

County gives wink, nod to revenue bonds for solar array

Written by By Kevin Opsahl Sun Correspondent
Friday, 26 March 2021 05:43



Tesla expected to get into the act

Hundreds of solar panels and a massive battery storage unit in northeast McKinley County received approval from the Board of Commissioners three years ago. Now the county is lessening the tax burden on Arroyo Solar and Energy, the company that's behind the project, in order to stimulate economic growth.

On March 16, the board approved a resolution stating intent to adopt an ordinance issuing industrial revenue bonds in the amount of \$460 million — the price tag for the more than 700 solar panels and over 200 battery storage units to be installed by Arroyo Solar and Storage. The approval of that ordinance could come April 6.

"We are very pleased with the Commission's decision to approve the Inducement Resolution for the Arroyo Solar & Energy Storage Project," Keith Holst, representative of Centaurus Capital, a

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parent company of Arroyo Solar, said in an interview after the meeting. “With this decision, we are now one step closer to starting construction in July and bringing hundreds of jobs to the local community.”

IRBs

IRBs will allow Arroyo Solar to avoid paying personal property taxes on the project for the term of the bond — 30 years — while only owing McKinley County a negotiated sum of approximately \$11.5 million over the first 10 years of the bond, Doug Decker, the county’s lead attorney said.

But, while Arroyo will not have to pay taxes on things like solar panels and storage units (personal property), by state law it will have to pay real property taxes on the land to the county treasurer for all tax recipients, including the Gallup-McKinley County School District. As for GMCS, Decker said the county is still trying to figure out the statutory payment, which will either be direct or flow to the treasurer’s office first.

“Lightening the tax burden on certain taxes, especially in the construction phase and the first years of operation, are (sic) a great incentive for people and companies to establish their business here,” Decker wrote in an email.

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PANELS AND STORAGE

Approved by the Board of Commissioners in 2018, the Arroyo Solar and Storage Project is a 300 megawatt solar generation facility and a 150 megawatt battery energy storage system to be located in the far northeast corner of McKinley County.

“This is, really, almost the perfect location for solar,” Holst said during a presentation to commissioners. “It’s flat, obviously very sunny, and really high elevation. Cooler temperatures really help the efficiency of the panels.”

Holst said that amounts to 1,700 acres and 780,000 panels — not the largest solar array in the world, but on the high-end of projects like it.

The project has been under development since 2018. According to Holst, Centaurus Capital signed an agreement with Public Service Company of New Mexico, a New Mexico energy provider, which will buy all the energy the solar array produces for the first 20 years, at which point another contract between the companies may be signed.

Holst said the Arroyo Solar and Storage Project is happening because of the New Mexico Energy Transition Act, which, in part, calls for the retirement of coal plants around the state.

The energy storage system will include 231 containers, covering two acres, discharging or charging 150 megawatts — all supplied by Tesla.

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QUESTIONS REMAIN

Construction on the project will begin in July 2021 and the project will be operational by the summer of 2022, according to information provided by Holst.

Holst also talked about what the project would mean for McKinley County, saying it will bring 400-plus construction workers — many of them local. But in the end, it will result in only as many as five permanent jobs.

Commissioner Robert Baca, Dist. 3, questioned how much of the power generated from the Arroyo Solar and Storage Project would benefit McKinley County after Holst said his company would not control it — PNM would. Holst speculated the project's power might flow to Santa Fe and Albuquerque and possibly part of Arizona.

"We were just kind of wondering what McKinley County is going to get off of this other than it's going to PNM and you said the magic word: 'Santa Fe,'" Baca said.

After the meeting, he told the *Gallup Sun* he was actually satisfied, not irritated, with what Holst told him.

"Sometimes, I kind of sound like, 'Okay, I don't really go for that,' but that's just my nature," Baca said. "I tend to be outspoken and want to know a little bit more."

Holst responded by saying it had approached Jemez Mountains Electric Cooperative, Inc., about the idea of taking some energy generated from the project.

"I think if Jemez was a willing buyer, there is an opportunity for the local community to benefit from some clean and well-priced power. But they didn't express interest in buying the power," Holst said. "We were standing ready to try to negotiate that."

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Holst was asked by the *Sun* what he would say to McKinley County residents who might be wondering why the Arroyo project doesn't directly benefit them.

Although they won't be benefiting from the affordable renewable energy that is being made available by the Arroyo project, "the residents of McKinley County are nevertheless still benefiting greatly through significant new property revenues paid to the County and school board, plus through the creation of hundreds of construction jobs," Holst wrote in an email.

"We hope that this project will ultimately be viewed as a win for everybody," Holst concluded.

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