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About $330M Left in New Clean Renewable Energy Bond Program.

WASHINGTON – About $329.7 million of New Clean Renewable Energy Bonds can still be allocated to states, localities and other users, according to the Internal Revenue Service.

The unused allocations stand at $150.3 million for governmental bodies and $179.36 million for cooperative electric companies, the IRS stated in its latest update published on July 3.

The overall program was authorized for $2.4 billion in bonding authority.

One third of the $2.4 billion New CREBs program was authorized for use by public power companies, but unlike governmental bodies and electric cooperatives they faced a deadline to apply.

Public power companies had a June 3, 2015 deadline to apply for their $800 million share of the program.

An initial round of New CREBs for public power agencies was over-subscribed at the 2009 deadline, according to the American Public Power Association, which reported there were 38 applications for $1.446 billion. The IRS prorated the allocations, setting a 2012 deadline for their use.

However, many of the public power projects were not undertaken by the first deadline. A reallocation was undertaken in 2015, but it's not clear how much of the remaining $516.56 million was used.

School districts, cities and counties around the nation have used new CREBs to finance the installation of solar panels on rooftops and pay for the construction of windmills to produce electricity for schools and government buildings, said Ed Oswald, an attorney at Orrick, Herrington & Sutcliffe here.

No more than $40 million of New CREBs in the latest round can be used for each project by any governmental body or electric cooperative, according to the IRS.

The IRS hasn't tracked how many of the projects have financed solar power versus wind power or other renewable energy sources. It also hasn't looked at the type of governmental bodies, such as school districts, where New CREBs may be most often used, according to an IRS official.

A database maintained by Thomson Reuters lists the Grant County Public Utility District in Washington State as the largest user of New CREBs with $222.4 million issued for three projects followed by American Municipal Power Inc. of Ohio with $136 million for two projects as well as the City of Seattle, Wash. at $84.9 million for three projects.

Seattle City Light, a municipal owned power company, used New CREBs to rebuild generators at the city's Boundary and Diablo hydroelectric dams. Boundary accounts for about 60% and Diablo accounts for 9.5% of the electricity generated by Seattle City Light.

“New CREBs have been relatively well received by the public finance community,’’ Oswald said.

“It’s, if you will, another tool in the toolbox. It’s a tax credit bond, not a tax-exempt bond.’’

New CREBs did not work for every community. The town of Norwich, Vermont received an authorization in 2009 to use new CREBs to finance solar panels for a municipal building, but the town ultimately opted for a private company that offered to supply low-cost solar power to the town, public library and local elementary school.

“Over the length of the project it would have been a plus for the town, but there were certain years where it would be a negative,” said Linda Gray, chair of Norwich energy committee. “And I have to say the bonds were pretty weird.’’

New CREBs are currently taxable and issued in a direct-pay mode, under which the issuer receives a direct subsidy from the federal government to reduce the interest costs. The subsidy equals 70% of interest costs minus cuts from sequestration.

The Energy Improvement and Extension Act of 2008 allocated an initial $800 million for the New CREBs.

Another $1.6 billion was authorized under the American Reinvestment and Recovery Act of 2009 signed by President Obama that also contained broader measures to stimulate the economy.

Limiting the financing to $40 million for individual projects has been a major obstacle for big cities and other potential large users.

“I think that the most significant limitation for these bonds has been the volume cap level,’’ Oswald said. “If you think about the needs of the nation at large in terms of renewable energy, they are somewhat significant and the volume cap allocated here still falls short of the aspirations of a lot of the issuers.’’

The original Clean Renewable Energy Bonds program, also known as Old CREBs, was authorized in 2005 as part of the Energy Tax Incentives Act. The initial authorization for $800 million in Old CREBs was increased to $1.2 billion under the 2006 Tax Relief and Health Care Act. Those bonds were issued as taxable tax credit bonds under which purchasers received tax credits.

By Brian Tumulty

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