

# *City of Alexandria, Virginia*

## MEMORANDUM

DATE: APRIL 24, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 69: TAX EXEMPTION FOR PURCHASERS OF  
"GREEN" ENERGY

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This is in response to Councilman Krupicka's request for information on the savings to taxpayers and the revenues lost to the City if a tax exemption for the purchasers of "green" energy were put into place.

While Dominion Virginia Power is the main supplier of electricity to Virginia residents, Virginia electricity consumers can choose alternative companies to supply their electricity including companies which provide "green or renewable" energy products, including wind power, hydroelectric power, solar power, and biomass. Due to policy choices at the state and federal level, waste-to-energy (which is a "green" energy source) is not considered green by Virginia Power. Typically, energy produced using renewable resources is priced at a premium.

According to Dominion Virginia Power's website, 1,334 out of approximately 2 million eligible Virginia residential customers have chosen to switch companies. While we do not know the number of electricity consumers in Alexandria who have switched to "green" sources of electricity, if Alexandria residents switched at the same overall percentage as Virginia customers, only 42 out of approximately 63,000 Alexandria non-commercial customers would have switched. It is likely that all such purchasers pay the maximum tax rate of \$2.40 per month for their electricity, so eliminating the utility tax on electricity purchased from "green" sources would save "green" purchasers \$28.80 annually and 42 such purchasers could cost the City up to \$1200 in lost revenue. If more than 42 Alexandria non-commercial purchasers have switched to green energy, then the cost would be higher.

If the use of alternative sources of energy were to expand greatly, a likely scenario in the long-term, the table below illustrates the effect on City revenues of electricity purchasers opting for "green" energy sources if the utility tax were eliminated for these purchasers.

% of Alexandria non-commercial	5%	10%	15%	20%	25%
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purchasers opting for “green” energy sources					
Annual Revenue effect	-\$90,000	-\$180,000	-\$270,000	-\$360,000	-\$450,000

It should be noted that Article P of the City Code makes provisions for a Solar Energy Equipment Tax Exemption, which exempts “certified solar energy equipment, facilities or devices” from the real property tax.

If City Council is interested in pursuing this idea, we would need to talk to Dominion Virginia Power about whether there are any practical difficulties in implementing this proposal.