

Energy Services Coalition (ESC)

Biggest Bang for the Buck Leveraging Funds

An ESC Webinar Second Quarter 2009: June 5, 2009

Presented by four Finance Industry Experts:

- Karen Keeler
- Joseph McLiney
- Darin Lowder
- Peter Flynn

Bonds, Making Tax Incentives Work for the Public Sector, and More

Darin Lowder, Associate with Ballard Spahr Andrews Ingersoll, focuses on energy, project finance, and related real estate issues. Mr. Lowder has worked with utilities, energy project developers, tax equity investors, engineering and construction firms, project site owners, and power purchasers on a variety of renewable energy and fossil-fuel power projects and financings. Mr. Lowder has also advised clients on multiple financing and regulatory issues affecting the energy industry, including the emerging state and Federal renewable and carbon regulatory regimes.





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Qualified Energy Conservation Bonds Energy Efficiency and Conservation Block Grants New Markets Tax Credits for Eligible Locations

Presented By:

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Qualified Energy Conservation Bonds

- ARRA authorizes a total of \$3.2 billion in Qualified Energy Conservation Bonds (increase from last year's \$800 million)
- May be issued only by state and local governments
- Should Result in Near-Zero Interest Debt Terms
- May be issued for qualified conservation purposes.
 Includes:
 - Reducing energy use in publicly-owned buildings
 - Implementing green community programs
- Guidance recently issued
 - No application process
 - Allocations determined by population



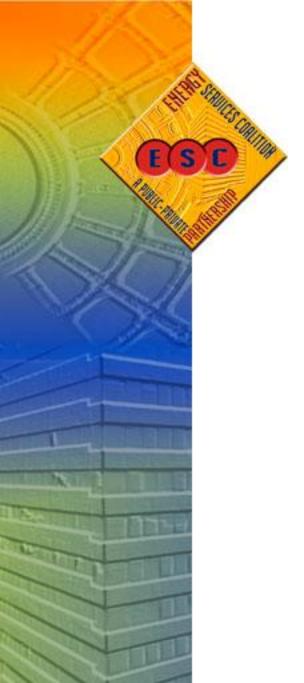
Top 10 QECB State Allocations

State	QECB Allocation
California	\$381,329,000
Texas	252,378,000
New York	202,200,000
Florida	190,146,000
Illinois	133,846,000
Pennsylvania	129,144,000
Ohio	119,160,000
Michigan	103,780,000
Georgia	100,484,000
North Carolina	95,677,000



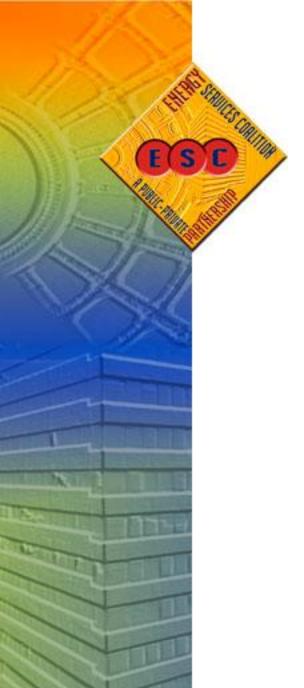
Energy Efficiency Grants

- \$5 billion to fund grants to states under the existing Weatherization Assistance Program to assist low-income families in reducing energy costs
- \$4.5 billion to fund construction, repair, and alteration of Federal buildings for projects focused on increasing energy efficiency and conservation
- \$250 million for grants or loans to property owners to upgrade HUD-sponsored low-income housing to increase energy efficiency, including new insulation, windows, and furnaces



Energy Efficiency & Renewable Energy Grants

- Over \$2.7 billion in direct formula Energy Efficiency and Conservation Block Grants ("EECBG") available to states, localities, and private entities to reduce fossil fuel emissions and energy use.
 - Cities eligible for direct grants from the DOE include cities with population of 35,000 or the 10 largest cities in each state.
 - Counties eligible for direct grants from DOE are those with 200,000 or one of the 10 largest counties in the state.
 - Cities and counties not qualifying for direct grants may receive sub-grants through their states.
- Up to \$456 million in competitive grants
- EECBG funds application deadline: June 25, 2009.



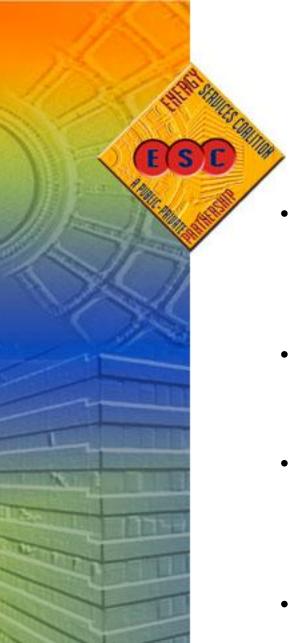
EECBG Eligible Activities

- Eligible activities include:
 - financial incentive programs for energy efficiency improvements;
 - grants to non-profit organizations to perform energy efficiency retrofits;
 - programs to conserve energy used in transportation;
 - energy efficiency building codes and inspections;
 - installing LEDs
- EECBGs may be combined with QECBs for additional leverage



Energy Efficiency & Renewable Energy Grants

- State Energy Program \$3.1 billion to the states and state energy offices to address energy priorities and adopt emerging energy efficiency technologies. Includes residential, commercial and governmental building energy efficiency retrofits.
- Additional grants available if Governor has "obtained necessary assurances" that state utility commission will seek to implement a decoupling policy



Federal New Markets Tax Credits

- New Markets Tax Credit ("NMTC") Program is one of the largest economic development incentive programs ever created to stimulate investment in low income communities
- The purpose of NMTC Program is to encourage private capital investment in low-income communities
- Individual and corporate taxpayers receive a credit against federal income taxes for making qualified equity investments in *Community Development Entities (CDEs)*
- NMTC totals 39% of the cost of the investment and is claimed over a 7 year credit period



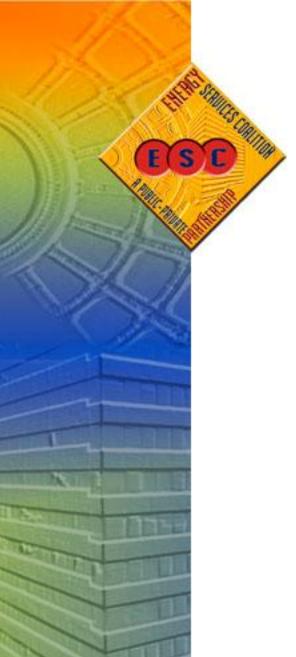
Increased NMTC Allocation

- Because the NMTC program results in very low cost financing, projects located in an eligible location should considered.
 - Creates a tax credit for equity investments in
 Community Development Entities (CDE's)
 - Amount allocated in both 2008 and 2009:
 \$5 billion, increased from \$3.5 billion in the Stimulus Bill
 - Final \$1.5 billion of allocations for 2008 were awarded in May 2009



NMTC Tax Investor

- Receives federal tax credit equal to 39% of the amount of the original investment
- Credit taken over a 7-year period
- May "leverage" credits by borrowing for equity investment in CDE
- Mainly banks, insurance companies as investors
- Leveraged lenders include party with interest in QALICB, commercial lenders to project



NMTC CDE

- For-profit entities established specifically to obtain NMTC allocation.
- CDEs must have a primary mission of serving or providing investment capital for, low-income communities ("LIC's") or Low-Income Persons and be accountable to LICs they serve
- Sample of entities that have set up CDE and received allocations: PNC Bank, Wachovia Bank, ESIC (Enterprise), Trammel Crow Company, Prudential Insurance, McCormack Baron, Morgan Stanley
- List of Allocatees: www.cdfifund.gov



NMTC Qualified Active Low-Income Community Business ("QALICB")

- An energy efficiency project located in low income census tract may qualify as a QALICB
- Interest only loans for 7-year credit period
- CDE required to provide loan on more favorable terms, such as below market interest rates, lower organization fees, more flexible borrower credit standards, higher than standard amortization period
- Portion of the value of the NMTC to investor passed on to QALICB (forgiveness of debt, very long amortization period)