

NASEO State Energy Financing Committee Call
Thursday, March 7, 2013, 3:00-4:00pm ET

Attendees:

Affordable Comfort, Inc.	Missouri Division of Energy
Alabama Dept. of Economic and Community Affairs	National Association of State Energy Officials
Arkansas Energy Office	Nebraska Energy Office
Cadmus Group	New Jersey Office of Clean Energy
Colorado Energy Office	NYSERDA
Delaware Division of Clean Energy and Climate	SAIC
District of Columbia Dept. of the Environment	Tennessee Office of Energy Programs
Energy Programs Consortium	U.S. Department of Energy
Illinois Energy Office	Vermont Energy Investment Corporation
Maryland Energy Administration	Virginia Dept. of Mines, Minerals, and Energy
Michigan Energy Office	Washington State Energy Office

Welcome and Announcements:

Jeff Pitkin, Treasurer, NYSERDA and Co-Chair, NASEO Financing Committee, opened the call. He gave an overview the call agenda and announced the day and time of the next committee call: Thursday, May 2, 3:00-4:00pm ET.

Recap of February 2013 NASEO-ASERTTI State Energy Outlook Conference

Sandy Fazeli, NASEO Program Manager, summarized two financing sessions held during the NASEO-ASERTTI State Energy Outlook Conference on February 5-8, 2013, in Washington, D.C. On February 7, conference attendees engaged in a conversation with staff of members from the Senate Energy and Natural Resources Committee. In this discussion, states provided input into financing approaches and models that the committee has under consideration. States emphasized the need for flexibility in the types of financing tools that they are able to deploy in their states; that leveraging private capital is a priority; and their interest in remaining updated on DOE's activities in clean energy financing. Later that day, conference attendees heard from a group of state energy financing experts from both the public and private sector in a roundtable discussion covering comprehensive clean energy financing; residential energy financing; commercial property assessed clean energy (PACE), and innovations in public sector performance contracting. Session descriptions and presentations from this conference are available at <http://energyoutlook.naseo.org/>.

Presentation: “[Update on QECBs, Sequestration, and WHEEL](#)”

Elizabeth Bellis, Counsel, Energy Programs Consortium, delivered a presentation on Qualified Energy Conservation Bonds (QECBs) and the Warehouse for Energy Efficiency Loans (WHEEL). Her presentation is available at <http://naseo.org/committees/financing/notes/2013-03-07-Bellis.pdf>.

After reviewing the structure of QECBs, Ms. Bellis explained that a sequestration reduction rate of 8.7% is applied to qualified bonds until the end of the fiscal year (September 30, 2013) or intervening Congressional action. A statement from the Internal Revenue Service (IRS) does not specify whether this reduction applies to tax credit QECB issuances that did not opt for direct payments (which as a result require the filing of different paperwork). EPC has made an inquiry with the IRS to provide more detail. If tax credit bonds are excluded from the sequester reduction, future QECB issuers may want to consider

them over direct payment bonds. In the event of a subsidy reduction, many existing issuers have the right to repurchase their QECBs. States noted that the impact of sequestration has been significant; for some, it has resulted in their reluctance to issue more bonds.

Ms. Bellis next provided an update on QECB use to date. Out of \$3.2 billion allocated, EPC has been able to identify only \$762.6 million worth of known issuances as of March 1, 2013, representing a national utilization rate of 23.83%. These figures are based on EPC research from publicly available data and conversations with states; Ms. Bellis noted that these may be conservatively low estimates.

Ms. Bellis requested input from states on the question of whether issuers are permitted to finance the costs of administering QECBs through the QECB itself. One state noted that they have used QECBs to cover costs related to legal compliance, rather than staff time.

Ms. Bellis noted that at this point, the impact on future years' appropriations is unclear. The tax incentives may bypass the sequestration regime, offering an opportunity for issuers to continue receiving the subsidies.

Al Christopher described Virginia's experience with QECBs. A plan to use the state's QECB allocation for performance contracting for state and local government buildings was recently struck by the General Assembly. The Department is now considering working with localities and energy service companies to use other sources of low-cost financing to implement the plan.

Ms. Bellis next provided an overview of and update on WHEEL. Recently, the state of Kentucky committed funds to WHEEL, and the program continues to accept additional state, local, and utility sponsors. She addressed the decision by the program collaborators (EPC, Pennsylvania Treasury Department, Renewable Funding, and Citigroup Global Markets) to cater the program to residential sector so that all the loans fall within the same asset class. However, she noted that during the original discussions around WHEEL, banks seemed equally willing to consider the WHEEL model for the commercial and institutional sectors as well.

Action Items:

1. EPC will seek clarification from IRS on whether tax credit QECB issuances are subject to the sequester reduction. NASEO will assist EPC in reporting back to the committee members on this issue.
2. Committee members are encouraged to send meeting, webinar and call topics to Sandy Fazeli (sfazeli@naseo.org).