



QECS

NASEO Transportation Financing Webinar

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This presentation is intended to serve as a general introduction to the use of qualified energy conservation bonds to finance renewable energy projects. Nothing contained in this presentation should be construed or relied upon as legal advice.

Disclaimers



- Energy Programs Consortium (**EPC**) is a joint venture of NASCSP, representing the state weatherization and community service programs directors; NASEO; NARUC, representing the state public service commissioners; and NEADA, representing the state directors of the Low-Income Home Energy Assistance Program.
- The **QECB Program** began in 2010, when EPC began tracking QECB utilization and talking to issuers about issues, questions, concerns and obstacles encountered along the way.

Pleased to meet you

- QECBs are a tax credit bond for a variety of energy projects.
- Unlike traditional tax-exempt bonds, interest on QECBs is taxable.
- If the issuer so elects, Treasury makes cash payments to issuer to offset interest payments on the bonds
- Amount paid is the interest on the issuance or, if lower, 70% of the “qualified tax credit rate” set periodically and available at Treasury Direct’s website. See Notice 2010-35.
 - Effectively, direct pay QECBs are a federal interest rate buydown program.
- Maturities are also set periodically and have ranged from 12 to 22 years (see Treasury Direct website)

QECB Review

- QECBs have not yet been used on a widespread basis for transportation projects
- However, the statutory language does specifically provide that QECBs can be issued for **mass commuting** projects.
- “Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.” See 26 USC 54D(f)(c).

QECBs for Transportation?

- In addition, QECBs can be used for “green community programs”.
- This term was not defined in the authorizing legislation.
- Legislative history suggests it was intended to cover refinancing mechanisms for energy efficiency retrofits.
- However, it is not clear whether IRS will limit its definition to such programs or might interpret it more broadly.
- Guidance is currently being sought by a group of stakeholders.

QECBs for Transportation?



- At least **110 projects** in **23 states** have been funded with QECCBs to date.
- Known bond volume totals **\$671 million**; more bonds may be issued but not yet known (particularly if they were sold through private placement).

How popular are QECCBs?

- Issuer: **Kansas Development Finance Authority**
- Amount Issued: \$17.8 million
- Use of Bond Proceeds:
 - Kansas State University Projects
 - Installation of Energy Efficient Fume Hoods; Computer Power Management; Chilled Water Plant overhaul; Steam Pressure Reduction

Example: Large Energy Efficiency Project

- Issuer: **St. Louis County, Missouri**
- Amount Issued: \$10.3 million
- Use of Bond Proceeds:
 - Green Community loan program
 - Operating a residential energy efficiency loan program
 - Offering loans up to \$15,000 at 3.5%
 - Used EECBG funds to help with program and issuance costs

Example: Green Communities Project



- Issuer: **Los Angeles Department of Water & Power**
- Amount Issued: \$131 million
- Use of Bond Proceeds:
 - Pine Tree Wind Turbine Expansion Project – 10 wind turbines (15MW total added)
 - Pine Tree Solar Project – PV generator targeted at 10MW at 34.5kV output); will generate 20 GWh per year
 - Adelanto Solar Project – PV generator targeted at 10MW at 4.16kV output; will generate 20 GWh per year

Example: Large Solar & Wind Issuance

- Determine the **amount** of your jurisdiction's allocation.
- Check the **bond rating** of the would-be issuer or the underlying credit (in the case of a conduit issuance with a private developer).
- **Identify the project** or projects desired to be financed. This may be done by issuing a request for applications if there is not already a project in mind.
- Select **professionals** (legal, financial) and contractors (builders, etc) for the project. This may be done by a competitive bid or RFP process in accordance with state and local requirements.
- **Bond counsel** should review intended uses for compliance with QECCB requirements and assist in drafting documentation.
- Many QECCBs (especially smaller issuances) are sold via private placements with banks.

How do I get started?

- The DOE Technical Assistance Program (TAP)
- The EPC QECB Paper, available at www.energyprograms.org, contains a list of all known issuances, graphs showing utilization trends, and a discussion of legal and practical issues and solutions
- The NASEO website has a variety of resources, including documents other states have used and the EPC QECB memo which contains information about all known issuances.
 - <http://www.naseo.org/resources/financing/qecb/index.html>
- DSIRE has a QECB page with links to relevant statutory provisions and IRS guidance.
 - http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US51F&re=1&ee=1
- The Department of Energy's website has resources including a QECB Primer and webinars.
 - <http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/m/qecb.html>

Where can I find more information?



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Questions?

Please keep in touch.
