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Person To Contact:
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Telephone Number:

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Date:
April 28, 2015

LEGEND:

Authority =

City =

State =

Bonds =

a =

Date 1 =

Date 2 =

Date 3 =

Dear :

This is in response to your request under section 54A(d)(2)(B)(iii) of the Internal Revenue Code (the Code) for an extension of the expenditure period for the available project proceeds of new clean renewable energy bonds.

Facts and Representations

Authority is a department of City and issues debt on behalf of City. City is duly organized and existing under the Constitution and laws of State. City is a political subdivision of State.

Authority issued the Bonds on Date 1 and designated the Bonds as new clean renewable energy bonds within the meaning of § 54C(a). All available project proceeds of the Bonds were to be spent on two solar energy facilities ("Facility A" and "Facility B") and a renewable hydroelectric plant ("Facility C") (together, "Project").

The original three-year expenditure period for the Bonds under section 54A(d)(2)(B)(i) will expire on Date 2 (the "Original Expenditure Period"). At the time the Bonds were issued, Authority expected that all available project proceeds of the Bonds would be spent on the Project not later than Date 2. However, several unexpected events have resulted in an unforeseen delay in the expenditure of $a of the available project proceeds of the Bonds.

A jurisdictional dispute between two private labor unions developed over which union had the right to participate in the construction of Facility A and Facility B. Authority and City worked together to resolve the dispute. This resolution involved requesting clarification from State. No clear direction was provided by State, making final contract approval with a private contractor impractical. Resolution of the dispute contributed to construction delays of Facility A and Facility B. Finally, approximately 10 months after Date 1, in order to expedite the two projects and avoid the union dispute, Authority developed a new working relationship with City under which the solar electric systems were designed by Authority engineers and Facility A and Facility B were constructed by City work crews.

Construction of Facility B consists of two phases. The first phase ("Phase 1"), design and installation of a solar electric system, has been completed. However, this phase took longer than originally anticipated due to site constraints and unforeseen site conditions. The second phase ("Phase 2") consists of the design and installation of a second solar electric system. Because of the delays in completing Phase 1 of Facility B, Authority and the City work crews used their available resources to complete the construction of Facility A before proceeding with Phase 2. Facility A, Phase 1 of Facility B, and Facility C have now been completed, and Authority and the City work crews will now commence work on Phase 2 of Facility B. The $a of remaining unspent available project proceeds of the Bonds are allocated to Phase 2.

In order to spend the remaining available project proceeds of the Bonds, Authority requests an extension of the expenditure period for the available project proceeds until Date 3, which is 18 months after the Original Expenditure Period expires.

Authority submitted this request for a ruling prior to Date 2.

Law and Analysis

Section 54A(d)(1) provides that a new clean renewable energy bond is treated as a qualified tax credit bond for purposes of Section 54A.

Section 54A(d)(2)(B)(i) provides in part that to the extent that less than 100 percent of the available project proceeds of the issue are expended by the close of the expenditure period for 1 or more qualified purposes, the issuer shall redeem all of the nonqualified bonds within 90 days after the end of such period.

Section 54A(d)(2)(B)(ii) provides that for purposes of this subpart, the term "expenditure period" means, with respect to any issue, the 3-year period beginning on the date of issuance. Such term shall include any extension of such period under clause (iii).

Section 54A(d)(2)(B)(iii) provides that upon submission of a request prior to the expiration of the expenditure period (determined without regard to any extension under this clause), the Secretary may extend such period if the issuer establishes that the failure to expend the proceeds within the original expenditure period is due to reasonable cause and the expenditures for qualified purposes will continue to proceed with due diligence.

Section 54A(d)((2)(C)(ii) provides that for purposes of this paragraph, in the case of a new clean renewable energy bond, a "qualified purpose" means a purpose specified in § 54C(a)(1).

Section 54A(e)(4) of the Code defines "available project proceeds" to mean (A) the excess of (i) the proceeds from the sale of an issue, over (ii) the issuance costs financed by the issue (to the extent that such costs do not exceed 2 percent of such proceeds), and (B) the proceeds from any investment of the excess described in subparagraph (A).

At the time the Bonds were issued, Authority reasonably expected to spend all available project proceeds within the Original Expenditure Period. The expected failure to spend all available project proceeds of the Bonds by the expiration of the Original Expenditure Period was due to reasonable cause. The expected failure was caused by events that were not reasonably expected at the time the Bonds were issued and were beyond the control of Authority. These events caused a significant delay in committing and spending the Bond proceeds.

Authority will continue to spend the remaining available project proceeds on the Project with due diligence. Authority expects to spend all available project proceeds not later than Date 3, which is 18 months after the Original Expenditure Period expires.

Conclusion

Under the facts and circumstances of this case, we conclude that Authority's expected failure to expend the available project proceeds of the Bonds by Date 2 is due to reasonable cause and that Authority's continued expenditure of the proceeds for qualified purposes will proceed with due diligence. Therefore, Authority is granted an extension of the Original Expenditure Period with respect to the Bonds until Date 3.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with a Power of Attorney on file with this office, a copy of this letter is being sent to Authority's authorized representative.

The ruling contained in this letter is based upon information and representations submitted by Authority and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the materials submitted in support of the request for a ruling, it is subject to verification upon examination.

Sincerely,

Associate Chief Counsel
(Financial Institutions & Products)

/S/
By: ____________________________
James Polfer
Chief, Branch 5