

FAQs About the Town of Medway PILOT Agreement with Exelon

Medway Annual Town Meeting – May 9, 2016

Warrant Article #1

What does the acronym “PILOT” mean?

Payment In Lieu Of Taxes.

How does a PILOT work?

The primary value in an electric generating facility is the equipment located on and in the property, and not necessarily the “land value” of the property. As there can be wide variations on the appraised value of the equipment between what the property owner and the Town may determine, the mechanism of the PILOT agreement was established by law in Massachusetts to eliminate uncertainty and give each party proper expectations on payments and revenue.

[Please see the State law in this link, specifically section \(b\).](#)

In addition, the Massachusetts Department of Revenue has issued guidelines on how the PILOT and overall electric generating facility taxing process works. [A link to those guidelines is here.](#)

Is a PILOT a So-Called “Tax Break”?

Absolutely not. A PILOT agreement, per Massachusetts law, “shall be the result of good faith negotiations and shall be the equivalent of the property tax obligation based on full and fair cash valuation.” In the case of the negotiated Exelon PILOT, the full value of the property, including equipment values, was determined in advance and is part of the overall PILOT formula.

What is the proposed PILOT Agreement between Exelon and the Town of Medway?

Exelon, through this PILOT, will pay in excess of \$75 million dollars to the Town of Medway over 20 years in combined real estate and personal property tax and Community Preservation assessments. Details can be reviewed here: http://www.townofmedway.org/Pages/MedwayMA_Bcomm/BOS/PILOT_10-13-15.pdf

Why is the proposed PILOT Agreement good for the Town of Medway?

The PILOT Agreement will provide steady and predictable revenue for the Town of Medway for budgeting purposes for the next 20 years. The \$75 million dollars will go to our general fund and could be used to fund operational and infrastructure needs, such as education, public safety, and roads & sidewalks, without placing an added tax burden for some of these improvements upon Medway residents.

*It is important to note that additional revenues due from Exelon through the Host Community Agreement and estimated permitting fees will exceed an additional \$4 million dollars over and above this PILOT thus bringing Medway's projected 20 year revenues in at nearly **\$80 million dollars**.*

What financially happens if the Town votes against the PILOT Agreement at the 2016 Annual Town Meeting?

If the Town votes against the PILOT Agreement at the 2016 Annual Town Meeting then the Town of Medway will be required to make real estate and personal property tax assessments on the Exelon Power Plant each year. This will require the annual cost of hiring a special utility tax professional to appraise the Power Plant. In the likely event that Exelon disagrees with the Town's assessments, they will have the legal right to challenge those through an abatement process, up to and possibly including a formal court proceeding before the [Massachusetts Appellate Tax Board](#) (ATB). Those proceedings, each year, will result in higher technical and legal costs, and possibly lower tax revenues if so decided by the ATB. This PILOT agreement eliminates that possibility and guarantees a consistent and likely higher revenue stream for Medway.

What could the revenue difference be?

To illustrate this, let us use the value originally proposed by Exelon's consultant at \$160 million dollars in year one. The value negotiated and agreed to in the PILOT is \$210 million dollars, a figure very close to the Town's consultant's appraisal. If the lower figure were to be accepted by the ATB, AND all other formula assumptions in the PILOT remained in place (not likely), this specific revenue loss to Medway (versus the PILOT revenue) could reach \$18 million dollars over the same 20 year period.

Would a "No" vote on the PILOT Agreement warrant article have any impact on whether or not the Exelon Expansion Proposal is approved or not approved by the Energy Facilities Siting Board?

No. The Energy Facilities Siting Board (EFSB) has sole authority to approve or deny the proposed Exelon Expansion Proposal. Town Meeting does not have any authority over approval of the Proposal nor can it legally impact that decision. In fact, the EFSB has concluded its hearing phase of the permitting process and would clearly be prohibited from even considering any action on the warrant in its decision making. **This warrant article is not a legal referendum on the construction of the facility.** It is strictly a taxing mechanism. **Voting down this PILOT agreement does not stop or affect the licensing or construction of this power plant project, but instead will only penalize the Town if the facility is approved..**

The Town of Medway has worked to protect the overall welfare of the Town and negotiated a very favorable Host Community Agreement, in addition to this PILOT Agreement, which will provide many significant environmental safeguards and economic benefits to the Town should the EFSB approve the Exelon Expansion Proposal. As Town Meeting approaches, we encourage any resident with questions to please contact the Office of the Board of Selectmen and Town Administrator for assistance. Thank you!