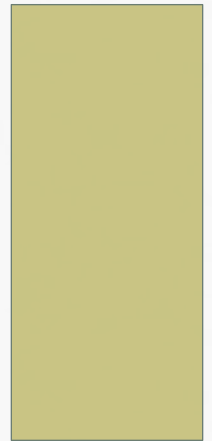


CAPTURING THE GOVERNMENT TAX BASE

**MICHAEL CONNOLLY, MA
DENVER, MAY 5, 2015**



CAPTURING TAX INCENTIVES

- Support for tribal government services
 - Fire protection, roads, environmental, water, security
 - Property tax, Sales tax, Possessory interest
- “Pickle Rule” and tribal governments, ITC
- Value of tax incentives to project
 - ITC/PTC + Accelerated Depreciation can be more than 50%

CAPTURING PROPERTY TAX

- Definitions
 - Personal Property, fixed & mobile assets
 - Possessory Interest
- Department of Interior ruling
 - Legal challenges somewhat positive, Agua Caliente this fall
- Contingency planning, reversion of property at lease end.

CAPTURING SALES TAX

- Variations from State to State
- Local government share
 - Nevada/New Mexico Examples
- California exemption process
- Effects on project financials
 - Net present value comparison

SAMPLE PROJECT

- Consider a 100 MW wind project for 30 years
 - PPA of \$70 per MW-hr
 - Capacity factor of .30
 - Construction 250 MM
 - Royalty 6% to tribe
 - Property tax 1%
 - Sales tax 7.5%
 - Possessory Interest 1%

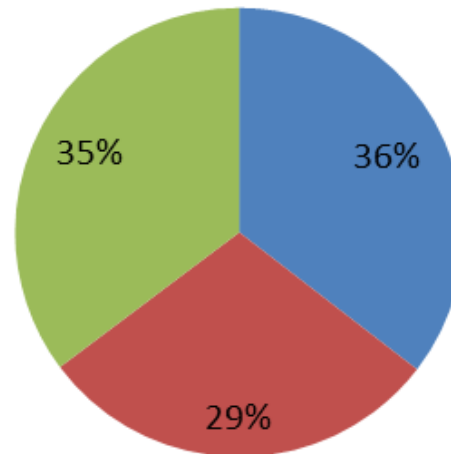
SAMPLE SCENARIO

- Royalty revenue to tribe = \$1,103,760 per year
- Sales tax .075 (67% of costs) = \$12,562,500 year one
- Property tax .01 (67% of costs) = \$1,675,000
depreciated to 0 in 30 years. Yields average of
\$837,500 per year.

SAMPLE RESULTS

Net Present Value

■ Royalty ■ Sales Tax ■ Property Tax



- Royalty \$15,193,070
- Sales Tax \$12,562,500
- Property Tax \$15,107,727

ENERGY TAX

- Considerations
 - Is energy throughput increased by tribal project?
 - Is there existing tax?
 - Separating the utility from the developer
 - Rights of Way

SUMMARY

Tax issues can have a dramatic impact on the potential for tribal ownership.

Current case law is in flux and makes it difficult to determine the best course of action.

Flexibility within the deal terms can help to ensure that as the laws change, the tribal community can get the most out of the project.