SUSAN COMBS

TEXAS COMPTROLLER of PUBLIC ACCOUNTS

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

August 28, 2014

Ralph Traynham
Superintendent
Fort Stockton Independent School District
101 West Division
Fort Stockton, Texas 79735

Dear Superintendent Traynham:

On Jun. 25, 2014, the Comptroller issued written notice that RE Roserock, LLC (the applicant) submitted a completed application (Application #1012) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on May 19, 2014, to the Fort Stockton Independent 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 requested a waiver 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 #1012.

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 Jun. 25, 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 RE Roserock, LLC (the project) applying to Fort Stockton 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 RE Roserock, LLC.

Applicant	RE Roserock, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy
School District	Fort Stockton ISD
2012-13 Enrollment in School District	2,425
County	Pecos
Proposed Total Investment in District	$285,000,000
Proposed Qualified Investment	$285,000,000
Limitation Amount	$30,000,000
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	$711.53
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	$709.50
Minimum annual wage committed to by applicant for qualified jobs	$37,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	$142,500,000
Estimated M&O levy without any limit (15 years)	$19,722,962
Estimated M&O levy with Limitation (15 years)	$6,177,713
Estimated gross M&O tax benefit (15 years)	$13,545,249
** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*	

Table 2 is the estimated statewide economic impact of RE Roserock, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	200	181	381	$7,506,800	$13,367,223	$20,874,023
2016	2	13	15	$74,000	$2,367,406	$2,441,406
2017	2	14	16	$74,000	$2,367,406	$2,441,406
2018	2	12	14	$74,000	$1,634,984	$1,708,984
2019	2	10	12	$74,000	$1,390,844	$1,464,844
2020	2	8	10	$74,000	$1,390,844	$1,464,844
2021	2	8	10	$74,000	$1,024,633	$1,098,633
2022	2	6	8	$74,000	$1,146,703	$1,220,703
2023	2	6	8	$74,000	$780,492	$854,492
2024	2	8	10	$74,000	$1,024,633	$1,098,633
2025	2	10	12	$74,000	$780,492	$854,492
2026	2	4	6	$74,000	$536,352	$610,352
2027	2	8	10	$74,000	$902,563	$976,563
2028	2	8	10	$74,000	$658,422	$732,422
2029	2	2	4	$74,000	$902,563	$976,563
2030	2	4	6	$74,000	$414,281	$488,281
2031	2	4	6	$74,000	$658,422	$732,422

Source: CPA, REMI, RE Roserock, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Fort Stockton ISD I&S Tax Levy	Fort Stockton ISD M&O Tax Levy	Fort Stockton ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Midland College Tax Levy	Middle Pecos Groundwater District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.1660	1.0400		0.6999	0.0255	0.0250	
2015	$0	$0		$0	$0	$0	$0	$0	$0	$0
2016	$142,500,000	$142,500,000		$236,550	$1,482,000	$1,718,550	$997,358	$36,338	$35,625	$2,787,870
2017	$285,000,000	$285,000,000		$473,100	$2,964,000	$3,437,100	$1,994,715	$72,675	$71,250	$5,575,740
2018	$242,250,000	$242,250,000		$402,135	$2,519,400	$2,921,535	$1,695,508	$61,774	$60,563	$4,739,379
2019	$205,912,500	$205,912,500		$341,815	$2,141,490	$2,483,305	$1,441,182	$52,508	$51,478	$4,028,472
2020	$175,025,625	$175,025,625		$290,543	$1,820,267	$2,110,809	$1,225,004	$44,632	$43,756	$3,424,201
2021	$148,771,781	$148,771,781		$246,961	$1,547,227	$1,794,188	$1,041,254	$37,937	$37,193	$2,910,571
2022	$126,456,014	$126,456,014		$209,917	$1,315,143	$1,525,060	$885,066	$32,246	$31,614	$2,473,985
2023	$107,487,612	$107,487,612		$178,429	$1,117,871	$1,296,301	$752,306	$27,409	$26,872	$2,102,888
2024	$91,364,470	$91,364,470		$151,665	$950,190	$1,101,856	$639,460	$23,298	$22,841	$1,787,454
2025	$77,659,800	$77,659,800		$128,915	$807,662	$936,577	$543,541	$19,803	$19,415	$1,519,336
2026	$66,010,830	$66,010,830		$109,578	$686,513	$796,091	$462,010	$16,833	$16,503	$1,291,436
2027	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2028	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2029	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
					Total	$22,183,630	$12,874,231	$469,057	$459,860	$35,986,777

Source: CPA, RE Roserock, LLC

[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Pecos County, Midland College District and the Middle Pecos Groundwater District, 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, college and groundwater districts.
The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Fort Stockton ISD I&S Tax Levy	Fort Stockton ISD M&O Tax Levy	Fort Stockton ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Midland College Tax Levy	Middle Pecos Groundwater District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.1660	1.0400		0.6999	0.0255	0.0250	
2015	$0	$0		$0	$0	$0	$0	$0	$0	$0
2016	$142,500,000	$30,000,000		$236,550	$312,000	$548,550	$488,705	$17,805	$17,456	$1,072,517
2017	$285,000,000	$30,000,000		$473,100	$312,000	$785,100	$977,410	$35,611	$34,913	$1,833,034
2018	$242,250,000	$30,000,000		$402,135	$312,000	$714,135	$830,799	$30,269	$29,676	$1,604,879
2019	$205,912,500	$30,000,000		$341,815	$312,000	$653,815	$706,179	$25,729	$25,224	$1,410,947
2020	$175,025,625	$30,000,000		$290,543	$312,000	$602,543	$600,252	$21,869	$21,441	$1,246,105
2021	$148,771,781	$30,000,000		$246,961	$312,000	$558,961	$510,214	$18,589	$18,225	$1,105,989
2022	$126,456,014	$30,000,000		$209,917	$312,000	$521,917	$433,682	$15,801	$15,491	$986,891
2023	$107,487,612	$30,000,000		$178,429	$312,000	$490,429	$368,630	$13,431	$13,167	$885,657
2024	$91,364,470	$30,000,000		$151,665	$312,000	$463,665	$313,335	$11,416	$11,192	$799,609
2025	$77,659,800	$30,000,000		$128,915	$312,000	$440,915	$266,335	$9,704	$9,513	$726,467
2026	$66,010,830	$66,010,830		$109,578	$686,513	$796,091	$462,010	$16,833	$16,503	$1,291,436
2027	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2028	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2029	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
					Total	$8,638,381	$7,154,381	$260,661	$255,550	$16,308,973
					Diff	$13,545,249	$5,719,850	$208,396	$204,310	$19,677,804

Assumes School Value Limitation and Tax Abatements with the County, Midland College, and the Middle Pecos Groundwater District.

Source: CPA, RE Roserock, LLC

[1]Tax 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 RE Roserock, 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 and direct, indirect and induced tax effects from project employment 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
Limitation Period (10 Years)	2016	$312,000	$312,000	$1,170,000	$1,170,000
	2017	$312,000	$624,000	$2,652,000	$3,822,000
	2018	$312,000	$936,000	$2,207,400	$6,029,400
	2019	$312,000	$1,248,000	$1,829,490	$7,858,890
	2020	$312,000	$1,560,000	$1,508,267	$9,367,157
	2021	$312,000	$1,872,000	$1,235,227	$10,602,383
	2022	$312,000	$2,184,000	$1,003,143	$11,605,526
	2023	$312,000	$2,496,000	$805,871	$12,411,397
	2024	$312,000	$2,808,000	$638,190	$13,049,587
	2025	$312,000	$3,120,000	$495,662	$13,545,249
Maintain Viable Presence (5 Years)	2026	$686,513	$3,806,513	$0	$13,545,249
	2027	$592,800	$4,399,313	$0	$13,545,249
	2028	$592,800	$4,992,113	$0	$13,545,249
	2029	$592,800	$5,584,913	$0	$13,545,249
	2030	$592,800	$6,177,713	$0	$13,545,249
Additional Years as Required by 313.026(c)(1) (10 Years)	2031	$592,800	$6,770,513	$0	$13,545,249
	2032	$592,800	$7,363,313	$0	$13,545,249
	2033	$592,800	$7,956,113	$0	$13,545,249
	2034	$592,800	$8,548,913	$0	$13,545,249
	2035	$592,800	$9,141,713	$0	$13,545,249
	2036	$592,800	$9,734,513	$0	$13,545,249
	2037	$592,800	$10,327,313	$0	$13,545,249
	2038	$592,800	$10,920,113	$0	$13,545,249
	2039	$592,800	$11,512,913	$0	$13,545,249
	2040	$592,800	$12,105,713	$0	$13,545,249
		$12,105,713	is less than	**$13,545,249**	

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?	No

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, RE Roserock, LLC

Employment Indirect and Induced Tax Effects

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2015	200	181	381	$7,506,800	$13,367,223	$20,874,023	$1,190,186	-$625,610	$1,815,796
2016	2	13	15	$74,000	$2,367,406	$2,441,406	$167,847	$267,029	-$99,182
2017	2	14	16	$74,000	$2,367,406	$2,441,406	$267,029	$244,141	$22,888
2018	2	12	14	$74,000	$1,634,984	$1,708,984	$228,882	$251,770	-$22,888
2019	2	10	12	$74,000	$1,390,844	$1,464,844	$228,882	$236,511	-$7,629
2020	2	8	10	$74,000	$1,390,844	$1,464,844	$190,735	$228,882	-$38,147
2021	2	8	10	$74,000	$1,024,633	$1,098,633	$183,105	$183,105	$0
2022	2	6	8	$74,000	$1,146,703	$1,220,703	$160,217	$167,847	-$7,630
2023	2	6	8	$74,000	$780,492	$854,492	$152,588	$144,958	$7,630
2024	2	8	10	$74,000	$1,024,633	$1,098,633	$190,735	$114,441	$76,294
2025	2	10	12	$74,000	$780,492	$854,492	$175,476	$91,553	$83,923
2026	2	4	6	$74,000	$536,352	$610,352	$175,476	$83,923	$91,553
2027	2	8	10	$74,000	$902,563	$976,563	$190,735	$45,776	$144,959
2028	2	8	10	$74,000	$658,422	$732,422	$183,105	$22,888	$160,217
2029	2	2	4	$74,000	$902,563	$976,563	$198,364	$30,518	$167,846
2030	2	4	6	$74,000	$414,281	$488,281	$190,735	-$30,518	$221,253
2031	2	4	6	$74,000	$658,422	$732,422	$190,735	-$38,147	$228,882
2032	2	6	8	$74,000	$170,141	$244,141	$167,847	-$45,776	$213,623
2033	2	2	4	$74,000	$170,141	$244,141	$175,476	-$83,923	$259,399
2034	2	2	4	$74,000	$170,141	$244,141	$160,217	-$68,665	$228,882
2035	2	(2)	0	$74,000	-$74,000	$0	$137,329	-$91,553	$228,882
2036	2	(2)	0	$74,000	-$318,141	-$244,141	$76,294	-$114,441	$190,735
2037	2	(2)	0	$74,000	-$318,141	-$244,141	$53,406	-$144,958	$198,364
2038	2	(2)	0	$74,000	-$562,281	-$488,281	$76,294	-$144,958	$221,252
2039	2	(2)	0	$74,000	-$318,141	-$244,141	$76,294	-$152,588	$228,882
2040	2	(2)	0	$74,000	-$562,281	-$488,281	$45,776	-$198,364	$244,140
						TOTAL	**$5,233,765**	**$373,841**	**$4,859,924**
							$16,965,637	is greater than	**$13,545,249**

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

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 **determines** that the limitation on appraised value is a determining factor in the RE Roserock, LLC's 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:

- According to the company and numerous media reports, the applicant announced in May 2014 that it intended to build this facility at this site. RE Roserock, LLC applied for a 313 value limitation on June 2, 2014.
- Per media reports, the applicant entered into a 20-year power purchase agreement with the City of Austin in May 2014 to deliver 150 MW of solar capacity in West Texas.
- RE Roserock, LLC's parent company, Recurrent Energy, was one of a number of companies bidding on a $525 million dollar contract to build a utility scale photovoltaic facility.
- A letter from Austin Energy indicated that the RE Roserock project was selected and a "subsequent negotiation resulted in an executed Power Purchase Agreement on May 1, 2014.
- According to the company CEO, they were able to offer a competitive price due to falling manufacturing costs, by 60 to 70 percent, for solar panels.
- There was no Return on Investment calculations provided by the applicant to illustrate a competitive advantage to locating the plant elsewhere.
- **According to the application, property taxes are the highest operating expense for a solar generation facility. Without the tax incentive in Texas, a project with a power purchase agreement becomes un-financeable. This appears to be accurate based on discussions with professionals familiar with the utility industry.**

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
c) Additional information provided by the Applicant or located by the Comptroller

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

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:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ 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.

Supporting Information

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

TAB 5

Documentation to assist in determining if limitation is a determining factor

The applicant for this project is a national solar developer with the ability to locate projects of this type in other states in the US with strong solar characteristics. The applicant is actively developing and constructing other projects throughout the US and internationally. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes unfinanciable.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

Recurrent Energy

- **Photo Library**




- ## Media Contact

  - **PHONE** 415.501.9533
  - **EMAIL** pr@recurrentenergy.com

Press Release

Recurrent Energy Awarded 150 MW Utility-Scale Solar Contract By Austin Energy For Texas Solar Projects

SAN FRANCISCO– (May 15, 2014) – Recurrent Energy, a leading North American solar project developer, today announced an award from Austin Energy for 150 MW of solar capacity in West Texas. The power will be delivered to Austin Energy pursuant to a 20-year Power Purchase Agreement.

The 150 MW solar facility will be completed in 2016 and will be Texas' largest single solar power plant.

"With our largest utility scale solar award, we are taking an important step towards meeting our goal of acquiring 200 MW of solar energy by 2020," said Larry Weis, Austin Energy General Manager. "Solar power has reached a price that is competitive in the ERCOT market, allowing us to further diversify our energy portfolio with renewable resources."

"The Texas market represents one of the most exciting opportunities for the solar industry," said Arno Harris, Chairman and CEO of Recurrent Energy. "The industry's growing scale and decreasing costs are enabling us to successfully compete against conventional energy in deregulated markets like ERCOT. This award from Austin Energy further proves solar's ability to move into the mainstream energy mix."

Recurrent Energy has been actively developing solar project opportunities in Texas for several years. This award is Recurrent Energy's first in Texas and brings the company's contracted portfolio to more than one gigawatt. Recurrent Energy has more than half a gigawatt of solar power projects in operation across North America.

About Recurrent Energy

Recurrent Energy is redefining what it means to be a mainstream clean energy company, with a fleet of utility-scale solar plants that provide competitive clean electricity. The company has more than 2 GW of solar projects in development in North America. Additional details are available at: www.recurrentenergy.com

About Austin Energy

Austin Energy is one of the nation's largest publicly owned electric utilities. You can find out more about Austin Energy at austinenergy.com.

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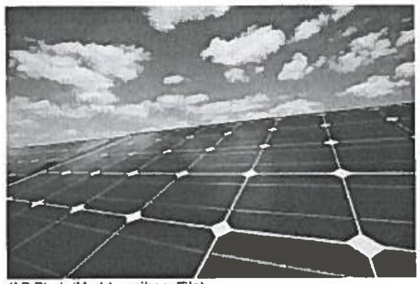
Recurrent Energy set to build largest Texas solar plant

Posted on May 15, 2014 at 8:30 am by Collin Eaton in Solar

HOUSTON – A San Francisco firm said Thursday it snagged a contract to build the largest single solar power farm in Texas.

It's the latest sign that cheaper solar panels and lower manufacturing costs have made the sun a compelling rival in an industry that once believed solar power was just an expensive science project.



(AP Photo/Mark Lennihan, File)

Austin Energy, one of the nation's largest city-owned utilities, handed San Francisco-based Recurrent Energy a contract to build 150 megawatts of solar capacity at a site in West Texas, where Recurrent expects its sun-harnessing farm to be operational in 2016. One megawatt can power 500 Texas residences under normal conditions, according to the state's main grid operator.

While Recurrent would build the largest single facility in Texas, the total capacity in the 20-year deal is second to San Antonio's agreement with OCI Solar Power to build several solar plants with a combined capacity of 359-megawatts, expected to funnel electricity to the city-owned CPS Energy by 2016.

"It's all about economics," Recurrent Chief Executive Arno Harris said in an interview with FuelFix. "We've come to a place where costs are so low that we can offer a competitive price" for electricity on the Texas grid.

Harris declined to outline the financial terms of the deal. But Recurrent was one of a handful of solar-power companies bidding on a $525 million contract to build a facility expected to have more than 500,000 sun-soaking photovoltaic cells on 1,000 acres of West Texas land.

The Austin American-Statesman and others had reported last month that SunEdison was a top contender for the deal. And indeed, Austin city documents say the city planned to authorize an agreement with SunEdison or another qualified bidder in a submission process that begin in October.

The city said its best offers were about 5 cents per kilowatt hour, possibly the cheapest solar-power deal in the United States to date, according to media reports.

Harris said solar-panel manufacturing costs have dropped by 60 percent to 70 percent in recent years, and the industry has become better at designing panels in ways that cut down on labor costs.

"We're in the third generation for large-scale build outs" of solar technology, he said. "We've learned a lot about how to be more efficient."

He added he has noticed more analysts in recent years saying solar power has moved into the mainstream of the power industry and, as it becomes more competitive with natural-gas fueled power plants, it's becoming more evident that "solar is going to play a big role" in the United States.

Solar is starting to pick up steam around the world even though global investment in the renewable energy source has fallen in the past two years, said Letha Tawney, a senior associate at the World Resources Institute.

Citing a Bloomberg analysis, Tawney said about 80 percent of the slack in solar investments can be attributed to technology cost savings – it's simply a lot cheaper to build solar panels than it was in 2008.

China and other countries have added much to the world's solar capacity in recent years, investing in highly efficient plants and driving down the costs of materials. In the United States, a solar tax credit is expected to drop from 30 percent to 10 percent in 2016, a deadline that is expected to create a burst of solar investment over the next two years.

Tawney said she's seen a recent increase in solar projects, not because utilities have to stay compliant with federal renewable fuel standards, but because "they're beating out traditional generation sources."

When utilities realize lower-cost solar projects "are better for their ratepayers, that's the watershed moment," she said. "When you cross that line, the market turns on its head."

Tags: Arno Harris, Austin City Council, Austin Energy, CPS Energy, Letha Tawney, Recurrent Energy, san antonio, San Francisco, solar power, Texas, World Resources Institute

Collin Eaton

Prior to joining the Houston Chronicle in 2013, Collin Eaton covered the local banking and finance scene at the Houston Business Journal. Before that, he held internships at newspapers in Texas and Washington D.C., writing about business, money or higher education. He graduated from the University of Texas at Austin in 2011.

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Austin's Super Cheap Solar Agreement (5¢/kWh) Goes To Recurrent Energy, Not SunEdison

May 21st, 2014 by Cynthia Shahan

It was announced in March that Austin Energy would likely be buying electricity from a SunEdison solar power plant for less than 5¢/kWh under a 25-year power purchase agreement (PPA). If you're not familiar with electricity prices, that's really low. The final deal was just completed last week but with an unanticipated move – Austin Energy closed negotiations with Recurrent Energy. The Recurrent Energy press release explains that it received "an award from Austin Energy for 150 MW of solar capacity in West Texas. The power will be delivered to Austin Energy pursuant to a 20-year Power Purchase Agreement."

Recurrent Energy doesn't mention what happened with SunEdison, of course, but it does pump up its status as a leading utility-scale solar power plant developer:

> *Recurrent Energy is redefining what it means to be a mainstream clean energy company, with a fleet*

> *of utility-scale solar plants that provide competitive clean electricity. The company has more than 2 GW of solar projects in development in North America.*

Larry Weis, Austin's Energy General Manager, and Arno Harris, Recurrent Energy's Chairman and CEO, further explain:

> *"With our largest utility scale solar award, we are taking an important step towards meeting our goal of acquiring 200 MW of solar energy by 2020," said Larry Weis, Austin Energy General Manager. "Solar power has reached a price that is competitive in the ERCOT market, allowing us to further diversify our energy portfolio with renewable resources."*
>
> *"The Texas market represents one of the most exciting opportunities for the solar industry," said Arno Harris, Chairman and CEO of Recurrent Energy. "The industry's growing scale and decreasing costs are enabling us to successfully compete against conventional energy in deregulated markets like ERCOT. This award from Austin Energy further proves solar's ability to move into the mainstream energy mix."*

"An important step towards" 200 MW by 2020? That one project puts it 75% of the way there! Let's not confuse things here: this solar power plant is a competitive solar power plant that will provide cheap electricity in the middle of the day, when it would normally be quite expensive. As stated in March, Austin Energy was initially looking for a 50 MW solar power plant. It went with a 150 MW one for a reason.

Austin has long been a mecca for environmental types and musicians. Breathing fresh air is wonderful, eating clean food is a longtime value system in Austin. Continuing this path of choice, Austin Energy's move falls in line with the folkies and naturalists who have lived in this place for a long time.

Recurrent Energy continues:

> *Recurrent Energy has been actively developing solar project opportunities in Texas for several years. This award is Recurrent Energy's first in Texas and brings the company's contracted portfolio to more than one gigawatt. Recurrent Energy has more than half a gigawatt of solar power projects in operation across North America.*

As Zach noted back in March, this may be the lowest price to date for a solar power plant, or at least for a solar power plant in North America: "We reported last February on a PPA in New Mexico in which First Solar was selling electricity for 5.8¢/kWh. That's the lowest I think I have seen." GTM Solar Analyst Cory Honeyman said at the time that "new PPAs signed in North Carolina fetched prices for less than 7 cents per kilowatt-hour."

Related stories:

Solar Less Than 5¢/kWh In Austin, Texas! (Cheaper Than Natural Gas, Coal, & Nuclear)

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Keep up to date with all the hottest cleantech news by subscribing to our (free) cleantech newsletter, or keep an eye on sector-specific news by getting our (also free) solar energy newsletter, electric vehicle newsletter, or wind energy *newsletter.*

Tags: Arno Harris, Austin, Austin Energy, Austin Energy General Manager, Austin Solar, Larry Weis, Recurrent Energy, Texas, texas solar

About the Author

Cynthia Shahan is an Organic Farmer, Classical Homeopath, Art Teacher, Creative Writer, Anthropologist, Natural Medicine Activist, Journalist, and mother of four unconditionally loving spirits, teachers, and environmentally conscious beings who have lit the way for me for decades.

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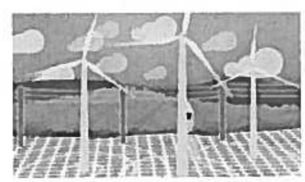

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City of Austin
Austin Energy
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June 20, 2014

Susan Combs, Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, Texas 78711-3528

Dear Mrs. Combs,

In October 2013, Austin Energy (AE) issued a Request for Proposals (RFP) soliciting proposals from qualified respondents to develop and construct a utility scale solar generating facility, and to sell AE the renewable power generated from the facility under a long-term Power Purchase Agreement.

Recurrent Energy was one of 36 respondents to the RFP and submitted initial project proposals on December 3, 2013. Following an evaluation period, several Recurrent proposals were shortlisted and discussions between AE and Recurrent were initiated on January 21, 2014. During two meetings that followed on January 30, 2014 and on April 10, 2014, Recurrent made presentations to further define individual project viability and inform AE as to key economic assumptions in Recurrent's project modeling. Local, school district and state tax incentive assumptions (collectively, "Tax Abatements") were discussed and accounted for as a material part of Recurrent's project economics and it was understood by AE that those assumptions also played a material part in the pricing structures that Recurrent was able to offer AE. This information was used by AE in evaluating the overall project capability and in determining AE's final scoring metrics for the Recurrent proposal.

After further analysis by AE, Recurrent's Roserock project was selected as the best overall evaluated project and subsequent negotiation resulted in an executed Power Purchase Agreement on May 1, 2014.

This project is viewed by AE as a significant piece of our overall renewable portfolio, which is on track to comprise 35% of AE's electric generation mix by 2017. Austin Energy understands the importance of the Tax Abatements to the Roserock project revenue stream and wanted to memorialize its understanding in this letter in the event it is helpful to the State Comptroller in considering the Roserock project Chapter 313 Tax limitation application. We fully support any and all considerations for Tax Abatements that your office is able to render to help keep the project on schedule toward an in-service date of late 2016.

City of Austin
Austin Energy
Town Lake Center • 721 Barton Springs Road • Austin, Texas 78704 - 1145

Please direct any further questions you may have regarding the Roserock project to Recurrent Energy.

Sincerely yours,

Erika Bierschbach
Manager
Energy Supply and Risk Management