

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



September 25, 2014

Becky McManus
Assistant Superintendent of Finance
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580-1108

Dear Assistant Superintendent McManus:

On Sep. 8, 2014, the Comptroller issued written notice that Lone Star NGL Asset Holdings II, LLC (the applicant) submitted a completed application (Application #1016) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on June 24, 2014, to the Barbers Hill 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 #1016. |

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).

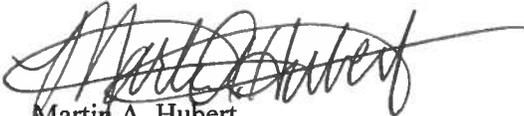
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed 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 Sep. 8, 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 Lone Star NGL Asset Holdings II, LLC (the project) applying to Barbers Hill 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 Lone Star NGL Asset Holdings II, LLC.

Applicant	Lone Star NGL Asset Holdings II, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2011-12 Enrollment in School District	4,688
County	Chambers
Proposed Total Investment in District	\$308,125,000
Proposed Qualified Investment	\$308,125,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	4
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,149.71
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,149.71
Minimum annual wage committed to by applicant for qualified jobs	\$59,785
Minimum weekly wage required for non-qualifying jobs	NA
Minimum annual wage required for non-qualifying jobs	NA
Investment per Qualifying Job	\$77,031,250
Estimated M&O levy without any limit (15 years)	\$30,960,480
Estimated M&O levy with Limitation (15 years)	\$9,368,280
Estimated gross M&O tax benefit (15 years)	\$21,592,200
* 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 Lone Star NGL Asset Holdings II, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	189	198	387	\$10,395,000	\$13,530,781	\$23,925,781
2016	193	213	406	\$10,638,352	\$16,705,398	\$27,343,750
2017	4	39	43	\$243,352	\$5,738,093	\$5,981,445
2018	4	27	31	\$243,352	\$4,395,320	\$4,638,672
2019	4	21	25	\$243,352	\$3,296,687	\$3,540,039
2020	4	19	23	\$243,352	\$3,174,617	\$3,417,969
2021	4	19	23	\$243,352	\$2,808,406	\$3,051,758
2022	4	17	21	\$243,352	\$2,320,125	\$2,563,477
2023	4	21	25	\$243,352	\$2,930,476	\$3,173,828
2024	4	17	21	\$243,352	\$2,564,265	\$2,807,617
2025	4	25	29	\$243,352	\$2,686,336	\$2,929,688
2026	4	25	29	\$243,352	\$2,564,265	\$2,807,617
2027	4	16	20	\$243,352	\$2,442,195	\$2,685,547
2028	4	12	16	\$243,352	\$2,198,054	\$2,441,406
2029	4	6	10	\$243,352	\$1,465,632	\$1,708,984

Source: CPA, REMI, Lone Star NGL Asset Holdings II, LLC

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

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County	City of Mont Belvieu	Estimated Total Property Taxes
				0.2698	1.0600		0.478236	0.43671	
2015	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$47,824	\$43,671	\$224,475
2016	\$95,000,000	\$95,000,000		\$256,310	\$1,007,000	\$1,263,310	\$454,324	\$414,875	\$2,132,509
2017	\$285,000,000	\$285,000,000		\$768,930	\$3,021,000	\$3,789,930	\$1,362,973	\$1,244,624	\$6,397,526
2018	\$273,600,000	\$273,600,000		\$738,173	\$2,900,160	\$3,638,333	\$1,308,454	\$1,194,839	\$6,141,625
2019	\$262,200,000	\$262,200,000		\$707,416	\$2,779,320	\$3,486,736	\$1,253,935	\$1,145,054	\$5,885,724
2020	\$250,800,000	\$250,800,000		\$676,658	\$2,658,480	\$3,335,138	\$1,199,416	\$1,095,269	\$5,629,823
2021	\$239,400,000	\$239,400,000		\$645,901	\$2,537,640	\$3,183,541	\$1,144,897	\$1,045,484	\$5,373,922
2022	\$228,000,000	\$228,000,000		\$615,144	\$2,416,800	\$3,031,944	\$1,090,378	\$995,699	\$5,118,021
2023	\$216,600,000	\$216,600,000		\$584,387	\$2,295,960	\$2,880,347	\$1,035,859	\$945,914	\$4,862,120
2024	\$205,200,000	\$205,200,000		\$553,630	\$2,175,120	\$2,728,750	\$981,340	\$896,129	\$4,606,219
2025	\$193,800,000	\$193,800,000		\$522,872	\$2,054,280	\$2,577,152	\$926,821	\$846,344	\$4,350,318
2026	\$182,400,000	\$182,400,000		\$492,115	\$1,933,440	\$2,425,555	\$872,302	\$796,559	\$4,094,417
2027	\$171,000,000	\$171,000,000		\$461,358	\$1,812,600	\$2,273,958	\$817,784	\$746,774	\$3,838,516
2028	\$159,600,000	\$159,600,000		\$430,601	\$1,691,760	\$2,122,361	\$763,265	\$696,989	\$3,582,615
2029	\$148,200,000	\$148,200,000		\$399,844	\$1,570,920	\$1,970,764	\$708,746	\$647,204	\$3,326,714
			Total	\$7,880,318	\$30,960,480	\$38,840,798	\$13,968,317	\$12,755,426	\$65,564,541

Source: CPA, Lone Star NGL Asset Holdings II, LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Mont Belvieu and Chambers 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 city and county.

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	Tax Rate ¹	Barbers Hill ISD I&S Levy	Barbers Hill ISD M&O Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County	City of Mont Belvieu	Estimated Total Property Taxes
				0.2698	1.0600		0.478236	0.43671	
2015	\$10,000,000	\$10,000,000		\$26,980	\$106,000	\$132,980	\$47,824	\$43,671	\$224,475
2016	\$95,000,000	\$95,000,000		\$256,310	\$1,007,000	\$1,263,310	\$454,324	\$414,875	\$2,132,509
2017	\$285,000,000	\$30,000,000		\$768,930	\$318,000	\$1,086,930	\$545,189	\$149,355	\$1,781,474
2018	\$273,600,000	\$30,000,000		\$738,173	\$318,000	\$1,056,173	\$523,381	\$143,381	\$1,722,935
2019	\$262,200,000	\$30,000,000		\$707,416	\$318,000	\$1,025,416	\$501,574	\$137,406	\$1,664,396
2020	\$250,800,000	\$30,000,000		\$676,658	\$318,000	\$994,658	\$479,766	\$131,432	\$1,605,857
2021	\$239,400,000	\$30,000,000		\$645,901	\$318,000	\$963,901	\$457,959	\$125,458	\$1,547,318
2022	\$228,000,000	\$30,000,000		\$615,144	\$318,000	\$933,144	\$436,151	\$119,484	\$1,488,779
2023	\$216,600,000	\$30,000,000		\$584,387	\$318,000	\$902,387	\$414,344	\$113,510	\$1,430,240
2024	\$205,200,000	\$30,000,000		\$553,630	\$318,000	\$871,630	\$392,536	\$107,535	\$1,371,701
2025	\$193,800,000	\$30,000,000		\$522,872	\$318,000	\$840,872	\$370,729	\$101,561	\$1,313,162
2026	\$182,400,000	\$30,000,000		\$492,115	\$318,000	\$810,115	\$348,921	\$95,587	\$1,254,623
2027	\$171,000,000	\$171,000,000		\$461,358	\$1,812,600	\$2,273,958	\$817,784	\$746,774	\$3,838,516
2028	\$159,600,000	\$159,600,000		\$430,601	\$1,691,760	\$2,122,361	\$763,265	\$696,989	\$3,582,615
2029	\$148,200,000	\$148,200,000		\$399,844	\$1,570,920	\$1,970,764	\$708,746	\$647,204	\$3,326,714
			Total	\$7,880,318	\$ 9,368,281	\$ 17,248,598	\$ 7,262,492	\$ 3,774,223	\$ 28,285,313
			Difference	\$ -	\$ 21,592,199	\$ 21,592,200	\$ 6,705,825	\$ 8,981,203	\$ 37,279,228

Assumes School Value Limitation and Tax Abatement with the County and City.

Source: CPA, Lone Star NGL Asset Holdings II, 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 Lone Star NGL Asset Holdings II, 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	\$106,000	\$106,000	\$0	\$0
	2016	\$1,007,000	\$1,113,000	\$0	\$0
Limitation Period (10 Years)	2017	\$318,000	\$1,431,000	\$2,703,000	\$2,703,000
	2018	\$318,000	\$1,749,000	\$2,582,160	\$5,285,160
	2019	\$318,000	\$2,067,000	\$2,461,320	\$7,746,480
	2020	\$318,000	\$2,385,000	\$2,340,480	\$10,086,960
	2021	\$318,000	\$2,703,000	\$2,219,640	\$12,306,600
	2022	\$318,000	\$3,021,000	\$2,098,800	\$14,405,400
	2023	\$318,000	\$3,339,000	\$1,977,960	\$16,383,360
	2024	\$318,000	\$3,657,000	\$1,857,120	\$18,240,480
	2025	\$318,000	\$3,975,000	\$1,736,280	\$19,976,760
	2026	\$318,000	\$4,293,000	\$1,615,440	\$21,592,200
Maintain Viable Presence (5 Years)	2027	\$1,812,600	\$6,105,600	\$0	\$21,592,200
	2028	\$1,691,760	\$7,797,360	\$0	\$21,592,200
	2029	\$1,570,920	\$9,368,280	\$0	\$21,592,200
	2030	\$1,450,080	\$10,818,360	\$0	\$21,592,200
	2031	\$1,329,240	\$12,147,600	\$0	\$21,592,200
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$1,208,400	\$13,356,000	\$0	\$21,592,200
	2033	\$1,087,560	\$14,443,560	\$0	\$21,592,200
	2034	\$966,720	\$15,410,280	\$0	\$21,592,200
	2035	\$845,880	\$16,256,160	\$0	\$21,592,200
	2036	\$845,880	\$17,102,040	\$0	\$21,592,200
	2037	\$845,880	\$17,947,920	\$0	\$21,592,200
	2038	\$845,880	\$18,793,800	\$0	\$21,592,200
	2039	\$845,880	\$19,639,680	\$0	\$21,592,200
	2040	\$845,880	\$20,485,560	\$0	\$21,592,200
	2041	\$845,880	\$21,331,440	\$0	\$21,592,200

\$21,331,440	is less than	\$21,592,200
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Analysis Summary	
Is the project reasonably likely to generate M&O 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, Lone Star NGL Asset Holdings II, LLC.

Employment Indirect and Induced Tax Effects

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2015	189	198	387	\$10,395,000	\$13,530,781	\$23,925,781	\$1,319,885	-\$633,240	\$1,953,125
2016	193	213	406	\$10,638,352	\$16,705,398	\$27,343,750	\$1,487,732	-\$411,987	\$1,899,719
2017	4	39	43	\$243,352	\$5,738,093	\$5,981,445	\$373,840	\$473,022	-\$99,182
2018	4	27	31	\$243,352	\$4,395,320	\$4,638,672	\$320,435	\$465,393	-\$144,958
2019	4	21	25	\$243,352	\$3,296,687	\$3,540,039	\$267,029	\$434,875	-\$167,846
2020	4	19	23	\$243,352	\$3,174,617	\$3,417,969	\$236,511	\$389,099	-\$152,588
2021	4	19	23	\$243,352	\$2,808,406	\$3,051,758	\$190,735	\$305,176	-\$114,441
2022	4	17	21	\$243,352	\$2,320,125	\$2,563,477	\$144,958	\$236,511	-\$91,553
2023	4	21	25	\$243,352	\$2,930,476	\$3,173,828	\$137,329	\$198,364	-\$61,035
2024	4	17	21	\$243,352	\$2,564,265	\$2,807,617	\$144,958	\$129,700	\$15,258
2025	4	25	29	\$243,352	\$2,686,336	\$2,929,688	\$167,847	\$106,812	\$61,035
2026	4	25	29	\$243,352	\$2,564,265	\$2,807,617	\$167,847	\$38,147	\$129,700
2027	4	16	20	\$243,352	\$2,442,195	\$2,685,547	\$30,518	-\$15,259	\$45,777
2028	4	12	16	\$243,352	\$2,198,054	\$2,441,406	-\$15,259	-\$68,665	\$53,406
2029	4	6	10	\$243,352	\$1,465,632	\$1,708,984	-\$61,035	-\$106,812	\$45,777
2030	4	8	12	\$243,352	\$1,221,492	\$1,464,844	-\$99,182	-\$175,476	\$76,294
2031	4	(0)	4	\$243,352	\$977,351	\$1,220,703	-\$152,588	-\$213,623	\$61,035
2032	4	(0)	4	\$243,352	\$489,070	\$732,422	-\$167,847	-\$259,399	\$91,552
2033	4	2	6	\$243,352	\$733,211	\$976,563	-\$160,217	-\$358,582	\$198,365
2034	4	2	6	\$243,352	\$489,070	\$732,422	-\$205,994	-\$389,099	\$183,105
2035	4	(2)	2	\$243,352	\$244,929	\$488,281	-\$236,511	-\$419,617	\$183,106
2036	4	(0)	4	\$243,352	-\$243,352	\$0	-\$289,917	-\$511,169	\$221,252
2037	4	(4)	0	\$243,352	-\$487,493	-\$244,141	-\$320,435	-\$564,575	\$244,140
2038	4	(6)	-2	\$243,352	-\$975,774	-\$732,422	-\$289,917	-\$595,093	\$305,176
2039	4	(4)	0	\$243,352	-\$487,493	-\$244,141	-\$305,176	-\$640,869	\$335,693
2040	4	(4)	0	\$243,352	-\$731,633	-\$488,281	-\$335,693	-\$717,163	\$381,470
2041	4	(0)	4	\$243,352	-\$1,219,915	-\$976,563	-\$366,211	-\$778,198	\$411,987
						Total	\$1,983,642	-\$4,081,727	\$6,065,369
							\$27,396,809	is greater than	\$21,592,200

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 Lone Star NGL Asset Holdings II, LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the application, “Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located.”
- Per the company, capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.
- The applicant provided an economic analysis of this project with value limitations and also without, which showed the benefit of the property tax limitation.

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 (complete Section 13)
<input type="checkbox"/> Expansion of existing operation on the land (complete Section 13)	<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

Limitation is a Determining as a Factor:

Energy Transfer is a leading midstream energy company whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 3 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations included Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

Energy Transfer's pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. See economic model showing business value with and without 313 Limitation Agreement and 312 Abatements.

Lone Star Frac II
As of 1/1/2014
Year 1 Ending 12/31/2015

Code: \$ 306,125,000

Chambers County

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
Revenue	\$ -	\$ -	\$ 45,136,957	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 76,047,480	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700
% Growth			68.07%	0.07%	0.07%	0.27%	-0.27%	-0.27%	0.07%	0.07%	0.07%	0.07%	0.07%
Operating Expenses	\$ -	\$ -	\$ 2,677,946	\$ 3,272,960	\$ 3,339,022	\$ 3,406,418	\$ 3,475,175	\$ 3,545,319	\$ 3,616,879	\$ 3,689,883	\$ 3,764,419	\$ 3,840,460	\$ 3,689,883
CCA Expenses	\$ -	\$ -	\$ 803,384	\$ 961,888	\$ 1,001,707	\$ 1,021,925	\$ 1,042,552	\$ 1,063,596	\$ 1,085,064	\$ 1,106,965	\$ 1,129,326	\$ 1,152,138	\$ 1,152,138

Operating Income Margin %	\$ -	\$ -	\$ 41,655,628	\$ 71,599,652	\$ 71,698,971	\$ 71,411,356	\$ 71,529,753	\$ 71,230,786	\$ 71,137,758	\$ 71,042,852	\$ 70,945,956	\$ 70,847,101	\$ 70,997,678
			92.39%	94.39%	94.28%	94.16%	94.06%	93.97%	93.86%	93.87%	93.85%	93.87%	93.87%

Total Taxes w/o Limitations & Abatements	\$ -	\$ 1,148,340	\$ 2,700,380	\$ 6,892,293	\$ 6,411,015	\$ 6,152,988	\$ 5,894,960	\$ 5,636,933	\$ 5,378,905	\$ 5,120,877	\$ 4,862,850	\$ 4,604,822	\$ 4,346,795
BHISD Supplemental Payment	\$ -	\$ -	\$ 1,399,332	\$ 816,568	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900
County Payment in Lieu	\$ -	\$ 223,250	\$ 223,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Payment in Lieu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Growth Capex	\$ 326,900.00	\$ 326,900.00	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353
	\$ 81,085,526	\$ 194,605,263	\$ 32,434,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Free Cash Flow	\$ (82,007,426)	\$ (196,300,653)	\$ 4,680,102	\$ 63,627,638	\$ 64,423,703	\$ 64,594,115	\$ 64,870,510	\$ 64,929,600	\$ 65,094,600	\$ 65,257,722	\$ 65,418,853	\$ 65,578,026	\$ 66,650,883
Cumulative Free Cash Flow	\$ (82,007,426)	\$ (278,311,079)	\$ (273,630,977)	\$ (210,003,339)	\$ (145,579,656)	\$ (80,985,521)	\$ (16,014,981)	\$ 48,914,619	\$ 114,009,219	\$ 179,266,940	\$ 306,693,219	\$ 589,574,899	\$ 376,914,703
Partial Period Adjustment	1	1	1	1	1	1	1	1	1	1	1	1	1
Mid Year Convention	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	
Present Value Factor @ 10.00%	0.95	0.87	0.79	0.72	0.65	0.59	0.54	0.49	0.44	0.40	0.37	0.33	
Present Value of Free Cash Flow	\$ (78,191,013)	\$ (170,152,899)	\$ 3,687,853	\$ 45,579,694	\$ 41,984,505	\$ 38,241,347	\$ 34,967,455	\$ 31,768,564	\$ 28,953,904	\$ 26,387,692	\$ 24,048,042	\$ 21,815,050	

Terminal Cash Flow	\$ 66,650,883
Discount Rate	10.00%
Long Term Growth Rate	1.00%
Capitalization Rate	9.00%
Terminal Value	\$740,565,372
Percent Value Factor	0.33
PV of Terminal Value	\$247,484,225

Total Business Enterprise Value w/o Limitations \$ 296,644,419

Lone Star Frac III
As of: 1/1/2014
Year 1 Ending: 12/31/2015

Cost: \$ 308,225,000



Chambers County	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
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Revenue	\$ -	\$ -	\$ 45,136,957	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 76,047,480	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700	\$ 75,839,700
% Growth			64.07%	0.07%	0.07%	0.27%	-0.27%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
Operating Expenses	\$ -	\$ -	\$ 2,677,916	\$ 3,272,960	\$ 3,339,022	\$ 3,406,418	\$ 3,475,175	\$ 3,545,319	\$ 3,616,879	\$ 3,689,383	\$ 3,764,419	\$ 3,840,460	\$ 3,899,383
C&A Expenses	\$ -	\$ -	\$ 803,364	\$ 981,888	\$ 1,001,707	\$ 1,021,925	\$ 1,042,552	\$ 1,063,596	\$ 1,085,064	\$ 1,106,965	\$ 1,129,326	\$ 1,152,138	\$ 1,152,138

Operating Income	\$ -	\$ -	\$ 41,555,628	\$ 71,584,852	\$ 71,499,971	\$ 71,411,356	\$ 71,529,753	\$ 71,220,786	\$ 71,137,758	\$ 71,012,852	\$ 70,945,956	\$ 70,417,101	\$ 70,997,678
Margin %			91.27%	94.37%	94.37%	94.16%	94.06%	94.92%	93.80%	93.66%	93.55%	93.41%	93.67%

Total Taxes with Limitations & Abolishments	\$ -	\$ 1,148,210	\$ 2,700,380	\$ 3,494,236	\$ 2,664,811	\$ 2,210,732	\$ 2,157,321	\$ 2,103,910	\$ 2,050,499	\$ 1,997,089	\$ 1,943,678	\$ 3,628,711	\$ 3,452,449
BHSD Supplemental Payment	\$ -	\$ -	\$ 1,299,232	\$ 816,568	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900	\$ 445,900
County Payment in Lieu	\$ -	\$ 223,250	\$ 223,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Payment in Lieu	\$ -	\$ 306,900,000	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353	\$ 218,353
Growth Capex	\$ -	\$ 81,085,526	\$ 194,605,283	\$ 32,434,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Free Cash Flow	\$ (82,007,426)	\$ (296,303,653)	\$ 4,680,102	\$ 67,025,695	\$ 68,169,907	\$ 68,536,571	\$ 68,700,179	\$ 68,462,623	\$ 68,423,006	\$ 68,381,510	\$ 68,338,025	\$ 66,556,137	\$ 67,545,229
Cumulative Free Cash Flow	\$ (82,007,426)	\$ (278,311,079)	\$ (273,630,977)	\$ (206,605,282)	\$ (138,435,375)	\$ (69,899,004)	\$ (1,190,825)	\$ 67,271,798	\$ 135,694,804	\$ 204,076,313	\$ 354,421,764	\$ 617,281,555	\$ 406,515,705
Partial Period Adjustment	1	1	1	1	1	1	1	1	1	1	1	1	1
Mid Year Convention	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	12.50
Present Value Factor @ 9.00%	0.96	0.88	0.81	0.74	0.68	0.62	0.57	0.52	0.48	0.44	0.40	0.37	0.34
Present Value of Free Cash Flow	\$ (79,548,869)	\$ (172,499,815)	\$ 3,773,020	\$ 49,573,386	\$ 46,256,574	\$ 42,665,335	\$ 39,230,651	\$ 35,877,934	\$ 32,890,988	\$ 30,156,918	\$ 27,649,303	\$ 24,704,916	\$ 22,411,111

Sum of Present Value of Free Cash Flows	\$ 81,794,362												
Present Value of Terminal Value	\$ 313,400,704												
Operating Business Enterprise Value	\$ 395,135,066												
Working Capital Excess/(Deficit)	\$ -												
Total Business Enterprise Value	\$ 395,135,066												
IRR	14.69%												
MIRR	11.83%												
Total Business Enterprise Value with Limitations	\$ 395,135,066												

Terminal Cash Flow	\$ 67,545,229
Discount Rate	9.00%
Long Term Growth Rate	1.00%
Capitalization Rate	8.00%
Terminal Value	\$944,315,368
Present Value Factor	0.37
PV of Terminal Value	\$313,400,704

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Projected RCN	\$30,000,000	\$190,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000	\$285,000,000
Taxable Value	\$10,000,000	975,000,000	\$285,000,000	\$273,600,000	\$382,200,000	\$250,800,000	\$239,400,000	\$228,000,000	\$216,600,000	\$205,200,000	\$193,800,000	\$182,400,000
BH ISD Tax	\$132,990	\$1,263,405	\$3,290,215	\$3,638,606	\$3,486,998	\$3,335,389	\$3,183,781	\$3,032,172	\$2,880,563	\$2,728,955	\$2,577,346	\$2,425,738
County Tax	\$99,679	\$471,951	\$1,415,852	\$1,399,217	\$1,302,583	\$1,245,949	\$1,189,315	\$1,132,681	\$1,076,047	\$1,019,413	\$962,779	\$906,145
MB City Tax	\$43,671	\$414,875	\$1,244,624	\$1,194,839	\$1,145,054	\$1,095,269	\$1,045,484	\$995,699	\$945,914	\$896,129	\$846,344	\$796,559
Limit App Value	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
County Abatement	\$0	\$0	\$89,511	\$815,530	\$781,580	\$747,570	\$713,589	\$679,609	\$645,628	\$611,648	\$577,667	\$543,687
MB City Abatement	\$0	\$0	\$1,244,624	\$1,194,839	\$1,145,054	\$1,095,269	\$1,045,484	\$995,699	\$945,914	\$896,129	\$846,344	\$796,559
BH ISD Tax	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970	\$ 398,970
County Tax	\$49,679	\$471,951	\$386,341	\$343,687	\$321,033	\$498,579	\$475,726	\$453,072	\$430,419	\$407,765	\$385,112	\$362,458
MB City Tax	\$43,671	\$414,875	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

	Tax Rate
BH ISD	1.3299%
County	0.49657%
MB City	0.43671%