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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

RICHARD J. KESSLER, STAFF DIRECTOR
KEITH B. ASHDOWN, MINORITY STAFF DIRECTOR

March 8, 2013

Mr. David Lee
Chief Financial Officer
LG Chem Michigan, Inc.
875 East 48th Street
Holland, Michigan 49423

Dear Mr. Lee:

I am writing regarding a recent report by the Energy Department's Office of Inspector General regarding the management of a \$150 million grant awarded to LG Chem Michigan Inc.¹

In February 2010, LG Chem Michigan was awarded a grant to design, construct, start up, and test a production facility for lithium-ion polymer batteries by the end of 2013. Under the grant, LG Chem Michigan committed to creating more than 440 jobs and producing enough battery cells to equip 60,000 electric vehicles annually.²

In February 2013, the Inspector General released a report which raises serious questions about the grant to LG Chem Michigan. The Inspector General found that LG Chem Michigan failed to manufacture battery cells which could be sold to the public and created less than half of the expected number of jobs. The Inspector General also found that LG Chem Michigan submitted invoices requesting reimbursement for labor costs incurred while the plant was idle and employees volunteered for local organizations, played games, and watched movies. Based on a review of invoices for the third quarter of 2012, the Inspector General questioned more than \$1,684,377 in labor costs submitted by LG Chem Michigan.

I appreciate that LG Chem Michigan has agreed to refund its share of the questioned costs, \$842,189, to the federal government. To date, however, LG Chem has received more than \$142 million, 94% of the available funds, without meeting any of the grant's objectives. In addition, because the Inspector General did not review all of the labor costs submitted for reimbursement by LG Chem, it is possible that the value of unallowable labor costs may be even higher.

¹ United States Department of Energy Office of Inspector General, *The Department of Energy's Management of the Award of a \$150 Million Recovery Act Grant to LG Chem Michigan Inc.* (Report No. OAS-RA-13-10) (Feb. 2013).

² *Id.*

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I request that LG Chem Michigan provide information regarding its progress in addressing the problems raised in the report, including the status of any review to determine additional funds which should be reimbursed to the government, as soon as possible, but in no case later than **March 29, 2013**.

The jurisdiction of the Subcommittee on Financial and Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 64 (113th Congress). An attachment to this letter provides additional information about how to respond to the Subcommittee's request.

Please contact Sarah Garcia with the Subcommittee staff at (202) 224-5602 with any questions. Please send any official correspondence relating to this request to Lauren_Corcoran@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Financial and Contracting
Oversight

Enclosure

cc: Ron Johnson
Ranking Member
Subcommittee on Financial and Contracting Oversight