

TOWN OF UXBRIDGE  
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David A. Genereux  
Finance Director

**DATE:** June 10, 2011  
**TO:** Michael Szlosek, Town Manager  
**FROM:** David Genereux, Finance Director *DG*  
**RE:** PILOT Agreement – Constellation New Energy

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Constellation New Energy has proposed a twenty year PILOT (Payment in Lieu of Taxes) agreement with the Town for solar energy collection units to be built on fifteen acres of private property in South Uxbridge. These units, with an expected valuation of approximately eight million dollars, are being installed by DG Clean Power. The warranted life of the units is thirty years.

When the Town was first approached, the Assessor was tasked with factoring the tax revenue that would be generated if the project was simply taxed as personal property. The resulting tax on the solar equipment is forecast at \$1,539,906 over the life of the contract, which would be added to the estimated \$85,676 in property tax revenue that the parcel would generate over the same period, for a total of \$1,625,582. Tax payments would average approximately \$81,279 per year.

MGL requires that PILOT agreements offer the same benefit that the Town would realize if the project was subject to straight line taxation. Constellation is not willing to go forward with the project based on taxation, and has proposed a combination of lower PILOT payments, coupled with Net Energy (NEG) Credits.

NEG Credits are cash credits for power produced by renewable resources that will be processed by National Grid that and credited against the Town's electric accounts. The Town will receive 100% of the NEG Credits and be billed by Constellation for either 90% or 93.50% of them, assuming that the Board chooses one of the proposed agreements. The NEG Credit is the mainstay of Constellation's business model for the project.

The Board has two options to consider:

- 1.) A PILOT proposal of \$41,000 per year for 20 years coupled with 10% of the Net Energy (NEG) Credits that are forecast to be generated by the project
- 2.) A PILOT proposal of \$54,000 per year for 20 years coupled with 6.50% of the Net Energy (NEG) Credits that are forecast to be generated by the project

Constellation also proposes:

- 1.) A \$50,000 permit fee to be made payable in the first year
- 2.) A one-time switch option among the options offered by Constellation
- 3.) At the end of the agreement period, Constellation would renegotiate another lease with the Town for up to ten years

The grid below sums the forecast twenty year totals of the proposals:

<b>Totals</b>	
Forecast Tax Revenue	\$1,539,906
Real Estate Tax Revenue	\$85,676
Total Taxes	\$1,625,582
Forecast Tax Revenue Annualized	\$ 81,279
<b>Options</b>	
1. PILOT w/ 10% Net Energy Credits	
PILOT	\$820,000
Energy Credits	\$803,078
Total	\$1,623,078
2. PILOT w/ 6.5% Net Energy Credits	
PILOT	\$1,080,000
Energy Credits	\$522,000
Total	\$1,602,000

Option 1, the PILOT with annual payments of \$41,000 and the 10% NEG credits, most closely attains the goal of what the Town would receive under the straight taxation method, and absent a straight PILOT proposal, is my recommendation. I believe that the NEG Credits are likely to have the most upside as commodity prices are likely to increase over a twenty year period. We are still working on a contract for Counsel's review, but he is in agreement that the financial proposal is consistent with MGL.

Constellation will have additional materials on Monday, which I will forward the Board in advance of the meeting.

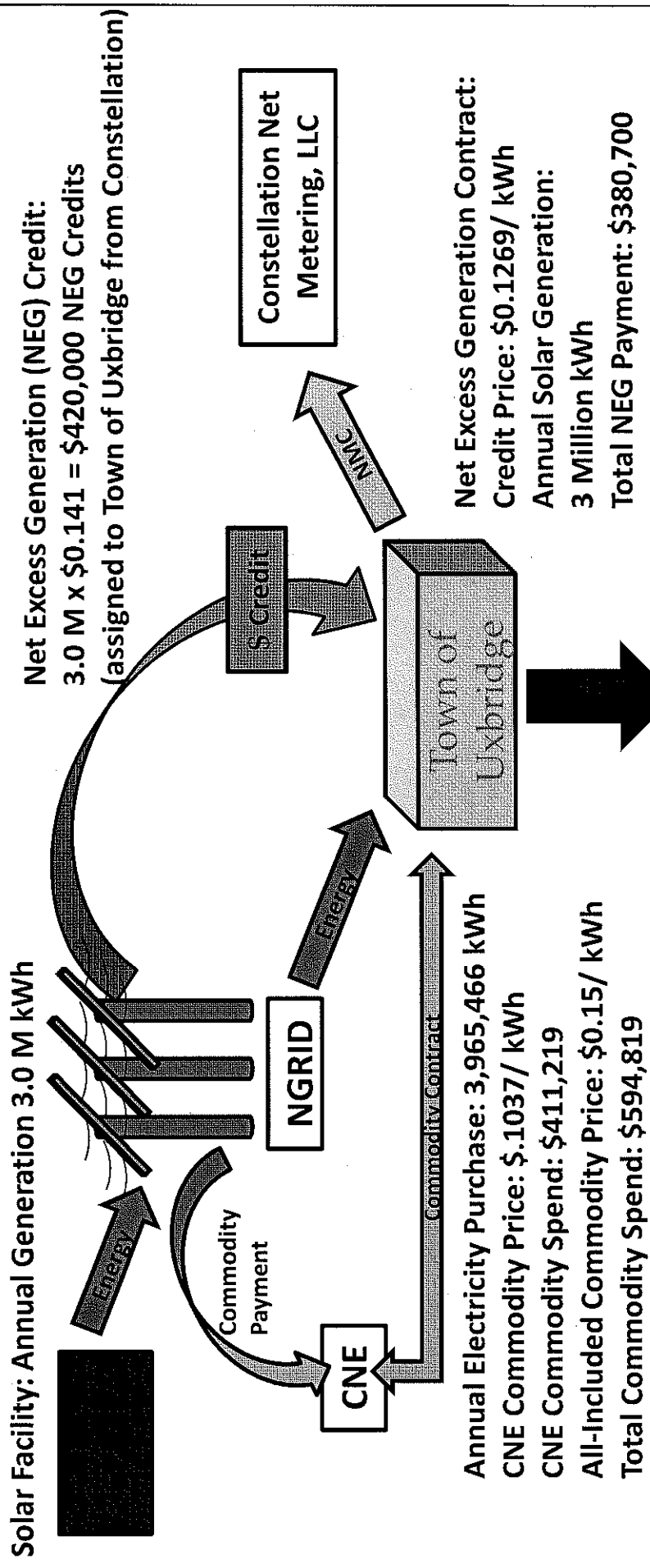
The suggested motion for the Board, should a decision be made, follows:

“Move that the Board vote to approve a payment in lieu of tax (PILOT) Agreement with Constellation New Energy for the installation of a 2,400 kW DC ground mounted solar photovoltaic plant on 15.50 acres, more or less, located on Commerce Drive, Uxbridge, MA for a period of twenty years, said agreement to be effective July 1, 2011 and ended on June 30, 2031, based on an annual PILOT payment of \$ \_\_\_\_\_, and an annual Net Energy (NEG) credit of \_\_\_%. In approving this Agreement, the Board of Selectmen hereby authorizes the Town Manager and/or the Chairman of the Board of Selectmen to sign any and all agreements, contracts, and other pertinent documents pertaining to the agreement, upon satisfactory review by Town Counsel.

An analysis is attached, along with a net metering chart produce by Constellation.

Please contact me with any questions.

# How net metering provides cost savings for Town of Uxbridge



**DO THE MATH**

Annual Commodity Spend: \$594,819  
 Annual Net Excess Generation Amount Credited to Utility Bill: \$420,000  
 Annual NEG Payment to Constellation: 380,700

$\$594,819 - \$420,000 = \$174,819 \text{ Net Electricity Cost}$   
 $\$174,819 + 380,700 = \$555,519 \text{ Total Electricity Spend}$   
 $\$594,819 - \$555,519 = \$39,300 \text{ Net Utility Savings}$

Constellation PILOT Proposal

Project Hard Cost	1	2	3	4	5	6	7	8	9	10
Forecast Tax Revenue	\$110,858	\$106,368	\$102,060	\$97,927	\$93,961	\$90,155	\$86,504	\$83,000	\$79,639	\$76,414
Real Estate Tax Revenue	\$3,891	\$3,929.91	\$3,969	\$4,009	\$4,049	\$4,089	\$4,130	\$4,172	\$4,213	\$4,256
Total Taxes	\$114,749	\$110,298	\$106,029	\$101,936	\$98,010	\$94,244	\$90,634	\$87,172	\$83,852	\$80,670
Forecast Tax Revenue Annualized	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279
<b>Options</b>										
<b>1. PILOT w/ 10% Net Energy Credits</b>										
PILOT	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000
Energy Credits	\$42,095	\$41,884	\$41,675	\$41,466	\$41,259	\$41,053	\$40,848	\$40,643	\$40,440	\$40,238
Total	\$83,095	\$82,884	\$82,675	\$82,466	\$82,259	\$82,053	\$81,848	\$81,643	\$81,440	\$81,238
<b>2. PILOT w/ 6.5% Net Energy Credits</b>										
PILOT	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
Energy Credits	\$27,362	\$27,225	\$27,089	\$26,953	\$26,818	\$26,684	\$26,551	\$26,418	\$26,286	\$26,155
Total	\$81,362	\$81,225	\$81,089	\$80,953	\$80,818	\$80,684	\$80,551	\$80,418	\$80,286	\$80,155

Project Hard Cost	11	12	13	14	15	16	17	18	19	20
Forecast Tax Revenue	\$73,319	\$70,349	\$67,500	\$64,766	\$62,143	\$59,627	\$57,212	\$54,895	\$52,671	\$50,538
Real Estate Tax Revenue	\$4,298	\$4,341	\$4,384	\$4,428	\$4,473	\$4,517	\$4,563	\$4,608	\$4,654	\$4,701
Total Taxes	\$77,617	\$74,690	\$71,884	\$69,194	\$66,616	\$64,144	\$61,775	\$59,503	\$57,325	\$55,239
Forecast Tax Revenue Annualized	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279	\$81,279
<b>Options</b>										
<b>1. PILOT w/ 10% Net Energy Credits</b>										
PILOT	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000
Energy Credits	\$40,037	\$39,836	\$39,637	\$39,439	\$39,242	\$39,046	\$38,850	\$38,656	\$38,463	\$38,271
Total	\$81,037	\$80,836	\$80,637	\$80,439	\$80,242	\$80,046	\$79,850	\$79,656	\$79,463	\$79,271
<b>2. PILOT w/ 6.5% Net Energy Credits</b>										
PILOT	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
Energy Credits	\$26,023.05	\$25,893	\$25,764	\$25,635	\$25,507	\$25,380	\$25,253	\$25,126	\$25,001	\$24,876
Total	\$80,023	\$79,893	\$79,764	\$79,635	\$79,507	\$79,380	\$79,253	\$79,126	\$79,001	\$78,876

Constellation PILOT Proposal

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