



MIDWEST REGIONAL MEETING

JUNE 6, 2013

Washington Overview

▪ Major Issues on the Horizon

Tax Reform

Immigration Reform

Debt Ceiling

White House Controversies

> No clear path ahead

▪ Energy Policy – lower priority

Keystone XL

New Source Performance Standard

Natural Gas

Energy Efficiency legislation

NASECO Activities

NAESCO engagement on a number of fronts

- **SEC Rulemaking** – Definition of Municipal Advisor
 - > Exempt ESCOs from requirement to register w/SEC as MAs

- **Tax Reform** – Section 179D
 - > Extend (and improve) tax deduction for EE commercial building property

SEC Rule – Municipal Advisor

- **Wall St. Reform & Consumer Protection Act – July 2010**
 - > Municipal Advisors: Regulation by SEC of engineering firms providing “engineering advice”

- **SEC rulemaking continues**
 - > Due by end of 2013

- **Lack of clarity regarding ESCO impact**
 - > Exemption provided for engineers; not explicit for ESCOs
 - > Providing cash flow analysis or feasibility studies to municipalities could trigger SEC reporting requirement

Municipal Advisor – Impact to ESCOs

SEC interpretation critical

- Fiduciary responsibility to municipality
- Reporting requirements & associated costs
- Oversight by securities regulator
- Reduced appetite to engage municipalities
- Increased costs to municipalities

Municipal Advisor – NAESCO Efforts & Outlook

NAESCO proposing exemption for ESCOs

- **SEC political & career staff**

- **Congress**
 - > Dold-Moore legislation – 112th Congress
 - > Senators Bingaman, Coons & Landrieu letter
 - > Current: Energy Efficiency legislation
 - ESCO effort led by Senator Mary Landrieu (D-LA)
 - Continued House pressure

Tax Reform - Overview

Goal to simplify & reform corporate tax code

- Reduce overall corporate rate from 35%
- Expand the tax base
- Close loopholes / eliminate deductions (winners & losers)
- Revenue Neutrality
- Worldwide vs. Territorial Tax System
- Realistic transition rules – time to comply
- Certainty, Certainty, Certainty

Tax Reform – Section 179D

- **\$1.80/sq. ft. maximum deduction; partial deduction**
- **ESCOs allocated deduction for government buildings**
- **Available for property in service before 12/31/13**
- **Full impact not yet achieved**
 - > Economy
 - > Complexity of deduction
 - > New building codes

Section 179D – NAESCO Effort

- **Tremendous need for ESCO industry engagement**
- **NAESCO coalescing core group of member companies**
- **Will require active engagement of member companies**

IF NOT NAESCO, THEN WHO???

Section 179D – NAESCO Strategy

Bring industry together – speak with one voice

Congressional Lobbying & Education Campaign

- Letters to House Energy Tax Reform Working Group
- Demonstrate bipartisan support for extension
 - > Senate Finance / House Ways & Means Committees
 - > Members w/ESCO constituent presence
- *Seek extension language in House and Senate proposals*

Tax Reform & Section 179D: Path Forward

- House: action possible this summer
 - > Focused on July; may wait until September

- Senate: wait for House product
 - > Senate Democrats & White House

- Enactment: ???????

Conclusion

NAESCO – taking proactive steps to address key issues

Much work remains – member company support essential

Questions?