



PROPERTY TAX DEPARTMENT

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Mr. Michael McDade
State Board of Equalization
Property and Special Taxes Department
450 North Street
Sacramento, California 94279-0064

*Subject: Suggestions and Comments Concerning Draft of Guidelines for Active Solar Energy Systems
New Construction Exclusion*

Dear Mr. McDade,

As an interested party I would like to thank the Board of Equalization for this opportunity to comment and suggest revisions concerning the October 2011 Draft of *Guidelines for Active Solar Energy Systems New Construction Exclusion*.

My interest in these Guidelines is the result of our desire to operate active solar energy systems in your state. From an operational perspective property tax is a significant expense and as a result of this fact it has a direct relationship with the price we will pay for a developed active solar energy system. Simply stated the more property tax liability that is estimated for a potential purchase the less we are willing to pay for the active solar energy system. This fact, affects the developers profitability and their desire to build additional active solar energy systems.

I praise the recent legislation that amends section 73 as this exclusion will in fact encourage the development of solar energy systems if the guidelines are written in such an manner that the long term operator is the benefactor of the exclusion.

I have reviewed the guidelines and respectfully suggest the following:

Current Language

Starting on line 32 of page 9

Thus, this legislation ensures that newly constructed active solar energy systems transferred using sale-leaseback and similar arrangements that require the solar system itself, but not the real estate on which it is situated, to be sold or transferred to a third party, will continue to receive the property tax exclusion.

Ending on line 2 of page 10

Recommended Revised Language

Thus, this legislation places the determining factor of applicability of the exclusion solely on whether a qualifying Active Solar Energy System is currently or has previously been excluded from assessment. Therefore, if a qualifying Active Solar Energy System has not received the exclusion, the manner or timing in which the current owner came to possess the Active Solar Energy System will not disqualify it from the exclusion.

This revised language is being suggested as it, in my opinion, better clarifies the intent of the legislation to give a long-term property tax incentive in the form of the exclusion. This language eliminates the potential that the long term operators of the active solar energy system will not receive the exclusion do to a misinterpretation of the intent of the legislatures. The exclusion is most beneficial to the long term operators as they will have ownership of the system the longest. It is not the intent of the legislation to exclude the system for a short time period as would be the case if the developer or other short term owner received the exclusion (In some cases the developer will operate the system while waiting for a purchaser). A prudent well informed developer would save the exclusion for the long term operator as it increases the marketability of the system. Excluding the system for a short period of time (say a year or two) will not encourage the development of new active solar energy systems.

Again I greatly appreciate the opportunity to comment and suggest revision to these guidelines. Please contact me if you have any comments or questions. My direct line number is 704-382-1119 and my email is Shawn.Pittman@duke-energy.com.

Thanks



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