

State of Utah School & Institutional Trust Lands Administration

Solar Lease Fee Structure

Lease Execution Bonus – Utah has received lease execution bonuses ranging from \$10/ac. To \$25/ac.

Pre-development - Utah charges a pre-development lease fee while the solar companies are completing their due-diligence. These fees vary based on amounts offered by the applicant, value and location of the property (opportunity costs), and stage of development the project is in (year 1-7). Basically rates have varied between \$10/ac/year up to \$40/ac/year. Generally we try to increase the lease fee each year to encourage development ASAP.

Utah has solar leases that vary in fee structure during the operations phase based on how the solar company prefers to do business and what they are paying on adjacent private lands. The following three fee structures have been used:

Operations Phase:

Operations Commencement Bonus – Utah has received operation commencement bonuses of \$100/ac.

- 1. Solar Capacity Fee** – Utah rates have varied due to negotiations and rates have varied from \$2,500/MW to \$5,000/MW. These fees have increased at different stages of the production term, starting lower and ending higher.
 - 2. Percent Rent or Royalties** – Utah rates have varied from 2% to 5% of gross revenues based on lease negotiations. These fees have increased at different stages of the production term, starting lower and ending higher.
 - 3. Production Rent Per Acre** – Utah has leases with various stages of rent per acre ranging from \$200/ac. to \$300/ac. These fees have increased at different stages of the production term, starting lower and ending higher.
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In our lease negotiations, Utah is striving to be competitive with private land lease rates, and keeping land lease rates low enough that the final power purchase agreement cost can be competitive with natural gas and coal power generation. Out of 14 current leases, only one solar lease and two wind leases are in operation, with one lease under construction. Utah also plans to require a reclamation bond at lease year 15 on solar leases and much sooner than that on wind leases. Currently Utah is charging \$35,000 per wind tower for reclamation bonding.

Please call Ron Torgerson at 435-893-2980 if you have more questions.