

**Responses to questions related to:  
IRS Notice 2006-24, Qualifying Advanced Coal Project Program,  
IRS Notice 2006-25, Qualifying Gasification Program  
May 5, 2006**

DOE is answering questions related only to DOE certifications. Other questions should be directed to the IRS by calling Doug Kim or Kathy Reed at (202) 622-3110, or by faxing the questions to them at (202) 622-4779.

**36. Independent Financial Analyst**

- a. Will a duly licensed CPA or CPA firm, which is independent of the applicant under the profession's promulgated rules on independence, meet the definition of "Independent Financial Analyst"? If so, will they still be required to state, in the report, their qualifications and experience that establishes their competence to evaluate project financing?

**Response 36 a – i) See response 11 a, 11 b. An Independent Financial Analyst is defined as an analyst that is not obligated to or subject to controls, restrictions, modifications or limitations from the Applicant or any other party with respect to the preparation of the required report. ii) See response 11 c, d. Appendix B, Section G requires that each Independent Financial Analyst describe its qualifications and experience in project financing for projects similar in scope and size to the Applicant's project.**

- b. Will DOE consider determining a potential Independent Financial Analyst's qualifications and experience and deem them acceptable prior to submission of the "Application for DOE Certification" to give the applicant comfort that their choice in Independent Financial Analyst will be acceptable to DOE?

**Response 36 b – No. In the report, the Independent Financial Analyst shall describe its qualifications and experience in project financing for projects similar in scope and size to the Applicant's project.**

- c. IRS Notice 2006-24, Section G. 1st paragraph states "The report shall include the *opinion* (emphasis added) of the Independent Financial Analyst as to the Applicant's likelihood to achieve financial closure in accordance with the Applicant's financing plan." Is DOE looking for an opinion similar to that which independent auditors give for financial statements, or something less in scope? Thank you for your consideration of these questions.

**Response 36 c - The word "opinion" in the context of Appendix B is defined as a written expression of the view, judgment, and evaluation of the Independent Financial Analyst as to the Applicant's likelihood to achieve financial closure in accordance with the Applicant's financing plan.**

- d. Please answer the following question on what circumstances would require the preparation of a report by an independent financial analyst under Section G of Appendix B to 48A:

In the context of the discussion of financing for projects contained in 48A, Appendix B, Section D VII "Project Development and Financial Plan" and to clarify your responses to questions 6(c) and 11(e) as posted on your website, please confirm that an independent financial analyst report is required **only** for projects employing nonrecourse debt financing and therefore, projects financed through a combination of equity and a senior unsecured public debt offering of a regulated utility **do not require** a report from an independent financial analyst described in Section G of Appendix B.

**Response 36 d - See Response 6c and 11e. A project financed through a combination of equity provided by an Applicant and a senior unsecured debt offering by the Applicant does not require a report from an Independent Financial Analyst.**

**37. Interpretation of "Domestic Gasification Applications"**

Section 48B defines the term "eligible entity" as "any person whose application for certification is principally intended for use in a domestic project which employs domestic gasification applications related to" various industries. In evaluating these requirements, how does DOE intend to interpret the term "domestic gasification applications?"

**Response 37 – Please contact the IRS directly for a response to this question.**

**38. Self Funding**

On April 17, 2006, DOE answered a question relating to whether an independent financial analyst report is required if the applicant plans to "self-fund" a project. Please provide additional information regarding what DOE considered to be "self-funding." For example, if a taxpayer partially funds a project with amounts from a revolving line of credit, is this considered to be "self-funding?"

**Response 38 - See Response 11e. A report of an Independent Financial Analyst is required for projects employing non-recourse debt financing. The term "self-funded" in this context refers to funds that the Applicant will provide either directly, or indirectly through a guaranty of payment, rather than on a non-recourse basis. The word "non-recourse financing" is defined as financing that is based on the assets and financial performance of the project, without recourse to another party.**