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March 9, 2021

Written Testimony of VCP, LLC dba Verogy on Senate Bill 993 for the March 9, 2021 Public Hearing

Chairman Needleman, Chairman Arconti, Ranking Member Formica, Ranking Member Ferraro, and the rest of the members of the Energy and Technology Committee:

Thank you very much for the opportunity to submit testimony on Senate Bill 993, An Act Removing the Property Tax Exemption for Solar Projects and Reclassifying the Tax Calculation of Solar Projects on Single Parcels of Land ("S.B. 993"). VCP, LLC dba Verogy ("Verogy") is a Hartford-based solar development company that has been operating in the state since the beginning of 2018. The management team of Verogy has been active in the solar industry here in Connecticut since 2012.

We support the removal of the property tax exemption for certain solar projects in the state; however, we believe that significant changes need to be made to the bill as drafted to effectuate (what we understand to be) the desired result.

Specifically, the bill should:

1. Eliminate the property tax exemption for Virtual Net Metering ("VNM") projects.
 - a. This eliminates the problematic result experienced by municipalities where a Virtual Net Metering project is hosted by one municipality but VNM credits are delivered elsewhere, leaving minimal benefit to the host municipality.
2. Institute a fixed rate of property tax of \$5.00 per kW AC for solar projects that are designed to exceed the on-site annual usage.
 - a. This ensures that every host municipality will be entitled to benefit from a solar project that exceeds onsite usage, including Virtual Net Metering projects.
 - b. This ensures that there will be no ability to disaggregate projects on single parcels to avoid property taxation.
 - c. This also ensures that municipalities will be on a level playing field for the deployment of future state-sponsored solar projects (SCEF, LREC/ZREC successor projects, future DEEP large-scale procurements). Varying mill rates will not create impediments to development in otherwise desirable development spaces (e.g. brownfields, landfills, etc. in congested urban areas).
 - d. This provides certainty to the solar industry which alleviates gaming in the state-sponsored auction programs and ensures the best solar projects with lowest costs to ratepayers and greatest grid benefits will be awarded.



Specifically, this bill should not:

1. Eliminate the property tax exemption for behind-the-meter solar projects that are not designed to exceed on-site annual usage.
 - a. This exemption for behind-the-meter solar projects is essential to the residential, commercial and industrial, and small municipal industry in the state.

Please find a redline version of SB 993 which attempts to incorporate the changes advocated for above attached hereto as Exhibit A.

Thank you very much for your time and consideration,

A handwritten signature in blue ink, appearing to read "W Herchel".

William Herchel
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Exhibit A

Recommended Changes to SB 993



General Assembly

January Session, 2021

Raised Bill No. 993

LCO No. 4233

04233 _____ ET_

Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:

(ET)

AN ACT REMOVING THE PROPERTY TAX EXEMPTION FOR SOLAR PROJECTS AND RECLASSIFYING THE TAX CALCULATION OF SOLAR PROJECTS ON SINGLE PARCELS OF LAND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subdivision (57) of section 12-81 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2021, and applicable to tax assessment years commencing on and after October 1, 2021*):

(57) (A) (i) Any Class I renewable energy source, as defined in section 16-1, or hydropower facility described in subdivision (21) of subsection (a) of section 16-1, installed for the generation of electricity ~~capacity greater than seven megawatts~~ for private residential use or on a farm, as defined in subsection (q) of section 1-1, provided such installation occurs on or after October 1, 2007, and further provided such installation is for a single family dwelling, a multifamily dwelling consisting of two to four units or a farm, (ii) any passive or active solar water or space heating system, or (iii) any geothermal energy resource. ~~In the case of clause (i) of this subparagraph, such installations~~

~~occurring on a single parcel of land shall aggregate the nameplate capacity of each installation in the written application pursuant to subparagraph (E) of this section.~~ In the case of clause (ii) or (iii) of this subparagraph, such exemption shall apply only to the amount by which the assessed valuation of the real property equipped with such system or resource exceeds the assessed valuation of such real property equipped with the conventional portion of the system or resource;

(B) For assessment years commencing on and after October 1, 2013, any Class I renewable energy source, as defined in section 16-1, hydropower facility described in subdivision (21) of subsection (a) of section 16-1, or solar thermal or geothermal renewable energy source, installed for generation or displacement of energy, provided (i) such installation occurs on or after January 1, 2010, (ii) such installation is for commercial or industrial purposes, (iii) the nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located, and (iv) such source or facility is located in a distressed municipality, as defined in section 32-9p, with a population between one hundred twenty-five thousand and one hundred thirty-five thousand;

(C) For assessment years commencing on and after October 1, 2013, any municipality may, upon approval by its legislative body or in any town in which the legislative body is a town meeting, by the board of selectmen, abate up to one hundred per cent of property tax for any Class I renewable energy source, as defined in section 16-1, hydropower facility described in subdivision (21) of subsection (a) of section 16-1, or solar thermal or geothermal renewable energy source, installed for generation or displacement of energy, provided (i) such installation occurs between January 1, 2010, and December 31, 2013, (ii) such installation is for commercial or industrial purposes, (iii) the nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located, and (iv) such source or facility is not located in a municipality described in subparagraph (B) of this subdivision;

(D) For assessment years commencing on and after October 1, 2014, any (i) Class I renewable energy source, as defined in section 16-1, (ii) hydropower facility described in subdivision (21) of subsection (a) of section 16-1, or (iii) solar thermal or geothermal renewable energy source, installed for generation or displacement of energy, provided (I) such installation occurs on or after January 1, 2014, (II) is for commercial or industrial purposes, (III) the nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located or the aggregated load of the beneficial accounts for any Class I renewable energy source participating in virtual net metering pursuant to section 16-244u, and (IV) in the case of clause (iii) of this subparagraph, such exemption shall apply only to the amount by which the assessed valuation of the real property equipped with such source exceeds the assessed valuation of such real property equipped with the conventional portion of the source;

(E) Any person claiming the exemption provided in this subdivision for any assessment year shall, on or before the first day of November in such assessment year, file with the assessor or board of assessors in the town in which such hydropower facility, Class I renewable energy source, solar thermal or geothermal renewable energy source or passive or active solar water or space heating system or geothermal energy resource is located, a written application claiming such exemption. Failure to file such application in the manner and form as provided by such assessor or board within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year. Such application shall not be required for any assessment year following that for which the initial application is filed, provided if such hydropower facility, Class I renewable energy source, solar thermal or geothermal renewable energy source or passive or active solar water or space heating system or geothermal energy resource is altered in a manner which would require a building permit, such alteration shall be deemed a waiver of the right to such exemption until a new application, applicable with respect to such

altered source, is filed and the right to such exemption is established as required initially;

(F) For assessment years commencing on and after October 1, 2015, any municipality may, by vote of its legislative body or, in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, abate up to one hundred per cent of the property taxes due for any tax year, for not longer than the term of the power purchase agreement, with respect to any Class I renewable energy source, as defined in section 16-1, that is the subject of such power purchase agreement approved by the Public Utilities Regulatory Authority pursuant to section 16a-3f;

Section 2. Section 12-121g of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2021, and applicable to tax assessment years commencing on and after October 1, 2021)

Section 12-121g. Uniform Capacity Tax.

Notwithstanding section 12-62a and the exemption in section 12-81(57)(D), any Class I renewable energy source that (I) such installation is completed on or after January 1, 2021, (II) the annual production in kilowatt-hours of such source or facility is designed to exceed the annual load for the location where such generation or displacement is located and (III) has a plant capacity greater than 50 kilowatts, shall pay an annual personal property tax rate of no more than \$ 5.00 per kilowatt-AC of plant capacity. No further increase in either personal or real property taxes shall be assessed by the municipality on the system owner or the property owner due to the addition of the Class I renewable energy source.

(a) As used in this section:

(1) "Plant capacity" means the rated electrical nameplate for a plant, except that, in the case of a solar energy plant, the term shall mean the aggregate AC nameplate capacity of all inverters used to convert the plant's output to AC power.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2021, and applicable to tax assessment years commencing on and after October 1, 2021</i>	12-81(57)
<u>Section 2</u>	<u><i>October 1, 2021, and applicable to tax assessment years commencing on and after October 1, 2021</i></u>	<u>12-121g</u>

Statement of Purpose:

To remove the property tax exemption for solar projects ~~under seven megawatts~~participating in Virtual Net Metering and ~~reclassify to~~standardize the tax calculation of solar projects that are designed to exceed the annual load for the location where such generation is located on single parcels of land.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]