



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

February 17, 2015

Thomas Weeaks
Superintendent
Glasscock County Independent School District
P.O. Box 9
Garden City, Texas 79739

Dear Superintendent Weeaks:

On Nov. 19, 2014, the Comptroller issued written notice that ETC Texas Pipeline, LTD (the applicant) submitted a completed application (Application #1032) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on Oct.13, 2014, to the Glasscock County 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 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 #1032.

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.

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

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.

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 Nov. 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, Associate Deputy Comptroller, by email at robert.wood@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of ETC Texas Pipeline, LTD (the project) applying to Glasscock County 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 ETC Texas Pipeline, LTD.

Applicant	ETC Texas Pipeline, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Glasscock County ISD
2013-14 Enrollment in School District	296
County	Glasscock
Proposed Total Investment in District	\$105,000,000
Proposed Qualified Investment	\$105,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,007
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,007
Minimum annual wage committed to by applicant for qualified jobs	\$52,364
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$10,500,000
Estimated M&O levy without any limit (15 years)	\$11,060,672
Estimated M&O levy with Limitation (15 years)	\$6,098,148
Estimated gross M&O tax benefit (15 years)	\$4,962,524

Table 2 is the estimated statewide economic impact of ETC Texas Pipeline, LTD (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	155	200	355	\$8,116,482	\$13,883,518	\$22,000,000
2016	10	60	70	\$523,644	\$5,476,356	\$6,000,000
2017	10	51	61	\$523,644	\$5,476,356	\$6,000,000
2018	10	43	53	\$523,644	\$4,476,356	\$5,000,000
2019	10	43	53	\$523,644	\$4,476,356	\$5,000,000
2020	10	37	47	\$523,644	\$4,476,356	\$5,000,000
2021	10	31	41	\$523,644	\$4,476,356	\$5,000,000
2022	10	31	41	\$523,644	\$4,476,356	\$5,000,000
2023	10	33	43	\$523,644	\$4,476,356	\$5,000,000
2024	10	41	51	\$523,644	\$5,476,356	\$6,000,000
2025	10	31	41	\$523,644	\$4,476,356	\$5,000,000
2026	10	41	51	\$523,644	\$5,476,356	\$6,000,000
2027	10	39	49	\$523,644	\$5,476,356	\$6,000,000
2028	10	43	53	\$523,644	\$6,476,356	\$7,000,000
2029	10	43	53	\$523,644	\$6,476,356	\$7,000,000
2030	10	39	49	\$523,644	\$6,476,356	\$7,000,000

Source: CPA, REMI, ETC Texas Pipeline, LTD

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	Glasscock County ISD I&S Levy	Glasscock County ISD M&O Levy	Glasscock County ISD M&O and I&S Tax Levies	Glasscock County Tax Levy	Glasscock County Underground Water District Tax Levy	Estimated Total Property Taxes
				0.0549	1.0371		0.240000	0.007076	
2016	\$90,000,000	\$90,000,000		\$49,410	\$933,390	\$982,800	\$216,000	\$6,368	\$1,205,168
2017	\$87,300,000	\$87,300,000		\$47,928	\$905,388	\$953,316	\$209,520	\$6,177	\$1,169,013
2018	\$84,600,000	\$84,600,000		\$46,445	\$877,387	\$923,832	\$203,040	\$5,986	\$1,132,858
2019	\$81,900,000	\$81,900,000		\$44,963	\$849,385	\$894,348	\$196,560	\$5,795	\$1,096,703
2020	\$79,200,000	\$79,200,000		\$43,481	\$821,383	\$864,864	\$190,080	\$5,604	\$1,060,548
2021	\$76,500,000	\$76,500,000		\$41,999	\$793,382	\$835,380	\$183,600	\$5,413	\$1,024,393
2022	\$73,800,000	\$73,800,000		\$40,516	\$765,380	\$805,896	\$177,120	\$5,222	\$988,238
2023	\$71,100,000	\$71,100,000		\$39,034	\$737,378	\$776,412	\$170,640	\$5,031	\$952,083
2024	\$68,400,000	\$68,400,000		\$37,552	\$709,376	\$746,928	\$164,160	\$4,840	\$915,928
2025	\$65,700,000	\$65,700,000		\$36,069	\$681,375	\$717,444	\$157,680	\$4,649	\$879,773
2026	\$63,000,000	\$63,000,000		\$34,587	\$653,373	\$687,960	\$151,200	\$4,458	\$843,618
2027	\$60,300,000	\$60,300,000		\$33,105	\$625,371	\$658,476	\$144,720	\$4,267	\$807,463
2028	\$57,600,000	\$57,600,000		\$31,622	\$597,370	\$628,992	\$138,240	\$4,076	\$771,308
2029	\$54,900,000	\$54,900,000		\$30,140	\$569,368	\$599,508	\$131,760	\$3,885	\$735,153
2030	\$52,200,000	\$52,200,000		\$28,658	\$541,366	\$570,024	\$125,280	\$3,694	\$698,998
				Total	\$11,060,672	\$11,646,180	\$2,559,600	\$75,466	\$14,281,246

Source: CPA, ETC Texas Pipeline, LTD

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Glasscock 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.

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	Glasscock County ISD I&S Levy	Glasscock County ISD M&O Levy	Glasscock County ISD M&O and I&S Tax Levies	Glasscock County Tax Levy	Glasscock County Underground Water District Tax Levy	Estimated Total Property Taxes
				0.0549	1.0371		0.240000	0.007076	
2016	\$90,000,000	\$30,000,000		\$49,410	\$311,130	\$360,540	\$216,000	\$6,368	\$582,908
2017	\$87,300,000	\$30,000,000		\$47,928	\$311,130	\$359,058	\$209,520	\$6,177	\$574,755
2018	\$84,600,000	\$30,000,000		\$46,445	\$311,130	\$357,575	\$203,040	\$5,986	\$566,602
2019	\$81,900,000	\$30,000,000		\$44,963	\$311,130	\$356,093	\$196,560	\$5,795	\$558,448
2020	\$79,200,000	\$30,000,000		\$43,481	\$311,130	\$354,611	\$190,080	\$5,604	\$550,295
2021	\$76,500,000	\$30,000,000		\$41,999	\$311,130	\$353,129	\$183,600	\$5,413	\$542,142
2022	\$73,800,000	\$30,000,000		\$40,516	\$311,130	\$351,646	\$177,120	\$5,222	\$533,988
2023	\$71,100,000	\$30,000,000		\$39,034	\$311,130	\$350,164	\$170,640	\$5,031	\$525,835
2024	\$68,400,000	\$30,000,000		\$37,552	\$311,130	\$348,682	\$164,160	\$4,840	\$517,682
2025	\$65,700,000	\$30,000,000		\$36,069	\$311,130	\$347,199	\$157,680	\$4,649	\$509,528
2026	\$63,000,000	\$63,000,000		\$34,587	\$653,373	\$687,960	\$151,200	\$4,458	\$843,618
2027	\$60,300,000	\$60,300,000		\$33,105	\$625,371	\$658,476	\$144,720	\$4,267	\$807,463
2028	\$57,600,000	\$57,600,000		\$31,622	\$597,370	\$628,992	\$138,240	\$4,076	\$771,308
2029	\$54,900,000	\$54,900,000		\$30,140	\$569,368	\$599,508	\$131,760	\$3,885	\$735,153
2030	\$52,200,000	\$52,200,000		\$28,658	\$541,366	\$570,024	\$125,280	\$3,694	\$698,998
					\$6,098,148	\$6,683,657	\$2,559,600	\$75,466	\$9,318,722
				Diff	\$4,962,524	\$4,962,524	\$0	\$0	\$4,962,524

Source: CPA, ETC Texas Pipeline, LTD

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 ETC Texas Pipeline, LTD (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		\$0	\$0	\$0	\$0
	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2016	\$311,130	\$311,130	\$622,260	\$622,260
	2017	\$311,130	\$622,260	\$594,258	\$1,216,518
	2018	\$311,130	\$933,390	\$566,257	\$1,782,775
	2019	\$311,130	\$1,244,520	\$538,255	\$2,321,030
	2020	\$311,130	\$1,555,650	\$510,253	\$2,831,283
	2021	\$311,130	\$1,866,780	\$482,252	\$3,313,535
	2022	\$311,130	\$2,177,910	\$454,250	\$3,767,784
	2023	\$311,130	\$2,489,040	\$426,248	\$4,194,032
	2024	\$311,130	\$2,800,170	\$398,246	\$4,592,279
	2025	\$311,130	\$3,111,300	\$370,245	\$4,962,524
Maintain Viable Presence (5 Years)	2026	\$653,373	\$3,764,673	\$0	\$4,962,524
	2027	\$625,371	\$4,390,044	\$0	\$4,962,524
	2028	\$597,370	\$4,987,414	\$0	\$4,962,524
	2029	\$569,368	\$5,556,782	\$0	\$4,962,524
	2030	\$541,366	\$6,098,148	\$0	\$4,962,524
Additional Years as Required by 313.026(c)(1) (10 Years)	2031	\$513,365	\$6,611,513	\$0	\$4,962,524
	2032	\$485,363	\$7,096,875	\$0	\$4,962,524
	2033	\$457,361	\$7,554,236	\$0	\$4,962,524
	2034	\$429,359	\$7,983,596	\$0	\$4,962,524
	2035	\$401,358	\$8,384,953	\$0	\$4,962,524
	2036	\$373,356	\$8,758,309	\$0	\$4,962,524
	2037	\$345,354	\$9,103,664	\$0	\$4,962,524
	2038	\$317,353	\$9,421,016	\$0	\$4,962,524
	2039	\$289,351	\$9,710,367	\$0	\$4,962,524
	2040	\$261,349	\$9,971,716	\$0	\$4,962,524
		\$9,971,716	is greater than	\$4,962,524	

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?	Yes

Source: CPA, ETC Texas Pipeline, LTD

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 ETC Texas Pipeline, LTD’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:

- Per the applicant, the applicant has made no investment to date on the project site.
- Per the applicant, no construction has commenced at the project site.
- Per the applicant, the applicant has a number of similar projects in other states, and appears to have a clear ability to build in other locations.
- The facility in this application is referred to as “Rebel II.” A previous application (App. # 379) was referred to as “Rebel.” The applicant stated that “there is no relationship between the two projects. Both are stand-alone projects.” The applicant also stated that the projects will be geographically located close together, but there is no relationship between the two.
- The applicant provided maps which includes the location of the two above-mentioned plants and existing and proposed pipelines.
- The applicant submitted a discounted cash flow model (DCF) calculating the total business enterprise value with or without the limitation agreement. Under the scenario without the agreement, total business enterprise value would be \$82,779,909. Under the scenario with the agreement, total business enterprise value would be \$96,550,929.
- The company states that it has evaluated other locations not in Texas. However, it didn’t provide any evidence of this evaluation, similar to the DCF model mentioned above. The company stated that “evaluations done to determine location are based upon feedstock which is directly tied to wells being drilled which are located in Western New Mexico, and in Texas from Midland area

over to Reeves County. New Mexico sits in the middle of this region with easy access to the Transwestern Pipeline which is where the natural gas is fed.”

- The Company stated that it 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.” It “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.”
- Under Tab 5: Limitation as Determining Factor, the company didn’t list any alternative state. However, under Tab 4: Detailed Description of Project, the company stated that it could redirect its expenditures to build plants in other Texas Counties or the following states: Kansas, Louisiana, New Mexico, and Oklahoma.
- The company inquired about an abatement from the county, but was not able to obtain incentives from the county.

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**



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, contracts or letters of intent 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 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. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. 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

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." 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.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

Rebel II
As of: 1/1/2015
Year 1 Ending: 12/31/2015

Property Tax: 0.24706%
Cost: \$ 105,000,000



Glascrock County

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
Revenue	\$ -	\$ -	\$ 15,136,957	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700
% Growth			67.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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	\$ 3,839,883	\$ 3,689,883
C&A Expenses	\$ -	\$ -	\$ 803,384	\$ 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
Property Tax	\$ -	\$ 222,354	\$ 215,683	\$ 209,013	\$ 202,342	\$ 195,672	\$ 189,001	\$ 182,330	\$ 175,660	\$ 168,989	\$ -	\$ 155,648	\$ 148,977
EBITDA	\$ -	\$ (222,354)	\$ 11,439,944	\$ 20,875,840	\$ 20,796,629	\$ 20,715,685	\$ 20,632,972	\$ 20,548,455	\$ 20,462,098	\$ 20,373,863	\$ 20,445,956	\$ 20,342,031	\$ 20,348,701
Margin %			75.58%	83.38%	82.07%	81.75%	81.43%	81.09%	80.75%	80.40%	80.69%	80.28%	80.30%
Growth Capex	\$ 27,631,579	\$ 66,315,789	\$ 11,052,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash Flow	\$ (27,631,579)	\$ (66,538,143)	\$ 387,313	\$ 20,875,840	\$ 20,796,629	\$ 20,715,685	\$ 20,632,972	\$ 20,548,455	\$ 20,462,098	\$ 20,373,863	\$ 20,445,956	\$ 20,342,031	\$ 20,348,701
Cumulative Free Cash Flow	\$ (27,631,579)	\$ (94,169,722)	\$ (93,782,410)	\$ (72,906,570)	\$ (52,109,941)	\$ (31,394,256)	\$ (10,761,284)	\$ 9,787,171	\$ 30,249,269	\$ 50,623,132	\$ 71,069,087	\$ 91,411,118	\$ 111,759,819
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	11.50
Present Value Factor @ 9.50%	0.96	0.87	0.80	0.73	0.66	0.61	0.55	0.51	0.46	0.42	0.39	0.35	0.35
Present Value of Free Cash Flow	\$ (26,405,758)	\$ (58,069,689)	\$ 308,693	\$ 15,194,784	\$ 13,823,863	\$ 12,575,395	\$ 11,438,525	\$ 10,403,352	\$ 9,460,850	\$ 8,602,789	\$ 7,884,228	\$ 7,163,610	\$ 7,163,610
Sum of Present Value of Free Cash Flows	\$ 12,380,640												
Present Value of Terminal Value	\$ 84,170,289												
Operating Business Enterprise Value	\$ 96,550,929												
Working Capital Excess/(Deficit)	\$ -												
Total Business Enterprise Value	\$ 96,550,929												
IRR	13.32%												
Total Business Enterprise Value w/A greement	\$ 96,550,929												

Terminal Cash Flow	\$ 20,316,089
Discount Rate	9.50%
Long Term Growth Rate	1.00%
Capitalization Rate	8.50%
Terminal Value	\$239,012,816
Present Value Factor	0.35
PV of Terminal Value	\$84,170,289

Rebel II
As of: 1/1/2015
Year 1 Ending: 12/31/2015

Property Tax: 1.33906%
Cost: \$ 105,000,000



Glascock County

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Year
Revenue	\$ -	\$ -	\$ 15,136,957	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700	\$ 25,339,700
% Growth			67.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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
G&A Expenses	\$ -	\$ -	\$ 803,384	\$ 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
Property Tax	\$ -	\$ -	\$ 1,205,154	\$ 1,132,845	\$ 1,096,690	\$ 1,060,536	\$ 1,024,381	\$ 988,226	\$ 952,072	\$ 915,917	\$ 879,762	\$ 843,608	\$ 807,453
EBITDA	\$ -	\$ (1,205,154)	\$ 10,486,628	\$ 19,952,008	\$ 19,902,281	\$ 19,850,821	\$ 19,797,592	\$ 19,742,559	\$ 19,685,686	\$ 19,626,935	\$ 19,566,193	\$ 19,503,494	\$ 19,690,225
Margin %			69.28%	78.74%	78.54%	78.34%	78.13%	77.91%	77.69%	77.46%	77.22%	76.97%	77.71%
Growth Capex	\$ 27,631,579	\$ 66,315,789	\$ 11,052,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Free Cash Flow	\$ (27,631,579)	\$ (67,520,943)	\$ (566,003)	\$ 19,952,008	\$ 19,902,281	\$ 19,850,821	\$ 19,797,592	\$ 19,742,559	\$ 19,685,686	\$ 19,626,935	\$ 19,566,193	\$ 19,503,494	\$ 19,690,225
Cumulative Free Cash Flow	\$ (27,631,579)	\$ (95,152,522)	\$ (95,718,526)	\$ (75,766,518)	\$ (55,864,237)	\$ (36,013,416)	\$ (16,215,824)	\$ 3,526,735	\$ 23,212,421	\$ 42,839,356	\$ 62,405,549	\$ 81,909,043	\$ 101,599,268
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	1
Present Value Factor @ 9.75%	0.95	0.87	0.79	0.72	0.66	0.60	0.55	0.50	0.45	0.41	0.38	0.34	1
Present Value of Free Cash Flow	\$ (26,375,666)	\$ (58,726,174)	\$ (448,547)	\$ 14,406,907	\$ 13,094,306	\$ 11,900,181	\$ 10,613,915	\$ 9,425,835	\$ 8,327,134	\$ 7,366,459	\$ 6,690,527	\$ 6,690,527	\$ 6,690,527
Sum of Present Value of Free Cash Flows	\$ 5,584,664												
Present Value of Terminal Value	\$ 77,195,245												
Operating Business Enterprise Value	\$ 82,779,909												
Working Capital Excess/(Deficit)	\$ -												
Total Business Enterprise Value	\$ 82,779,909												
IRR	12.15%												
Total Business Enterprise Value w/o Agreement	\$ 82,779,909												

Terminal Cash Flow	\$ 19,690,225
Discount Rate	9.75%
Long Term Growth Rate	1.00%
Capitalization Rate	8.75%
Terminal Value	\$235,031,146
Present Value Factor	0.34
PV of Terminal Value	\$77,195,245

Jenny Hicks

From: Mike Fry <Mike@keatax.com>
Sent: Monday, February 09, 2015 2:27 PM
To: Jenny Hicks; Mali Hanley (mhanley@808west.com); Bob Popinski (BPopinski@MoakCasey.com) (BPopinski@MoakCasey.com)
Cc: McKavanagh, Megan
Subject: RE: 1032 - Glasscock ETC Texas pipeline (GP suggestions - need Korry edit...)
Attachments: ETC Pipelines.pdf

Jenny,

See answers to questions below in red. Also, maps of pipelines are attached, the green colored being proposed pipeline for 2015.

Thank you,

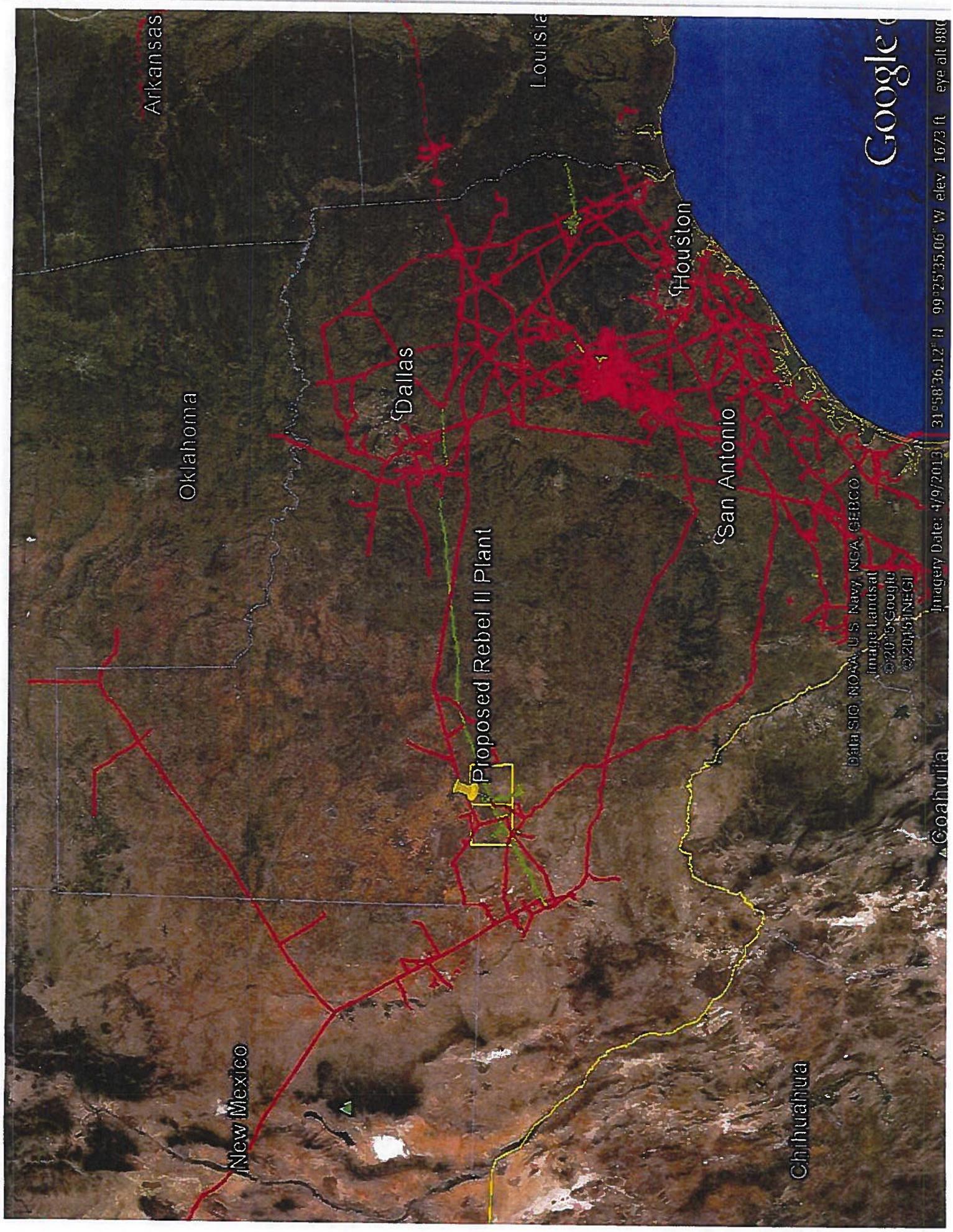
Mike

Could you please provide the following information to us (Text and maps, both welcome):

1. What is the relationship between two projects? **There is no relationship between the two projects. both are standalone projects.** For example, even though the pipelines for these facilities are not qualified property, what is the nature and location of the collecting lines for each project? Is Rebel II an expansion of Rebel I? **No, this is not an expansion of Rebel 1. The expansion of Rebel 1 is included in Agreement #379.** Do they service adjacent areas? **They would be geographically located close together, other than that, there is no relationship between the two projects.**
2. Is there any relationship between the qualified property for the two projects? **No, there is no relationship between the two.**
3. Please provide a general area map showing existing and proposed collecting pipelines, as well as pipelines transporting the final product to larger pipelines. **See attached maps for pipelines**
4. Are either projects #379 or #1032 the project referred to in the press releases/articles attached? **No, all attached press releases refer to qualified property in Rebel Plant and its planned expansion that is included in Agreement #379. (see exhibit #3 in #379)**
5. Can you provide more information about the agreement discussed in the company press releases? **All attached press releases sent as attachments in email refer to Agreement #379.**
6. Any other information you have to put these this project (#1032) in geographical or functional context with any other existing or proposed gas processing plants in the area would also be most welcome. **See #1**

Mike Fry
Rowlett
Phone: 469.298.1594





Arkansas

Louisiana

Oklahoma

Dallas

Houston

San Antonio

Proposed Rebel II Plant

New Mexico

Chihuahua

DATA SIO, NOAA, U.S. NAVY, NGA, GEBCO
Image Landsat
© 2015 Google
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Google

Imagery Date: 4/9/2013 31°58'36.12" N 99°25'35.06" W elev 1673 ft eye alt 980

Jenny Hicks

From: Mike Fry <Mike@keatax.com>
Sent: Tuesday, February 17, 2015 10:05 AM
To: Jenny Hicks; Mali Hanley (mhanley@808west.com); Bob Popinski (BPopinski@MoakCasey.com) (BPopinski@MoakCasey.com); megan.mckavanagh@energytransfer.com; Dustin Stone
Cc: Korry Castillo; Gary Price
Subject: RE: 1032 - Glasscock ETC Texas pipeline (GP suggestions - need Korry edit...)

Jenny,

See answers to your questions below in red.

1. Did the company apply for Chapter 312 incentives, as indicated in Tab 5? Do you have details of this 312 abatement? Did the company receive any incentives from the county or any other entities?
 - a. If yes, please submit a new schedule D and brief explanation on the other incentives.
 - b. If no, do you know anything about why the company did not seek or receive other incentives, such as 312? **The DCF model does not include any county abatement incentives. We inquired about an abatement but they weren't open to giving incentives. However, Glasscock County has one of the ten (10) lowest county tax rates in Texas, so, if the project is eventually built in Texas and not in Western New Mexico, it could retain an economical advantage without a Chapter 312 abatement.**
2. Does the Tab 15 DCF model include only Chapter 313 incentives or both Chapter 313 and Chapter 312 incentives? (Under Tab 5, it says, "See economic model showing business value with and without 313 limitation agreement and 312 abatements): **Please see answer above.**
3. In the map provided as a response to the deficiency letter, please provide more detail about the pipelines.
 - a. Which pipelines are gathering pipelines? Green and/or red? **Red Lines are Gathering lines and Transmission lines. Green lines are Proposed lines which are Gathering and Transmission. Large lines running West are the Gas Transmission Line, Transwestern Pipeline owned by ETC which takes the gas from this area to Arizona and California high population areas.**
 - b. Are there any other existing or proposed gathering lines not showing on the map? **Gathering lines are primarily located in Western New Mexico and West Texas.**
 - c. Provide detail on the intake lines (are these included on the map?). Where is the gas that is to be processed coming from for Rebel I? Same for Rebel II.

Rebel I: Intake lines are gathering lines and outlet lines are primarily Transwestern Pipeline and to a lesser degree Oasis Pipeline also owned by ETC that carries gas to Houston.

Rebel II: Inlet and outlet lines do not appear on this map. With gas plants, those lines are built based upon new wells being drilled, not wells that already exist, so those lines have not been built yet.
 - d. Provide detail on the output lines (are these included on the map?). Where is Rebel I processed product going? Same for Rebel II.

Rebel I: Residue lines include the line going into New Mexico and on to California as well as lines running to Houston.

Rebel II: Please see answer to 3(c) above
4. The answer to Question 7 in Section 8 states that the company has evaluated other locations not in Texas. Is there any evidence of this evaluation, similar to the economic model comparison for investing in Texas?

Evaluations done to determine location are based upon feedstock which is directly tied to wells being drilled which are located in Western New Mexico, and in Texas from Midland area over to

Reeves County. New Mexico sits in the middle of this region with easy access to the Transwestern Pipeline which is where the natural gas is fed.

Thank you,

Mike

Mike Fry
Rowlett
Phone: 469.298.1594
Fax: 469.298.1619
<http://www.keatax.com>



From: Jenny Hicks [mailto:Jenny.Hicks@cpa.texas.gov]
Sent: Thursday, February 12, 2015 12:08 PM
To: Mike Fry; Mali Hanley (mhanley@808west.com); Bob Popinski (BPopinski@MoakCasey.com) (BPopinski@MoakCasey.com); megan.mckavanagh@energytransfer.com
Cc: Korry Castillo; Gary Price
Subject: RE: 1032 - Glasscock ETC Texas pipeline (GP suggestions - need Korry edit...)

Mike,

We have further questions regarding this application.

1. Did the company apply for Chapter 312 incentives, as indicated in Tab 5? Do you have details of this 312 abatement? Did the company receive any incentives from the county or any other entities?
 - a. If yes, please submit a new schedule D and brief explanation on the other incentives.
 - b. If no, do you know anything about why the company did not seek or receive other incentives, such as 312?
2. Does the Tab 15 DCF model include only Chapter 313 incentives or both Chapter 313 and Chapter 312 incentives? (Under Tab 5, it says, "See economic model showing business value with and without 313 limitation agreement and 312 abatements")
3. In the map provided as a response to the deficiency letter, please provide more detail about the pipelines.
 - a. Which pipelines are gathering pipelines? Green and/or red?
 - b. Are there any other existing or proposed gathering lines not showing on the map?
 - c. Provide detail on the intake lines (are these included on the map?). Where is the gas that is to be processed coming from for Rebel I? Same for Rebel II.
 - d. Provide detail on the output lines (are these included on the map?). Where is Rebel I processed product going? Same for Rebel II.
4. The answer to Question 7 in Section 8 states that the company has evaluated other locations not in Texas. Is there any evidence of this evaluation, similar to the economic model comparison for investing in Texas?

Thanks,

Jenny