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Written Testimony of SunEdison LLC

In Support of

Proposed Senate Bill No. 203 – An Act Concerning Property Tax Exemptions

For Renewable Energy Sources

AND

Raised Bill No. 949 - An Act Establishing Commercial and Industrial Property Tax Exemptions

For Clean Energy Projects

Fred Zalcman, Managing Director of Regulatory Affairs – Northeast States

March 5, 2013

Senator Duff, Representative Reed, and members of the Joint Energy Committee, SunEdison offers this written testimony in support of Proposed Senate Bill No. 203 and Raised Bill No. 949 to extend property tax exemptions to non-residential solar energy systems.

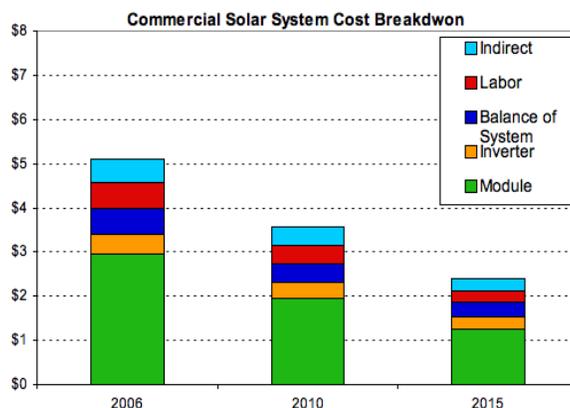
My name is Fred Zalcman and I am the Managing Director of Regulatory Affairs for SunEdison, LLC, North America's leading solar energy services provider. Founded in 2003, SunEdison currently employs 600 people in our Belmont, California headquarters facility and in our regional operation centers throughout the world. SunEdison is a wholly owned subsidiary of MEMC¹, a global leader in the manufacture and sale of wafers, the basic building block to the semiconductor and solar industries.

SunEdison currently has over 1,000 MW of solar capacity under management. Here in Connecticut we operate 16 rooftop solar facilities, providing over 3 MW in clean and predictably priced solar capacity to our commercial and municipal customers, including the City of Stamford, Staples, Kohl's and Whole Foods. SunEdison is also partnering with the Connecticut Conference of Municipalities (CCM) to offer solar energy as an energy option to cities and towns across the state.

SunEdison appreciates this opportunity to comment on SB 203 as part of an overall strategy to reduce the cost and increase the deployment of this clean, abundant, local and renewable energy technology. Solar costs are declining rapidly. Much of this cost decline is attributable to cost reductions

¹ Listed on the New York Stock Exchange under the ticker symbol "WFR" and included in the S&P 500 Index.

achieved in solar modules, the major equipment component in solar systems. While the State of Connecticut has little influence over module costs – which are influenced more by global market conditions and technology advancements – as the recently released Comprehensive Energy Strategy underscores, the State does have more control over other “soft” costs such as taxes, permitting, labor costs, financing and other distinctly local factors. As module costs continue to decline, these soft costs are coming to represent a higher and higher proportion of the total system installed cost and provide a key target in accelerating solar’s drive to retail grid parity.²



U.S. Department of Energy Solar Energy Technologies Program, Solar Energy Industry Forecast (2008).
 Figures for 2006 are actual historical costs; 2010 and 2015 are forecasts.

The landscape for municipal property taxation of solar photovoltaic systems in Connecticut is perhaps the most challenging in the nation. There are several interrelated issues:

- **Tax variability.** The mill rates vary quite widely across the various jurisdictions throughout Connecticut. Higher rates tend to be concentrated in urban areas, precisely where behind-the-meter rooftop solar systems may be most advantageous.
- **Amount of the tax liability.** Connecticut’s higher property tax rates translate into several cents per kilowatt-hour on the customers’ solar power purchase agreement (PPA).³ Since customers tend to install solar systems only where the resulting retail price is competitive with grid supply, higher property taxes tend to undermine project viability.

² See Ardani, et.al., *Benchmarking Non-Hardware Balance of System (Soft) Costs for U.S. Photovoltaic Systems Using a Data-Driven Analysis from PV Installer Survey Results*, National Renewable Energy Lab (NREL), November 2012, available for download at <<http://www.nrel.gov/docs/fy13osti/56806.pdf>> (finding that permitting, interconnection and inspection (PII), labor, and customer acquisition accounts for 23% of total residential system costs and 17% of small commercial system costs).

³ As an example, we estimate that a 1 MW system located in Hartford would have a tax liability of approximately \$130,000 in the first year of operation. Assuming this system generates 1,300 MWh, this is an effective tax of 10 cents per kwh – generally more than the direct retail rate of the power itself.

- **Lack of standardized valuation approach.** The methodology for valuing solar systems may not be uniform and standardized across the state. That is, it is still unclear as to whether individual jurisdictions will treat solar systems as personal or real property for taxing purposes. Depending upon the determination of asset class, this could have significant cost implications for a given project.
- **Inconsistent and unpredictable application.** There remains a general lack of familiarity among local assessors with solar as an emerging technology, and with the various revenue streams that support project development. This can contribute to the lack of predictability and consistency in treatment of such systems for property tax purposes.
- **High transaction costs and inconsistent compliance.** There is a corresponding lack of familiarity among solar developers with the complex legal and practical landscape of property tax liability in Connecticut.

The lack of clarity around taxation of solar systems has important ramifications for solar development in Connecticut generally, and more specifically in its interaction with the newly established Zero Emission and Low Emission Renewable Energy Credit (ZREC/LREC) Programs:

- High property tax rates place certain jurisdictions at a competitive disadvantage and invites “forum shopping”. Some cities like Hartford are clear outliers, with mill rates several multiples higher than elsewhere in the state. Customers in such jurisdictions will be severely handicapped in statewide ZREC/LREC solicitations, since these costs must be monetized in the REC bid price.
- Developers who assume away property tax liability in their pricing proposals will gain a competitive advantage in the ZREC solicitations. Since the utilities have no means of determining whether property taxes have properly been embedded in the ZREC/LREC bid price, all other things equal, contract awards will tend to go to projects that fail to account for such liabilities. This increases the risk that the ZREC/LREC solicitation will result in non-viable projects.
- Higher property taxes will have to be offset through higher ZREC bids. Apart from making such projects less competitive, this results in a potential cost shift from the local taxing jurisdiction to ratepayers.

There are a number of approaches that the General Assembly could consider to address this situation, including an across-the-board exemption for solar systems serving on-site load (as provided for in SB 203); providing a standardized (\$/MW) valuation for solar energy systems statewide; to providing a local option for exempting non-residential solar PV systems from property tax liability (such as contemplated in RB 949). The right solution, or mix of solutions, will depend in part on the discretion of the General Assembly and the Governor wished to accord individual towns to provide tax relief to solar system owners and developers.

Thank you for your consideration of our views. We look forward to working with the members of the Joint Committee and the Administration as this important policy moves forward.

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