

Fiscal Note

BILL # SB 1066

TITLE: solar royalties fund; county residents.

SPONSOR: Borrelli

STATUS: As Introduced

PREPARED BY: Nate Belcher

Description

The bill would establish an assessment on commercial-scale solar power sales equaling 12.5% of revenues generated from all such sales. Entities which sell their solar power entirely within Arizona are exempt from the assessment. This includes Arizona public utilities and those solar power plants ("solar farms") operating in the state that sell all their generated electricity exclusively to the public utilities. In addition, the bill would also exempt residential rooftop solar panels, commercial and industrial solar panels for on-site use, and those which do not export power to the grid. This means that the 12.5% assessment under the bill is essentially intended to apply only to non-public, utility-owned solar farms that export electricity to other states.

The bill also creates a county resident solar royalties fund within each county, which would receive the monies from the 12.5% assessment in proportion to the volume of sales generated from panels located in their respective counties. On the first day of each month, each county treasurer would determine their county's solar royalties fund balance, divide the balance by the number of eligible county residents, then distribute the resulting amount to each qualified resident in the form of a check.

Estimated Impact

The bill would not have any direct effect on state revenues or expenditures. The 12.5% assessment would increase county revenues. We lack sufficient information to determine the magnitude of the local impact. We estimate the assessment would raise \$1 million in county revenues statewide for every 1% of the state's solar power that falls under the jurisdiction of this bill.

Analysis

While the bill exempts companies that sell all of their solar power within Arizona, based on our discussion with Legislative Council, we think that the fluidity of the energy market makes it difficult to determine which companies meet this criterion. Electricity from coal, gas, solar, and wind power all flow through the grid at the same time, place, and manner, making it challenging to track the origin or destination of a specific kilowatt-hour. Additionally, as different states see their peak production hours at different times of the day, energy flows between states to match excess supply to unmet demand on an almost continuous basis. For these reasons, we cannot estimate the proportion of utility-scale solar production in Arizona that would be subject to the assessment.

To provide some perspective on the possible range of revenues generated from the 12.5% assessment, we used data from the US Energy Information Administration (EIA). According to EIA, the total amount of utility-scale solar power generated in Arizona in 2022 was about 7,069 gigawatt-hours. Multiplying this amount by the average 2022 retail price of \$113,100 per gigawatt-hour (11.31 cents per kilowatt-hour), as reported by EIA, we estimate that Arizona saw \$800 million in total utility-scale solar power sales in 2022. For the reasons outlined above, EIA does not report how much of that electricity was exported from Arizona to other states. Because of this uncertainty, we do not know what fraction of the \$800 million in sales would be assessed. However, we estimate that each 1% of utility-scale solar-generated electricity that falls under the 12.5% assessment, representing \$8 million in sales, would generate \$1 million for deposit into county resident solar royalties funds under the bill.

(Continued)



Local Government Impact

For the reasons outlined above, we cannot determine the local government impact.

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