

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



July 17, 2014

Dr. Rene Gutierrez
Superintendent
Edinburg Consolidated Independent School District
411 North 8th Street
Edinburg, Texas 78541

Dear Superintendent Gutierrez:

On May 19, 2014, the Comptroller issued written notice that Hidalgo Wind Farm LLC (the applicant) submitted a completed application (Application #1003) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in April 2014 to the Edinburg Consolidated School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

- | | |
|-------------------|--|
| Sec. 313.024(a) | Applicant is subject to tax imposed by Chapter 171. |
| Sec. 313.024(b) | Applicant is proposing to use the property for an eligible project. |
| Sec. 313.024(d) | Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located. |
| Sec. 313.024(d-2) | Not applicable to Application #1003. |

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of May 19, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of Hidalgo Wind Farm, LLC (the project) applying to Edinburg Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Hidalgo Wind Farm, LLC.

Applicant	Hidalgo Wind Farm, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy – Wind
School District	Edinburg ISD
2012-13 Enrollment in School District	33,582
County	Hidalgo
Proposed Total Investment in District	\$163,000,000
Proposed Qualified Investment	\$163,000,000
Limitation Amount	\$25,000,000
Number of new qualifying jobs committed to by applicant	2*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$808
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$772
Minimum annual wage committed to by applicant for qualified jobs	\$42,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$81,500,000
Estimated M&O levy without any limit (15 years)	\$15,533,971
Estimated M&O levy with Limitation (15 years)	\$6,852,571
Estimated gross M&O tax benefit (15 years)	\$8,681,400
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Hidalgo County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county. The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Edinburg ISD I&S Tax Levy	Edinburg ISD M&O Tax Levy	Edinburg ISD M&O and I&S Tax Levies	Hidalgo County Tax Levy	South Texas College Tax Levy	South Texas ISD Tax Levy	Estimated Total Property Taxes	
				0.0698	1.1700		0.5900	0.1500	0.0492		
2015	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2016	\$162,889,859	\$162,889,859		\$113,697	\$1,905,811	\$2,019,508	\$961,050	\$244,335	\$80,142	\$3,305,035	
2017	\$128,000,000	\$25,000,000		\$89,344	\$292,500	\$381,844	\$151,040	\$192,000	\$62,976	\$787,860	
2018	\$121,600,000	\$25,000,000		\$84,877	\$292,500	\$377,377	\$143,488	\$182,400	\$59,827	\$763,092	
2019	\$115,200,000	\$25,000,000		\$80,410	\$292,500	\$372,910	\$135,936	\$172,800	\$56,678	\$738,324	
2020	\$108,800,000	\$25,000,000		\$75,942	\$292,500	\$368,442	\$128,384	\$163,200	\$53,530	\$713,556	
2021	\$102,400,000	\$25,000,000		\$71,475	\$292,500	\$363,975	\$120,832	\$153,600	\$50,381	\$688,788	
2022	\$96,000,000	\$25,000,000		\$67,008	\$292,500	\$359,508	\$113,280	\$144,000	\$47,232	\$664,020	
2023	\$89,600,000	\$25,000,000		\$62,541	\$292,500	\$355,041	\$105,728	\$134,400	\$44,083	\$639,252	
2024	\$83,200,000	\$25,000,000		\$58,074	\$292,500	\$350,574	\$98,176	\$124,800	\$40,934	\$614,484	
2025	\$76,800,000	\$25,000,000		\$53,606	\$292,500	\$346,106	\$90,624	\$115,200	\$37,786	\$589,716	
2026	\$70,400,000	\$25,000,000		\$49,139	\$292,500	\$341,639	\$83,072	\$105,600	\$34,637	\$564,948	
2027	\$64,000,000	\$64,000,000		\$44,672	\$748,800	\$793,472	\$377,600	\$96,000	\$31,488	\$1,298,560	
2028	\$57,600,000	\$57,600,000		\$40,205	\$673,920	\$714,125	\$339,840	\$86,400	\$28,339	\$1,168,704	
2029	\$51,200,000	\$51,200,000		\$35,738	\$599,040	\$634,778	\$302,080	\$76,800	\$25,190	\$1,038,848	
						Total	\$7,779,299	\$3,151,130	\$1,991,535	\$653,223	\$13,575,187
						Diff	\$8,681,400	\$4,682,240	\$0	\$0	\$13,363,640
Assumes School Value Limitation and Tax Abatements with the County.											

Source: CPA, Hidalgo Wind Farm, LLC

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller’s determination that HIDALGO WIND FARM, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2017	\$260,000	\$260,000	\$1,071,200	\$1,071,200
	2018	\$260,000	\$520,000	\$1,004,640	\$2,075,840
	2019	\$260,000	\$780,000	\$938,080	\$3,013,920
	2020	\$260,000	\$1,040,000	\$871,520	\$3,885,440
	2021	\$260,000	\$1,300,000	\$804,960	\$4,690,400
	2022	\$260,000	\$1,560,000	\$738,400	\$5,428,800
	2023	\$260,000	\$1,820,000	\$671,840	\$6,100,640
	2024	\$260,000	\$2,080,000	\$605,280	\$6,705,920
	2025	\$260,000	\$2,340,000	\$538,720	\$7,244,640
	2026	\$260,000	\$2,600,000	\$472,160	\$7,716,800
Maintain Viable Presence (5 Years)	2027	\$665,600	\$3,265,600	\$0	\$7,716,800
	2028	\$599,040	\$3,864,640	\$0	\$7,716,800
	2029	\$532,480	\$4,397,120	\$0	\$7,716,800
	2030	\$465,920	\$4,863,040	\$0	\$7,716,800
	2031	\$399,360	\$5,262,400	\$0	\$7,716,800
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$399,360	\$5,661,760	\$0	\$7,716,800
	2033	\$399,360	\$6,061,120	\$0	\$7,716,800
	2034	\$399,360	\$6,460,480	\$0	\$7,716,800
	2035	\$399,360	\$6,859,840	\$0	\$7,716,800
	2036	\$399,360	\$7,259,200	\$0	\$7,716,800
	2037	\$399,360	\$7,658,560	\$0	\$7,716,800
	2038	\$399,360	\$8,057,920	\$0	\$7,716,800
	2039	\$399,360	\$8,457,280	\$0	\$7,716,800
	2040	\$399,360	\$8,856,640	\$0	\$7,716,800
	2041	\$399,360	\$9,256,000	\$0	\$7,716,800
		\$9,256,000	is greater than	\$7,716,800	
Analysis Summary					
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

Source: CPA, HIDALGO WIND FARM, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Hidalgo Wind Farm, LL decision to invest capital and construct the project in this state. This is based on the information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, they can locate the project anywhere in the US with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect to the grid. They have over 7000 MW of development assets in 24 states that they are marketing to different off-takers for potential construction throughout the US. The applicant is considering investment in many of these potential projects, instead of this project.
- Per the applicant, By way of comparison, the Applicant is actively developing and marketing projects in both Kansas and Oklahoma.
- Per the applicant, the Chapter 313 tax abatement has a significant impact on the rate of return for this project and allows it to be competitive not only with other projects in the company’s portfolio but also with other projects being developed by competing companies in Texas.

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**



Application for Appraised Value Limitation on Qualified Property

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input checked="" type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements or contracts for work to be performed related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other official documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No
8. Has the applicant considered or is the applicant considering other locations not in Texas for the proposed project? Yes No
9. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
10. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No

If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

Supporting Information

**Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value**

Attachment 5-Section 8 Questions

Question 2

The Applicant has executed all contracts as part of the development process and the Applicant has not executed any contracts that would require the Project to be constructed in Edinburg CISD or the State of Texas. Applicant has provided below a representative list of contracts that have been entered into by Applicant for the development of the Project.

Agreement	Counterparty	Description	Start Date	End Date	Notes
Engagement Letter	Baker Botts LLP	Engagement Letter for applying for and negotiating property tax incentive agreements for Hidalgo	8/23/2013	TBD	Ongoing
Statements of Work	KTA Associates, Inc.	Statements of Work for preparation of Phase I ESA for parcels of Hidalgo site assessed in October 2010, November 2011, December 2013	10/5/2010; 10/25/2011; 12/6/2013	TBD	
Consulting Agreement	Land Agent Services LLC	CSA to provide land acquisition and related services for Hidalgo project	4/18/2013	9/1/2013	Complete
Letter Agreements	Melden & Hunt Inc.	Letter Agreements to provide 4 metes and bounds description for 5 owners	5/6/2013 & 2/27/2014	TBD	Complete
Engineering Services Agreement	Merrick & Company	A Services Agreement for a survey of ground control, aerial photography, digital mapping, and AutoCAD 2004 files containing planimetric data.	4/11/2013	9/15/2013	Does not cover entire project; will need to be renegotiated or terminated for full engineering
Services Agreement	Stichler Agricultural Services, LLC	Agreement for land agent services	7/8/2008	12/31/2010	Expired
Task Order Agreements	DNV Renewables (USA) Inc.	Various task order agreements for meteorological tower services	Various	Various	Ongoing
Services Agreements	Second Wind Systems Inc.	Relocation agreement for SODAR installation at site	12/17/2013	TBD	Ongoing
Services Agreements	Western EcoSystems Technology Inc.	Various Services Agreements for Baseline Wildlife Studies, Raptor Nest Studies, and Bat Acoustical Studies	Various	Various	Ongoing
Generation Interconnect	Electric Reliability Council of Texas,	Agreements to perform Study for	10/14/2009 & 12/4/2013	TBD	Complete

Attachment 5 Cont..

Screening Studies	Inc.	IR 12INR0022 and IR 16INR0024			
Agreement to perform Study	AEP Texas Central Company	Agreement to perform Study for IR 12INR0022	10/14/2009	TBD	Complete
Services Agreements	Mead & Hunt Inc.	Planning services to provide a preliminary review of potential aeronautical impacts to future wind farm sites; SA to provide updated Comsearch communications information for the wind farm site	10/14/2010 & 7/2/2013	3/31/2011 & 12/31/2014	Expired
Engineering Services Agreement	Terracon Consultants Inc.	ESA to perform subsurface exploration and lab testing to identify soil types	5/15/2013	TBD	Does not cover entire project; will need to be renegotiated or terminated for full engineering
Engineering Services Agreement	Laramore Douglass and Popham Inc.	ESA to provide designs for substation and connection to the AEP transmission system	6/17/2013	TBD	Does not cover entire project; will need to be renegotiated or terminated for full engineering
Surveying Services Agreement	Merrick & Company	SA to survey and for prepare pre- and post-ALTA/ACSM survey	5/28/2013	5/31/2014	Does not cover entire project; will need to be renegotiated or terminated for full engineering
Engineering Services Agreement	Wind Consultants LLC dba Renewable Resource Consultants LLC	ESA for design of the structural foundation (prelim and final) at Hidalgo Wind Farm	7/18/2013	TBD	Notice to proceed not given; Does not cover entire project; will need to be renegotiated or terminated for full engineering
Engineering Services Agreement	Westlake Consultants Inc.	ESA for civil engineering and design for Hidalgo	5/1/2013	TBD	Does not cover entire project; will need to be renegotiated or terminated for full engineering
Consulting Agreement	Land Agent Services LLC	COLI for Land Agent Services (from 4/2/13-4/2/14) with certificate holder Hidalgo Wind Farm	5/31/2013	9/1/2013	Expired

Attachment 5-Cont..

Question 6

The Applicant has not yet received any state or local incentives, but is negotiating a Chapter 312 tax abatement with Hidalgo County.

Question 7

The Applicant can locate the Project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect the Project to the grid. The Applicant has over 7,000 MW of development assets in twenty-four states that it is marketing to different off-takers for potential construction throughout the U.S. Applicant is considering investment in many of these potential projects, instead of this Project. For this Project to be competitive with the other projects being developed by the Applicant, Applicant must secure a Chapter 313 tax abatement with Edinburg CISD, as well as other Chapter 313, 312, and 381 agreements with respective entities for this Project. The Chapter 313 tax abatement with Edinburg CISD has a significant impact on the rate of return for this Project and allows it to be competitive not only with other projects in the Applicant's portfolio, but also with other projects being developed by competing companies in Texas. The Applicant has limited capital to expend (For example, Applicant will be required to make approximately \$173 million of capital investment to complete this Project) and will only select approximately one to five projects (up to approximately 500 MWs) to construct each year.

The Applicant has an existing two phase wind farm in operation near Abilene, Texas and obtained a Chapter 313 tax abatement for wind provided the needed economics to allow for the Applicant to invest capital, construct the project, and sell the power. However, since construction those wind farms in 2007 and 2008, wholesale power prices in Texas have dropped by greater than fifty percent, making the Chapter 313 abatement more important than ever for this Project to be competitive.

By way of comparison, the Applicant is actively developing and marketing projects in both Kansas and Oklahoma. Kansas and Oklahoma provide significant tax incentives at a state level. Kansas provides a **full property tax exemption for the life of a renewable project** via Kansas Statute 79-201. Typically, the Applicant would pay the county a community gift payment, but this is significantly less than the property taxes paid by a project in Texas. By way of further example, Oklahoma provides two tax incentives on a state level to wind farm projects. First, Oklahoma Statute 68-2902 and Oklahoma ad valorem tax statutes provide for a **five year property tax exemption for renewable projects** in Oklahoma. Property taxes under this exemption are paid by the Oklahoma Tax Commission, instead of the renewable project developer. Second, Oklahoma has a **Zero-Emission Facilities Production Tax Credit**, which provides a **ten year production tax credit** on income for renewable facilities placed in operation prior to 2016. This credit is equal to \$0.0050 per kWh generated by the project operator. For this Project to compete with projects in Kansas and Oklahoma, as well as projects throughout the U.S., Applicant must secure the available tax incentives in Texas. This includes obtaining a Chapter 313 tax abatement with Edinburg CISD to reduce the property tax liability to the school district for the portion of the Project that lies within the district.

Question 8

The Applicant can locate the Project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect the Project to the grid. The Applicant has over 7,000 MW of development assets in twenty-four states that it is marketing to different off-takers for potential construction throughout the U.S. Applicant is considering investment in many of these potential projects, instead of this Project. For this Project to be competitive with the other projects being developed by the Applicant, Applicant must secure a Chapter 313 tax abatement with Edinburg CISD, as well as other Chapter 313, 312, and 381 agreements with respective entities for this Project. The Chapter 313 tax abatement with Edinburg CISD has a significant impact on the rate of return for this Project and allows it to be competitive not only with other projects in the Applicant's portfolio, but also with other projects being developed by competing companies in Texas. The Applicant has limited capital to expend (For example, Applicant will be required to make approximately \$173 million of capital investment to complete this Project) and will only select approximately one to five projects (up to approximately 500 MWs) to construct each year.

The Applicant has an existing two phase wind farm in operation near Abilene, Texas and obtained a Chapter 313 tax abatement for the wind provided the needed economics to allow for the Applicant to invest capital, construct the project and sell the power. However, since construction

Attachment 5-Cont..

those wind farms in 2007 and 2008, wholesale power prices in Texas have dropped by greater than fifty percent, making the Chapter 313 abatement more important than ever for this Project to be competitive.

By way of comparison, the Applicant is actively developing and marketing projects in both Kansas and Oklahoma. Kansas and Oklahoma provide significant tax incentives at a state level. Kansas provides a **full property tax exemption for the life of a renewable project** via Kansas Statute 79-201. Typically, the Applicant would pay the county a community gift payment, but this is significantly less than the property taxes paid by a project in Texas. By way of further example, Oklahoma provides two tax incentives on a state level to wind farm projects. First, Oklahoma Statute 68-2902 and Oklahoma ad valorem tax statutes provide for a **five year property tax exemption for renewable projects** in Oklahoma. Property taxes under this exemption are paid by the Oklahoma Tax Commission, instead of the renewable project developer. Second, Oklahoma has a **Zero-Emission Facilities Production Tax Credit**, which provides a **ten year production tax credit** on income for renewable facilities placed in operation prior to 2016. This credit is equal to \$0.0050 per kWh generated by the project operator. For this Project to compete with projects in Kansas and Oklahoma, as well as projects throughout the U.S., Applicant must secure the available tax incentives in Texas. This includes obtaining a Chapter 313 tax abatement with Edinburg CISD to reduce the property tax liability to the school district for the portion of the Project that lies within the district.

Question 10

The Applicant has submitted information regarding the amount of its capital investment in the Project, which will constitute approximately \$173 million in Edinburg CISD, with an estimated 50 turbines and at least four miles of 345 kV transmission line planned to be located in Edinburg CISD. The Applicant has also provided information that the Project will be constructed and become operational by the end of the year 2016. Applicant has located the Project in the ERCOT power market and has submitted an interconnection request to ERCOT. The interconnection request is queue position is 16INR0024 and the study is currently in the Full Interconnection Study ("FIS") stage. The ERCOT power market limits the potential off-takers of the power produced by the Project, since power cannot be exported from ERCOT to other markets.