Barron's(7/12) D.C. Current: Our Tough-Luck President

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(From BARRON'S)
By Jim McTague

What rotten luck! If the Oval Office were a ship, the crew would be forgiven for suspecting that a Jonah was on board. Look at a partial list of calamities thus far in the USS Obama's voyage: The Chicago "not" Olympics; gate-crashers Michaele and Tareq Salahi; the $787 billion economic "where's the stimulus" package; the $30 billion-and-counting BP oil spill; four-star General "Loose Lips" Stanley McChrystal; Solyndra . . .

You've never heard of Solyndra? That's strange, because it was supposed to be
the cornerstone of Obama's vaunted green-energy future, but now is a king-size political embarrassment. Solyndra, recipient of a $535 million Department of Energy loan guarantee, last month cancelled a $300 million initial public offering because auditor PricewaterhouseCoooper said its operating losses and negative cash flow raise doubts about its ability to continue as a going concern. Ouch!

It gets worse for Obama. When he toured Solyndra's Fremont, Calif., factory in May, he gushed that the company was "leading the way toward a brighter and more prosperous future."

More embarrassing, Solyndra was the first recipient of a loan guarantee under
the dual auspices of the Recovery Act and Title XVII of the Energy Policy Act of 2005. The Department of Energy noted the loan guarantee was the first it had
issued since the 1980s. On Sept. 4, 2009, the day of the award, Vice President Joe Biden crowed that it was "part of the unprecedented investment this Administration is making in renewable energy, and exactly what the Recovery Act
is all about." DOE Secretary Steven Chu called it "part of a broad, aggressive effort to spark a new industrial revolution that will put Americans to work, end our dependence on foreign oil and cut carbon pollution."

To borrow the words that Biden used on another auspicious occasion, it was a big f------ deal.

Taxpayers are on the hook for $390.5 million -- 73% of the loans. Some observers questioned the wisdom of the government's deal from the start, saying
the company was an inefficient, high-cost producer.

Chu announced the Solyndra guarantee within 60 days of taking over the DOE, which in hindsight seems rather rash. DOE spokesman Stephanie Mueller said a credit-review board run by DOE Deputy Secretary Daniel Poneman recommended it. The panel includes the department's deputy secretary of energy; undersecretary of energy; undersecretary for science; chief financial officer; general counsel; senior advisor to the secretary for the Recovery Act, plus Chu's chief
of staff. They now must decide whether Solyndra will get an additional government-guaranteed loan of $469 million to partially fund the second phase

of its factory expansion.

Solyndra raised $175 million in new debt from existing investors after withdrawing its IPO. But if Solyndra fails to get the new loan guarantee, it will have a difficult time finishing the second phase, in which case ". . .we may not be able to grow our business, realize the benefits of economies of scale or satisfy our customer requirements," it says in an Securities and Exchange Commission filing. Solyndra spokesman David Miller was considerably more optimistic in an e-mail Thursday, claiming, "Solyndra's viability is not in question" and that "the $175 million provides ample liquidity to cover near-tern cash needs; and over the long run we expect to seek additional capital through other financings, which may include an IPO."

One of Solyndra's biggest stakeholders is Argonaut Ventures I. Its majority owner is Oklahoma oil billionaire George Kaiser, who was a "bundler"of campaign funds for the Obama-Biden campaign. This means he collected contributions and sent them en masse to the candidates. Kaiser e-mailed us an emphatic "NO" when we asked if he played any role in the pursuit of the loan guarantees.

In November, Chu appointed venture capitalist Jonathan Silver to oversee the DOE's loan guarantee program and its Advanced Technology Vehicles Manufacturing Loan Program. Silver had been a managing partner at Core Capital Partners in Washington. Coincidentally, one of his colleagues there was Tom Wheeler, another Obama-Biden fund bundler. Silver is supposed to help Chu accelerate loan reviews. According to a November press release, "Silver will be responsible for staffing the programs, and leading origination, analysis, and negotiation, as well as managing the full range of the Department's alternative energy investments." The DOE said Silver was unavailable for comment.

Will the extra layer of bureaucracy help Chu protect taxpayers? Well, this month, the DOE awarded loan guarantees to Abengoa Solar, part of Abengoa, a Spanish outfit whose U.S. shares (ticker: ABGOY) trade in the pink sheets, and Abound, a Colorado-based photovoltaic-film maker.

Abengoa Solar got $1.45 billion in guarantees to build plants in California and Arizona. Its profits depend heavily on subsidies from the government of economically troubled Spain.

Abound Solar received a $400 million grant to ramp up production of cadmium telluride photovoltaic panels. Here's a coincidence: Russ Kanjorski, nephew of Pennsylvania Democratic Rep. Paul Kanjorski, is a marketing executive at Abound, which got a $3 million federal grant in 2008. He previously had been a principal of Cornerstone Technologies, which got $9.2 million in earmarks from Kanjorski and then went bankrupt. A spokesman for Abound says Russ Kankorski had no role in the loan-guarantee negotiations.

Let's hope for the sake of American taxpayers that Obama's rotten luck changes soon.

(END) Dow Jones Newswires

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