PROGRAM OPPORTUNITY NOTICE (PON)

Qualified Energy Conservation Bonds

PON-ENE-2012-001

January 6, 2012

American Recovery and Reinvestment Act
INTRODUCTION

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a unique and historic opportunity to stimulate the development and deployment of advanced technology systems, create jobs, reduce our country’s dependence on foreign oil and curb carbon emissions from the transportation sector. Funding from this Act is being used to expand the Qualified Energy Conservation Bonds Program (QECBs), originally authorized under the Energy Improvement and Extension Act of 2008. QECBs were created to promote investment in qualified energy projects. A QECB is a tax credit bond, which is a bond for which the borrower pays back the principal on the bond, and the bondholder receives federal tax credits in lieu of traditional bond interest payments. Recent legislation provides that QECBs may also be issued as Build America Bonds in which the bonds bear taxable interest and the obligor receives a subsidy directly from the federal government equal to 70% of the taxable interest cost, up to the U.S. Treasury maximum published interest rate.

PROGRAM OUTLINE

ARRA authorized a national volume cap for QECBs of $3.2 billion which was allocated among the states based on each state’s proportional population as compared to the population of the United States. Massachusetts received a volume cap allocation of $67,413,000 based on its population as a percent of the population of the United States. There have been two previous rounds of QECB awards made to both public and private projects, each in May 2010 (PON-ENE-2010-024) and October 2011 (PON-ENE-2011-009). At the time of this Round 3 solicitation (PON-ENE-2012-001), Massachusetts has a net total of $15,587,730 in remaining QECB allocation to award to public projects only. A “public project” under the QECB program is a project which provides a public benefit and where the public entity issues the QECB and incurs debt to finance this project.

The purpose of this PON is to define the eligibility requirements and process for applying for the Commonwealth’s remaining QECB allocation.

PROGRAM ADMINISTRATION

The Executive Office for Administration and Finance (ANF) and the Executive Office of Energy and Environmental Affairs (EOEEA) will distribute the volume cap to eligible projects on behalf of all abolished counties and for active counties or cities that choose to reassign their volume cap to the Commonwealth for reallocation. As provided in MA Executive Order 516, MassDevelopment may issue the QECBs for governmental purposes on behalf of the Commonwealth and also on behalf of a large local government, if requested. MassDevelopment will issue the QECBs that are private activity bonds.
FUNDING

Table 1 outlines the net Massachusetts QECB allocation of $15,587,730 available for distribution under this solicitation.

Table 1: Massachusetts QECB Allocations

<table>
<thead>
<tr>
<th>MA Population (2.14%)</th>
<th>6,497,967</th>
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<tbody>
<tr>
<td>QECB Allocation</td>
<td>$67,412,997</td>
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<table>
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<tr>
<th>Committed Allocations</th>
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<tr>
<td>Large Local Governments</td>
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<tr>
<td>Private Projects Awarded</td>
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<td>Public Projects Awarded</td>
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<table>
<thead>
<tr>
<th>Available State Allocations</th>
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<tr>
<td>Total Balance to State for further allocation to Public Projects</td>
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</table>

Seventy percent (70%) of the Commonwealth QECB allocation must be used for governmental purpose bonds; no more than 30% may be used for private activity bonds. The Commonwealth has awarded the maximum allowable private allocation of $15,241,773 under Rounds 1 and 2 of QECB solicitations. Table 1 shows the remaining balance of QECB allocation that is available for public activities only.

PROGRAM REPORTING

ANF and EOEEA will coordinate on the reporting requirements for this program.
APPLICATION PROCESS AND REVIEW

Commonwealth Allocation and Reallocation Criteria
Projects will be evaluated based on the information provided in Appendices B, C, D, E, and F. The Commonwealth will allocate its share of original allocation and any amounts reallocated to public projects only and according to the following priorities:

- Projects that promote or expand economic opportunities, including job creation
- Projects that meet critical energy needs and/or statewide energy conservation goals
- Projects that demonstrate readiness and feasibility
- Projects that ANF and EOEEA determine will enhance the public good and general welfare of the Commonwealth

Pursuant to ARRA, 100% of the available project proceeds of QECBs must be used for one of the following qualified conservation purposes:

A. Capital expenditures incurred for purposes of:
   a. Reducing energy consumption in publicly owned buildings by at least 20%;
   b. Implementing community-based green programs (including the use of loans, grants, or other repayment mechanisms to implement such programs);
   c. Rural development involving the production of electricity from renewable energy sources; or
   d. Any qualified facility as determined under Section 45(d) of the IRS Code except paragraphs 8 and 10. This includes wind, biomass, geothermal energy, solar energy and small irrigation power facilities.

B. Expenditures with respect to facilities or grants that support research in the development of cellulosic ethanol or other non-fossil fuels, technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels, increasing the efficiency of existing technologies for producing non-fossil fuels, automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation, and technologies to reduce energy use in buildings; or

C. Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting; or

D. Demonstration projects designed to promote the commercialization of green building technology, conversion of agricultural waste for use in the production of fuel or otherwise, advanced battery manufacturing
technologies, technologies to reduce peak use of electricity, and technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity; or
E. Public education campaigns to promote energy efficiency.

Volume Cap Allocation Recipients are urged to consult with their bond counsel and financial advisor to determine the appropriateness of QECBs.

QUESTIONS

ALL questions must be posted to the bidder's forum on Comm-PASS (www.comm-pass.com). All answers, notifications, releases and amendments to this grant opportunity will be posted on Comm-PASS. To post questions:
1. From www.comm-pass.com, scroll to the bottom of the page and select Search for bidders’ forum, located near the middle of the page.
2. Under **AND** Search by Specific Criteria, enter PON-ENE-2011-*** into the Referenced Solicitation Number search bar and click Search.
3. Click the link at the top of the page that says There are 1 Forum(s) found that match your search criteria.
4. On the right side of the page, click the eyeglasses under View to access the forum.
5. This Summary page contains information about the forum for PON-ENE-2011-009, including its opening and closing dates. To post a question to the forum, click Ask a Question in the Forum, located in the top right corner of the page before the closing date has passed.
6. Enter the required sign-in information (this will be kept private from the general public and is only visible to the forum manager and contact person) and click Next Step at the bottom of the page.
7. Enter your question into the Question box and click Submit Question at the bottom of the page. The question will now be posted into the forum.
8. Check back within 2 days to review posted response.
ATTACHMENT I:
Commonwealth of Massachusetts
APPLICATION FOR QECB ALLOCATION

<table>
<thead>
<tr>
<th>Borrower</th>
<th>Contact Name (print)</th>
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<tbody>
<tr>
<td>Street Address</td>
<td>Contact Title</td>
</tr>
<tr>
<td>City/Town County Zip Code</td>
<td>Contact Telephone</td>
</tr>
<tr>
<td>Borrower Bond Rating</td>
<td>Contact Email</td>
</tr>
<tr>
<td>County where QECB project is located</td>
<td>Amount of QECB allocation requested</td>
</tr>
<tr>
<td>Application Type</td>
<td>Bond Rating</td>
</tr>
<tr>
<td>□ Public Activity</td>
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</table>

INSTRUCTIONS

1. Applicants must complete all required sections in order to be considered for an allocation award.
2. Applications will be accepted until the deadline of **5pm on February 17, 2012**:
3. One electronic copy of the application must be submitted to Elise Avers at: elise.avers@state.ma.us and one unbound hardcopy of the application must be submitted to the following address:

   Department of Energy Resources  
   Green Communities Division  
   100 Cambridge Street, 10th Floor  
   Boston, MA 02114  
   ATTN: Elise Avers, Program Coordinator
1. This project is (check one):
   □ A government project

2. Describe how your project meets one or more of the following priorities for allocation selection:
   □ Promote or expand economic opportunities, including job creation
   □ Meet critical energy needs and/or statewide energy conservation goals
   □ Demonstrate readiness and feasibility
   □ Enhances the public good and general welfare of the Commonwealth

3. Check the category or categories into which your project fits (per QECB legislation).
   □ Capital expenditures incurred for purposes of (indicate one)
     □ Reducing energy consumption in publicly owned buildings by at least 20%
     □ Implementing community-based green programs (including the use of loans, grants, or other repayment mechanisms to implement such programs)
     □ Rural development involving the production of electricity from renewable energy sources
     □ Any qualified facility under Section 45(d) of the IRS Code except paragraphs 8 and 10.¹ This includes: wind facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal or solar energy facilities, small irrigation power facilities, landfill gas facilities, and qualified hydropower facilities
     Describe:

     ____________________________________________________________

     ____________________________________________________________

   □ Expenditures with respect to facilities or grants that support research in (indicate one or more)
     □ Development of cellulosic ethanol or other non-fossil fuels
     □ Technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
     □ Increasing the efficiency of existing technologies for producing non-fossil fuels
     □ Automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation
     □ Technologies to reduce energy use in buildings

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¹ MA DEP Bureau of Waste Prevention, (617)292-5500 must be consulted regarding any proposed waste-to-energy project to ensure it does not violate the Mass Moratorium.
☐ Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.

☐ Demonstration projects designed to promote the commercialization of (check one or more)
   ☐ Green building technology
   ☐ Conversion of agricultural waste for use in the production of fuel or otherwise
   ☐ Advanced battery manufacturing technologies
   ☐ Technologies to reduce peak use of electricity
   ☐ Technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity

☐ Public education campaigns to promote energy efficiency.
APPENDIX A
CERTIFICATION OF APPLICATION

The Chief Executive Officer must complete this Certification:

I, _________________________________ am authorized to execute said Application on behalf of _________________________________, the applying municipality and verify that the information in this Application is true.

________________________________________
[Signature of Chief Executive Officer]

________________________________________
[Title of Chief Executive Officer]

________________________________________
[Date]
APPENDIX B
PROJECT NARRATIVE

Describe the scope of the project proposed and demonstrate shovel-readiness. NOTE: Only projects that can close on QECBs within 6 months of award should apply.

Include the following:
- Physical address of the project site and identify the community or entity to be served,
- Purpose
- Benefits
- Procurement status
- Detailed information about required project approvals received to date and status of any outstanding project approvals and anticipated timeline for all necessary approvals
- Project Schedule, noting how the QECB can close within 6 months
- Anticipated Impact, including projected energy reductions or project renewable energy generation capacity
- Note if this is a governmental purpose project.
APPENDIX C
PROJECT VIABILITY

Please provide applicable feasibility studies, site analysis, audits/assessments, design documents, contracts, construction schedule and anticipated completion date or other analysis to support the viability of the proposed project. This should include an economic assessment.

For proposed renewable energy projects please provide documentation demonstrating the availability of the renewable resource identified in this application. For example, if the applicant is pursuing a wind project, please provide relevant analysis that supports the siting of wind in the location identified (e.g. wind map information, Met tower data).

With any attached studies, please provide a summary that references applicable sections of the study that speak to the project’s technical and economical feasibility, as well as shovel-readiness.

Please include a detailed explanation of assumptions and show impact of different assumptions (e.g., for wind project, P50 vs. P90 analysis).
APPENDIX D
BUDGET / FINANCING

Please provide a complete accounting of the proposed budget for the project. Include:

- Project budget with cost estimates/quotes,
- Other sources of funding and financial/payback analysis. Please note whether or not the other sources of funding for the project are committed.
- Anticipated financing plan demonstrating that the project will be able to obtain financing within 6 months (e.g., commitment or letter of interest from investor indicating interest in purchasing the QECBs, letter from bond underwriter indicating interest and why/how they believe the project is financeable, etc.).
- For any projects planning to sell power under a Power Purchase Agreement (PPA), please provide evidence that there is a customer for the power generated.
APPENDIX E
PROJECTED ENERGY IMPACT

Please provide the projected reductions in energy consumption, reductions in fossil fuel energy and the resulting reductions in greenhouse gas for the proposed project.

PLEASE NOTE: Per the federal requirements of the QECB program, projects for reducing energy consumption in publicly owned buildings must reduce consumption by at least 20%
APPENDIX F
PROJECTED ECONOMIC DEVELOPMENT BENEFIT

Please describe how this project will result in job creation, job retention, market transformation or other economic development benefits. Please provide justification for how this was determined.