

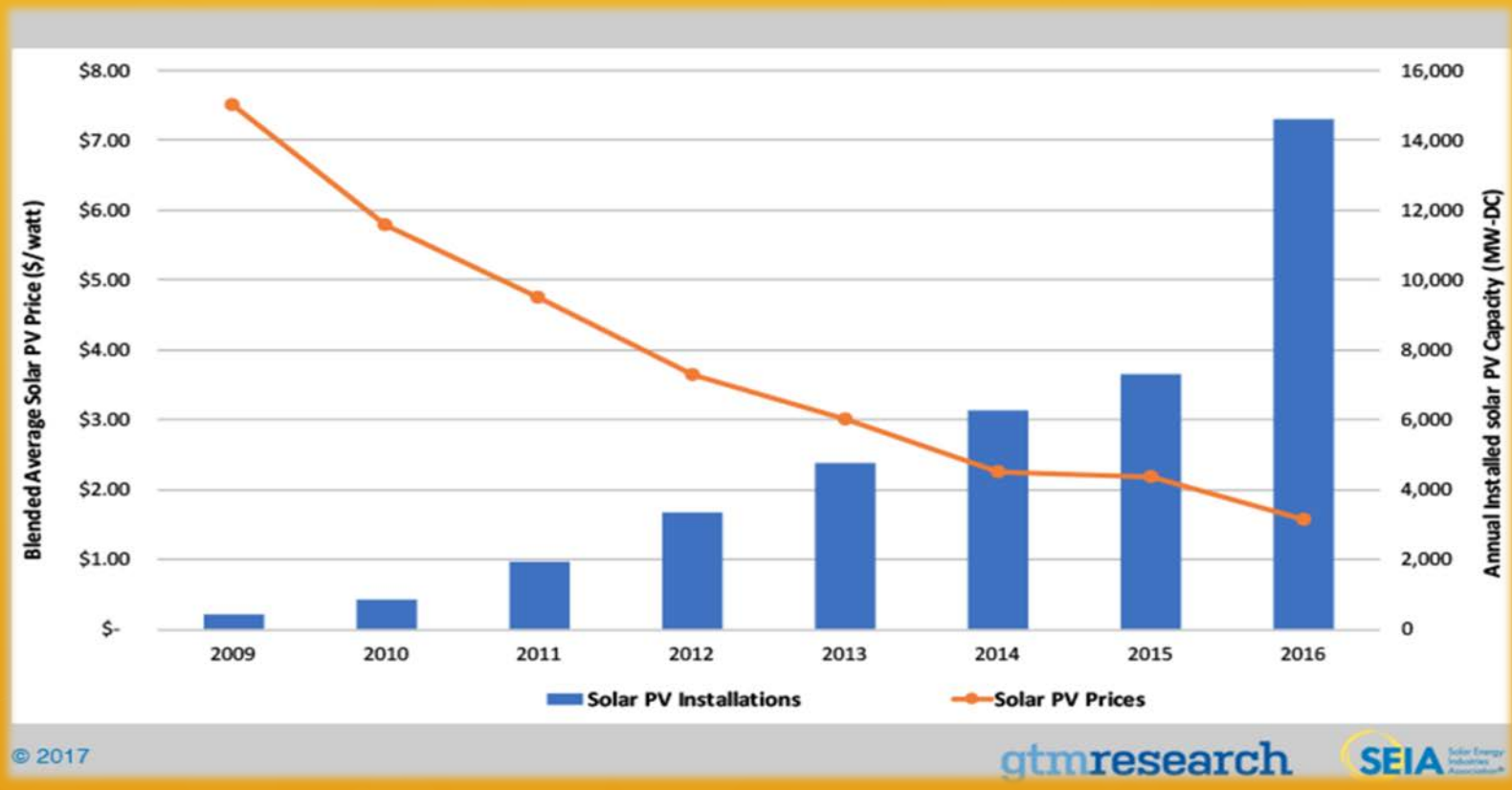
Gross Receipts Tax Exemption for Construction of Non- Residential Solar Projects: Request for Clarification or Reinstatement

By **Rocky Ray**, Managing Partner Daisy Renewables
and **Luigi Resta**, EVP Onyx Renewable Partners

Presentation for New Mexico Revenue Stabilization
and Tax Policy Committee

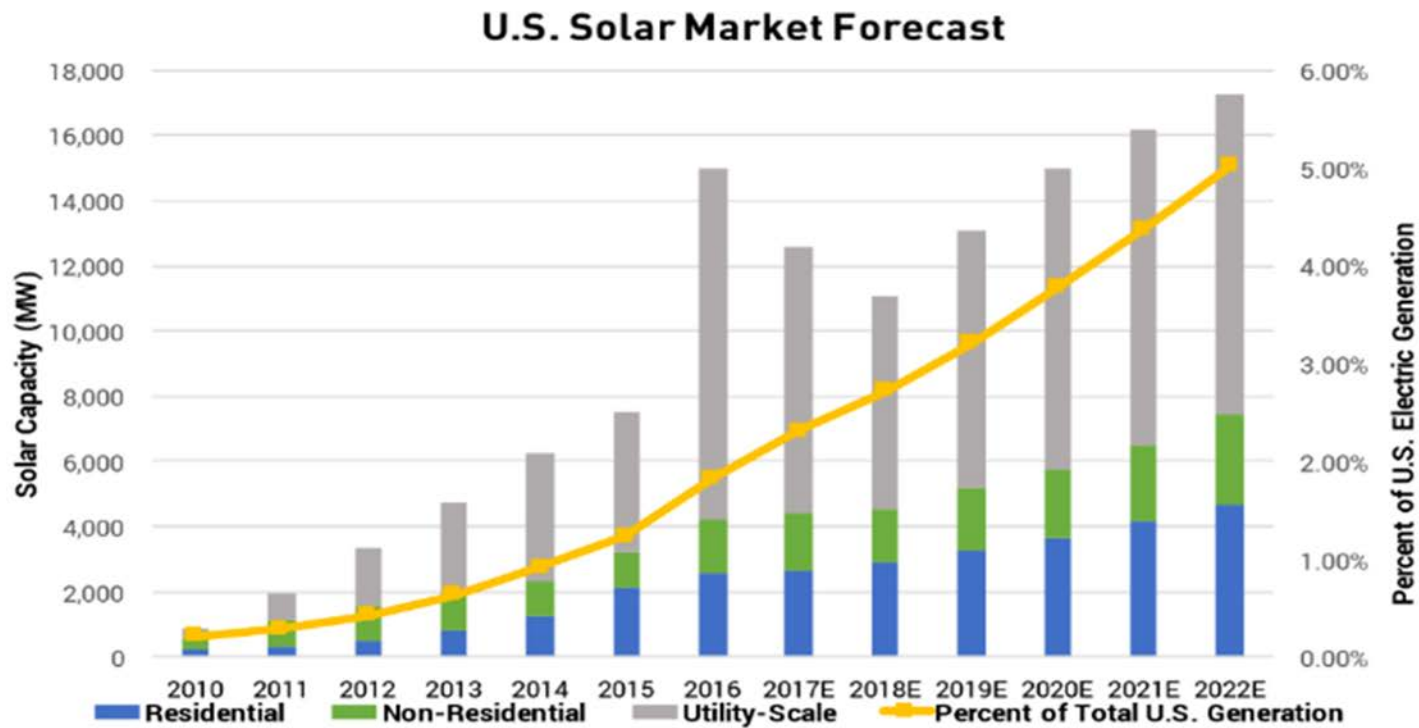
October 31, 2017

National Solar Growth: System Costs and ITC



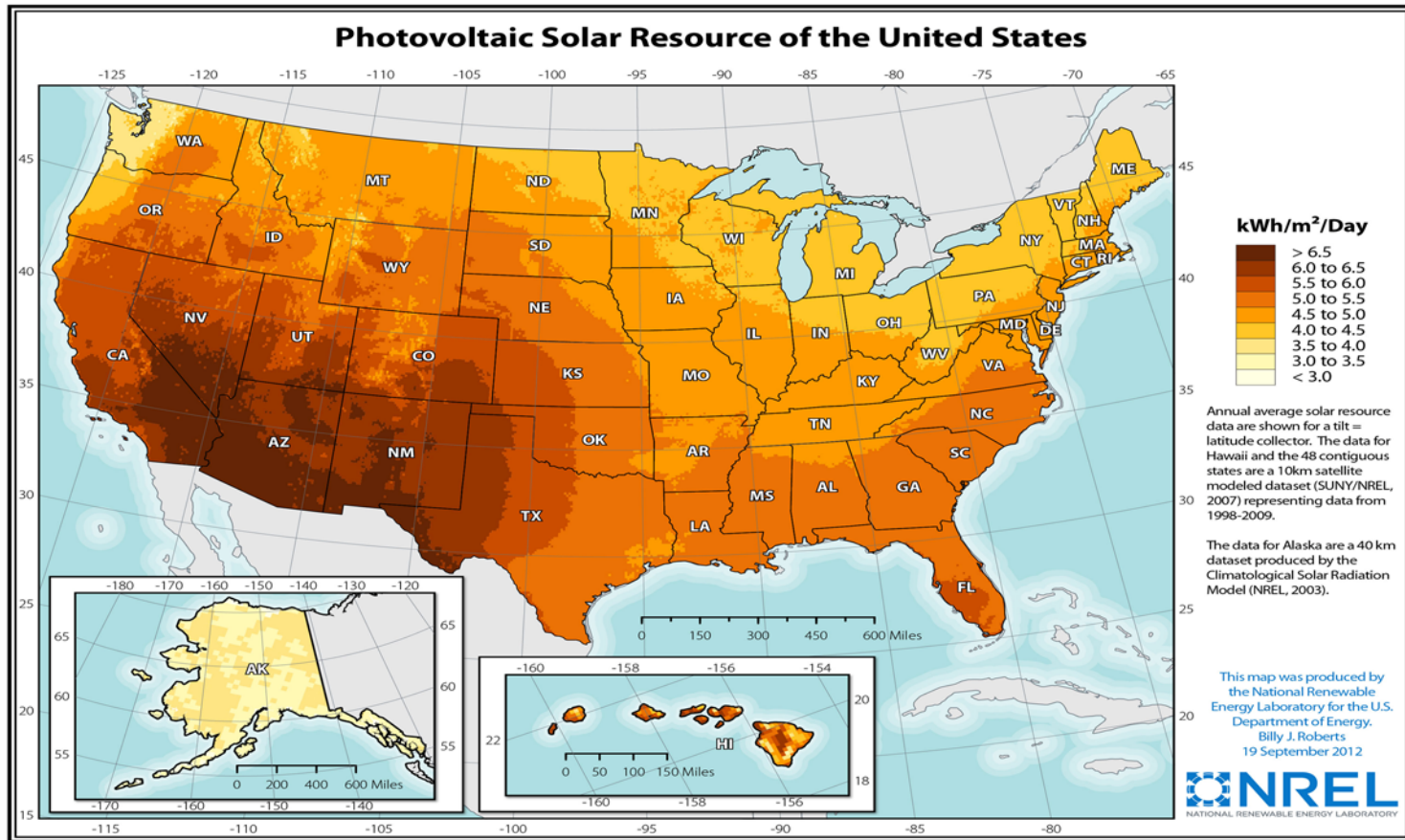
- 70% system cost decrease since 2010
- Fed ITC created in 2005, extended in 2007, 2008 and 2015

National Solar Forecast



- Average annual growth of 68% over the past decade
- By 2021 there will be over 100,000MWs of solar installed in the US

Solar Hotspot – NM & AZ

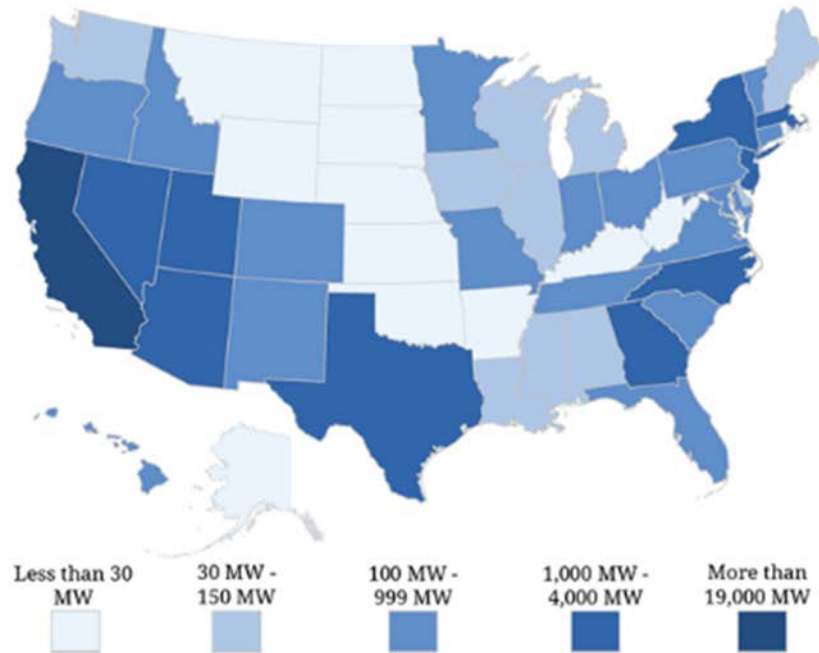


National Cumulative Installed Solar Capacity

TOP 10 STATES

1. CA: 19,665 MW
2. NC: 3,540 MW
3. AZ: 3,254 MW
4. NV: 2,350 MW
5. NJ: 2,164 MW
6. MA: 1,743 MW
7. TX: 1,620 MW
8. UT: 1,551 MW
9. GA: 1,500 MW
10. NY: 1,066 MW

Cumulative Solar Capacity by State, through Q1 2017



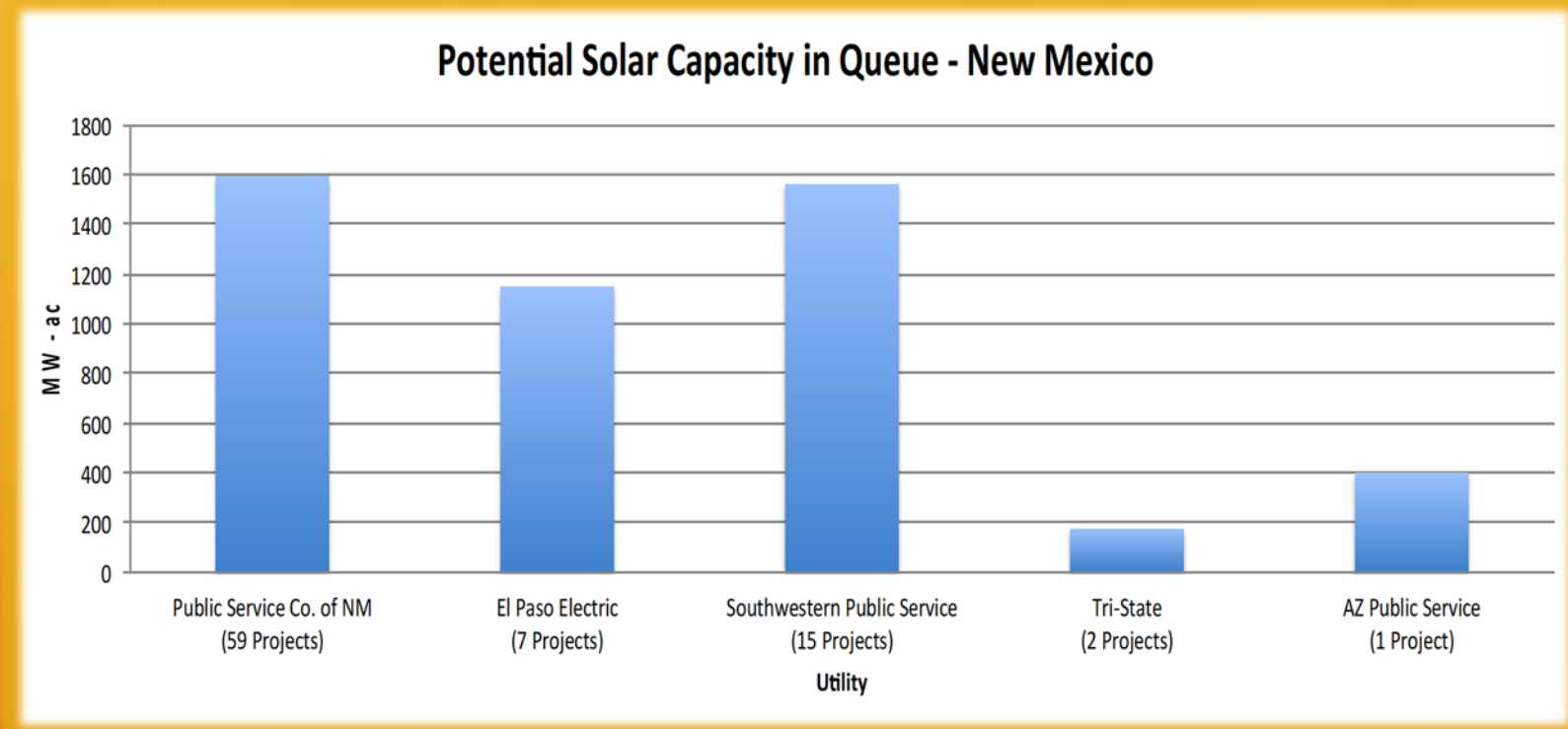
Solar Comparison: NM & AZ ⁱ

	New Mexico (15 th)	Arizona (3 rd)
Private/ Public Land Ratio:		
Installed Solar Capacity (MW):		
% of State's Electricity from Solar:		
Market Delivery:	WECC & SPP *	WECC

ⁱ Industry data from Solar Energy Industries Association; 9/11/2017

* WECC – Western Electricity Coordinating Council, SPP – Southwest Power Pool

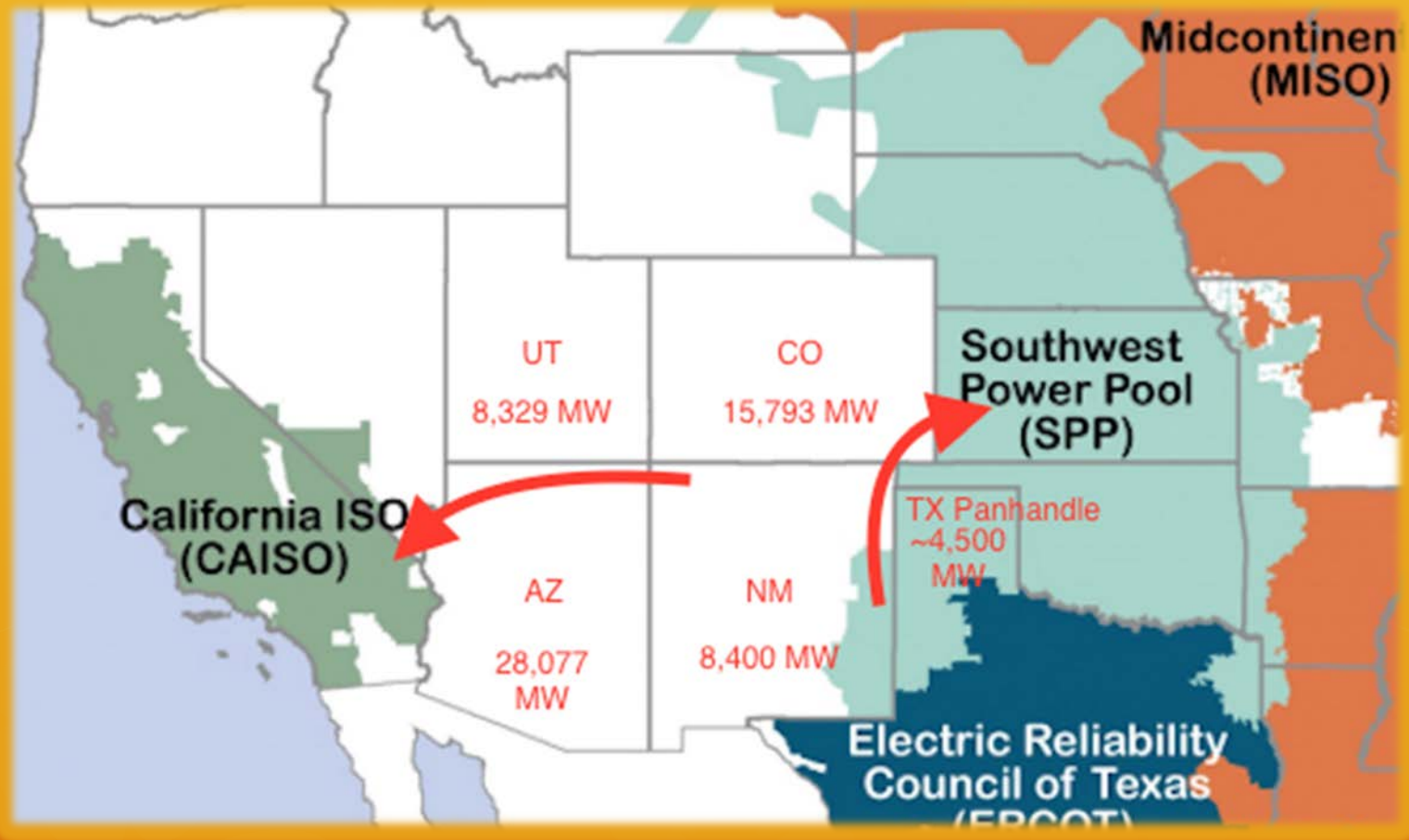
Potential Non-residential NM Solar Projectsⁱⁱ



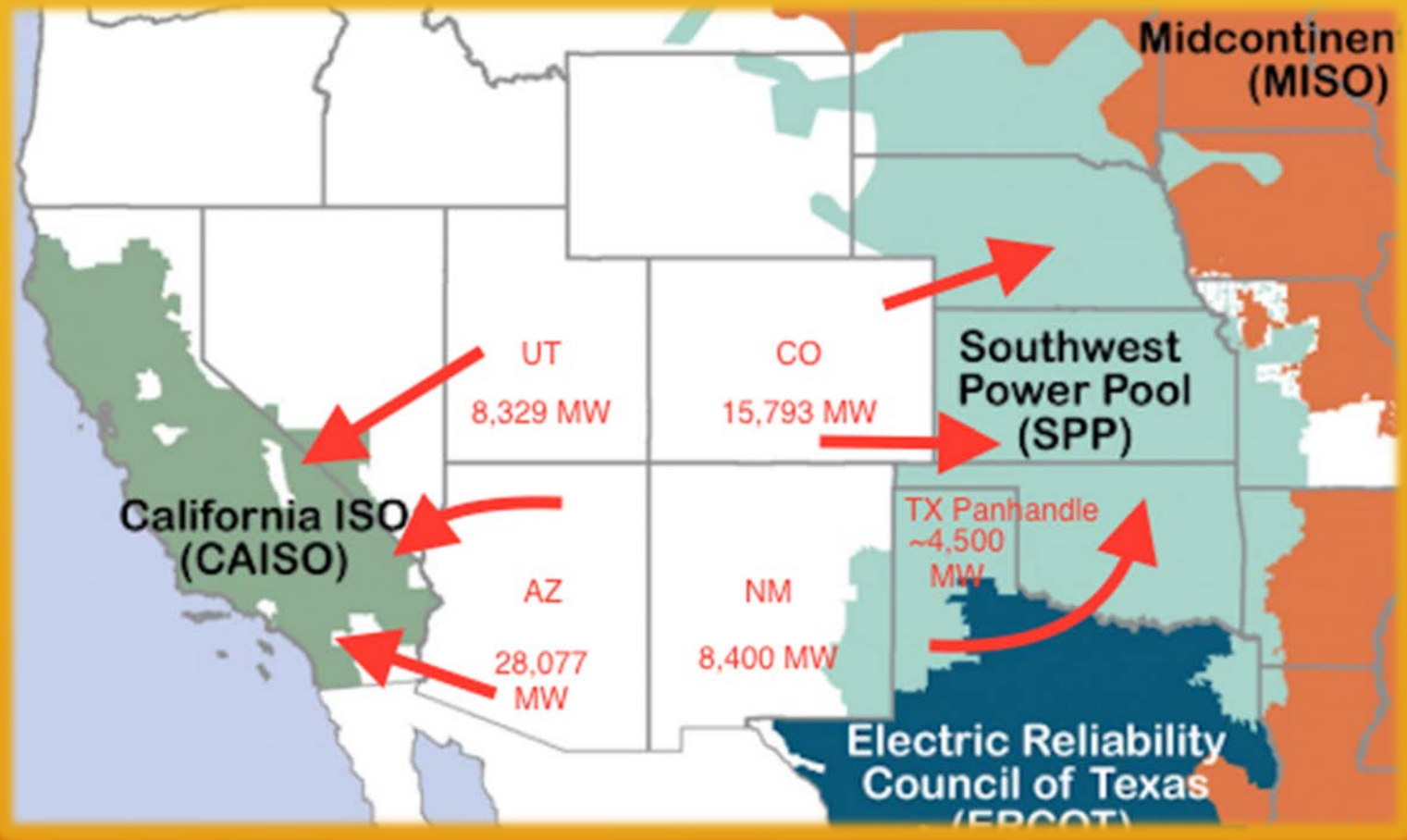
- TOTAL SOLAR PROJECT REQUESTS IN QUEUE: 4,880 MWs
- ESTIMATED INVESTMENT VALUE: \$4.8 – 5.3 Billion

ⁱⁱ Data from respective queues for each named utility; 10/25/2017

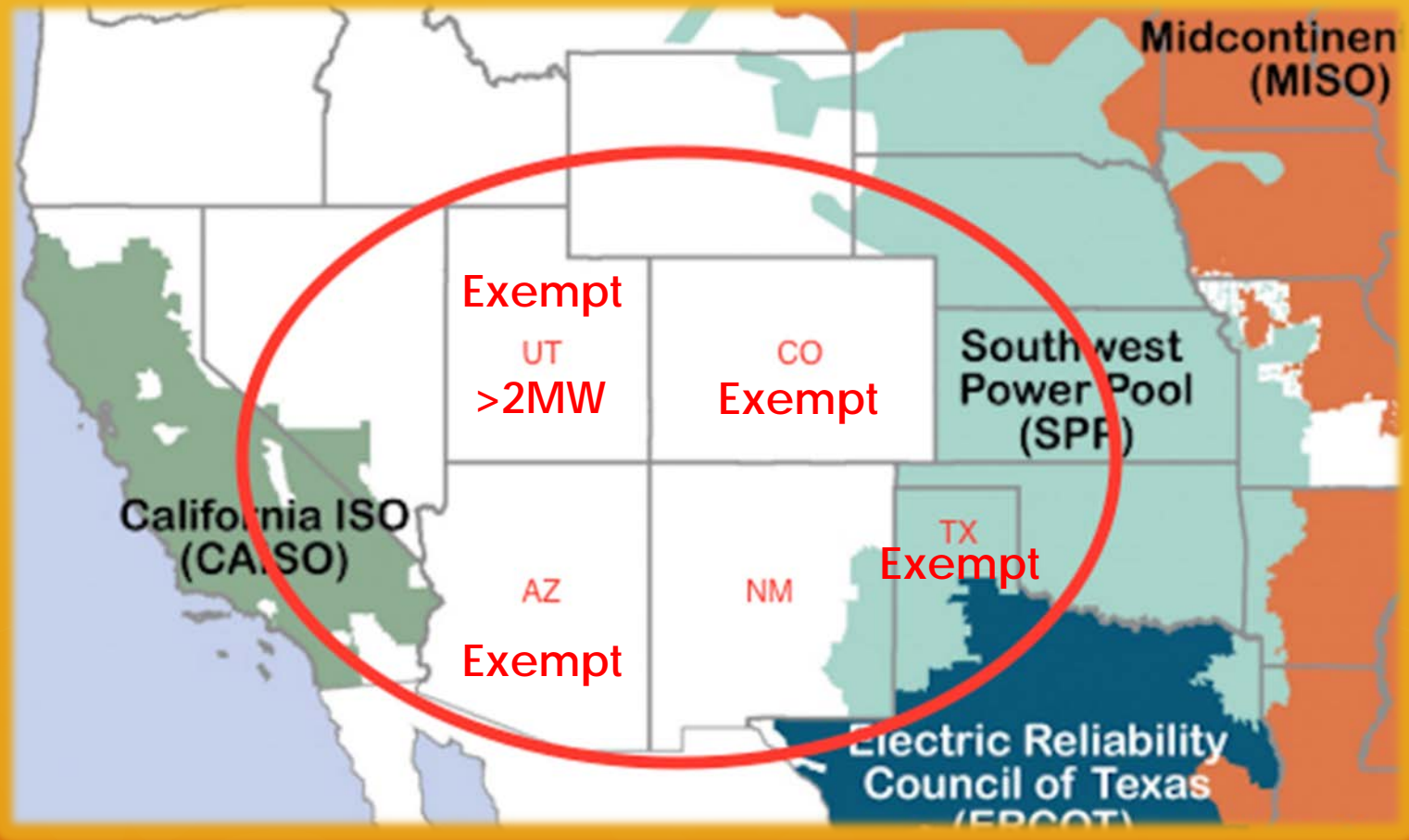
Challenges Facing NM Solar: Export Market



Challenges Facing NM Solar: Competing Export Markets



Challenges Facing NM Solar: Non-competitive Tax Policies



Challenges Facing NM Solar: Backlog State PTC

SOLAR QUEUE – NM Renewable Production Tax Credit

Statute Provision: NMSA 1978, 7-2A-19

	Capacity (MW)	Annual Production Eligibility (MWh)
CERTIFIED TOTAL:	201.1	500,000
WAITING LIST TOTAL:	1,103.0	2,368,990.2

- 5.5X oversubscribed

Challenges Facing NM Solar:

Cumbersome, Expensive, Expired, and Ambiguous Laws

- Community Development Incentive Act – county level approval needed for partial or full property tax abatement
- Industrial Revenue Bond Act – non-viable option for mid-cap projects due to the associated expenses
- *NM Stat § 7-9-114: Advanced Energy Deduction – expired on December 31, 2015*
- *NM Stat § 7-9-112: Deduction – express deduction for solar delivered to same property may be interpreted to include a “use” requirement (e.g., transactions at wholesale may be disqualifying, even if made onsite, per Tax and Revenue Department informal guidance)*

DSIRE Database of State Incentives for Renewables & Efficiency®

- ❁ N.M. Stat. 7-9-54.3 GRT exemptions on Construction, Local Government, State Government, Federal Government, Installers/Contractors, Retail Supplier
- ❁ Advanced Energy GRT Deduction 7-9-114 last update May 25, 2017 still listed on the federal DSIRE website as available Expired in December 2015 but was extended to include projects that had started construction in that calendar year
- ❁ N.M. Stat. 7-9-112 GRT exemption for Solar systems delivering power to the property where installed. The seller must have a signed copy of Form RPD-41341 and file with New Mexico Energy, Minerals and Natural Resources Department

Socio-economic Impacts to Rural Communities

- *New short term construction jobs created (Direct and indirect benefits through the hiring of subcontractors and supporting businesses)*
- *Construction personal continue to work building solar projects throughout the state*
- *Long term, 20+ yrs, benefits thru new incremental tax base with no increase in county costs (\$0.10/acre grazing vs. \$580.00/acre solar)*
- Landowner lease/sale revenues
- Supports broad domestic labor pool: planning, manufacturing, installation, grid connection, operation and maintenance, policy-making, R&D, engineering, civil and consultants
- Cost effective, clean and plentiful electric power for generations

Industry Request: Make it clear the state supports solar

- *Several solar companies have manufacturing in NM*
- *Construction of a ground mounted solar often includes up to 10 subcontracting companies. See letters of support*
- *Assist in supporting the interpretation of 7-9-112 and that ground mounted projects selling power on site qualify*
- *Retroactive Reinstatement of 7-9-114 – Simple and clean*
- *Nextera cites in economic analysis that every \$ of cost equals \$8 in additional revenue to the state (PTC)*

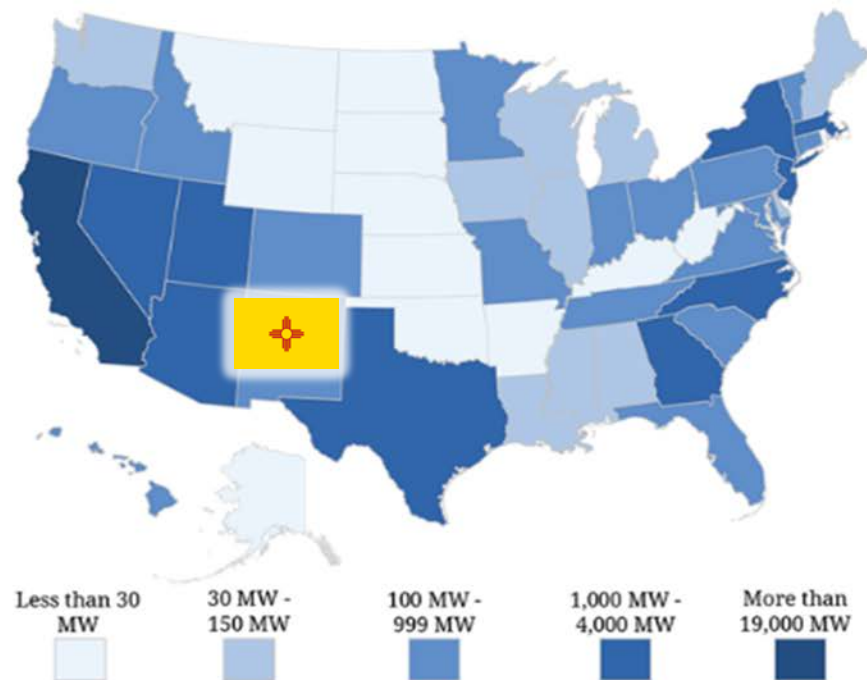


New Mexico's Solar Future

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Cumulative Solar Capacity by State, through Q1 2017



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