

Name: Jason Sharpe

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Title: Testimony regarding Solar Property Tax

Dear Committee,

Thank you for the opportunity to testify before you. My name is Jason Sharpe, and I work for Enfinity America Corporation. I'm currently based in Hinesburg, Vermont. I grew up in Bristol, VT, I'm a UVM graduate, and I've recently moved back to my home state from Colorado where I worked in the solar industry for over 15 years. I trust you all know my father, Representative David Sharpe.

Regarding the Solar Tax provision, I understand that you have heard a fair amount of feedback, and that some of this has been contradictory of the other. I understand, too, that you are looking for what is simple, while also ensuring an equitable tax structure. As you know our State has a Comprehensive Energy Goal of reaching 90% of our total energy from renewables by 2050. While I also understand that your area of focus is Ways and Means and not energy policy I believe there still needs to be some alignment between overall economic development in our state, and the direction of our energy policy.

As you know there are different types of solar projects. For the last 15 years I've been an EPC contractor (Engineering, Design and Procurement) building projects for private customers and finance partners in multiple states. Recently with my move to Vermont I now work for an Owner Operator, we work with financial entities to finance projects, hiring EPC's to build projects brought to us by developers and then operating for the life of the project.

I want to clarify that projects of different sizes have different variables and economic drivers. Essentially, we have two programs in Vermont. We have the net-metering program and the Standard Offer program (sometimes also referred to as "SPEED").

Net-Metering:

Net-metering only goes up to 500 kW in size, with three permitting levels:

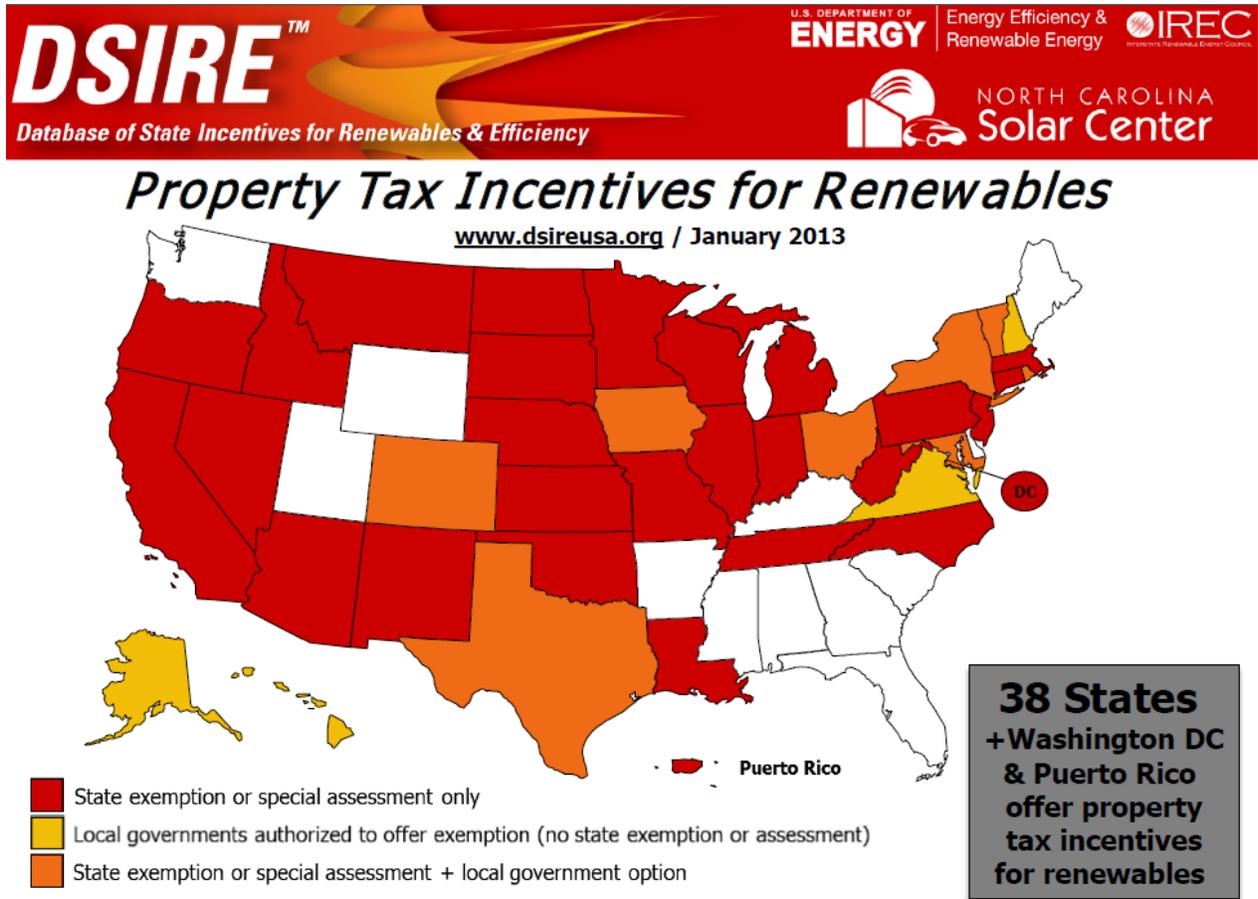
- 0-10 kW is a registration process,
- 10 kW – 150 kW is a streamlined Certificate of Public Good (CPG) process; and,
- 150 kW – 500 kW is an expensive and time consuming CPG process, and requires a utility System Impact Study (how the project integrates with the electric grid).

These permitting tiers are important, because it relates to how much it costs to build projects. Yes, there are economies of scale – but there are also areas in which costs increase depending on the size of the project.

Standard Offer, or "SPEED"

We then have the Standard Offer program for projects over 500kW. This program has been reduced from a fixed 30 cents per kWhr paid to the developer in 2008/9, to 27 cents per kWhr in 2011/12, to a bidding program. Bids this past year were awarded at ~13 to 14 cents per kWhr.

For context I wanted to give a little background on how other states handle property taxes for Solar projects:



Looking closer here are the specifics on how other states in the region treat property taxes:

State	Property Tax Mechanism
Massachusetts	Massachusetts offers a 20-year property tax exemption for PV and other solar energy systems that are used as a primary or auxiliary power system to supply on-site energy needs of taxable real estate (M.G.L. ch. 59 § 5 (45)). Net metered projects can be as large as 2 MW. Taxes on utility systems are left to the discretion of the municipality.
Connecticut	Solar facilities are exempt from local property tax, provided (i) such installation occurs on or after January 1, 2014, (ii) is for commercial or industrial purposes, and (iii) the nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located. The standard net metering cap is 2MW.
Rhode Island	Under § 44-3-21 The city or town councils of the various cities and towns may, by ordinance, exempt from taxation any renewable energy system located in the city or town.
Maine	Some solar projects in Maine may fall under the Business Equipment Tax Exemption Program. Generally speaking, the exemption includes new personal property used for a business purpose that is depreciable for federal income tax purposes. The property of public utilities is specifically excluded from eligibility. However, among the other restrictions is a limitation that excludes property used to produce energy primarily for sale or property located at retail sales facilities of 100,000 square feet or more. Therefore, utility PPA projects and big box store projects would not be exempt, however there are currently no utility solar PPA projects in Maine.
New Hampshire	RSA 72:61-72 permits cities and towns to offer exemptions from local property taxes for certain renewable energy installations, including solar PV. Currently, approximately 40% of towns and cities have adopted exemptions for solar PV.
New York	Real property that contains a solar, wind, or farm waste energy system approved by the State Energy Research and Development Authority is exempt from taxation for a period of 15 years to the extent of any increase in assessed value due to the system. However, each county, city, town, village and school district (except the school districts of New York, Buffalo, Rochester, Syracuse, and Yonkers) that has not disallowed the exemption may require the owner to enter into a contract for payments in lieu of taxes. As part of such contract, the property owner may be required to make annual payments in an amount not to exceed the amounts which would have been payable without the exemption. Such a contract may not operate more than 15 years, commencing from the date on which the benefits of this exemption first become effective.
New Jersey	Customer-sited PV facilities of all types are exempt from property taxes. New Jersey does not levy property taxes on business personal property, so for a grid-supply PV facility, the local assessing officer must make a determination of what constitutes real property and what constitutes personal property. Anecdotal evidence suggests that the vast majority of a PV installation will typically be classified as personal property, and therefore not taxed.

Exempting, limiting and fixing tax amounts for renewable energy equipment is actually common practice nationally and locally for many of the same reasons that REV has presented for this proposal.

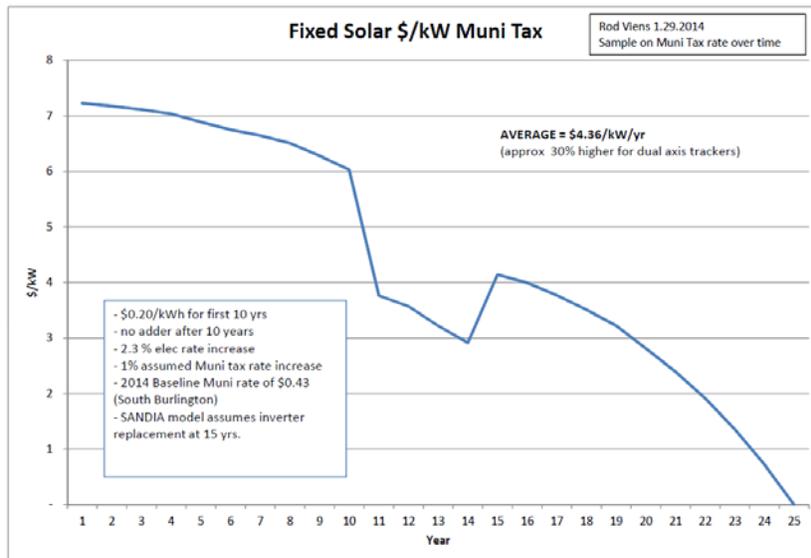
It's my understanding that Vermont has some precedent on a similar issues of equipment determined to benefit the public good. I believe telecom has exemptions for poles, lines, wires and fixtures from property taxes, which would be similar.

I read some recent testimony from VLCT regarding potential losses in tax revenue for municipalities:

POTENTIAL MUNICIPAL REVENUE LOSSES FROM ADMINISTRATION'S SOLAR TAX PROPOSAL

Town	Project	Generation Capacity	FMV tax	Tax @ \$4/ kW	Property Taxes Picked Up by Other Taxpayers
Johnson	Laraway Solar	56.5 kW	\$ 806.00	\$ -	\$ 806.00
Essex	Whitcomb Farm	2200 kW	\$ 17,600.00	\$ 8,800.00	\$ 8,800.00
	residential	148.2 kW	\$ 1,617.00	\$ -	\$ 1,617.00
South Burlington	?	2200 kW	\$ 28,974.60	\$ 8,800.00	\$ 20,174.60
	?	150 kW	\$ 953.19	\$ 600.00	\$ 353.19
<b>Total loss</b>					<b>\$ 31,750.79</b>

You also heard testimony from GRO Solar regarding what they believe taxes to look like for both NET metered and SPEED projects –



I've been trying to understand these two models and why they look so different. The VLCT chart shows large losses in new taxes, the Gro Solar chart shows why \$4/ kW is being proposed as similar to what the 25 year Sandia model would average.

The VLCT table doesn't show the baseline project economic assumptions and appears to be using projects with very high incentive levels. This is not aligned with looking forward at the market or even at current prices. It also shows only the year one revenue, not what the 25 year Sandia model would average over time.

The Gro Solar chart only shows an annual increase in municipal tax rates of 1% (maybe low) and is using a tax rate for South Burlington that is likely not representative of the average municipal rate in the State.

I think the basics of what the proposal before the committee is trying to accomplish is different based on the project types described earlier.

What "Net Metered" smaller systems want? – A lower property tax rate.

Why?

Net metered equipment is generally owned by the home, school, or private business owner that is purchasing the equipment to reduce the energy footprint of the owner. It is not an energy plant like Vermont Yankee. Additionally it is more similar to business equipment. I liked the example given in the Savage and Ferrell testimony - *"why is it that the freezers at Ben and Jerry's, the cask at the Alchemist, or the roasters at Green Mountain Coffee are considered exempt business equipment and yet the solar on their roof is considered something fundamentally different that we tax?"*

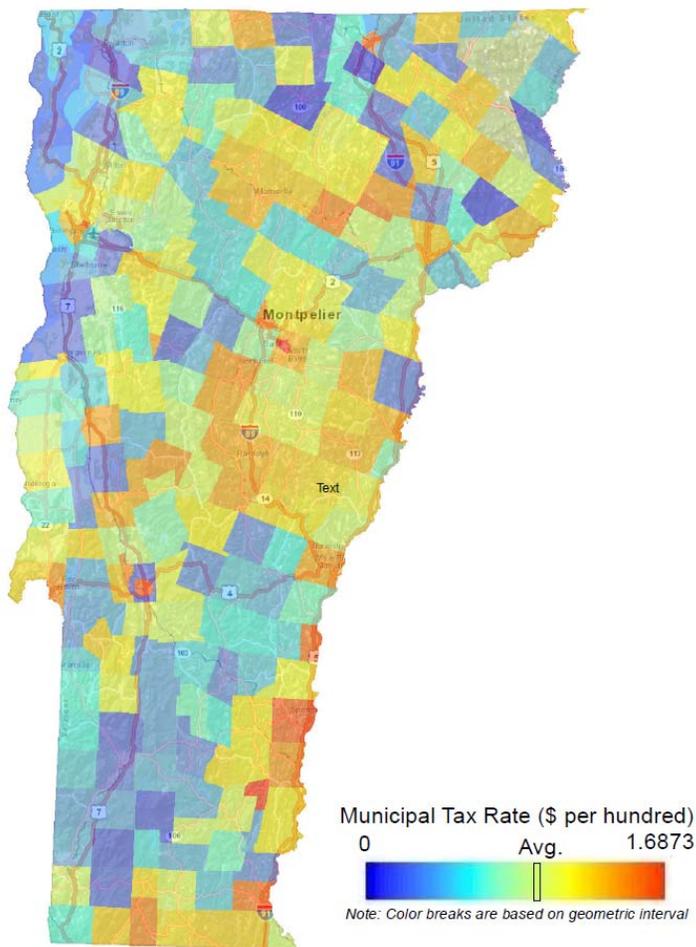
Additionally these projects have nearly a zero impact on the municipal services they are cited in. Which is the primary reason many states across the country exempt net metered equipment from these taxes. I believe that smaller distributed generation projects are better for Vermont economy – They benefit local homes and business owners.

What larger financed projects want – A fixed predictable rate across the entire State.

Why?

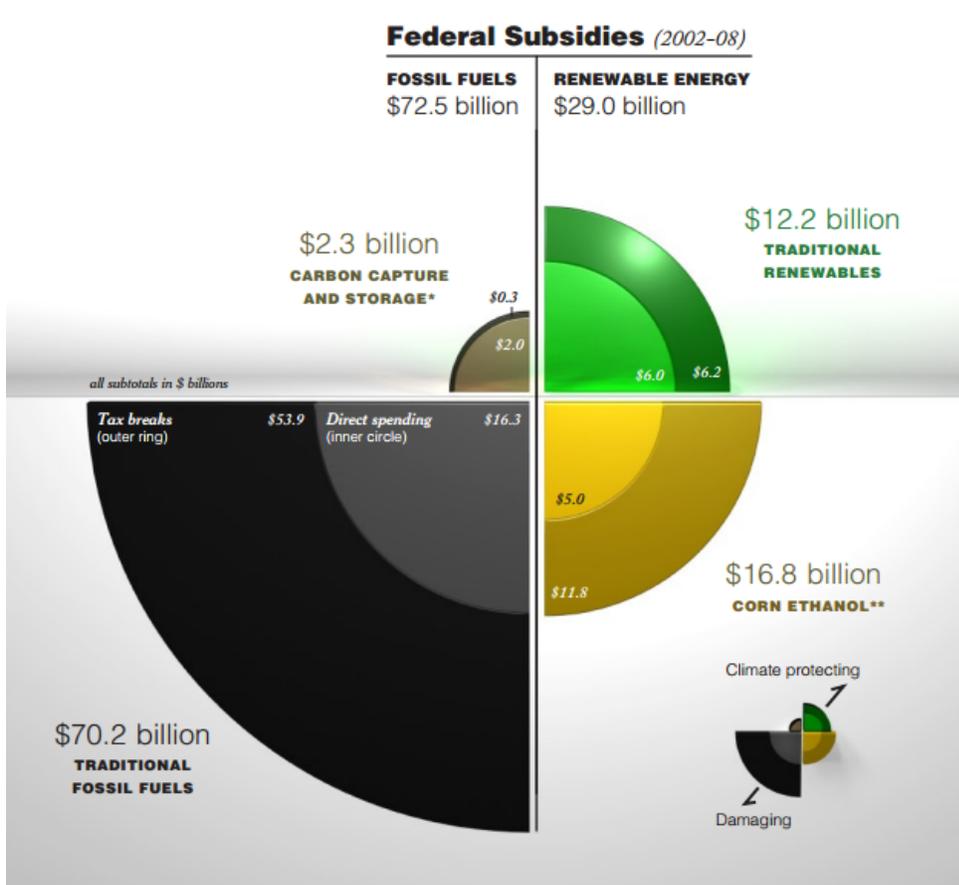
Financing projects is not easy, and is not as lucrative as many people may speculate. Projects need to benefit a large number of stakeholders. The biggest issue regarding property tax is actually knowing what it will be at the beginning of project development, and having stable for the life of the project. Helping to reduce the risk for these difficult and complicated projects is essential to actually being able to build them. After constructed, projects have a fixed and reducing energy production. With utility price volatility and unknowns, the short term solar adder, and expensive project development fees the additional uncertainty of property taxes can be the tipping point that makes projects fail in Vermont. The risk that financing partners take for these large projects is large and adding additional complication and unknowns into the equation can be catastrophic.

On top of vary rates and future uncertainty every Municipality has a different rate which is very difficult to navigate. Knowing what the rates will be and what they will be for the life of the project is a critical piece of financing.



Ultimately, the question is – how competitive does Vermont want to be in making solar a real opportunity for Vermonters? Renewables gets a lot of press about how much incentives they get – but this is grossly inaccurate. Both within Vermont and nationally, we have grown this country because we have made policy choices that support the energy industry – from oil to coal to nuclear and now to renewables. And quite frankly, there is plenty of proof that the “subsidies” to renewables have been far, far less than those provided to traditional fuels that have been within the market for over 120 years. More information on this is available here: [http://i.bnet.com/blogs/dbl\\_energy\\_subsidies\\_paper.pdf](http://i.bnet.com/blogs/dbl_energy_subsidies_paper.pdf)

Also, another chart for you – though this is focused on Federal subsidies – it highlights my broader comment that, if we want to reach the energy goals set by the state, we need to provide simplicity, fairness, and a competitive framework for Vermont to the degree that you can – in comparison to other nearby states.



Source: [http://www.eli.org/sites/default/files/docs/Energy\\_Subsidies\\_Black\\_Not\\_Green.pdf](http://www.eli.org/sites/default/files/docs/Energy_Subsidies_Black_Not_Green.pdf)

If I could have it my way I'd ask Vermont to join the leaders of renewable energy in the country and exempt all net metered solar projects from property tax. Realizing that this is unlikely despite the lofty 90% by 2050 renewable energy goals of the state I believe asking for a fixed and fair property tax is a reasonable compromise.

In closing, the real question is one of balance. If you set the tax too high, or even just allow it to be difficult and confusing, within the context of other market dynamics, then solar will go elsewhere. The solar industry in Vermont is aware that there is a need for tax support – and rather than buck this, we are looking for a simple, reasonable structure that does not require having 250+ towns opt in to exemption.

This proposal is not asking for an unreasonably low tax rate, the most important part is knowing what the tax will be for all projects in the state. This proposal is looking for a compromise that will make it easier for project developers to create projects that create jobs and revenues for the State and the municipalities they are built in.