

June 7, 2021

Mr. Michael Manikowski
Executive Director
Ontario County IDA
20 Ontario Street
Canandaigua, NY 14424

Via email: Michael.Manikowski@ontariocountyny.gov

**RE: FINDINGS OF REASONABLENESS TEST
SULPHUR CREEK SOLAR, LLC**

Dear Mike:

The Ontario County Industrial Development Agency (the "Agency") received an application for financial assistance from Sulphur Creek Solar, LLC (the "Applicant") related to a proposed project located at State Route 96 in the Town of Phelps (the "Site"). The proposed project includes the development of approximately 3.1 acres of land into a 5-megawatt community distributed-generation solar farm (the "Project"). The Applicant is requesting a 15-year PILOT agreement such that the Project would pay PILOT payments in the amount of \$5,000 per MW, or \$25,000, in the first year, escalating at 2% per year for each of the fourteen remaining years. The Agency requested that MRB Group conduct a review of the Applicant's request for assistance to determine whether or not it met a "test of reasonableness."

Summary of Findings

The Applicant's requested per-MW PILOT abatement and escalation terms are equivalent to similar projects we examined. Furthermore, some of the comparable projects have secured or are likely to secure an abatement lasting 20 years (or, in some cases, longer), whereas the Applicant in this case is only requesting a 15-year abatement. Therefore, our research confirms that this request meets the test of reasonableness.

Discussion

MRB Group conducted interviews with representatives from three industrial development agencies in New York: the Steuben County IDA, the Livingston County IDA and the Chautauqua County IDA. Highlights of those conversations can be found below.

MRB Group spoke with Jamie Johnson and Jill Staats from the Steuben County IDA. The following are bullet point notes from that discussion that have been reviewed and approved by the IDA.

- Steuben County IDA has been involved in renewable energy projects for several years. Until recently, they have dealt mostly with very large wind projects.

- In recent times, there has been a large influx of solar projects, all of which are similar "Community Solar" projects of 5MW.
- Community Solar projects have somewhat different economics than larger, utility-scale projects because sponsors are not selling energy at wholesale prices on the spot market. Instead, they have power purchase agreements which yield higher per-MWh sale prices. Therefore, they can afford a slightly higher PILOT payment per MW.
- Steuben County IDA has closed on 6 Community Solar projects and is talking with a half-dozen other project sponsors.
- Their average PILOT deal has moved up from \$4,500 to \$5,500 per MW as of spring of 2020, based on comparable Community Solar deals elsewhere.
- The IDA uses a 2% escalator in its typical PILOT schedule, which also builds in and escalates the underlying land value by 2% per year.

MRB Group spoke with Bill Bacon of the Livingston County IDA. The following are bullet point notes from that discussion that have been reviewed and approved by the IDA.

- A solar developer has two options to negotiate a PILOT Agreement. They can choose to negotiate with each taxing jurisdiction, independently, where separate PILOT Agreements are executed (and billed) by each of those jurisdictions. Or they can choose to apply through the local IDA for benefits, which would offer a comprehensive PILOT agreement encompassing all jurisdictions. As well, the IDA can offer sales tax benefits and mortgage recording tax benefits that are unavailable through a direct negotiation with municipalities.
- Community Solar projects (5MW or less) have better margins than utility scale projects. For these smaller Community Solar projects, the Livingston County IDA typically sets its PILOTs at \$5,500 per MW, with a 2% escalation per year. One had \$6,000 per MW PILOT, but with no escalation. Community Solar projects that negotiate PILOT Agreements directly with the taxing jurisdictions are bound to a maximum term of 15 years. Solar developers who opt to use the local IDA for PILOT negotiations may seek a longer term, which is allowed under IDA statute.
- Livingston County IDA has considered deals with 30 or even 35-year abatement schedules.
- Often, the per-MW figure is a combination of host community benefit agreement payment plus PILOT payment, if a host community benefit agreement is in play.
- Livingston has one massive utility scale project at 177MW in Mount Morris, with a possible expansion for another 100MW. That project's proposed PILOT is still being negotiated, but will aim for a total of about \$5,000 per MW per year, with a 2% escalation, with a term of 30+ years.

MRB Group spoke with Mark Geise and Richard Dixon of the Chautauqua County IDA. The following are bullet point notes from that discussion that have been reviewed and approved by the IDA.

- Chautauqua County IDA has a history in the renewable energy sector, with the Arkwright Wind Farm project about 10 years ago. Since that time, PILOT terms for wind projects have come down somewhat and are now around \$8,000 per MW.
- Community Solar projects (5MW) were going originally for about \$4,000 per MW but now are more often around \$5,000 per MW.
- The proposed South Ripley Solar Project (<https://www.southripleysolar.com/>) would involve the installation of 270 MW of solar panel capacity. That PILOT agreement is still under negotiation, but will likely have a term of 30 years.
- For most projects, the sweet spot is \$4,000-5,000 per MW (inclusive of both PILOT payments and host community benefit agreement payments), escalating at 2% or CPI, for between 20-30 years.
- In consideration of the important role of IDAs in renewable energy project development, the NYS Comptroller is now going to report renewable energy project tax abatements separately from all other IDA projects in the PARIS reporting system.

Other Data Sources

MRB Group also consulted information available at the New York State Energy Research and Development Authority (NYSERDA). NYSEDA publishes a “Solar PILOT Toolkit” which is meant to help communities negotiate reasonable PILOT agreements. In this toolkit, NYSEDA included a table that shows “high” and “low” ranges for a per-MW PILOT based upon the utility service territory in question. Note that these rates are applicable, according to NYSEDA, to Community Solar projects.

	Low (\$/MW AC)	High (\$/MW AC)
Central Hudson	\$2,600	\$7,600
Orange & Rockland	\$3,200	\$9,500
National Grid	\$1,700	\$5,100
NYSEG	\$1,700	\$5,000
Con Edison	\$3,700	\$11,100
Rochester Gas & Electric	\$1,700	\$5,000

According to this table, the indicated low/high range for utility service territories in Upstate (i.e. excluding the Hudson Valley, New York City and Long Island) would be \$1,700 to \$5,100 per MW for Community Solar projects.

Conclusion

The Applicant is requesting a 15-year PILOT agreement such that the Project would pay PILOT payments in the amount of \$5,000 per MW, or \$250,000, in the first year, escalating at 2% per year for each of the fourteen remaining years.

Given the findings of our research, MRB Group concludes that the requested level of assistance meets the test of reasonableness. The Applicant is requesting a per-MW payment that is comparable to similar projects in Upstate. Furthermore, the Applicant is requesting a 15-year abatement, as compared to other requests from community solar projects that range from 20 to 25 (or more) years.

Sincerely,



R. Michael N'dolo
Director of Economic Development