Clerk of the Superior Court
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THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN THE ARIZONA TAX COURT

TX 2022-000430 09/11/2025

HONORABLE ERIK THORSON

CLERK OF THE COURT
P. McKinley
Deputy

SIETE SOLAR L L C

PAUL J MOONEY

v.

ARIZONA DEPARTMENT OF REVENUE

KIMBERLY J CYGAN

JAMES M SUSA
CINDY SCHMIDT
BART WILHOIT

UNDER ADVISEMENT RULING

The Court held oral argument on July 14, 2025, regarding Defendants' Motion for Summary Judgment, filed January 28, 2025 ("Defendants' Motion"), and Plaintiff's Response to Defendants' Motion for Summary Judgment and Cross-Motion for Partial Summary Judgment, filed April 4, 2025 ("Cross Motion"), as well as subsequent filings related thereto.

The Court has considered the filings and arguments of the Parties, the relevant authorities and applicable law, as well as the entire record of the case, and—considering all facts and reasonable inferences therefrom in the light most favorable to the non-movants, respectively—hereby finds as follows regarding the Motions.

Siete Solar, LLC ("Taxpayer") owns renewable energy equipment (the "Property"), subject to valuation under A.R.S. § 42-14155. (Plaintiff's Supplemental Statement of Facts, filed April 4, 2025 ("PSOF"), at ¶1, *undisputed*.) On June 11, 2021, PSEG Power Ventures, LLC sold its membership interest in Siete Solar, LLC to Quattro Solar LLC, a subsidiary of Rev Renewables and affiliate of LS Power (the "Membership Interest Sale"). (Defendants' Statement of Facts, filed January 28, 2025 ("DSOF"), at ¶¶7–8, *undisputed*.)

For tax year 2022, Taxpayer reported to the Arizona Department of Revenue (the "Department") that the cost of the Property was $53,935,743 and that it was placed in service in 2012. (DSOF ¶3, *undisputed*.) For tax year 2023, Taxpayer reported that the cost of the Property was $11,046,117 and that it was placed in service in 2021. (DSOF ¶5, *undisputed*.) Taxpayer used the purchase price allocation from the Membership Interest Sale to determine the cost reported to the Department. (PSOF ¶3, *undisputed*.)

Defendants seek summary judgment based on the Department's use of cost reported by Taxpayer for tax years 2014-2022 ($53,935,743) to determine the Property's full cash value for tax years 2023–2025. (Mot., at 2.) Taxpayer seeks partial summary judgment on the legal question of whether the Membership Interest Sale constitutes acquiring property under A.R.S. § 42-14155(D)(4). (Cross-Mot., at 1.) Taxpayer does not seek summary judgment as to the full cash value of the Property. (Cross-Mot., at 1.)

Summary judgment is appropriate if "there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law." Ariz. R. Civ. P. 56(a); *General Motors Corp. v. Maricopa Cty*., 237 Ariz. 337, 339 ¶7 (App. 2015). "The valuation or classification as approved by the appropriate state or county authority is presumed to be correct and lawful." A.R.S. § 42-16212(B).

The Legislature has set forth a statutory method for the valuation of renewable energy and storage equipment. *See* A.R.S. § 42-14155. "The full cash value of renewable energy and storage equipment is twenty percent of the depreciated cost of the equipment. Depreciated cost shall be determined by deducting depreciation from taxable original cost. Depreciation shall not exceed ninety percent of the adjusted original cost." A.R.S. § 42-14155(B).

Taxable original cost is defined as "the original cost reduced by the value of any investment tax credits, production tax credits or cash grants in lieu of investment tax credits applicable to the taxable renewable energy and storage equipment." A.R.S. § 42-14155(D)(6).

The Parties dispute how to determine original cost. (Mot., at 2; Cross-Mot., at 2.) "'Original cost' means the actual cost, without trending, of acquiring or constructing property, including additions, retirements, adjustments and transfers." A.R.S. § 42-14155(D)(4).

"In construing a statute, [the Court] look[s] to the plain language of the statute, giving effect to every word and phrase, and assigning to each word its plain and common meaning." *See Ponderosa Fire Dist. v. Coconino Cty.*, 235 Ariz. 597, 602 ¶24 (App. 2014) (citations omitted). Here, the plain language states that original cost is "the actual cost . . . of acquiring *or* constructing property." A.R.S. § 42-14155(D)(4) (emphasis added).

Defendants cite *SFPP, L.P. v. Ariz. Dep't of Revenue*, 210 Ariz. 151 (App. 2005) and *Agua Caliente Solar, LLC v. Ariz. Dep't of Revenue*, 257 Ariz. 464 (App. 2024). (*See* Mot., at 7; Reply, filed April 24, 2025, at 6–7.) However, both are distinguishable.

In *SFPP*, the Court of Appeals stated, "[The] meaning of 'original cost' is the cost to the person first devoting the property to service." 210 Ariz. at 155 ¶19. Although the issue in *SFPP* was whether "original cost" meant the acquisition cost of the partnership interest to the current owner or the cost of tangible property to the first person who placed it in service, *SFPP* involved the valuation of pipelines and "original cost" was not defined in the relevant statute—A.R.S. § 42-14204. *Id*. at 152, 154, ¶¶1, 13. Here, "original cost" is defined in A.R.S. § 42-14155(D)(4).

In *Agua Caliente*, the Court of Appeals stated, "'Taxable original cost' is a separate, threshold definition which is not subject to change unless the equipment owner acquires additional property or claims additional tax credits." 257 Ariz. at 469 ¶17 (*citing* A.R.S. § 42-14155(D)(6)). However, the issue in *Agua Caliente* was whether deferred investment tax credits are recognized when calculating taxable original cost—so an interpretation of A.R.S. § 42-14155(D)(6), rather than (D)(4). *Id*. at 467 ¶11. Tax credits are not at issue here.

Defendants further contend that the Membership Interest Sale does not alter the taxable original cost from when Taxpayer purchased the Property in 2012 for $76 million and received a tax credit of $22 million because the acquisition was a membership interest purchase rather than an asset purchase. (Mot., at 8–10.)

Defendants' contentions overlook the plain language of A.R.S. § 42-14155(D)(4), however. It defines "original cost" as "the actual cost . . . of *acquiring or constructing* property." (emphasis added.) The statute does not state that cost must be determined by the construction costs—rather, the cost can be either acquisition cost or construction costs.

Here, Taxpayer has used the purchase price allocation from the Membership Interest Sale. (PSOF ¶3, *undisputed*.) *See also Griffith Energy LLC v. Ariz. Dep't of Revenue*, 257 Ariz. 319 (Ariz. Tax Ct. 2022) (taxpayer did not forfeit right to appeal valuation when, in its annual report, taxpayer provided cost information based on the purchase price allocation of a membership interest sale rather than the cost information by vintage year to determine valuation of electric generation facility under A.R.S. § 42-14156.). Taxpayer recognizes that questions of fact exist as to the purchase price allocation and does not seek summary judgment as to the actual acquisition cost. (Cross-Mot., at 10–12.)

THE COURT FINDS that Taxpayer may use the purchase price as the original cost for purposes of calculating full cash value of renewable energy equipment to the extent the purchase price is allocated to the Property.

IT IS ORDERED denying Defendants' Motion for Summary Judgment, filed January 28, 2025.

IT IS FURTHER ORDERED granting Plaintiff's Cross-Motion for Partial Summary Judgment, filed April 4, 2025.