obviously or the prospective for deployment that's absolutely the subject of the program?

MR. COHEN: Right.

MR. KELLY: Right.

MR. COHEN: As I said, this is not a refinancing an existing debt.

MR. KELLY: Got you. Thank you very much.

MR. SEWARD: Okay. This gentleman over here has been trying to ask a question.

MR. SENNISH: Len Sennish, GETRAG Transmissions Corporation. I've just got a couple of clarifiers more than anything. But, first off, GETRAG is a German corporate group and we have two standalone subsidiaries in the U.S., transmissions and axles. And the first question is, making one application from both of those standalone companies with separate financials and separate projects, or would it be advisable to have each subsidiary file its own application?

MR. COHEN: You could do it either way. I don't think it really matters.

MR. SENNISH: Okay.

MR. COHEN: We just want -- you need to be clear, and we said this in the reg, which each individual project needs to be separate.

MR. SENNISH: Yeah. And, again, it's the two separate companies with separate financials. We just break it out, that's fine.

Another one, just for clarification, talk about retooling, manufacturing facility, so in our case right now engineering integration work would necessitate retooling a technical center or possibly constructing a technical center, would that be the same by extension of engineering integration as a manufacturing facility? So we've got to buy new testing equipment, retool the testing equipment, but in --

MR. COHEN: It's got to be tied to the component or the vehicle.



Advanced Technology Vehicles Manufacturing Loan Program

MR. SENNISH: Right. It would. The only way we could do the engineering integration would be to upgrade.

MR. COHEN: Right.

MR. SENNISH: Because our current axles and our current transmissions are in vehicles so we're now developing the next generation to drive better fuel economy and lower emissions, both, and so the question is, in order to do that development work and testing work, we would need to retool our technical centers.

MR. COHEN: Right.

MR. SENNISH: And then ultimately produce industrialize the product.

MR. COHEN: I'm not sure. See, a lot of these questions are obviously so fact specific that we're getting -- and they're obviously situational specific. So the only thing we can really keep giving you is the same, and maybe in this case it's somewhat frustrating in the end, they're the same response, it needs to be tied to a component or a vehicle.

[Simultaneous conversation.]

MR. COHEN: Look at the details.

MR. SENNISH: They're already in those vehicles, it's just the next generation.

MS. BATTERSHELL: And I guess a reasonable way forward for a lot of these questions where it's uncertain because we have said before, this is an iterative process, you know, if you apply for a few more pieces and we look at it later and it goes, yeah, I'm not sure about that, you can at least be having a discussion about whether it qualifies. But I know it's hard to explain the full details of the project here and you probably don't want to, it might be better to lay that out --

MR. SENNISH: Sure.

MS. BATTERSHELL: -- and then we can have a discussion. Because it's also possible that loan applications can be approved in whole or in part. So it might look like, well, most of that makes sense, but not this part and then we could have a discussion about that.



Advanced Technology Vehicles Manufacturing Loan Program

MR. SENNISH: Of this next generation, just in terms of consideration where you have something that will drive 10 to 15 percent improvement in fuel economy, that, you know, our questions, we don't -- we know what vehicles it goes into, we know the impact when it's in that vehicle, we just haven't sold that next generation yet. Is that marketability meaningful?

MS. BATTERSHELL: I mentioned before, there's degrees for a couple of the things of the components. There's the degree to which you can show that it's installed in a vehicle which, you know, on one extreme is a contract and, you know, on the other extreme it's maybe a conversation, but you should lay out what your proof is that it's going to be installed. And the other factor is about how many vehicles is it going to be installed in, so what kind of effect does it have. Again, a component that's going to be installed in a million vehicles has a bigger impact than one installed in one vehicle. And a component that gets three miles per gallon improvement in fuel efficiency in a vehicle looks better for the country than one that gets a half a mile per gallon increase. So just be sure to spell all those things out.

MR. SENNISH: Thank you.

MR. SEWARD: Up here.

MR. MALONEY: Yeah, this is John Maloney from Ricardo again. When I look at the submissions from the Detroit three in their -- to Congress the other day, it looks like they've already applied for approximately \$19.3 billion of the ATV loan money. I don't know if you can confirm or deny that.

The other question I had is, is there a proportion that you would like to allocate to components versus vehicles of the \$25 billion?

MR. COHEN: So we can answer the second question. Okay. No. There's no allocation.

MR. MALONEY: And then is there still the desire to have 10 percent of the 25 billion allocated to small suppliers?

MR. SEWARD: That's a provision of the grant program.

MR. COHEN: This question has come up a lot. Do you want to --



Advanced Technology Vehicles Manufacturing Loan Program

MS. BATTERSHELL: Yeah, go ahead.

MR. SEWARD: Yeah, because we wrote the regulation to cover both the grant and loan program, that provision really only applies to the grant program.

MR. MALONEY: Okay.

MR. SEWARD: Yes.

PARTICIPANT: I have a question. The first one, how does the 80/20 -- 80 loan, 20 percent equity apply for a foreign company that wants to develop a car here?

MR. COHEN: So, again, that's just a matter of how much skin we're willing to put into the game. It doesn't matter whether it's a foreign company or a domestic company. It's a requirement that at 80 percent -- we will finance no more than 80 percent of the project.

PARTICIPANT: Second question is, for new vehicles, what about crash test and highway safety approval, where does that come into effect? I mean, can one show that we're going to make a vehicle that is going to do such and such improvement in mileage but hasn't passed the crash test yet or national safety provision?

MR. COHEN: So that's not our issue to be perfectly honest. And correct me if I'm wrong, that's NHTSA's issue. Our issue is the three aspects of --

PARTICIPANT: The car has to have certain --

MR. COHEN: Yeah, the two emissions requirements and the mileage requirement.

MS. BATTERSHELL: Yeah, but you're not going to be able to sell it if it doesn't have --

MR. COHEN: Now, the question is, right, but that's NHTSA's that's a problem you have with a different agency of the government.

PARTICIPANT: Okay. Is there an application form available on line?

MS. BATTERSHELL: No. Lach talked about that before.

MR. SEWARD: Pardon?

MR. COHEN: There is no form.



Advanced Technology Vehicles Manufacturing Loan Program

MR. SEWARD: No, there is no form yet.

PARTICIPANT: So it's a perform application?

MR. SEWARD: That's right.

MR. COHEN: The answer to the question is that we've asked in 101.

MS. BATTERSHELL: We have a completeness test and there's a list of things that have to be in it which is spelled out. But you can put it in what form you want.

PARTICIPANT: And the last question, can there be several applicants that will use the same technology I'm talking about to apply for a loan?

MS. BATTERSHELL: Yes.

MR. COHEN: In one application or --

PARTICIPANT: No, in --

[Simultaneous conversation.]

MR. COHEN: Five different applicants apply to do the same thing?

MS. BATTERSHELL: So if a competitor wanted to do something that you want to do --

PARTICIPANT: Yes.

MS. BATTERSHELL: No.

MR. COHEN: There's no prohibition on that.

PARTICIPANT: There can be several applications --

MR. SEWARD: Yes.

PARTICIPANT: In other words, if I am presenting a project but somebody else knows what I am trying to do and do the same thing --

MR. COHEN: Right.

PARTICIPANT: They can apply too?



Advanced Technology Vehicles Manufacturing Loan Program

MR. COHEN: Yeah, if everybody is building a mousetrap and somebody, you know, is building better mousetraps, I guess, they're all -- as long as they meet the eligibility test, they're all eligible to apply.

PARTICIPANT: Thank you.

MR. SEWARD: We have time for one or two more. This gentleman here.

MR. CUMMINS: Mike Cummins from Impact Engineering. There's a requirement that manufacturing ultimately be done in the United States. What about the inputs, can the equipment itself, let's say the loan is going to be used primarily for equipment and labor to establish the manufacturing process. Can all the equipment come from anywhere in the world?

MR. COHEN: The project -- again, this is --

[Simultaneous conversation.]

MR. CUMMINS: To establish a process to manufacture a widget in the United States, can the --

MR. COHEN: Some components --

MR. CUMMINS: -- the requirements to manufacture come from offshore? In other words, can I buy a German turnkey operation and plant it in the United States?

[Simultaneous conversation.]

MR. CUMMINS: The second question I would have is then on the labor inputs, does the engineering integration -- does the engineering integration have to be done here? Does the labor have to be done here?

MS. BATTERSHELL: Yes.

MR. COHEN: Yes.

MR. SEWARD: Yes.

MS. BATTERSHELL: So if you have a manufacturing plant that's operating in Germany and you want to repeat the same thing here, that's okay.

MR. COHEN: That's okay.



Advanced Technology Vehicles Manufacturing Loan Program

MS. BATTERSHELL: But the engineering for that needs to be done here.

MR. CUMMINS: Has to be done here.

MR. SEWARD: Okay. One more question.

MR. HANSON: This is Pete Hanson with Evolving Motors in Salida, Colorado. This is for Matthew. Would it improve chances or make a difference at all if the facility was partially powered by alternative or clean energy fuel, the facility itself?

MR. McMillen: Yeah, it could be advantageous to do that from an air quality standpoint. It might -- that might help. In other words, you wouldn't need to have certain air quality permits perhaps. As being, you know, distinguishing the project as being better than another, that's not really what the NEPA process is for. The NEPA process is to say your project, what is the effect of your project so that that conclusion can be used by a decision-maker in an informed decision. So, it's -- you know, that's great if you can use alternative sources, you know, to power it so that you don't have air emissions. But that just helps you from a corporate standpoint because you won't require as many permits. You know, a lot of companies are going green now with LEED certification and such.

MS. BATTERSHELL: And while it's something that the Department certainly likes, it's not actually the intent of this rule, the green manufacturing. The intent is the qualities of the vehicles and the components.

MR. SEWARD: Okay. Well, I think that about does it. I want to thank you all for turning out here and listening to our presentations. We appreciate your comments and we wish you the best of luck in putting together your applications. Thank you.

(Whereupon, at 12:05 p.m., the meeting was adjourned.)



U.S. DEPARTMENT OF
ENERGY

Advanced Technology Vehicles Manufacturing Loan Program

REPORTER'S CERTIFICATE

This is to certify that the attached proceedings before:

UNITED STATES DEPARTMENT OF ENERGY
In the Matter of:

**ADVANCED TECHNOLOGY VEHICLES
MANUFACTURING LOAN PROGRAM**

Were held as herein appears and that this is the original transcript thereof for the file of the Department, Commission, Board, Administrative Law Judge or the Agency.

Further, I am neither counsel for or related to any party to the above proceedings.

E. Francis Donovan
EXECUTIVE COURT REPORTERS, INC.
(301) 565-0064

Dated: December 11, 2008