

Financial Assistance Application – Spencer – Tioga Solar, LLC Cost / Benefit Analysis

The information included herein is taken from the attached Tioga County Industrial Development Agency (IDA) “Application for Financial Assistance” and various correspondence and conversations between representatives of the Tioga County Department of Economic Development and Planning, Tioga County Industrial Development Agency, County of Tioga, Town of Spencer, Spencer Van-Etten School District, Tioga County Real Property Office and Spencer – Tioga Solar, LLC (the “Company”).

SUNEIGHT HoldCo, LLC is the 100% owner of the applicant Spencer – Tioga Solar, LLC. Both entities are special purpose entities set up by Distributed Sun and EWT-Americas, Inc. to focus on development of community solar projects in the State of New York.

PROJECT SUMMARY

Spencer – Tioga Solar, LLC plans to erect eight (8) solar photovoltaic arrays on three (3) parcels all located on Van Etten Road in the Town of Spencer, Tioga County New York which are anticipated to generate 16MW of power (the “Project”). The Project consists of, (i) the construction of the solar arrays by way of, (a) leasehold agreements on the real property associated with the Project (the “Land”), (b) the purchase and installation of solar panels, transformers, inverters, modules, racking, mounting, wiring equipment and associated miscellaneous equipment (the “Equipment”), (c) associated permitting, approvals, and interconnection costs to deliver service (the “Soft Costs”), located on the Land and associated with the operation of the Project (the Land and the Equipment being collectively referred to as the “Project Facility”), all of the foregoing to be owned and operated by the Company as a Community Solar Project as defined by the Community Distributed Generation regulation enacted in 2015 by the Public Service Commission (PSC) which allows a solar facility at one remote location to transfer the electricity generated in the form of bill credits to subscribing members within the same distribution utility territory (NYSEG) and NY-ISO Control Load Zone; (ii) the granting of certain “financial assistance” with respect to the foregoing, including potential exemptions from sales taxes, mortgage recording taxes and real property taxes (collectively, the “Financial Assistance”); and (iii) the leasing or licensing of and/or granting of an easement interest in the Project Facility to the Company, to induce acquisition, construction and equipping of the Project.

The Spencer – Tioga Solar, LLC Project would be located entirely within the Town of Spencer with construction slated to begin in Spring 2018. Construction activities would be minimal and would include site preparation, later months would involve system testing and utility tie-ins. Full operation would occur in

Spring 2019. The Project will add local generation to the grid contributing toward grid reliability and resilience.

PROJECT DETAIL

- Proposed Site:** Three (3) properties in County of Tioga located in the Town of Spencer, all on Van-Etten Road. The proposed Project will require the necessary approvals from local code enforcement, NYSEG and NYSERDA. Applicable laws of the New York State Environmental Quality Review Act (SEQRA) shall be followed.
- Job Creation:** Anticipated permanent fulltime workforce by Company within Tioga County, NY is zero (0).
- Product:** Project creates eight (8) solar arrays with the capacity to generate 16 MW of electricity.
- Project Schedule:** Construction is scheduled to begin in Spring 2018 and be completed by Spring 2019.

ESTIMATED PROJECT BUDGET

Spencer – Tioga Solar, LLC	
Materials	\$16,824,659
Labor	\$11,397,766
Engineering	\$480,000
Permitting/Legal Fees	\$122,500
Contingency (NYSEG)	\$1,167,476
Sales Tax	\$672,986
Agency Fee	<u>\$287,024</u>
Estimated Project Total	\$30,952,411

Tioga County IDA

Based on the taxable items related to the construction, equipment and materials purchases anticipated at \$16,824,659, and allowing for the already granted sales tax exemption on the State portion, and using the assumption that all materials would be purchased within Tioga County, NY, the Company has requested a sales tax savings estimated at \$672,986 (local portion only).

There will be a mortgage taken on the improvements to the site. The mortgage is valued at \$28,702,425. Mortgage recording tax abatement is valued at .75% of \$28,702,425, so \$215,268 would be abated.

Total estimated local share sales tax savings for the project and mortgage recording abatement is: \$888,254.

ECONOMIC IMPACT

A) Permanent Fulltime Employment Impact:

In determining permanent fulltime employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates employment impact for Tioga County, New York.

Estimated Employment Impact Tioga County, NY	
	Spencer – Tioga Solar, LLC
Job Creation	0
Multiplier	1.5207
Total Employment Impact to Tioga County, NY	0

Note: Multiplier = Electric power generation, transmission and distribution

Employment Impact Summary:

1. In Tioga County, New York, the project will create zero (0) permanent fulltime employees by Spencer – Tioga Solar, LLC.
2. There is no additional indirect permanent fulltime job creation in Tioga County, NY.
3. From a permanent fulltime employment perspective in the State of New York, the Spencer – Tioga Solar, LLC Project will create 4 jobs, related to field operations, maintenance and administrative, customer management services specifically related to this Project. Spencer – Tioga Solar, LLC currently employees 25 with an annual payroll of \$1.8 M and headquartered in Washington D.C.

B) Earnings Impact on an Annual Basis for Permanent Fulltime Employees:

In determining annual earnings (wages) impact for permanent fulltime employees, we have utilized the direct-effect earnings multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates annual earnings impact for Tioga County, New York.

Estimated Annual Earnings Impact Tioga County, NY	
	Spencer – Tioga Solar, LLC
Annual Earnings (0 employees)	\$0
Multiplier	1.1724
Total Earnings Impact to Tioga County, NY	\$0

Note: Multiplier = Electric power generation, transmission and distribution

Annual Earnings Impact Summary:

1. In Tioga County, New York, the project will create \$0 in annual earnings for permanent fulltime employees by Spencer – Tioga Solar, LLC.
2. There are no indirect results from annual permanent fulltime employee earnings in Tioga County, NY.

C) Construction Employment Impact:

In determining employment impact to the area, we have utilized the direct-effect employment multiplier provided by the US Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis (2013). The following estimates employment impact for Tioga County, New York.

Estimated Construction Employment Impact Tioga County, NY	
	Spencer – Tioga Solar, LLC
Job Creation	80
Multiplier	1.2963
Total Employment Impact to Tioga County, NY	103

Construction Employment Impact Summary

1. This project will create approximately 80 construction jobs.
2. Additional indirect results include creating ~ 23 jobs in Tioga County, NY.

PROPOSED PAYMENT-IN-LIEU-OF-TAX (PILOT)

The following PILOT has been requested by Spencer – Tioga Solar, LLC

Year	Estimated PILOT Payment*	Estimated Real Property Tax**	Town	County	School
1	\$89,600	\$101,782	\$17,140	\$24,342	\$48,066
2	\$91,392	\$103,818	\$17,483	\$24,829	\$49,028
3	\$93,220	\$105,894	\$17,833	\$25,326	\$50,009
4	\$95,084	\$108,012	\$18,189	\$25,883	\$51,010
5	\$96,986	\$110,173	\$18,553	\$26,350	\$52,031
6	\$98,926	\$112,376	\$18,925	\$26,878	\$53,072
7	\$100,904	\$114,624	\$19,303	\$27,415	\$54,134
8	\$102,922	\$116,916	\$19,690	\$27,963	\$55,217
9	\$104,981	\$119,254	\$20,084	\$28,523	\$56,322
10	\$107,080	\$121,639	\$20,485	\$29,114	\$57,449
11	\$109,222	\$124,072	\$20,895	\$29,676	\$58,599
12	\$111,406	\$126,554	\$21,313	\$30,270	\$59,771
13	\$113,634	\$129,085	\$21,740	\$30,875	\$60,967
14	\$115,907	\$131,666	\$22,175	\$31,494	\$62,187
15	\$118,225	\$134,300	\$22,619	\$32,123	\$63,431
16	\$120,590	\$136,986	\$23,071	\$32,766	\$64,700
17	\$123,002	\$139,725	\$23,533	\$33,421	\$65,995
18	\$125,462	\$142,520	\$24,004	\$34,091	\$67,315
19	\$127,971	\$145,370	\$24,484	\$34,772	\$68,662
20	\$130,530	\$148,278	\$24,974	\$35,468	\$70,036
21	\$133,141	\$151,243	\$25,474	\$36,178	\$71,437
22	\$135,804	\$154,268	\$25,983	\$36,939	\$72,867
23	\$138,520	\$157,354	\$26,503	\$37,640	\$74,325
24	\$141,290	\$160,501	\$27,033	\$38,394	\$75,812
25	\$144,116	\$163,711	\$27,574	\$39,161	\$77,828
26	\$146,998	\$166,985	\$28,126	\$39,945	\$78,876
27	\$149,938	\$170,325	\$28,689	\$40,744	\$80,454
28	\$152,937	\$173,731	\$29,263	\$41,560	\$82,063
29	\$155,996	\$177,206	\$29,848	\$42,391	\$83,705
30	\$159,116	\$180,750	\$30,445	\$43,239	\$85,380
Total	\$3,634,900	\$4,129,118	\$695,431	\$987,770	\$1,950,748

*Note: lump sum PILOT payment amount is based on \$5,600/MW X 16 MW and includes a 2% annual escalation over the thirty (30) year agreement

**Note: Real Property Taxes estimated for \$2,813,333 total assessment based on a 2017/2018 Town, County, School and Recycle combined tax rate of 34.996741 for first year and increased by 2% each following year. Fire tax is 0.575398/1000 at 100% all years and not included in the table.

According to this estimated PILOT financial model, over a period of thirty (30) years, Spencer – Tioga Solar, LLC would be afforded an estimated real property tax abatement of \$494,218.

JUSTIFICATION FOR DEVIATION FROM UNIFORM PILOT POLICY

The following additional points should be considered as justification for deviation from the IDA's Uniform PILOT Policy:

- Real Property Tax Law Section 487 provides for only a maximum fifteen (15) year exemption from real property taxation for the increase in value resulting from the installation of a qualifying system.
- The Company has stated that the Project is revenue neutral and cannot grow such as a regular business. Therefore, a full assessment would render the project unviable by year sixteen (16).
- The Company has stated that the financing of new solar projects is traditionally accomplished on a project-financed basis, with a lending community that typically lends on a long-term basis. Project financing is enhanced by having a long-term PILOT, due to the increased assurance of debt coverage during the full term of the borrowing.

SUMMARY

- The Company is investing \$30 million in capital improvements in Tioga County.
- The Company will create zero (0) new fulltime permanent jobs and zero (\$0) in new fulltime permanent annual wage earnings in Tioga County. No annual indirect economic benefits for Tioga County, New York due to the lack of fulltime permanent employment.
- The Company is offering \$5,600 per MW generated on a 16 MW facility in the first year of operation, and is including a 2% escalation rate per year for duration of thirty (30) years.
- The Company is bringing 80 construction jobs to Tioga County.
- The Company is stimulating additional 23 indirect jobs related to construction to Tioga County.
- Based on the proposed payment per MW plus escalation, the Company is requesting real property tax abatement estimated at \$494,218 over the thirty (30) year PILOT period.
- The Company is indicating that the project shows a flat revenue stream; therefore a PILOT is necessary to predict tax liability (depreciation of assets/performance).
- The Company is requesting sales tax savings estimated at \$672,986 (local portion only) for construction, materials and equipment purchases.
- The Company is requesting mortgage recording tax abatement, valued at \$215,268.
- The proposed project will allow a potential savings to local electricity consumers estimated at over \$7 million over the thirty (30) year PILOT term; this calculation is based on a 10% savings on an average cost of .10/kWh, thus reducing the cost by .01/kWh to .09/kWh.
- The proposed solar array development will allow for not only the local generation of power adding to the grid reliability and resilience, but also the added benefit of continued use of the subject parcel(s) as farmland (proposed sheep grazing).

- 100% of the existing real property taxes paid by the property owner(s) will remain in place.
- The Company is agreeing to compensate local land owner(s) with over \$56,000 annual rental income, translating into \$1.7 million over the thirty (30) year lease agreement term.
- No community services are requested or required as a result of the proposed project, such as; upgrades or continued repair of roadways, increased scholastic demands or need for social benefits.
- Recent studies established by the NY Public Service Commission (PSC) have indicated that added benefits of generating clean energy include anticipated reductions in healthcare costs, declines in the cost and impact of climate change factors and other such societal benefits.