

bond proceeds, including a requirement that the issuer reasonably expects, as of the issue date, that at least 95 percent of the net proceeds will be expended within 5 years.

Section 54(j)(4) defines a “qualified issuer” as: (1) a clean renewable energy bond lender; (2) a cooperative electric company; or (3) a governmental body. Section 54(j)(2) provides that a “clean renewable energy bond lender” is a lender that is: (1) a cooperative that is owned by, or has outstanding loans to, 100 or more cooperative electric companies and was in existence on February 1, 2002; or (2) any affiliated entity controlled by such a lender. Section 54(j)(1) defines the term “cooperative electric company” as a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2)(C), or a not-for-profit electric utility that has received a loan or loan guarantee under the Rural Electrification Act. Section 54(j)(3) defines the term “governmental body” as any State, territory, possession of the United States, the District of Columbia, Indian tribal government, or any political subdivision thereof.

Section 54(j)(5) provides that a “qualified borrower” is: (1) a mutual or cooperative electric company described in section 501(c)(12) or 1381(a)(2)(C); or (2) a governmental body.

Section 54(d)(2) defines the term “qualified project” as any of the following qualified facilities (as determined under section 45(d) without regard to any placed in service date) owned by a qualified borrower: (1) a wind facility under section 45(d)(1); (2) a closed-loop biomass facility under section 45(d)(2); (3) an open-loop biomass facility under section 45(d)(3); (4) a geothermal or solar energy facility under section 45(d)(4); (5) a small irrigation power facility under section 45(d)(5); (6) a landfill gas facility under section 45(d)(6); (7) a trash combustion facility under section 45(d)(7); (8) a refined coal production facility under section 45(d)(8); and (9) a qualified hydropower facility under section 45(d)(9).

Section 54(f)(1) provides that the national clean renewable energy bond limitation is \$800,000,000. Section 54(f)(2) provides that the Secretary shall allocate the national clean renewable energy bond limitation among qualified projects in such manner as the Secretary determines appropriate, except that the Secretary may not

allocate more than \$500,000,000 of the national clean renewable energy bond limitation to finance qualified projects of qualified borrowers that are governmental bodies.

Section 54(d)(2)(D) provides that, for purposes of the requirement of section 54(d)(1)(B) that at least 95 percent of the proceeds of an issue be used for capital expenditures incurred by a qualified borrower for a qualified project, proceeds of an issue are not treated as used for a qualified project to the extent that a qualified borrower or qualified issuer takes any action within its control that causes such proceeds not to be used for a qualified project. Section 54(d)(2)(D) further provides that the Secretary shall prescribe regulations specifying remedial actions that may be taken (including conditions to taking such remedial actions) to prevent an action described in the preceding sentence from causing a bond to fail to be a clean renewable energy bond.

Section 54(k) generally requires that any borrower of proceeds of a clean renewable energy bond that is a pooled financing bond (within the meaning of section 149(f)(4)(A)) enter into a written loan commitment before the issue date of the bond.

Section 54(l)(6) provides that a bond shall not be treated as a clean renewable energy bond unless it is part of an issue that provides for an equal amount of principal to be paid by the qualified issuer during each calendar year that the issue is outstanding.

Section 54(e)(1) provides that a bond shall not be treated as a clean renewable energy bond if the maturity of the bond exceeds the maximum term determined by the Secretary under section 54(e)(2) with respect to the bond. Section 54(e)(2) provides that, during each calendar month, the Secretary shall determine the maximum term for clean renewable energy bonds issued in the following calendar month. The maximum term is the term the Secretary estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond. Section 54(e)(2) further provides that such present value shall be determined (1) without regard to the requirement of section 54(l)(6) that the principal of clean renewable energy bonds be amortized ratably each year and (2) using

a discount rate equal to the average annual interest rate of tax-exempt obligations having a term of 10 years or more that are issued during the month. If the term as so determined is not a multiple of a whole year, such term shall be rounded to the next highest whole year.

Section 54(i) generally provides that the arbitrage requirements of section 148 applicable to tax-exempt State or local bonds apply to clean renewable energy bonds.

Section 54(l)(7) requires issuers of clean renewable energy bonds to submit reports similar to the reports required under section 149(e) for tax-exempt State or local bonds.

SECTION 4. TEMPORARY REGULATIONS

The Treasury Department and the Internal Revenue Service intend to issue temporary and proposed regulations (the “Temporary Regulations”) under section 54 to provide guidance to holders and issuers of clean renewable energy bonds. The Temporary Regulations will address, among other matters, remedial actions and arbitrage restrictions applicable to clean renewable energy bonds.

SECTION 5. APPLICATION REQUIREMENTS

Each application for an allocation of the clean renewable energy bond limitation must be prepared and submitted in accordance with this section. By submitting an application for an allocation of the clean renewable energy bond limitation, pursuant to section 54(f) and this notice, the applicant agrees to comply with the requirements of this notice.

a. *Qualified issuer.* The application must be submitted by a qualified issuer within the meaning of section 54(j)(4). A “qualified issuer” is: (1) a clean renewable energy bond lender (as defined in section 54(j)(2)); (2) a cooperative electric company (as defined in section 54(j)(1)); or (3) a governmental body (as defined in section 54(j)(3)). Applications must identify the qualified issuer and must demonstrate that the entity constitutes a qualified issuer within the meaning of section 54(j)(4).

b. *Signatures.* An application must be signed by an authorized employee of the qualified issuer.

c. *Addresses.* Applications must be submitted in duplicate to the Internal Revenue Service (IRS), Attention CC:TEGE:EOEG:TEB, 1111 Constitution Avenue, NW, Room 4306, Washington, D.C. 20224. Applications may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to the Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, D.C., attention CC:TEGE:EOEG:TEB.

d. *Due date.* Applications must be filed with the IRS on or before April 26, 2006.

e. *Project description.* Each application must contain the information required by this subsection e.

(i) *Qualified borrower.* Each application must identify the qualified borrower expected to own the qualified project. A "qualified borrower" is: (1) a mutual or cooperative electric company described in section 501(c)(12) or 1381(a)(2)(C); or (2) a governmental body (as defined in section 54(j)(3)). The application must demonstrate that the entity constitutes a qualified borrower within the meaning of section 54(j)(5). If any bond is expected to be a pooled financing bond (within the meaning of section 149(f)(4)(A)), the application must demonstrate that the qualified issuer will enter into a written loan commitment with each qualified borrower prior to the issue date of the bond issue.

(ii) *Qualified project.* Each application must describe in detail the project to be financed with the proceeds of the clean renewable energy bonds. The application must demonstrate that the project will constitute a "qualified project" within the meaning of section 54(d)(2)(A), and must indicate the expected date the project will be placed in service. The application also must contain a certification by an independent, licensed engineer that the project will meet the requirements to be a qualified facility (as determined under section 45(d) without regard to section 45(d)(10) and to any placed in service date) and that the project is technically viable.

(iii) *Location of project.* The application must indicate the location of the project.

(iv) *Regulatory approvals.* The application must describe a plan to obtain all necessary Federal, state and local regulatory approvals for the project.

f. *Plan of financing.* The application must contain a detailed description of the plan of financing for the project, including all private and public sources of financing and the status of the applicants' efforts to secure all such financing. The application must also describe the anticipated date of bond issuance, the sources of security and repayment for the bonds, the aggregate face amount of bonds expected to be issued for the project, and the issuer's reasonably expected schedule for spending proceeds of clean renewable energy bonds.

g. *Dollar amount of allocation requested.* The application must specify the dollar amount of the clean renewable energy bond limitation requested.

SECTION 6. ALLOCATION OF CLEAN RENEWABLE ENERGY BOND LIMITATION

The clean renewable energy bond limitation will be allocated, in accordance with this section, to qualified projects for which applications meeting the requirements of this notice have been filed with the IRS on or before April 26, 2006. Projects for governmental bodies and mutual or cooperative electric companies described in section 501(c)(12) or 1381(a)(2)(C) will be allocated the full amount of clean renewable energy bond limitation requested beginning with the project(s) for which the smallest dollar amount of clean renewable energy bond limitation has been requested and continuing with the project(s) for which the next-smallest dollar amount of such limitation has been requested until the total amount of clean renewable energy bond limitation has been exhausted. However, in the event that \$500,000,000 has been allocated to qualified projects of qualified borrowers that are governmental bodies, the remaining clean renewable energy bond limitation will be allocated, under the methodology described in the previous sentence, only to qualified projects of qualified borrowers that are not governmental bodies. For purposes of this section, all qualified projects located at the same site and owned by the same qualified borrower are treated as a single project.

SECTION 7. REQUIRED DECLARATIONS

Each application, certification, report or other document submitted under this

notice must include the following declaration signed by an authorized employee of the qualified issuer who has personal knowledge of the relevant facts and circumstances: "Under penalties of perjury, I declare that I have examined this document and, to the best of my knowledge and belief, all of the facts contained herein are true, correct, and complete."

SECTION 8. MAXIMUM TERM

The maximum term for a clean renewable energy bond is determined under section 54(e)(2) by using a discount rate equal to 110 percent of the long-term adjusted AFR, compounded semi-annually, for the month in which the bond is sold. For purposes of this notice, a bond is "sold" on the first day on which there is a binding contract in writing for the sale or exchange of the bond. The maximum term for a clean renewable energy bond will be published daily by the Bureau of Public Debt on its Internet site for State and Local Government Series securities at: <http://www.publicdebt.treas.gov>.

SECTION 9. CREDIT RATE

For each issue of clean renewable energy bonds, a separate credit rate will apply to each of the level annual repayments of principal of the issue (each, a "principal maturity"). The credit rate for a principal maturity of an issue of clean renewable energy bonds is the applicable clean renewable energy bond credit rate published each business day by the Bureau of Public Debt on its Internet site for State and Local Government Series securities at: <http://www.publicdebt.treas.gov>. The applicable clean renewable energy bond credit rate shall be applied to a principal maturity of an issue of clean renewable energy bonds on the day the issue is sold. The credit rates will be determined by the Treasury Department based on its estimate of the yield on outstanding AA rated corporate bonds of a similar maturity for the business day immediately prior to the date on which the issue is sold.

SECTION 10. INFORMATION REPORTING

Section 54(l)(7) requires issuers of clean renewable energy bonds to submit

