



June 23, 2021

Utility Scale Solar PILOT Program

- Updated in August 2021 with additional PILOT scenarios.





Ohio Solar Development

Ohio has experienced a wave of solar development over just a few years.



Utility Scale Solar in Ohio

As of January 1, 2017



Utility Scale Solar in Ohio Today

As of June 2021

Source: Ohio Power Siting Board, "Solar Farm Map and Statistics"

Why so much solar development in Ohio?

- Corporate Demand
- Located in the World's Largest Electricity Market (PJM)
- Transmission Access
- Access to Land
- Ohio is a relatively competitive market with a long-established permitting regime
- Wood & McKenzie identifies Ohio as one of the most promising solar markets in the country

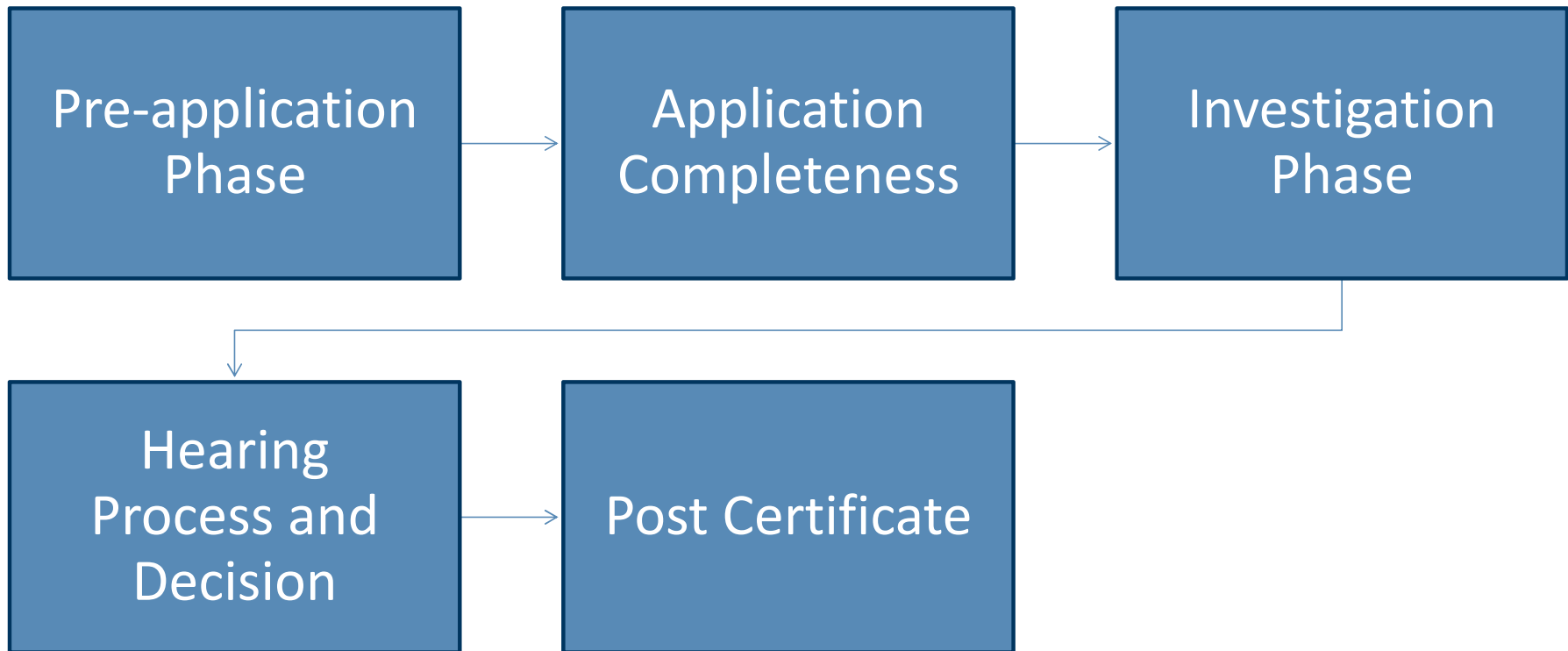


The OPSB Process



- Comprehensive, multi-phased process for siting generation, electric transmission, and natural gas pipeline facilities
- OPSB has jurisdiction over “major utility facilities”
- Over 50 MW for solar generation facility would be a “major utility facility”

Phases in the OPSB Process



Qualified Energy Project Program



Background and Eligibility

- In 2010, Ohio approved a tax abatement from real and tangible personal property taxes for renewable generation known as “Qualified Energy Projects,” under R.C. 5727.75
 - This brought energy production in line with other manufacturing operations in Ohio.
- The QEP statute was recently updated, extending the deadlines for the abatement:
 - Construction must begin before January 1, 2025 and the project must be placed into service by January 1, 2026.

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The PILOT

- In exchange to be certified as a QEP, the project must pay a PILOT.
- For solar, the statute requires a minimum PILOT of \$7k/MW. The County also has discretion to add up to an additional service payment amount of \$2k/MW.
- The mandatory \$7k/MW PILOT is distributed to the County and local taxing districts on a millage basis.
- The discretionary amount, up to \$2k/MW, goes to the County general revenue fund.



Qualified Energy Project Program



Application and Approval Process

- To obtain the abatement, a project must first submit its application to become a QEP to the Ohio Department of Development (“Development”)
- After Development receives the application, it informs the County where the project is located. Within 30 days, the County must respond to Development with:
 1. a resolution from the County approving the abatement for that specific project;
or
 2. confirmation that the County is an Alternative Energy Zone (AEZ)
- Development will then certify the project as a “Qualified Energy Project”

Qualified Energy Project Program



Obligations

To maintain the its QEP status, the project must:

- Meet the deadlines and make the PILOT each year.
- Submit an annual construction progress report.
- For solar, employ at least 80% Ohio-domiciled employees in construction.



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Obligations (cont'd)

To maintain its QEP status, the project must:

- Repair roads, bridges, and culverts affected by construction of the project.
- Provide training to local first responders.
- Establish a relationship with an Ohio university or apprenticeship program for the purposes of education and training.



Qualified Energy Project Program



Best Practices and Lessons Learned

- Counties in northern Ohio, where wind projects have traditionally been located, are often more familiar with the PILOT program. In other parts of Ohio, the PILOT is a new concept due to solar development.

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Potential PILOT Reform

- The QEP framework is fairly inflexible
- Developers and counties are increasingly expressing the need for additional flexibility
- There is currently no abatement legislation pending. However, because the QEP program extension window is only a few years, we expect to see increasing dialogue and attention on this issue by the industry and stakeholders.

Annual Allocation of QEP PILOT



Example from 150 MW solar project in Ohio showing annual revenue

PILOT/MW	\$7,000.00
Add. Serv. Payment	\$1,000.00
MW Amount	150
County Millage	10.650000
Township Millage	8.750000
School District Millage	33.000000
XXXXXX Millage	3.500000

Base PILOT - County	Base PILOT - Township	Base PILOT - Schools	Base PILOT - XXXXX	Total Additional Service Payment to County
\$ 200,044.72	\$ 164,355.99	\$ 619,856.89	\$ 65,742.40	\$ 150,000.00

Total Annual Base PILOT + Service Payment = \$1,200,000

Qualified Energy Project Program

Abatement vs. Taxable Scenario Example

Assumptions – Hypothetical 1

- Project Size – 185 MW Nameplate Capacity
- Capital Investment (TPP) - \$180MM (85% comprising production property)
- Assumes 2% increase in annual value of RP
- Whole Tax Rate - 66.9
- Commercial Property (RP) Rate - 58.7
- PILOT Imposed by County - \$9,000 per MW



Qualified Energy Project Program



Hypothetical Revenue Scenario #1

Year	Current CAUV Revenue from Property Without Solar Project	Project PILOT Payments	Total Tax Max Hypothetical Tax on Solar Facility Without Abatement
1	\$ 40,334.00	\$ 1,665,000.00	\$ 4,234,700.71
2	\$ 41,140.68	\$ 1,665,000.00	\$ 4,109,180.06
3	\$ 41,963.49	\$ 1,665,000.00	\$ 3,983,783.66
4	\$ 42,802.76	\$ 1,665,000.00	\$ 3,854,522.09
5	\$ 43,658.82	\$ 1,665,000.00	\$ 3,729,381.71
6	\$ 44,532.00	\$ 1,665,000.00	\$ 3,604,373.00
7	\$ 45,422.64	\$ 1,665,000.00	\$ 3,475,507.25
8	\$ 46,331.09	\$ 1,665,000.00	\$ 3,350,770.43
9	\$ 47,257.71	\$ 1,665,000.00	\$ 3,226,173.53
10	\$ 48,202.86	\$ 1,665,000.00	\$ 3,097,727.44
11	\$ 49,166.92	\$ 1,665,000.00	\$ 2,973,418.86
12	\$ 50,150.26	\$ 1,665,000.00	\$ 2,849,258.78
13	\$ 51,153.26	\$ 1,665,000.00	\$ 2,721,258.25
14	\$ 52,176.33	\$ 1,665,000.00	\$ 2,597,404.13
15	\$ 53,219.86	\$ 1,665,000.00	\$ 2,473,707.60
16	\$ 54,284.25	\$ 1,665,000.00	\$ 2,429,703.20
17	\$ 55,369.94	\$ 1,665,000.00	\$ 2,387,398.11
18	\$ 56,477.34	\$ 1,665,000.00	\$ 2,345,260.25
19	\$ 57,606.88	\$ 1,665,000.00	\$ 2,301,757.61
20	\$ 58,759.02	\$ 1,665,000.00	\$ 2,259,964.31
21	\$ 59,934.20	\$ 1,665,000.00	\$ 2,218,348.48
22	\$ 61,132.89	\$ 1,665,000.00	\$ 2,198,408.65
23	\$ 62,355.54	\$ 1,665,000.00	\$ 2,180,188.80
24	\$ 63,602.65	\$ 1,665,000.00	\$ 2,160,621.93
25	\$ 64,874.71	\$ 1,665,000.00	\$ 2,142,782.51
26	\$ 66,172.20	\$ 1,665,000.00	\$ 2,123,603.68
27	\$ 67,495.65	\$ 1,665,000.00	\$ 2,106,160.06
28	\$ 68,845.56	\$ 1,665,000.00	\$ 2,087,384.94
29	\$ 70,222.47	\$ 1,665,000.00	\$ 2,070,353.11
30	\$ 71,626.92	\$ 1,665,000.00	\$ 2,051,998.01
31	\$ 73,059.46	\$ 1,665,000.00	\$ 2,063,030.99
TOTAL	\$1,709,332.36	\$51,615,000.00	\$85,408,132.32

The difference between the PILOT revenue and the hypothetical maximum tax revenue from a solar project without the QEP abatement is *highly variable* and will be different for every project. Key variables include:

- Differing local tax rates
- The amount of transmission infrastructure associated with the project – transmission is assessed (and thus taxed) at a higher percentage of true value
- The applicable depreciation schedule applied by the project
- **Whether the project elects to seek to reassess its valuation**
 - This is a key consideration. A project not subject to the QEP abatement may seek a reassessment of its valuation, which could lead to significant decreases in revenue.

Qualified Energy Project Program

Abatement vs. Taxable Scenario Example

Assumptions – Hypothetical 2

- Project Size – 185 MW Nameplate Capacity
- Capital Investment (TPP) - \$180MM (93% comprising production property)
- Assumes 2% increase in annual value of RP
- Whole Tax Rate – 53.075
- Commercial Property (RP) Rate – 45.734359
- PILOT Imposed by County - \$9,000 per MW



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Hypothetical Revenue Scenario #2

Year	Current CAUV Revenue from Property Without Solar Project	Project PILOT Payments	Total Tax Max Hypothetical Tax on Solar Facility Without Abatement
1	\$32,043.31	\$ 1,665,000.00	\$ 2,896,887.51
2	\$32,684.18	\$ 1,665,000.00	\$ 2,812,602.48
3	\$33,337.86	\$ 1,665,000.00	\$ 2,728,414.26
4	\$34,004.62	\$ 1,665,000.00	\$ 2,641,624.01
5	\$34,684.71	\$ 1,665,000.00	\$ 2,557,635.26
6	\$35,378.40	\$ 1,665,000.00	\$ 2,473,749.24
7	\$36,085.97	\$ 1,665,000.00	\$ 2,387,267.24
8	\$36,807.69	\$ 1,665,000.00	\$ 2,303,592.90
9	\$37,543.84	\$ 1,665,000.00	\$ 2,220,027.58
10	\$38,294.72	\$ 1,665,000.00	\$ 2,133,872.70
11	\$39,060.62	\$ 1,665,000.00	\$ 2,050,532.01
12	\$39,841.83	\$ 1,665,000.00	\$ 1,967,307.03
13	\$40,638.67	\$ 1,665,000.00	\$ 1,881,499.28
14	\$41,451.44	\$ 1,665,000.00	\$ 1,798,512.68
15	\$42,280.47	\$ 1,665,000.00	\$ 1,715,648.86
16	\$43,126.08	\$ 1,665,000.00	\$ 1,702,709.10
17	\$43,988.60	\$ 1,665,000.00	\$ 1,690,465.51
18	\$44,868.37	\$ 1,665,000.00	\$ 1,678,352.21
19	\$45,765.74	\$ 1,665,000.00	\$ 1,665,803.39
20	\$46,681.05	\$ 1,665,000.00	\$ 1,653,958.55
21	\$47,614.67	\$ 1,665,000.00	\$ 1,642,251.98
22	\$48,566.97	\$ 1,665,000.00	\$ 1,638,644.52
23	\$49,538.31	\$ 1,665,000.00	\$ 1,635,749.34
24	\$50,529.07	\$ 1,665,000.00	\$ 1,632,432.46
25	\$51,539.65	\$ 1,665,000.00	\$ 1,629,833.68
26	\$52,570.45	\$ 1,665,000.00	\$ 1,626,819.13
27	\$53,621.86	\$ 1,665,000.00	\$ 1,624,528.72
28	\$54,694.29	\$ 1,665,000.00	\$ 1,621,828.71
29	\$55,788.18	\$ 1,665,000.00	\$ 1,619,859.14
30	\$56,903.94	\$ 1,665,000.00	\$ 1,617,486.38
31	\$58,042.02	\$ 1,665,000.00	\$ 1,626,082.40
TOTAL	\$1,357,977.57	\$ 51,615,000.00	\$ 60,875,978.25

The difference between the PILOT revenue and the hypothetical maximum tax revenue from a solar project without the QEP abatement is *highly variable* and will be different for every project.

Key variables include:

- Differing local tax rates
- The amount of transmission infrastructure associated with the project – transmission is assessed (and thus taxed) at a higher percentage of true value
- The applicable depreciation schedule applied by the project
- Whether or not the project elects to seek to reassess its valuation**
 - This is a key consideration. A project not subject to the QEP abatement may seek a reassessment of its valuation, which could lead to significant decreases in revenue.

Qualified Energy Project Program



Understanding Tax & PILOT Revenue from a Solar Project

- PILOT revenue from a solar project will significantly exceed the current tax revenues from the existing property.
- The difference between the PILOT revenue and the hypothetical maximum tax revenue from a solar project without the QEP abatement is highly variable and will be different for every project. Key variables include:
 - Differing local tax rates
 - The amount of transmission infrastructure associated with the project – transmission is assessed (and thus taxed) at a higher percentage of true value
 - The applicable depreciation schedule applied by the project
 - **Whether or not the project elects to seek to reassess its valuation**
 - This is a key consideration. A project not subject to the QEP abatement may seek a reassessment of its valuation, which could lead to significant decreases in revenue.
- While the PILOT creates significant revenue for local jurisdictions compared to current revenue, the abatement is necessary for many projects to be able to compete – without an abatement, there would be no project built.

Qualified Energy Project Program



Key Characteristics of QEP Program

Personal Property Taxation as a Public Utility (e.g., Pipelines, Electricity Generators without an Abatement)	Qualified Energy Project Abatement of Property Taxes and Payment of PILOTs
Personal property taxes are calculated annually, meaning assessed taxes are never the same year-to-year and can be hard to predict	Annual payments in lieu of tax (“PILOTs”) remain the same over the entire life of the project (unless a portion of the project is decommissioned)
Taxes are based on the “true value” (i.e., FMV) of taxable property, and taxpayers may dispute the true value with appraisal evidence through the appeals process; appeals can take years to resolve	PILOTs are calculated based on an objective criteria—the generation capacity of the project.
Taxpayers may remit assessed taxes, but appeal the value of their property, resulting in political subdivisions having to refund large sums of money in later years	PILOTs are agreed upon upfront prior to development of the project, so political subdivisions are not at risk of having to refund any payments as a result of a tax appeal
Even if taxpayers do not appeal the value of their property, taxes due over time decline because of depreciation deductions permitted by statute	Depreciation is inapplicable to PILOTs; they remain the same over time, provided electricity generation capacity is not reduced
Further reading on how property tax appeals can impact school districts: https://bgindependentmedia.org/rover-pipeline-files-appeal-over-school-taxes-again/	Further reading on how reliable PILOT payments enable partnerships between QEPs and local governments: https://delphosherald.com/Content/Default/News/Article/Blue-Creek-Wind-Farm-pays-another-2-7M-to-Van-Wert-Paulding-counties-and-schools/-3/1183/191398
Tax revenue from the property taxes can impact the local school district’s state formula funding	PILOT revenue to school districts does not impact a school district’s state formula funding

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QEP PILOTs – Not Subject to Appeal

- QEP PILOTs are in place for the life of the project and are not subject to tax appeals or reassessments, unlike projects without a QEP PILOT.

THE CANTON REPOSITORY Aug. 21, 2020
Pipelines lose bid to lower tax bills, can appeal

Sentinel-Tribune Jan. 28, 2021
Pipe dreams: School money from pipelines never materialized

The Daily Record Feb. 23, 2021
Safeguard in case Rover pipeline appeal is successful

Qualified Energy Project Program



Additional Resources about the QEP Program

- Ohio Department of Development:
https://development.ohio.gov/bs/bs_qepte.htm
- Bricker Solar Resource Center: bricker.com/solar
 - Paper detailing QEP program and related requirements:
[https://www.bricker.com/Documents/Resources/QEP%20 project white p
aper.pdf](https://www.bricker.com/Documents/Resources/QEP%20project%20white%20paper.pdf)

OAQDA Financing



An alternative framework.

- The Ohio Air Quality Development Authority (“OAQDA”) is another program for projects that contribute to better air quality, such as solar projects.
- A project financed through OAQDA bonds receives a 100% exemption on real property, tangible personal property, and sales and use tax for qualified project costs, and interest on the bonds may be exempt from certain Ohio taxes.
- For solar, OAQDA requires a PILOT agreement between the project, county, and school district.
 - However, in contrast to the QEP, the amount of the PILOT is not fixed – the amount and terms can be negotiated between the parties.

Senate Bill 52



Changes to the wind and solar siting

- Approved framework:
 - Opportunity to reject wind or solar project by County
 - County exclusion zones
 - Grandfathering provisions
 - County and Township officials on OPSB
- Overview article: <https://www.bricker.com/resource-center/solar/publications/ohio-general-assembly-passes-sb-52-changes-to-wind-and-solar-siting-requirements>

