

**Testimony of Dayna Baird Payne
House Finance Committee
Interested Party Testimony on House Bill 64
April 17, 2015**

Chairman Smith, Vice Chairman Schuring, Ranking Member Driehaus, and Members of the House Finance Committee, thank you for the opportunity to testify today. My name is Dayna Baird Payne, President of Government Edge, and I am here on behalf of the American Wind Energy Association (AWEA) and Iberdrola Renewables.

I am here today to respectfully ask for the extension of the sunset on the payment in lieu of tax for renewable and alternative energy projects.

The payment in lieu of tax, or PILOT, was established in Senate Bill 232, sponsored by Senator Chris Widener, in the 128th General Assembly. As project developers looked to build non-traditional energy sources like wind, solar, clean coal, and on-site combined heat and power, they realized that Ohio law considered the project owners to be a "public utility," capturing all renewable and advanced energy projects in the definition. As "public utilities," those projects would pay the tangible personal property tax. In the instance of a wind farm, that would have amounted to more than \$40,000 per megawatt, where the range in our surrounding states was \$3000-10,000 per megawatt. It effectively made wind farms impossible to build in Ohio. The impact on other forms of on-site generation was just as dramatic, with the tax rates significantly driving up energy costs and making projects infeasible.

Thus, SB 232 created the PILOT, which sets a per megawatt amount of \$9,000. In order for a qualified energy project to qualify for the PILOT, several requirements must be met:

1. County commissioners must approve the PILOT or must pass a resolution deeming the county an Alternative Energy Zone (AEZ) such that all qualified energy projects in the county would automatically be approved (9 counties have passed AEZ resolutions and have set the PILOT at \$9,000 per MW)
2. Project owner must employ at least fifty percent Ohio-domiciled employees during construction of the project
3. Project owner must train and equip fire and emergency responders in the project area
4. Project owner must repair roads and bridges to restore them to preconstruction conditions as determined by the county engineer – must post a bond with the county for those repairs
5. Project owner must establish a relationship with a university to educate and train individuals for careers in wind and solar industries (endowments, co-op programs, internships, research and development projects, etc.)

When created in SB 232, the PILOT had a two-year sunset date, which has subsequently been extended twice for two additional years in the previous two biennial budgets. The current sunset requires a renewable energy project to be under construction by the end of 2015 and to be placed in service by the end of 2016, with slightly longer timeframes for advanced energy projects such as clean coal, nuclear and cogeneration. I am here today to request a five year extension of the PILOT for all such projects.

This request is not a cost to the state or the General Revenue Fund in any way. Only when a project is built is the PILOT assessed and paid, and as with the tangible personal property tax, is it paid to local school districts and county government. Ohio's two operational wind farms pay \$3.6 million annually in PILOT payments, and county officials and school district superintendents in both counties have repeatedly praised the PILOT. Just this year, Lincolnview school district in Van Wert County was able to equip all students K-12 with tablets, iPads, or laptops in large part due to Blue Creek Wind Farm's PILOT payments.

A new and exciting development in Ohio further necessitates the PILOT extension. In last year's MBR, changes were made to the tax treatment of large data centers in order to attract those data centers to locate in Ohio. The changes are working. I suspect most of you have heard about blue chip, west coast technology companies possibly coming to Ohio.

We are also aware of others actively seeking sites in the central Ohio area. Data centers for companies such as Amazon, Facebook, Google, and Microsoft are all large energy users and all have sustainability policies. They express a commitment to purchasing renewable energy in the states in which they locate. Without the extension, we do not believe energy developers can build wind, solar, biomass, CHP, or other such projects in Ohio, likely making Ohio less attractive to these data centers, as well as other Fortune 500 companies with renewable energy and sustainability goals. If Ohio wishes to attract these global companies, we should maintain the ability to construct these projects so that companies voluntarily seeking out renewable energy are not chased away by punitive tax rates. A five year extension of the PILOT would help us do that. Please see the attached a Business First article highlighting Amazon's data center plans in Ohio.

Thank you for your time today and I am happy to answer any questions of the committee.

From the Columbus Business First

:<http://www.bizjournals.com/columbus/news/2015/02/27/amazon-secures-land-in-dublin-and-hilliard-for.html>

Amazon secures land in Dublin and Hilliard for data center network

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Amazon Web Services has tied up two of the three sites for its planned data center network in Central Ohio.

Public records show Amazon Web Services' Vadata Inc. affiliate bought 58.2 acres at Hayden Run Road between Britton Parkway and Interstate 270 in Hilliard from Trueman LP for \$8.3 million.

The city has approved incentives to prompt the cloud-computing division of e-commerce giant **Amazon.com Inc.** (NYSE:AMZN) to invest \$225 million to \$300 million in the community and create 25 jobs in a \$10 million, 120,000-square-foot facility.

See Also

- [Dublin sees tech future for West Innovation District](#)

"What you're telling me is encouraging," said Hilliard Mayor [Don Schonhardt](#), who hadn't heard the land deal had closed. "What we've done (with incentives) is prudent and a reasonable package they would accept. The ultimate decision was theirs."

In Dublin, the city transferred 68 acres at Houchard Road and Route 161 to Vadata for free as its incentive for what could become a 750,000-square-foot data center anchoring the company's operations in the region. The agreement calls for Vadata to add 25 jobs and to build its facility by 2024.

The land, near the Route 33 interchange, is within the city's [West Innovation District](#) that also includes the Ohio University Heritage College of Osteopathic Medicine branch campus.

Colleen Gilger, Dublin's economic development director, declined to comment.

A third site in Delaware County remains in limbo. Orange Township's zoning and planning commission has yet to vote on rezoning 74 acres of residential development land at Route 23 and Home Road. The panel continues to work through issues with Amazon's representative, Grandview Heights architect Mark Ford, regarding the construction of a data center near residential neighborhoods. A decision could come in March.

Amazon Web Services in August received state tax incentives worth more than \$81 million for what it said would be a \$1.1 billion project in the region.

I left a message with Amazon Web Services seeking additional details.

Brian R. Ball covers commercial real estate and development for Columbus Business First.