

Qualified Energy Conservation Bonds and Energy Efficiency

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Overview

Palmer Capital

Scituate Wind

Qualified Energy Conservation
Bonds (QECBs)

QECBs for Energy Efficiency

Palmer Capital

- History**
 - Developer and Investor for +30 Years
- Track Record**
 - \$2.2 Billion in Project Financings
- Technologies**
 - Landfill Gas, Synfuel, Biomass, PV Solar, Community Wind and Others
- Portfolio Approach**
 - Smaller, Similar Projects
- Main Office**
 - Cohasset, MA
- National Footprint**
 - From Maine to Hawaii

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Scituate Wind, LLC

- Community Wind for Scituate, MA**
 - Incorporated 1636 in Plymouth County
 - Population 18,133
 - Moody's Aa2 Bond Rating, December 2010
- Town RFP**
 - Issued in 2009
 - 25-year Lease of Town-owned land
 - 15-year PPA with Town for 100% of power generated
 - As Host Customer, Town keeps Net Metering Credits
 - Town option: Purchase at Y15 & Y20 or extend PPA
 - Town projects \$3MM budgetary savings over 15 years
- Sinovel Turbine**
 - 1.5 MW
 - 82m Rotor on 80m Tower
 - Projected to Provide More than 50% of Annual Municipal Power Needs
- Total Project Cost \$6MM**

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Scituate Wind Debt Financing

Total Debt: \$5MM

Cambridge Savings Bank	MassDevelopment	Terms
<ul style="list-style-type: none"> • Qualified Energy Conservation Bond: \$3.06MM • Bridge Loan: \$1.3MM vs. Federal 1603 Grant • Traditional Term Loan: \$640K 	<ul style="list-style-type: none"> • QECCB Issuer • Revenue bonds backed by LLC's revenues and funds + fading guaranty • Not general obligation of the Issuer nor pledge of faith and credit of the Commonwealth 	<ul style="list-style-type: none"> • 15-year maturity for QECCB and Traditional Loan • FHLB Classic 5-Year Advance Rate with resets at Y5 & Y10 • Fading Guaranty subject to project's satisfying certain annual financial metrics, including DSCR thresholds

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Qualified Energy Conservation Bonds

ARRA of 2009	<ul style="list-style-type: none"> • Increased national bond cap by \$2.4 Billion to \$3.2 Billion
Taxable Direct Subsidy Bonds	<ul style="list-style-type: none"> • Interest Rate Subsidy: 70% of Federal Tax Credit Bond Rate on Bond Sale Date • QECCB issuer pays taxable coupon and receives quarterly rebate in arrears from U.S. Treasury
Use of Proceeds	<ul style="list-style-type: none"> • Capital expenditures for renewables, energy efficiency, green community programs, mass transit, demonstrations, education
State Allocation	<ul style="list-style-type: none"> • Formula based on state's population • Up to 30% of state's allocation may be awarded to private activity projects • Massachusetts Department of Energy Resources (DOER) Awarded

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QECBs for Energy Efficiency Projects

Project Types	<ul style="list-style-type: none"> • QECBs Issued as of June 2012: <ul style="list-style-type: none"> • Energy Efficiency: 58% • Renewable Energy: 40% • Green Communities: 2% • See Energy Programs Consortium (EPC) QECB issue paper, June 2012
IRS Guidance (June 2012)	<ul style="list-style-type: none"> • 20% Test: How to measure EE reductions by at least 20 percent <ul style="list-style-type: none"> • Reasonable Expectation standard – not continuous monitoring • Flexibility: Single building, portfolio of buildings or within certain building system components • Green Community Programs: ...or must involve a loan (or other repayment mechanism) or grant program that is broadly available to members of the general public, including individuals or businesses. • See Lawrence Berkeley National Lab policy brief, July 2012
Challenges	<ul style="list-style-type: none"> • High transaction costs with relatively small issuance amounts • Maximum of 2% of QECB proceeds may be used to pay issuance costs • Other program administration and financing costs • Federal tax regulations restrict interest rate premium for re-loaning QECBs

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Green Community Programs for EE

Boulder County, CO	<ul style="list-style-type: none"> • November 2010: +\$1.5 MM of QECBs for a Property Assessed Clean Energy (PACE) <u>commercial</u> program. 55% of projects funded are EE (May 2012).
Saint Louis County, MO	<ul style="list-style-type: none"> • May 2011: +\$10MM of QECBs to finance Saint Louis County Sustainable and Verifiable Energy Savings (SAVES) <u>residential</u> EE loan program. • See Lawrence Berkeley National Lab policy brief of June 2011 and EPC QECB issue paper of June 2012.

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California's QEGB Allocation

Total QEGB Allocation to California	<ul style="list-style-type: none">• Total: \$381,329,000• Minimum for Governmental Use (70%): \$266,930,300• Maximum for Private Activity Use (30%): \$144,398,700
Estimated Sub-Allocations	<ul style="list-style-type: none">• Total to Counties/Munis: \$367,843,336• Total to State: \$12,746,103• Total to Tribal Governments: \$739,561• See July 22, 2009 memo by California Debt Limit Allocation Committee
Issuances (EPC, June 2012)	<ul style="list-style-type: none">• Estimated Issuances: \$284,598,250• Estimated Remaining: \$96,730,750• Our remaining allocation is more than QEGB allocations to all but 8 states

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QUESTIONS?

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Thank You

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