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?