

Town of Somerset Responds to AES October 19, 2006, Tax-Related Press Release

Somerset, N.Y. – October 21, 2006 – In response to the unprecedented verbatim publication of a press release distributed by AES Somerset, LLC, on the Lockport Union Sun & Journal website, on October 21, 2006, the Town of Somerset wishes to make the following statements of fact.

1. The PILOT (Payment in Lieu of Tax) that AES Somerset is asking the Niagara County Industrial Development Agency to approve on Friday, October 27, explicitly states that the requested reduction in tax is **not** tied to the development of any new power plant at the AES Somerset location in the Town of Somerset. AES explicitly states in its PILOT application that it is **not** committing to build a new power plant in return for the \$100 million reduction in taxes that it is requesting*.
2. The Town of Somerset and the Barker Central School District are willing to discuss a PILOT that relates to the construction of a new power plant to help AES be competitive in its bid to build a new power plant. This is a **separate** issue from the PILOT that the Niagara County IDA will decide this Friday.
3. The lawsuits AES has brought against the Town of Somerset to reduce its taxes are unreasonable and will almost certainly be decided in favor of the Town. The reason for this is simple. The **State of New York** Office of Real Property Services (ORPS) is responsible for determining the taxable value of properties such as the AES Somerset power plant.
 - a. New York State ORPS has valued the AES power plant at \$1.149 BILLION.
 - b. With adjustments for issues such as pollution control, New York State ORPS set the taxable value of the AES power plant at \$792 million.
 - c. The Town of Somerset has taxed the AES power plant at less than that valuation. The Town most recently taxed the power plant at \$667 million.
 - d. NY State ORPS says that the AES Somerset power plant generated **\$156 million in net cash** in the most recent year.
 - e. AES, in its most recent lawsuit against this tax valuation has stated that their power plant is worth only \$100 million, and should be taxed on a value of \$88 million.
4. The PILOT request to reduce taxes that AES Somerset has submitted for approval this Friday relates only to this highly profitable power plant. Based on AES' submission in the contents of the PILOT, the requested reduction in taxes is **not** dependent on construction of a new power plant.
5. The Town of Somerset and the Barker Central School District oppose the approval of this PILOT reduction in taxes for the current AES Somerset Power Plant.
6. Both the Town of Somerset and the Barker Central School District will be very happy to negotiate a PILOT for the construction of a **NEW** AES Somerset power plant in the Town of Somerset.

###

* See PILOT application page 9, section III.C.1, "Does part of the Project consist of the acquisition or construction of a new building or buildings?" for which AES checked the box marked "No".