



Tax Credits Build Home-Grown Solar Farm

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Located just 2 miles outside the rural community of Houston, Miss., the state's largest completed commercial solar facility has local roots. Developer Silicon Ranch completed the 3.9-megawatt (MW) facility in June and everything from the modules to the new markets tax credits (NMTCs) and renewable energy investment tax credits (ITCs) that financed the project were sourced from the Magnolia State.

"We see Mississippi as a solar market with a lot of potential, and part of that goes back to state and local support," said Matt Beasley, Silicon Ranch's senior vice president of business development. "We're committed to Mississippi businesses."

For Silicon Ranch, the facility is an investment in Mississippi's solar value chain. The Houston project not only sourced its material and financing locally, but it enabled the training of an emerging local workforce. Silicon Ranch worked with its construction contractor LightWave Solar to hire about 75 workers, approximately half of whom were locals. The strategy fits in with Silicon Ranch's model for boosting economies: hiring and training local workers for long-term careers in the solar industry. "It's the right thing to do and typically, the more efficient thing to do," said Beasley.

Although the Silicon Ranch project is the first commercial solar facility in Houston, the community was already well acquainted with the power of solar. Houston is known nationally for its high school solar race car team. Houston High School is a 15-time winner of the national Solar Car Challenge, an annual race for high school students who design, engineer, build and race roadworthy solar cars. Members of the race team attended the Silicon Ranch project unveiling in June and will continue to benefit from the learning opportunities provided by Silicon Ranch for years to come. Part of Silicon Ranch's community benefits agreement is to provide educational programs and mentoring to Houston High School students and local college students on mechanical engineering, electrical engineering and other areas that can help them prepare for careers in renewable energy technology.

Financing

The Houston solar farm was built under a Tennessee Valley Authority (TVA) renewable standard offer program. Silicon Ranch worked closely with TVA and the local power company, Natchez Trace Electric Power Association, to implement the project in a manner that protects the safety and reliability of the energy grid. TVA is a corporate agency of the United States that provides electricity to 9 million customers in seven southeastern states. The TVA doesn't receive



Image: Courtesy of Silicon Ranch Corporation

Silicon Ranch celebrated the completion of its 3.9 megawatt solar farm near Houston, Miss., in June. From left to right, Matt Beasley, Silicon Ranch senior vice president of business development; Matt Brown, Silicon Ranch director of utility development and strategy; Matt Kisber, Silicon Ranch president and CEO; Steven Johnson, LightWave Solar president; and Jim McGrath, Stion vice president of sales.

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taxpayer funding, but instead earns revenue through electricity sales. Through a now-expired renewable standard offer program, Silicon Ranch Houston entered into a 20-year power purchase agreement (PPA) with TVA.

“That program was subsequently discontinued, but for several years, TVA had a program where any renewable generation asset—whether land gas, solar or wind—qualified if you filled out the appropriate paperwork and found a site qualified for a [power purchase agreement] with TVA,” said Reagan Farr, co-founder, vice chairman and chief financial officer of Silicon Ranch.

Farr said that pricing was set at a level that TVA deemed wouldn’t create upward pressure on its own rates.

“The new markets tax credit and the renewable energy investment tax credit were the keys to making sure that the project could offer TVA competitive pricing,” said Gregory Clements, the Novogradac & Company LLP

partner and CPA who closed the transaction. “Without them, the project simply wouldn’t be possible.”

Farr said that one challenge for the solar industry is that it’s still dominated by large, national financial institutions. For its Houston project, Silicon Ranch partnered with a regional community development entity (CDE) and bank. Jackson-based MuniStrategies LLC provided \$6.5 million of NMTC allocation for the Silicon Ranch project. “The focus for us was seeing renewables come into our state,” said Alan Lange, co-founder and managing director of MuniStrategies LLC. “When we first started looking at Silicon Ranch, there was literally nothing on our landscape using solar power.”

Mark McCreery, co-founder, managing director and chief financial officer of MuniStrategies, said completing the Houston project shows that renewable energy is not only possible in Mississippi, but it can also be successful. “People can see the process and we’re getting the arrows in our forehead, so to speak, to make clean energy more

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mainstream in Mississippi,” said McCreery. “We’ve charted a path for other people to do it.”

The investor in both the NMTC and ITC was First Commercial Bank, a part owner and controlling entity of MuniStrategies. First Commercial Bank invested \$2.1 million in the NMTCs and \$3.2 million in the ITCs. “MuniStrategies focuses on projects in rural areas, which is consistent with the intent of the New Markets [Tax Credit] program, but the solar energy twist is new for us,” said Alan Walters, president and chief executive officer of First Commercial Bank. “With solar growing in this part of the country, it’s exciting to see how it can expand further.”

Farr agreed and said that the Houston project helps lay the foundation for future solar developments in

the state, including another Silicon Ranch solar farm currently under construction in Hattiesburg. Farr said, “It’s been exciting to see these emerging markets embrace affordable, clean, locally produced renewable energy.” ❖

Silicon Ranch Houston Solar Farm

FINANCING

- ◆ \$6.5 million new markets tax credit (NMTC) allocation from MuniStrategies LLC
- ◆ \$3.2 million in renewable energy investment tax credit (ITC) equity from First Commercial Bank
- ◆ \$2.1 million in NMTC equity from First Commercial Bank

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