Brian VanBlarcum: House Tax Policy Committee

Testimony: House Bills 4317-4318
May 17, 2023

Consumers Energy
Count on Us®

Good afternoon, Chairwoman Neeley, Vice Chair Farhat, Vice Chair VanWoerkom and House Tax Policy Committee members. My name is Brian VanBlarcum. I am the Director of Tax at Consumers Energy.

Consumers Energy has proudly supported Michigan's progress for more than 135 years. As Michigan navigates a clean energy transformation, our tax policies must be creative and innovative while preserving basic principles that make Michigan great. With that in mind, we are testifying in support of House Bills 4317 and 4318.

HB 4317 and 4318 create a new solar property tax framework that does not exist today. Michigan's traditional property tax system, the General Property Tax Act, requires the annual valuation of property at true cash value, or market value. For new renewable technologies such as wind and solar, we learned this can be a difficult, and sometimes contentious valuation exercise. When disagreements over valuations occur, we can quickly strain the relationships between owners and our host communities. With a goal of investing in 8,000 megawatts of competitively priced solar, our company believes these bills give communities and developers an alternative tool to partner in Michigan's clean energy transformation.

This legislation is a product of many hours and iterations reflecting the concerns and expertise from a diverse group of stakeholders. First, we appreciate the State Tax Commission and the work completed by its Ad Hoc Solar Committee to issue a transparent report on the valuation of solar energy systems. We appreciate the time, energy and leadership provided by representatives from the Governor's office, Department of Treasury, local governmental groups, and other solar developers who helped shape the policy behind this legislation. And finally, to Representative Neeley and Representative VanderWall for sponsoring these bills and recognizing their importance to host communities and solar developers.

This legislation:

- Creates certainty by providing an annual $7,000-per-megawatt Payment in Lieu of Tax ("PILT") over 20 years so communities and developers can effectively budget future revenue and expenses.
- Provides optionality for developers to apply for the PILT structure but also grants local units of government the discretion to approve or disapprove the PILT as an alternative to traditional taxation.
- Includes a transparent application process that provides local host communities with the information, funding, and time they need to make an informed decision.
- Addresses land use concerns by incentivizing solar development in non-traditional areas with a $2,000-per-megawatt annual payment for projects located in brownfields, opportunity zones, land owned by the State of Michigan

or improved real property used for another purpose. This incentive gives Michigan communities struggling to redevelop previously used properties an opportunity to compete for solar investments and new sources of revenue.

- Grants oversight to the State Tax Commission ("STC") to issue the forms, instructions and guidance necessary to administer the solar PILT program.
- Affirms the collection and distribution of the annual solar PILT payment similar to payments for traditional property taxes.
- Addresses a handful of policy issues important to all stakeholders, such as transferability of certificates if a project is sold, revocation and recapture for non-payment of the specific tax and partial payments while projects are under construction.
- Measures economic development by periodically analyzing use, costs, and benefits of the program.
- Sunsets for new projects after December 31, 2031 providing the Legislature a date-certain opportunity to evaluate the goals and effectiveness of the program.

Thank you again for this opportunity to testify. Consumers Energy believes the development of House Bills 4317 and 4318 over the last two years was thoughtful, creative, and balanced to ensure we keep Michigan's energy costs competitive, create energy jobs and solar investments throughout the state, and ensure an appropriate amount of taxes to support our host communities and the valuable services they provide. I am happy to answer any questions you have.

DTE

Written Comments:

House Bills 4317 & 4318

Sara Hutton

May 17, 2023

DTE

Good afternoon Chairwoman Neeley, Vice Chairs Farhat and VanWoerkom, and members of the Michigan House Committee on Tax Policy. My name is Sara Hutton, and I am the Manager of Tax Planning and Counsel at DTE. I appreciate the opportunity to testify today in support of House Bills (HB) 4317 and 4318.

During my testimony, I will focus on two points:

- First, why this policy is necessary for the State of Michigan, its local communities and solar developers such as DTE
- Second, highlight a few key elements of this legislation that underline DTE's support

Let me begin with why this policy is necessary.

Since 2009, DTE has invested $3 billion in renewables, and today is Michigan's largest producer of solar and wind energy. To continue our transition towards cleaner energy, we plan to double our investment in renewables by 2025 and eventually have more than 60% of our total generation mix come from solar and wind in 2042. Our proposed Integrated Resource Plan (IRP) outlines this transition, highlighted by adding more than 15,000 megawatts of renewables, which is enough Michigan-made solar and wind energy to power approximately 4 million homes. Our proposed IRP and its investments in renewable energy will reduce carbon emissions ahead of the timelines in Governor Whitmer's *MI Healthy Climate Plan* and will help support Michigan's goal of achieving economy-wide net-zero carbon emissions by 2050.

Throughout this transition, it's paramount that the State of Michigan and its solar developers – such as DTE – maintain strong partnerships with local communities and their residents. House Bills 4317 and 4318 help strengthen these partnerships in a manner that is both fair and equitable for all stakeholders. By providing an alternative to the taxation of solar assets, this legislation provides certainty for both local communities and developers and removes a potential barrier to the future development of solar energy.

Now, I would like to highlight two key elements that underline DTE's support.

First, this legislation is optional giving solar developers the opportunity to agree on an annual payment-in-lieu-of-taxes (PILT) with host communities. Solar developers have the option to submit a PILT application for solar projects larger than 2 megawatts ("MW"). Local communities also have the option to accept or deny the solar developers' application. If a community and a developer do not agree to a PILT, then the solar assets will be taxed under the Ad Valorem structure.

Second, this legislation is the result of a robust stakeholder engagement process; developed through extensive conversations with local units of government, Treasury, the Governor's office, solar trade associations and utilities through workgroups held in 2021 and 2022. Through

these workgroups the various stakeholders developed the PILT terms laid out in this legislation including the statutorily pre-determined fixed amount, the fixed term, the application and revocation processes and specific incentivized provisions for the development of solar in obsolete or blighted areas. The result is a policy that DTE believes is a responsible – and necessary - step forward for Michigan and one that will aid host communities and solar developers alike and act to improve our environment. We urge your support of this legislation.

Thank you, Madame chair and committee members for the opportunity to speak before you today. I welcome any questions.