

2020 RENEWABLE ENERGY CAPITAL COST THRESHOLD RATES

for State Assessed Renewable Energy Facilities



COLORADO

Department of Local Affairs

Division of Property Taxation

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Prepared by Michael Krueger

Background:

All renewable energy systems with greater than two (2) megawatts of AC electricity generation capacity are valued as public utility property by the Division of Property Taxation. Small or low impact hydroelectric facilities, geothermal energy facilities, and biomass energy facilities, as defined in § 39-4-101, C.R.S., that are put into use on or after January 1, 2010 and not primarily designed to supply electricity for consumption on site, are state assessed regardless of AC generation capacity.

Valuation Methodology:

Section 39-4-102(1)(e)(I)(A) and (B), C.R.S., require that the Property Tax Administrator “Consider the additional incremental cost per kilowatt of the construction of the renewable energy facility over that of the construction cost of a comparable nonrenewable energy facility, inclusive of the cost of all property required to generate and deliver energy to the interconnection meter, that primarily produces alternating current electricity to be an investment cost and shall not include such additional incremental cost in the valuation of the facility” and to “Not add value to a renewable energy facility for any renewable energy credits created by the production of alternating current electricity.”

Two Components of Valuation:

For state assessed qualified renewable energy facilities placed into service on or after January 1, 2012, two valuation components were added: generation (per kW threshold rates) and a delivery component. According to § 39-4-102(1.5)(b)(IV), C.R.S., the valuation of state assessed renewables placed in service prior to January 1, 2012, does not add a separate delivery component.

Generation Capital Cost Threshold Rate:

For the 2020 assessment year, the following capital cost threshold rates are to be applied for generation:

2020 Qualified State Assessed Renewable Energy		
Generation Capital Cost Threshold Rates: Non-Renewable Components		
Nameplate MW	Nameplate kW	Rate per kW
0 - 2	0 - 2,000	\$1,267
2.001-5	2,001-5,000	\$1,146
5.001-10	5,001-10,000	\$1,001
10.001-50	10,001-50,000	\$645
50.001-100	50,001-100,000	\$518
>100.001	>100,001	\$334

Starting in 2014, state assessed properties use a five-year rolling average of the most recent rates to provide stabilization to the rate. Apart from the change to a rolling average, the manner in which the renewable energy rate is determined remains unchanged.

The primary source for the non-renewable cost generation information is from *Gas Turbine World Handbook*.

Delivery Capital Cost Threshold Rate:

According to § 39-4-102(1.5)(b)(IV), C.R.S., there is an additional valuation component to be considered for the transmission line associated with renewable energy facilities going into service on or after January 1, 2012:

Non-Renewable Delivery Threshold
\$54,000

The preliminary delivery capital cost threshold rate was determined from information surveyed and reported to the Division of Property Taxation from state assessed companies' Annual Statement of Property (ASOP), FERC reports, and industry representatives.

According to statute, there is no change to valuation procedures for renewable state assessed companies already operating before January 1, 2012.

Level of Value or Rollback Factor:

For renewable energy facilities assessed in 2020, the level of value adjustment (LOV) or rollback factor to the June 30, 2018, appraisal date is from the January 1, 2020, assessment date. The Producer Price Index for Turbine and Turbine Generator Set Units Manufacturing was used to determine the change over time from the appraisal date to the assessment date in the selling prices received by domestic producers for their output. For 2020, to adjust values to the June 30, 2018, appraisal date, the concluded LOV Factor is 0.96.

Questions:

If you have any questions about the 2020 threshold rates, or any question regarding renewable energy property taxation in Colorado, please contact Michael Krueger at 303-864-7792.

Last Update: December 13, 2019