

Impacts of Utility-Scale Solar on Counties

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Factors Leading to Current Growth of Utility-Scale Solar in Virginia

- Approximately 48% of Fortune 500 companies have sustainability and renewable energy commitments;
- 2018 General Assembly set goal for investor-owned utilities (IOUs) to construct (or purchase) up to 5,000 MW of solar capacity by 2028; and
- 2019 Governor Northam issues E.O. 43 - Target of 3,000 MW of solar under development by 2022.



Other Factors Leading to Growth of Utility-Scale Solar in Virginia

- Permit by Rule (PBR) – 2009 General Assembly allows solar generation of 100 MW or less to bypass State Corporation Commission (SCC) approval. **However, still subject to local zoning & land use authority;**
- 2017 General Assembly - Permit by Rule (PBR) – (1) Increases the threshold solar generation from 100 MW to 150 MW to bypass State Corporation Commission (SCC) approval; and (2) allows utilities and electric cooperatives to participate in PBR; and
- Tax incentives at federal, state, and local level (M&T exemption mandated by VA General Assembly).

State-mandated Exemption for Machinery & Tool Tax (M&T)

100% exemptions for:

- 20MW or less (interconnection request filed on or before 12-31-2018);
- 20MW or less that serve public or private colleges; and
- 5MW or less (interconnection request is filed on or after 1-1-2019).

80% exemptions for:

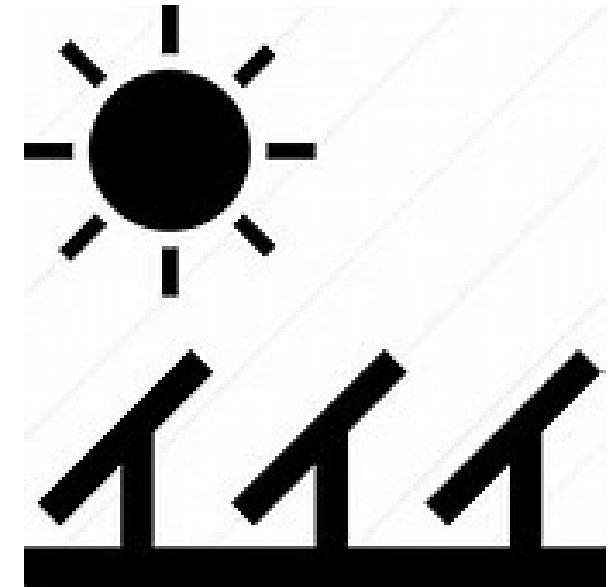
- Projects greater than 20MW (interconnection requested filed before 7-1-2018)
- Greater than 20MW and less than 150MW (interconnection request was filed after 7-1-2018);

Local Option for 150MW and above

Exemption for 20MW-150MW sunsets January 1, 2024

Impact of Applicable Local Government Taxes on Utility Scale Solar

- M&T Tax exemption does not apply to the real estate – potential offset for loss in M&T revenue;
- Nuance in application of M&T – projects greater than 25 MW then are taxed at the applicable real estate rate. In most counties the result is significantly less revenue over the life of a project;
- Rollback taxes on real estate due on land no longer eligible for use valuation (farmland, timber); and
- Real estate currently assessed under agricultural use designation will change to industrial/commercial use designation.



Impact of Applicable Local Government Taxes (cont.)

Depreciation schedule for value of utility-scale solar equipment

- Virginia State Corporation Commission (SCC) Public Service Taxation Division developed a depreciation schedule for the fair market value (FMV) of utility-scale solar equipment (above 25 MW);
- Years 1 through 5 the taxable FMV is 90% of original capitalized costs; and
- Percentage of taxable FMV declines steadily years 6 through 23, and reaches a floor of 10% in year 24 and beyond.

Land Use Impacts - Local Government Considerations

- Compatibility with agriculture and forestry (Comprehensive Plan Update);
- Decommissioning/Returning land to pre-existing conditions;
- Stormwater runoff both during and after construction; and
- Opportunities to market existing commercial and industrial sites in proximity to clean/renewable sources of energy.

