



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 16, 2016

Kristi Heid
Superintendent
Sabine Pass Independent School District
P.O. Box 1148
Sabine Pass, Texas 77655

Dear Superintendent Heid:

On February 16, 2016, the Comptroller issued written notice that Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (the applicant) submitted a completed application (Application #1117) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on December 14, 2015, to the Sabine Pass 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 #1117.

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).

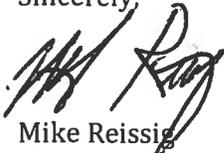
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed 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 February 16, 2016, 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 Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (the project) applying to Sabine Pass 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 Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC.

Applicant	Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Sabine Pass
Estimated 2014-2015 Average Daily Attendance	341
County	Jefferson
Proposed Total Investment in District	\$5,600,000,000
Proposed Qualified Investment	\$2,584,615,385
Limitation Amount	\$30,000,000
Qualified Time Period	2021-2022
Number of new qualifying jobs committed to by applicant	80
Number of new non-qualifying jobs estimated by applicant	20
Average weekly wage of qualifying jobs committed to by applicant	\$1,285
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,285
Minimum annual wage committed to by applicant for qualified jobs	\$66,830
Minimum weekly wage required for non-qualifying jobs	\$1,057
Minimum annual wage required for non-qualifying jobs	\$54,977
Investment per Qualifying Job	\$70,000,000
Estimated M&O levy without any limit (15 years)	\$557,520,176
Estimated M&O levy with Limitation (15 years)	\$130,368,206
Estimated gross M&O tax benefit (15 years)	\$427,151,970

Table 2 is the estimated statewide economic impact of Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (modeled).

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	direct + Induc	Total	Revenue	Expenditure	Net Tax Effect
2018	231	1,218	1,449	\$15,407,700	\$76,592,300	\$92,000,000	10330200	-2662659	\$12,992,859
2019	1385	7,129	8514	\$92,379,500	\$472,620,500	\$565,000,000	60096741	-14556885	\$74,653,626
2020	1385	7,158	8543	\$92,379,500	\$532,620,500	\$625,000,000	60218811	-8377075	\$68,595,886
2021	1385	6,974	8359	\$92,379,500	\$569,620,500	\$662,000,000	60035706	-2487183	\$62,522,889
2022	1385	6,670	8055	\$92,379,500	\$590,620,500	\$683,000,000	59257507	2883911	\$56,373,596
2023	331	1,690	2021	\$21,853,640	\$250,146,360	\$272,000,000	18783569	18585205	\$198,364
2024	100	386	486	\$6,445,940	\$134,554,060	\$141,000,000	9567261	20965576	-\$11,398,315
2025	100	207	307	\$6,445,940	\$98,554,060	\$105,000,000	8445740	19783020	-\$11,337,280
2026	100	160	260	\$6,445,940	\$78,554,060	\$85,000,000	7682800	18356323	-\$10,673,523
2027	100	203	303	\$6,445,940	\$70,554,060	\$77,000,000	7415771	16883850	-\$9,468,079
2028	100	283	383	\$6,445,940	\$68,554,060	\$75,000,000	7324219	15480042	-\$8,155,823
2029	100	386	486	\$6,445,940	\$73,554,060	\$80,000,000	7308960	14190674	-\$6,881,714
2030	100	488	588	\$6,445,940	\$80,554,060	\$87,000,000	7293701	13015747	-\$5,722,046
2031	100	588	688	\$6,445,940	\$91,554,060	\$98,000,000	7453918	11940002	-\$4,486,084
2032	100	681	781	\$6,445,940	\$102,554,060	\$109,000,000	7652283	11039734	-\$3,387,451
2033	100	627	727	\$6,445,940	\$101,554,060	\$108,000,000	6599426	10375977	-\$3,776,551
2034	100	636	736	\$6,445,940	\$106,554,060	\$113,000,000	6477356	9620667	-\$3,143,311
2035	100	660	760	\$6,445,940	\$112,554,060	\$119,000,000	6439209	8895874	-\$2,456,665
2036	100	673	773	\$6,445,940	\$118,554,060	\$125,000,000	6401062	8247375	-\$1,846,313
2037	100	689	789	\$6,445,940	\$126,554,060	\$133,000,000	6401062	7698059	-\$1,296,997

Source: CPA, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, 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	Sabine ISD I&S Tax Levy	Sabine ISD M&O Tax Levy	Sabine ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	City of Port Arthur Tax Levy	Port of Sabine Pass	Sabine Neches Navigation District	Estimated Total Property Taxes
			0.1589	1.0400			0.3650	0.7920	0.2560	0.0890	
2023	\$4,856,484,680	\$4,856,484,680		\$7,716,954	\$50,507,441	\$58,224,395	\$17,726,169	\$38,463,359	\$12,432,601	\$4,322,271	\$114,413,923
2024	\$5,217,768,680	\$5,217,768,680		\$8,291,034	\$54,264,794	\$62,555,829	\$19,044,856	\$41,324,728	\$13,357,488	\$4,643,814	\$122,925,412
2025	\$4,890,023,680	\$4,890,023,680		\$7,770,248	\$50,856,246	\$58,626,494	\$17,848,586	\$38,728,988	\$12,518,461	\$4,352,121	\$115,204,068
2026	\$4,579,666,680	\$4,579,666,680		\$7,277,090	\$47,628,533	\$54,905,624	\$16,715,783	\$36,270,960	\$11,723,947	\$4,075,903	\$107,892,367
2027	\$4,285,816,680	\$4,285,816,680		\$6,810,163	\$44,572,493	\$51,382,656	\$15,643,231	\$33,943,668	\$10,971,691	\$3,814,377	\$100,969,555
2028	\$4,007,633,680	\$4,007,633,680		\$6,368,130	\$41,679,390	\$48,047,520	\$14,627,863	\$31,740,459	\$10,259,542	\$3,566,794	\$94,415,842
2029	\$3,744,316,680	\$3,744,316,680		\$5,949,719	\$38,940,893	\$44,890,613	\$13,666,756	\$29,654,988	\$9,585,451	\$3,332,442	\$88,212,357
2030	\$3,495,110,680	\$3,495,110,680		\$5,553,731	\$36,349,151	\$41,902,882	\$12,757,154	\$27,681,277	\$8,947,483	\$3,110,649	\$82,341,313
2031	\$3,259,295,680	\$3,259,295,680		\$5,179,021	\$33,896,675	\$39,075,696	\$11,896,429	\$25,813,622	\$8,343,797	\$2,900,773	\$76,785,747
2032	\$3,036,187,680	\$3,036,187,680		\$4,824,502	\$31,576,352	\$36,400,854	\$11,082,085	\$24,046,606	\$7,772,640	\$2,702,207	\$71,529,546
2033	\$2,825,137,680	\$2,825,137,680		\$4,489,144	\$29,381,432	\$33,870,576	\$10,311,753	\$22,375,090	\$7,232,352	\$2,514,373	\$66,557,419
2034	\$2,625,527,680	\$2,625,527,680		\$4,171,963	\$27,305,488	\$31,477,451	\$9,583,176	\$20,794,179	\$6,721,351	\$2,336,720	\$61,854,807
2035	\$2,436,774,680	\$2,436,774,680		\$3,872,035	\$25,342,457	\$29,214,492	\$8,894,228	\$19,299,255	\$6,238,143	\$2,168,729	\$57,407,975
2036	\$2,258,322,680	\$2,258,322,680		\$3,588,475	\$23,486,556	\$27,075,031	\$8,242,878	\$17,885,916	\$5,781,306	\$2,009,907	\$53,203,824
2037	\$2,089,641,680	\$2,089,641,680		\$3,320,441	\$21,732,273	\$25,052,714	\$7,627,192	\$16,549,962	\$5,349,483	\$1,859,781	\$49,229,868
			Total	\$85,182,650	\$557,520,176	\$642,702,826	\$195,668,139	\$424,573,057	\$137,235,736	\$47,710,861	\$1,262,944,021

Source: CPA, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Jefferson 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 Jefferson County, City of Port Arthur, Port of Sabine Pass and Sabine Neches Navigation District.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate	Sabine ISD I&S Tax Levy	Sabine ISD M&O Tax Levy	Sabine ISD M&O and I&S Tax Levies	Jefferson County Tax Levy	City of Port Arthur Tax Levy	Port of Sabine Pass	Sabine Neches Navigation District	Estimated Total Property Taxes
			0.1589	1.0400			0.3650	0.7920	0.2560	0.0890	
2023	\$4,856,484,680	\$30,000,000		\$7,716,954	\$312,000	\$8,028,954	\$0	\$19,231,679	\$3,108,150	\$1,080,568	\$27,260,633
2024	\$5,217,768,680	\$30,000,000		\$8,291,034	\$312,000	\$8,603,034	\$0	\$20,662,364	\$3,339,372	\$1,160,954	\$29,265,398
2025	\$4,890,023,680	\$30,000,000		\$7,770,248	\$312,000	\$8,082,248	\$0	\$19,364,494	\$3,129,615	\$1,088,030	\$27,446,741
2026	\$4,579,666,680	\$30,000,000		\$7,277,090	\$312,000	\$7,589,090	\$0	\$18,135,480	\$2,930,987	\$1,018,976	\$25,724,570
2027	\$4,285,816,680	\$30,000,000		\$6,810,163	\$312,000	\$7,122,163	\$0	\$16,971,834	\$2,742,923	\$953,594	\$24,093,997
2028	\$4,007,633,680	\$30,000,000		\$6,368,130	\$312,000	\$6,680,130	\$0	\$15,870,229	\$2,564,886	\$891,698	\$22,550,359
2029	\$3,744,316,680	\$30,000,000		\$5,949,719	\$312,000	\$6,261,719	\$0	\$14,827,494	\$2,396,363	\$833,110	\$21,089,213
2030	\$3,495,110,680	\$30,000,000		\$5,553,731	\$312,000	\$5,865,731	\$0	\$13,840,638	\$2,236,871	\$777,662	\$19,706,369
2031	\$3,259,295,680	\$30,000,000		\$5,179,021	\$312,000	\$5,491,021	\$0	\$12,906,811	\$2,085,949	\$725,193	\$18,397,832
2032	\$3,036,187,680	\$30,000,000		\$4,824,502	\$312,000	\$5,136,502	\$0	\$12,023,303	\$1,943,160	\$675,552	\$17,159,805
2033	\$2,825,137,680	\$2,825,137,680		\$4,489,144	\$29,381,432	\$33,870,576	\$10,311,753	\$22,375,090	\$7,232,352	\$2,514,373	\$66,557,419
2034	\$2,625,527,680	\$2,625,527,680		\$4,171,963	\$27,305,488	\$31,477,451	\$9,583,176	\$20,794,179	\$6,721,351	\$2,336,720	\$61,854,807
2035	\$2,436,774,680	\$2,436,774,680		\$3,872,035	\$25,342,457	\$29,214,492	\$8,894,228	\$19,299,255	\$6,238,143	\$2,168,729	\$57,407,975
2036	\$2,258,322,680	\$2,258,322,680		\$3,588,475	\$23,486,556	\$27,075,031	\$8,242,878	\$17,885,916	\$5,781,306	\$2,009,907	\$53,203,824
2037	\$2,089,641,680	\$2,089,641,680		\$3,320,441	\$21,732,273	\$25,052,714	\$7,627,192	\$16,549,962	\$5,349,483	\$1,859,781	\$49,229,868
			Total	\$85,182,650	\$130,368,206	\$215,550,856	\$44,659,226	\$260,738,730	\$57,800,910	\$20,094,848	\$520,948,812
			Diff	\$0	\$427,151,970	\$427,151,970	\$151,008,913	\$163,834,327			\$741,995,209

¹Tax Rate per \$100 Valuation

Source: CPA, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

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

Attachment B - Tax Revenue over 27 Years

This represents the Comptroller's determination that Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC (project) is not reasonably likely to generate, before the 27th 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	2019	\$106,285	\$106,285	\$0	\$0
	2020	\$4,447,193	\$4,553,477	\$0	\$0
	2021	\$16,535,757	\$21,089,235	\$0	\$0
	2022	\$30,276,882	\$51,366,117	\$0	\$0
Limitation Period (10 Years)	2023	\$312,000	\$51,678,117	\$50,195,441	\$50,195,441
	2024	\$312,000	\$51,990,117	\$53,952,794	\$104,148,235
	2025	\$312,000	\$52,302,117	\$50,544,246	\$154,692,481
	2026	\$312,000	\$52,614,117	\$47,316,533	\$202,009,015
	2027	\$312,000	\$52,926,117	\$44,260,493	\$246,269,508
	2028	\$312,000	\$53,238,117	\$41,367,390	\$287,636,898
	2029	\$312,000	\$53,550,117	\$38,628,893	\$326,265,792
	2030	\$312,000	\$53,862,117	\$36,037,151	\$362,302,943
	2031	\$312,000	\$54,174,117	\$33,584,675	\$395,887,618
	2032	\$312,000	\$54,486,117	\$31,264,352	\$427,151,970
Maintain Viable Presence (5 Years)	2033	\$29,381,432	\$83,867,549	\$0	\$427,151,970
	2034	\$27,305,488	\$111,173,037	\$0	\$427,151,970
	2035	\$25,342,457	\$136,515,494	\$0	\$427,151,970
	2036	\$23,486,556	\$160,002,049	\$0	\$427,151,970
	2037	\$21,732,273	\$181,734,323	\$0	\$427,151,970
Additional Years as Required by 313.026(c)(1) (10 Years)	2038	\$20,074,409	\$201,808,732	\$0	\$427,151,970
	2039	\$18,508,003	\$220,316,735	\$0	\$427,151,970
	2040	\$17,028,374	\$237,345,110	\$0	\$427,151,970
	2041	\$15,631,041	\$252,976,150	\$0	\$427,151,970
	2042	\$14,311,769	\$267,287,920	\$0	\$427,151,970
	2043	\$13,066,525	\$280,354,445	\$0	\$427,151,970
	2044	\$11,891,502	\$292,245,948	\$0	\$427,151,970
	2045	\$11,317,138	\$303,563,086	\$0	\$427,151,970
	2046	\$10,771,191	\$314,334,277	\$0	\$427,151,970
	2047	\$10,252,255	\$324,586,532	\$0	\$427,151,970
		\$324,586,532	is less than	\$427,151,970	
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, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, 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
2018	231	1,218	1,449	\$15,407,700	\$76,592,300	\$92,000,000	10330200	-2662659	\$12,992,859
2019	1385	7,129	8514	\$92,379,500	\$472,620,500	\$565,000,000	60096741	-14556885	\$74,653,626
2020	1385	7,158	8543	\$92,379,500	\$532,620,500	\$625,000,000	60218811	-8377075	\$68,595,886
2021	1385	6,974	8359	\$92,379,500	\$569,620,500	\$662,000,000	60035706	-2487183	\$62,522,889
2022	1385	6,670	8055	\$92,379,500	\$590,620,500	\$683,000,000	59257507	2883911	\$56,373,596
2023	331	1,690	2021	\$21,853,640	\$250,146,360	\$272,000,000	18783569	18585205	\$198,364
2024	100	386	486	\$6,445,940	\$134,554,060	\$141,000,000	9567261	20965576	-\$11,398,315
2025	100	207	307	\$6,445,940	\$98,554,060	\$105,000,000	8445740	19783020	-\$11,337,280
2026	100	160	260	\$6,445,940	\$78,554,060	\$85,000,000	7682800	18356323	-\$10,673,523
2027	100	203	303	\$6,445,940	\$70,554,060	\$77,000,000	7415771	16883850	-\$9,468,079
2028	100	283	383	\$6,445,940	\$68,554,060	\$75,000,000	7324219	15480042	-\$8,155,823
2029	100	386	486	\$6,445,940	\$73,554,060	\$80,000,000	7308960	14190674	-\$6,881,714
2030	100	488	588	\$6,445,940	\$80,554,060	\$87,000,000	7293701	13015747	-\$5,722,046
2031	100	588	688	\$6,445,940	\$91,554,060	\$98,000,000	7453918	11940002	-\$4,486,084
2032	100	681	781	\$6,445,940	\$102,554,060	\$109,000,000	7652283	11039734	-\$3,387,451
2033	100	627	727	\$6,445,940	\$101,554,060	\$108,000,000	6599426	10375977	-\$3,776,551
2034	100	636	736	\$6,445,940	\$106,554,060	\$113,000,000	6477356	9620667	-\$3,143,311
2035	100	660	760	\$6,445,940	\$112,554,060	\$119,000,000	6439209	8895874	-\$2,456,665
2036	100	673	773	\$6,445,940	\$118,554,060	\$125,000,000	6401062	8247375	-\$1,846,313
2037	100	689	789	\$6,445,940	\$126,554,060	\$133,000,000	6401062	7698059	-\$1,296,997
2038	100	701	801	\$6,445,940	\$134,554,060	\$141,000,000	6378174	7186890	-\$808,716
2039	100	713	813	\$6,445,940	\$142,554,060	\$149,000,000	6362915	6675720	-\$312,805
2040	100	714	814	\$6,445,940	\$150,554,060	\$157,000,000	6347656	6286621	\$61,035
2041	100	728	828	\$6,445,940	\$159,554,060	\$166,000,000	6439209	5897522	\$541,687
2042	100	742	842	\$6,445,940	\$170,554,060	\$177,000,000	6591797	5569458	\$1,022,339
2043	100	755	855	\$6,445,940	\$183,554,060	\$190,000,000	6790161	5325317	\$1,464,844
2044	100	779	879	\$6,445,940	\$197,554,060	\$204,000,000	6958008	5119324	\$1,838,684
2045	100	804	904	\$6,445,940	\$209,554,060	\$216,000,000	7080078	4905701	\$2,174,377
2046	100	822	922	\$6,445,940	\$224,554,060	\$231,000,000	7339478	4829407	\$2,510,071
2047	100	851	951	\$6,445,940	\$241,554,060	\$248,000,000	7522583	4745483	\$2,777,100
						Total	\$438,995,361	\$236,419,677	\$202,575,684
							\$527,162,216	is greater than	\$427,151,970

Analysis Summary

Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?

Yes

Source: CPA, Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, LLC

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 is able to determine that the limitation on appraised value is a determining factor in the Port Arthur LNG, LLC and affiliate Port Arthur LNG Holdings, 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:

- Per the applicant:
 - a) Without the Chapter 313 property tax valuation limit, Sempra (the parent company) can turn its investment and project development efforts to another project in another state and/or country where the economics better meet the company’s investment and economic objectives. These include: Cameron Parish in Louisiana and Ensenada in Mexico.
 - b) Without the economic benefits of Chapter 313, the company’s ability to market the project to third party off-takers and prospective equity investors becomes more challenging.
 - c) Cameron Parish LNG has been approved for the Louisiana’s Industrial Tax Exemption for ten years with 100% property tax exemption. However, the applicant has not made a final decision to invest in the proposed expansion.
 - d) Chapter 313 value limitation is critical to the successful development of the project in Texas.
 - e) On March 23, 2015, the applicant issued a press release asserting that the development of Port Arthur liquefaction project is contingent on completing the required commercial agreements, securing all the necessary permits and approvals, obtaining financing and incentive, reaching a final investment decision and other factors associated with the investment.
 - f) On June 3, 2015, the applicant issued a second press release indicating that the company had executed a non-binding memorandum of understanding with an affiliate Woodside Petroleum Limited with respect to the preliminary diligence and discussions regarding a potential joint development of the proposed project.
- On June 4, 2015, The Sydney Morning Herald article reported that, Scott Chrisman, Sempra Vice President of Commercial Development said that, the combination of Woodside and Sempra would create an extraordinary complementary set of experiences and skills.
- On February 25, 2016, the PRNewswire article reported that, the new agreement expands on the memorandum of understanding previously signed by the parties in June 2015 and provides a

framework regarding how Sempra LNG and Midstream and Woodside will contribute their experience and share the costs related to the development, technical design, permitting and commercial development of the liquefaction project.

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:

<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.

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.

Port Arthur LNG, LLC's (PALNG) parent company, Sempra Energy ("Sempra") is a Fortune 500 energy services company that develops energy infrastructure, operates utilities, and provides related products and services to more than 32 million consumers worldwide. The decision to invest in a particular state depends on the economics of the investment. In the case of PALNG's proposed natural gas liquefaction project (the "Project") in Jefferson County, there are a number of financial considerations, including the ability to obtain relief regarding local property taxes, which make the proposed investment meet certain economic requirements. Obtaining the local property tax abatements and valuation limitations prior to making a final decision to construct the Project in order to have certainty with respect to future property tax obligations is part of the necessary pre-development activity that the company must undertake before making a commitment to build the Project. The energy commodities market is very competitive. The Project must compete internally and externally for equity capital investment and worldwide for viable markets. Without the Chapter 313 property tax valuation limit, Sempra can turn its investment and project development efforts to another project in another state and/or country where the economics better meet the company's investment and economic objectives. Similarly, without the economic benefit of the Chapter 313 property tax valuation limit, Sempra's ability to market the project to third party offtakers and prospective equity investors becomes more challenging.

The proposed Project is still in an evaluation stage; only preliminary development activities have begun. The company acknowledges that it has undertaken certain development and permitting activities, has made public statements about the proposed project and has hosted meetings in the Port Arthur area to gauge public reaction to the project. On February 8, 2015 KPLC, a news station in Port Arthur, published an article regarding renewed internal Sempra interest in this project site following the prior cancellation of a Sempra LNG regasification project at the site in 2008. This article is attached as Exhibit 1 to this Tab. On February 26, 2015, Sempra issued its 2014 Annual Report and filed a Form 10-K for 2014. The proposed Port Arthur Liquefaction Project was mentioned in both reports and those pages are attached as Exhibits 2 and 3. On March 23, 2015, Sempra issued a press release to announce that it had requested the Federal Energy Regulatory Commission to initiate pre-filing review of the Port Arthur Liquefaction Project and that PALNG had filed a permit application with the U.S. Department of Energy for authorization to export LNG to be produced from the proposed Project to countries that have a free trade agreement with the U.S. The press release, from Sempra's website, is attached to this Tab as Exhibit 4a. Note that the press release states that "[d]evelopment of the Port Arthur liquefaction project is contingent on... obtaining financing and incentives" among other things. Based on the press release, various articles were published on March 23rd and 24th of 2015. See Exhibits 4b, 4c, 4d, 4e, and 4f to this Tab. Another article, included as Exhibit 4g, appeared in a local news publication on May 20, 2015 after a Sempra representative spoke about the project at a Port Arthur Chamber of Commerce meeting. On June 3, 2015, Sempra issued a second press release regarding the Port Arthur Liquefaction Project, stating that the company had executed a non-binding memorandum of understanding with an affiliate of Woodside Petroleum Ltd (the "Woodside MOU") with respect to preliminary diligence and discussions regarding a potential

*ATTACHMENT TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY
BY PORT ARTHUR LNG, LLC TO SABINE PASS ISD*

joint development of the Project. This press release, which is attached in this Tab as Exhibit 5, states that development of the project is contingent upon "securing ... potential tax incentives." On August 20, 2015, the DOE approved PALNG's application for export to free trade countries. In addition, FERC recently announced its intent to prepare an environmental impact statement for the project. Notwithstanding any public statement or any on-going development activity, or any action by DOE or FERC, no final decision about whether or not to invest in the Project has been made by Sempra or any other party.

Neither Sempra nor PALNG have entered into any contracts to construct the proposed project. Although Port Arthur LNG Holdings, LLC owns the land that the proposed project would be built on, there is significant work that would need to be done to prepare the site, which would include the relocation of a portion of State Highway 87 at a significant cost (the benefit to the local community will also be significant), currently estimated to be approximately \$25 million. This land has been owned by Sempra or predecessor entities since 1969 and Sempra has twice attempted to develop projects on this site without success. Sempra has other potential LNG liquefaction projects under consideration that are competing for internal funding. If developed and constructed, these projects may be located in Cameron Parish, Louisiana and/or Ensenada, Mexico. Both sites already have LNG regasification infrastructure in place.

The Cameron Parish project is owned by Cameron LNG, LLC ("CLNG"), of which Sempra is a 50.2% majority owner. CLNG is currently constructing a three-train natural gas liquefaction project at a site adjacent to its existing LNG regasification facility. CLNG is in the process of permitting an expansion of that three train liquefaction facility to include a fourth and fifth train. Both CLNG's LNG regasification facility and its natural gas liquefaction project have been approved for Louisiana's Industrial Tax Exemption ("ITE"), a ten-year, 100% property tax exemption. CLNG fully expects any expansion project to also be approved for the ITE. No final decision to invest in the proposed expansion has been made.

The Ensenada, Mexico project, owned by Sempra's Mexico affiliate IEnova, is also competing for internal approvals to develop a natural gas liquefaction expansion at the company's existing Energia Costa Azul ("ECA") regasification facility. On February 19, 2015, IEnova announced that it had entered into an agreement with a subsidiary of PEMEX to collaborate in the development of the liquefaction project. The press release is included in this Tab as Exhibit 6.

PALNG, a Texas project, is competing both internally for Sempra's development dollars, and also for prospective third party offtake and equity investment in a worldwide LNG marketplace with liquefaction projects proposed by other companies. Going forward, we believe the LNG projects that will be successfully developed and constructed will be those that can offer the lowest LNG price to a global market and can demonstrate the best economic value for prospective investors' equity capital.

PALNG is a greenfield project in comparison to many of the facilities proposed in the U.S. and elsewhere, which have in place existing LNG regasification infrastructure, such as berthing facilities and LNG storage tanks. This could potentially create the impression for third party investors and offtakers that the greenfield Port Arthur Liquefaction Project stands at a relative competitive disadvantage from a cost perspective. The ability to secure available property tax

*ATTACHMENT TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY
BY PORT ARTHUR LNG, LLC TO SABINE PASS ISD*

incentives, including, particularly, a Chapter 313 value limitation, is therefore critical to the successful development of the Project in Texas.

An economic factor comparison of the various proposed sites for Sempra's various LNG development projects is shown in the table below.

Chapter 313 Application to Sabine Pass ISD			
Facility	Port Arthur LNG	Cameron LNG Expansion	Energia Costa Azul
Location	Port Arthur, TX	Cameron, LA	Ensenada, Baja California, Mexico
Economic Factors:			
Natural Gas Supply	Centrally located on the Texas Gulf Coast with pipeline connections to many shale gas production areas.	Centrally located on the Louisiana Gulf Coast with pipeline connections to many shale gas production areas.	Likely to utilize natural gas from the Permian Basin or Rocky Mountains and imported into Mexico from the U.S.
Inbound Pipeline Access	Will need to acquire ROW and build 27 miles of 42 inch diameter pipeline	Has an existing 42 inch pipeline interconnecting the project to multiple interstate trunklines.	Existing pipeline may require an upgrade to handle sufficient gas volumes.
Water Access	Will need to build new berthing and loading facilities.	Existing facility has two berthing and loading jetties.	Existing facility is strategically located on the west coast of North America near Ensenada, Mexico and has an existing berthing and loading jetty.
Proximity of Product Market	Project is located on the Central Gulf Coast on the Sabine-Neches Waterway in Texas.	Project is located on the Central Gulf Coast on the Calcasieu Waterway in Louisiana.	Strategic location on the west coast of North America eliminates Panama Canal passage for LNG shipments to Asia cutting significant ship time and costs.

Port Arthur LNG, LLC

Chapter 313 Application to Sabine Pass ISD

Cummings Westlake, LLC

Site Preparation	Greenfield project with no existing facilities - more foundation work and relocation of existing highway will be required	Brownfield project with an existing LNG facility, which includes three LNG storage tanks, and marine facilities with two loading/unloading jetties.	Brownfield project with an existing LNG import facility, which includes two LNG storage tanks, and marine facilities with one loading/unloading jetty.
Utilities	Although there is an existing dual 230 kV transmission line and an existing 16-inch city water line on site, investment in additional utility infrastructure will be required.	A dual 230kV transmission line installed to the project. The local water district has an existing water line dedicated to the project	All power is provided by on-site generators and is not connected to the public grid.
Environmental	Area has moved from non-attainment to attainment for air permit purposes but may reverse under new EPA rulings.	Located in an attainment area for air permit purposes.	Subject to applicable Mexican federal, state and local environmental laws and regulations.
Availability of Tax Incentives	Chapter 312/380/IDA tax abatement; Chapter 313 value limitation with school district and state approval	Industrial Tax Exemption provides 100% tax abatement for ten years for all taxing jurisdictions	Property taxes not a significant annual expense in Mexico

Supporting Information

**Additional information
provided by the Applicant or
located by the Comptroller**

Sempra Energy Submits Port Arthur Liquefaction-Export Facilities For Pre-File Review With FERC

Mar 23, 2015

SAN DIEGO, March 23, 2015 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today announced its subsidiary, Port Arthur LNG, has requested that the Federal Energy Regulatory Commission (FERC) initiate the pre-filing review for the company's proposed Port Arthur LNG natural gas liquefaction and export facility in Port Arthur, Texas.

The proposed liquefaction project is designed to include: two natural gas liquefaction trains with a total export capability of approximately 10 million tons per annum, or 1.4 billion cubic feet per day; two 160,000-cubic-meter storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

On March 20, Port Arthur LNG also filed a permit application with the U.S. Department of Energy (DOE) for authorization to export the LNG produced from the proposed project to all current and future Free Trade Agreement (FTA) countries and expects to submit to the DOE an application for authorization to export the LNG produced from Port Arthur LNG to non-FTA countries in the coming months.

"We have gained valuable experience working with the FERC during the permitting process for the Cameron LNG liquefaction project in Louisiana," said Octavio M. Simoes, president of Sempra LNG. "If we are successful, this project would provide long-term economic benefits and create new jobs in the region, while strengthening America's role as a global energy leader."

The proposed project would utilize a portion of Sempra's approximately 2,900 acres of property with 3 miles of waterfront on the Sabine-Neches Ship Channel and 1.25 miles of waterfront on the Intracoastal Waterway.

The company's Port Arthur LNG site previously was evaluated and certified by the FERC in 2006 for a proposed import regasification facility and pipeline and also was permitted by the Texas Department of Transportation for the potential relocation of a portion of State Highway 87.

Development of the Port Arthur LNG liquefaction project is contingent on completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing and incentives, reaching a final investment decision and other factors associated with the investment.

Sempra U.S. Gas & Power, another subsidiary of Sempra Energy, is proposing to develop a natural gas pipeline project consisting of two separate 42-inch diameter pipeline segments that would interconnect with intra- and interstate pipelines to the north and south of the proposed Port Arthur LNG liquefaction project.

Sempra LNG successfully permitted Cameron LNG, which is now in construction. Port Arthur LNG is one of three liquefaction projects being developed by Sempra Energy. The other projects include the proposed expansion of Cameron LNG with trains No. 4 and No. 5 and liquefaction facilities at Energia Costa Azul in Baja California, Mexico.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2014 revenues of \$11 billion. The Sempra Energy companies' 17,000 employees serve more than 32 million consumers worldwide.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "depends," "should," "could," "would," "will," "confident," "may," "potential," "target," "pursue," "goals," "outlook," "maintain" or similar expressions, or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Factors among others that could cause our actual results and future

storage; feed gas pre-treatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

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operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil prices from historical averages; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers; capital markets conditions, including the availability of credit and the liquidity of our investments; inflation, interest and currency exchange rates; the impact of benchmark interest rates, generally Moody's A-rated utility bond yields, on our California Utilities' cost of capital; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station; cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers, terrorist attacks that threaten system operations and critical infrastructure, and wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, conservation efforts, natural disasters, catastrophic accidents, and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries; risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest; risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov (<http://www.sec.gov>), and on the company's website at www.sempra.com (<http://www.sempra.com/>). Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new

information, future events or otherwise. Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not regulated by the California Public Utilities Commission. Sempra International's underlying entities include Sempra Mexico and Sempra South American Utilities. Sempra U.S. Gas & Power's underlying entities include Sempra Renewables and Sempra Natural Gas.

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The project involves 10 million tonnes a year of LNG production capacity, storage tanks and jetties and would be located about 140 kilometres east of Houston at a site that already has approval as an LNG import plant. Photo: Woodside Petroleum

Woodside Petroleum is considering building a liquefied natural gas (LNG) export terminal in Texas with US player Sempra Energy in what would be a major step up in its commitment to the US gas export sector.

The development process for Sempra's proposed Port Arthur project is well under way, with approval from the Federal Energy Regulatory Commission expected at the end of 2016, a final investment decision targeted for 2017, and start-up targeted for 2021. Citigroup estimates the terminal could cost \$US8.5 billion (\$10.9 billion) to build.

“The accord could be seen as creating another option for

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Woodside in its portfolio, aligned with its aspirations of building a greater LNG trading capacity.

Citigroup analyst Dale Koenders

The project involves 10 million tonnes a year of LNG production capacity, storage tanks and jetties and would be located about 140 kilometres east of Houston at a site that already has approval as an LNG import plant.

The agreement between the two is non-binding and is described by Sempra as "the initial step for Sempra LNG and Woodside to explore this opportunity and undertake due diligence for the potential development" of the project.

Citigroup analyst Dale Koenders said as a non-binding memorandum of understanding, the accord could be seen as "creating another option for Woodside in its portfolio, aligned with its aspirations of building a greater LNG trading capacity".

'Extraordinary complementary' skill set

Woodside shares fell 49¢, or 1.4 per cent, to \$35.18, in line with the broader energy index.

The combination of Woodside and Sempra would create "an extraordinary complementary set of experiences and skills", Sempra vice president of commercial and development, Scott Chrisman, said in a statement released overnight Australian time.

Investing in such a project would be an apparent departure from Woodside's strategy in the US LNG sector, which has been limited until now to a 20-year deal to buy LNG from an export terminal being developed by Cheniere Energy at Corpus Christi, along the Texas coast on the south-western side of Houston.

Woodside is also involved in two potential LNG export projects in western Canada, but those would also involve participation in upstream gas field development.

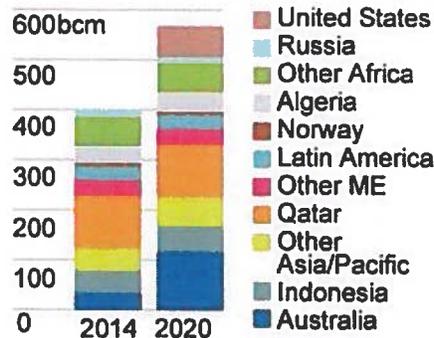
The North American ventures, fuelled by the shale boom that has swept over the region in recent years, are all intended to complement Woodside's aims to build up an LNG trading business, which would source LNG from the company's own Australian projects, or elsewhere.

Speaking at an oil and gas industry conference in Melbourne last week, Woodside chief executive Peter Coleman pointed to the new breed of entrepreneurial companies building the first LNG export plants in the US, and warned that established players needed to react.

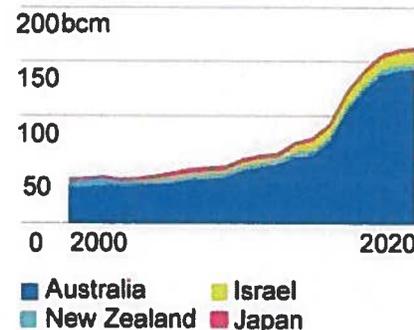
International trade expansion

International trade in gas is set to expand by 40 per cent between 2014 and 2020, with LNG

LNG export capacity



OECD Asia Oceania supply by country



Source: International energy agency

International trade in gas is set to expand by 40 per cent between 2014 and 2020.

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to account for 65 per cent of the increase to over 780 billion cubic meters in total, the International Energy Agency (IEA) said on Thursday in its annual gas market forecast.

At the same time, the respected agency cut back predictions for global gas demand growth to 2 per cent a year through to 2020, from 2.3 per cent, citing low coal prices, increased uptake of renewables and high costs within the sector.

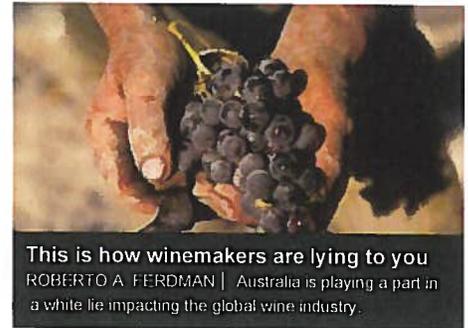
The IEA is forecasting that the US, where 54 LNG export applications have been filed, is set to become the world's third-largest LNG exporter by 2020, although it cautions that "slow progress" is expected on projects – like Port Arthur – that have not yet reached a final investment decision given the low oil price.

"Any decision by Woodside Energy [USA] to proceed with a binding arrangement, including the establishment of a joint venture or partnership with Sempra LNG in relation to the project, remains subject to further due diligence and necessary internal and external approvals," Woodside said in a statement released on Thursday.

Citigroup said it was hard to assess the value for Woodside from the Sempra project opportunity, given uncertainty on project costs, marketing, and equity stakes. But Mr Koenders estimated an unrisksed value of \$1 to \$1.50 a share for Woodside, assuming a 50 per cent equity interest in an \$US8.5 billion, 10 million tonne-a-year plant, with LNG sold to Asia at 13 per cent of Citigroup's long-term oil price of \$US75 a barrel. He said Citigroup wasn't including any value for the project in its \$41.82 target price for the stock.

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Sempra Energy, Woodside Subsidiaries Sign Development Agreement For Natural Gas Liquefaction Project In Port Arthur, Texas

February 25, 2016 6:13 am

SAN DIEGO, Feb. 25, 2016 /PRNewswire/ — Sempra Energy (NYSE: SRE) today announced that its Sempra LNG & Midstream unit has entered into a Project Development Agreement with a subsidiary of Woodside Petroleum Ltd. (Woodside) (ASX: WPL, OTC: WOPEY) to further advance the development of the proposed Port Arthur LNG natural gas liquefaction facility in Port Arthur, Texas.

The new agreement expands on the Memorandum of Understanding previously signed by the parties in June 2015 and provides a framework regarding how Sempra LNG & Midstream and Woodside will contribute their experience and share the costs related to the development, technical design, permitting and commercial development of the liquefaction project.

“This agreement continues to build on our experience developing safe, reliable energy infrastructure in North America and on Woodside’s core strengths in construction and operation of LNG assets,” said Octavio M.C. Simoes, president of Sempra LNG & Midstream. “We are confident that, together, we can develop a facility that will meet the highest standards of LNG supply for the global market.”

The proposed Port Arthur LNG liquefaction project, located at a site previously permitted for an LNG regasification terminal along the Sabine-Neches Ship Channel, initially would be designed to include two natural gas liquefaction trains with a total export capability of approximately 10 million metric tons per annum (Mtpa), or 517 billion cubic feet per year, as well as LNG storage tanks and marine facilities for LNG ship berthing and loading. Additionally, a 3-mile portion of Highway 87 between the Intracoastal Waterway and Keith Lake Pass would be relocated and upgraded to accommodate the construction of a marine terminal berth for docking and loading of LNG ships.

Last year, Port Arthur LNG obtained approval from the U.S. Department of Energy (DOE) to export up to 10 Mtpa of domestically produced LNG to all current and future Free Trade Agreement countries; the authorization to export LNG to countries with which the U.S. does not have a Free Trade Agreement is pending review by the DOE. In March 2015, Port Arthur LNG initiated the pre-filing process with the Federal Energy Regulatory Commission, which is anticipated to be completed later this year.

Any development of the project remains contingent upon completing required commercial agreements; acquiring all necessary permits and approvals; securing financing commitments and potential incentives; achieving other customary conditions; and making a final investment decision to proceed.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2014 revenues of \$11 billion. The Sempra Energy companies' 17,000 employees serve more than 32 million consumers worldwide.

Woodside is an Australian oil and gas company with a global presence, recognized for its world-class capabilities, as an explorer, a developer, a producer and a supplier. Woodside is Australia's most experienced LNG operator and largest independent oil and gas company.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "potential," "possible," "proposed," "target," "pursue," "goals," "outlook," "maintain" or similar expressions, or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements.

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative, legal and regulatory conditions, decisions and developments; actions and the timing of actions, including general rate case decisions, new regulations, issuances of permits to construct, operate, and maintain facilities and equipment and to use land, franchise agreements and licenses for operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, California Division of Oil, Gas and Geothermal Resources, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, California Energy Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Commission, California Air Resources Board, South Coast Air Quality Management District, Mexican Competition Commission, cities and counties, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on

a timely basis and risks in obtaining adequate and competitive financing for such projects; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers, and delays in regulatory agency authorization to recover costs in rates from customers; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, moratoriums on the ability to withdraw natural gas from or inject natural gas into storage facilities, pipeline explosions and equipment failures; energy markets; the timing and extent of changes and volatility in commodity prices; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; the resolution of civil and criminal litigation and regulatory investigations; risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; capital markets conditions, including the availability of credit and the liquidity of our investments, and inflation, interest and currency exchange rates; cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees; terrorist attacks that threaten system operations and critical infrastructure; wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, natural disasters, catastrophic accidents, equipment failures and other events that may disrupt our operations, damage our facilities and systems, cause the release of greenhouse gasses, radioactive materials and harmful emissions, and subject us to third-party liability for property damage or personal injuries, some of which may not be covered by insurance; disallowance of regulatory assets associated with, or decommissioning costs of, the San Onofre Nuclear Generating Station facility due to increased regulatory oversight, including motions to modify settlements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources and increased reliance on natural gas and natural gas transmission systems; the impact on competitive customer rates of the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors; and other uncertainties, all of which are difficult to predict and many of which are beyond our control.

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Sempra LNG & Midstream and Port Arthur LNG, LLC are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra LNG & Midstream and Port Arthur LNG, LLC are not regulated by the California Public Utilities Commission.

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