

ESPC and the Federal Government Good News and Bad News

ESC MT Conference

August 13, 2013



Presentation Overview

- Good News
 - Administration and Congress Get It
- Bad News
 - Congressional Stalemate
 - CBO Scoring
 - SEC Muni Advisor Issue
 - Expiration of 179d
 - End of Operating Leases

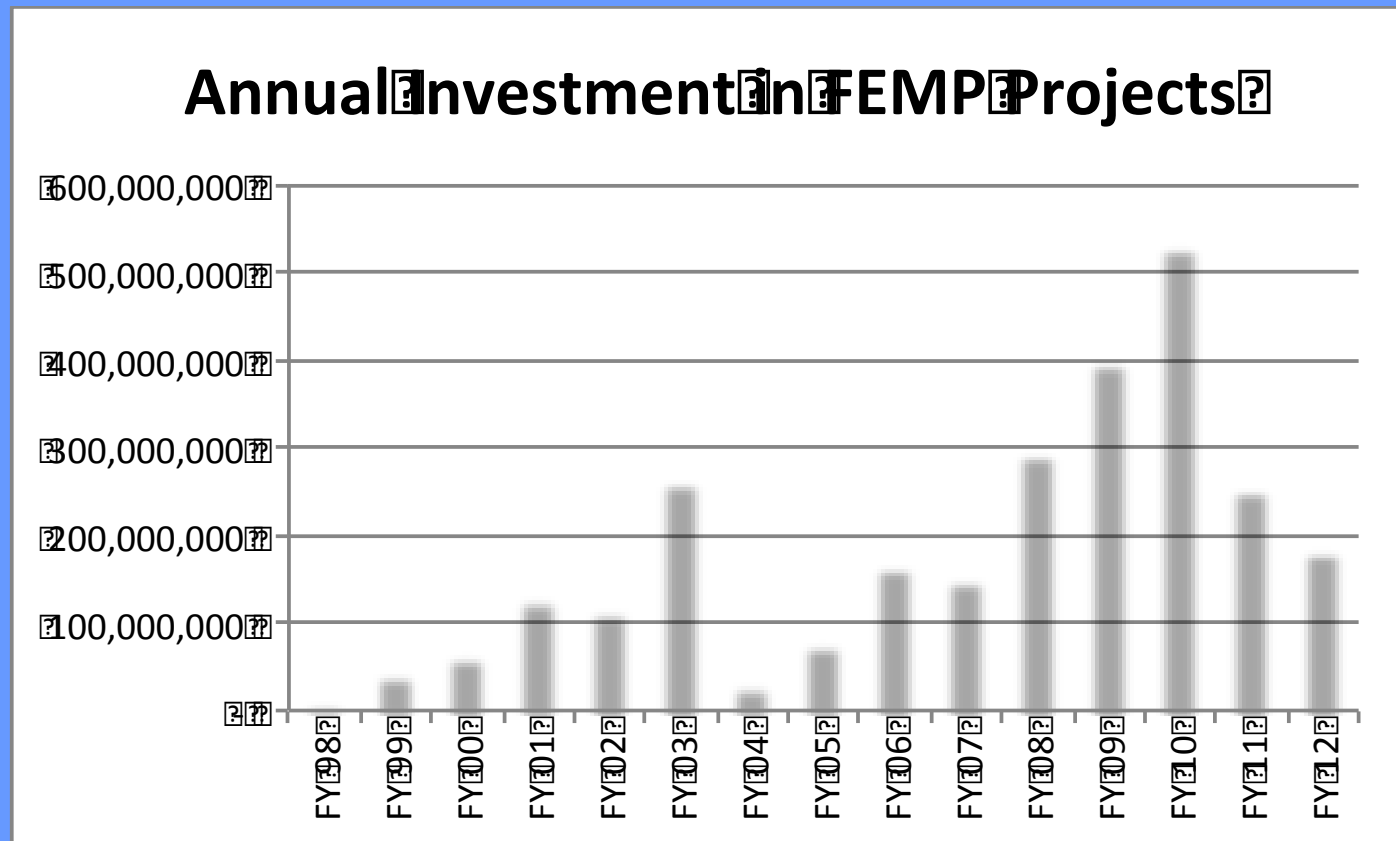


Good News - Administration Gets It

- \$2 billion ESPC challenge
- Extend to a five year program?
- Avoid the previous project volume drops



Variation in Federal ESPC



Good News - Congress Gets It

- Bi-partisan House ESPC Caucus
 - Co-Chairs Gardner (R-CO) and Welch (D-VT)
 - Extend \$2 billion initiative for five years
 - Directed CBO scoring bill pending
- Shaheen-Portman Bill
 - Hoeven-Manchin Amendment
 - Agencies explain why they haven't implemented identified projects



Bad News – Congressional Stalemate

- Shaheen-Portman in Senate
 - To the floor in September
 - No agreement to limit amendments
- Nothing in the House
 - Need offsets to spend any money
 - Huge cuts to SEP and WAP
 - Monthly votes to appeal Obamacare



Bad News – CBO Scoring

- CBO recognizes ESPC costs, not savings
 - Triggers a budget “score”
- Mandatory vs. discretionary spending
- Moving now to score “behavior” as well as spending
 - e.g. Hoeven-Manchin amendment



Bad News – SEC Muni Advisor

- Temporary Rule issued in 2011
- Final rule delayed several times
- ESCOs = Municipal Financial Advisors?
- NAESCO lobbying for Safe Harbor Rule
 - No compensation for financing
- Final Rule now due in September?



Bad News – 179d Expires

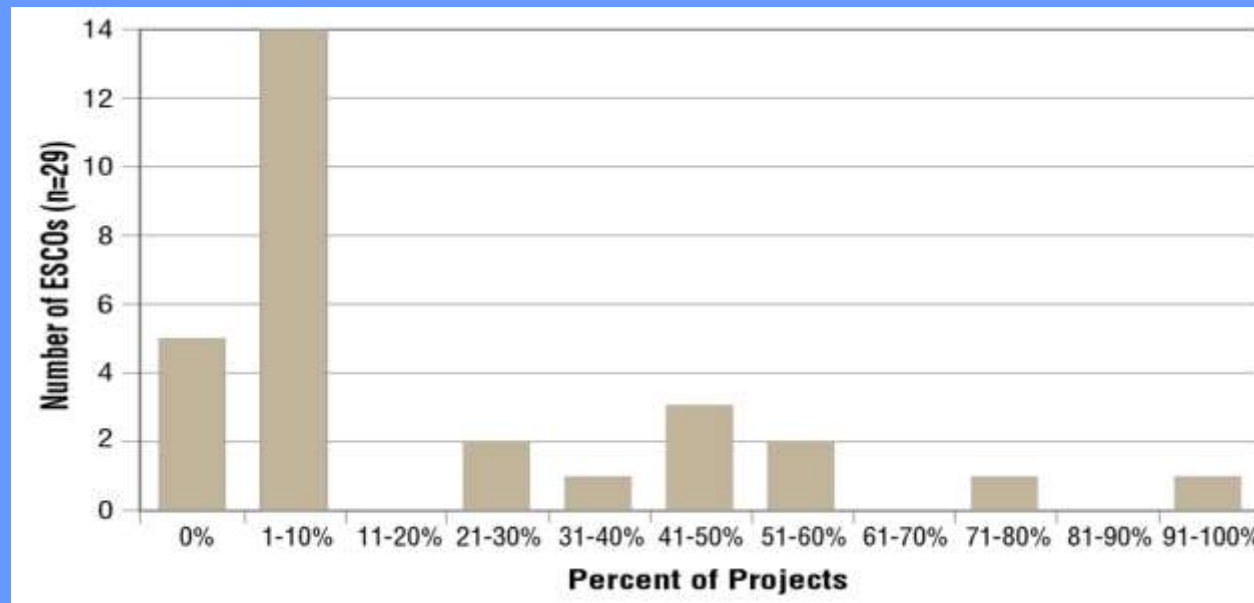
- Extensively used by ESCOs
- Expands project scope
- Expires in December 2013
- Caught in the Tax Reform effort
 - House permitting no individual measures
- NAESCO lobbying for extension bill in the fall





% OF PROJECTS USING TAX CREDITS

What percentage of your [company's] projects have used local, state, or federal tax credits (e.g., Section 179d, Investment Tax Credit, Production Tax Credit) during the past three years?



Bad News – End of Operating Leases

- Rather old news
- Harmonizes US and international standards
- End operating leases
- ESPC liability on someone's balance sheet
- Will spawn new project financing types
 - More expensive because of equity financing



Questions?

Donald Gilligan
NAESCO
978-740-8820
dgilligan@naesco.org

