



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

November 29, 2016

Scott Harrell
Superintendent
Sudan Independent School District
P.O. Box 249
Sudan, Texas 79371

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Sudan Independent School District and Blue Cloud Wind Energy, LLC, Application 1149

Dear Superintendent Harrell:

On October 14, 2016, the Comptroller issued written notice that Blue Cloud Wind Energy LLC (applicant) submitted a completed application (Application 1149) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on August 8, 2016, to the Sudan Independent School District (school district) by the applicant.

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

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

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1149.

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

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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

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 October 14, 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 Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A - Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Blue Cloud Wind Energy, LLC (the project) applying to Sudan 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 Blue Cloud Wind Energy, LLC.

Applicant	Blue Cloud Wind Energy, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Sudan ISD
Estimated 2014-2015 Average Daily Attendance	428
County	Bailey & Lamb
Proposed Total Investment in District	\$195,000,000
Proposed Qualified Investment	\$195,000,000
Limitation Amount	\$20,000,000
Qualifying Time Period (Full Years)	2018-2019
Number of new qualifying jobs committed to by applicant *	4
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$771
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$763
Minimum annual wage committed to by applicant for qualified jobs	\$40,100
Minimum weekly wage required for non-qualifying jobs	\$763
Minimum annual wage required for non-qualifying jobs	\$39,677
Investment per Qualifying Job	\$48,750,000
Estimated M&O levy without any limit (15 years)	\$18,271,013
Estimated M&O levy with Limitation (15 years)	\$5,669,900
Estimated gross M&O tax benefit (15 years)	\$12,601,113
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 2 is the estimated statewide economic impact of Blue Cloud Wind Energy, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	0	0	0	\$0	\$0	\$0
2017	0	0	0	\$0	\$0	\$0
2018	150	143	293	\$7,854,600	\$11,432,510	\$19,287,110
2019	4	14	18	\$160,400	\$2,158,940	\$2,319,340
2020	4	10	14	\$160,400	\$2,036,870	\$2,197,270
2021	4	8	12	\$160,400	\$1,426,510	\$1,586,910
2022	4	6	10	\$160,400	\$1,060,300	\$1,220,700
2023	4	4	8	\$160,400	\$1,060,300	\$1,220,700
2024	4	4	8	\$160,400	\$816,160	\$976,560
2025	4	10	14	\$160,400	\$938,230	\$1,098,630
2026	4	6	10	\$160,400	\$694,090	\$854,490
2027	4	10	14	\$160,400	\$1,060,300	\$1,220,700
2028	4	8	12	\$160,400	\$1,060,300	\$1,220,700
2029	4	6	10	\$160,400	\$816,160	\$976,560
2030	4	6	10	\$160,400	\$572,020	\$732,420
2031	4	2	6	\$160,400	\$327,880	\$488,280
2032	4	8	12	\$160,400	\$327,880	\$488,280

Source: CPA REMI, Blue Cloud Wind Energy, 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	Sudan ISD I&S Tax Levy	Sudan ISD M&O Tax Levy	Sudan ISD M&O and I&S Tax Levies	Balley County Tax Levy	Lamb County Tax Levy	Estimated Total Property Taxes
2019	\$195,000,000	\$195,000,000		\$339,300	\$1,873,950	\$2,213,250	\$1,800,825	\$1,548,885	\$5,562,960
2020	\$185,250,000	\$185,250,000		\$322,335	\$1,780,253	\$2,102,588	\$1,710,784	\$1,471,441	\$5,284,812
2021	\$175,500,000	\$175,500,000		\$305,370	\$1,686,555	\$1,991,925	\$1,620,743	\$1,393,997	\$5,006,664
2022	\$165,750,000	\$165,750,000		\$288,405	\$1,592,858	\$1,881,263	\$1,530,701	\$1,316,552	\$4,728,516
2023	\$156,000,000	\$156,000,000		\$271,440	\$1,499,160	\$1,770,600	\$1,440,660	\$1,239,108	\$4,450,368
2024	\$146,250,000	\$146,250,000		\$254,475	\$1,405,463	\$1,659,938	\$1,350,619	\$1,161,664	\$4,172,220
2025	\$136,500,000	\$136,500,000		\$237,510	\$1,311,765	\$1,549,275	\$1,260,578	\$1,084,220	\$3,894,072
2026	\$126,750,000	\$126,750,000		\$220,545	\$1,218,068	\$1,438,613	\$1,170,536	\$1,006,775	\$3,615,924
2027	\$117,000,000	\$117,000,000		\$203,580	\$1,124,370	\$1,327,950	\$1,080,495	\$929,331	\$3,337,776
2028	\$107,250,000	\$107,250,000		\$186,615	\$1,030,673	\$1,217,288	\$990,454	\$851,887	\$3,059,628
2029	\$97,500,000	\$97,500,000		\$169,650	\$936,975	\$1,106,625	\$900,413	\$774,443	\$2,781,480
2030	\$87,750,000	\$87,750,000		\$152,685	\$843,278	\$995,963	\$810,371	\$696,998	\$2,503,332
2031	\$78,000,000	\$78,000,000		\$135,720	\$749,580	\$885,300	\$720,330	\$619,554	\$2,225,184
2032	\$68,250,000	\$68,250,000		\$118,755	\$655,882	\$774,637	\$630,289	\$542,110	\$1,947,036
2033	\$58,500,000	\$58,500,000		\$101,790	\$562,185	\$663,975	\$540,247	\$464,665	\$1,668,888
			Total	\$3,308,175	\$18,271,013	\$21,579,188	\$17,558,044	\$15,101,629	\$54,238,860

Source: CPA, Blue Cloud Wind Energy, LLC

¹Tax Rate per \$100 Valuation

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

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

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Sudan ISD I&S Tax Levy	Sudan ISD M&O Tax Levy	Sudan ISD M&O and I&S Tax Levies	Bailey County Tax Levy	Lamb County Tax Levy	Estimated Total Property Taxes
				0.1740	0.9610		0.9235	0.7943	
2019	\$195,000,000	\$20,000,000		\$339,300	\$192,200	\$531,500	\$0	\$0	\$531,500
2020	\$185,250,000	\$20,000,000		\$322,335	\$192,200	\$514,535	\$0	\$0	\$514,535
2021	\$175,500,000	\$20,000,000		\$305,370	\$192,200	\$497,570	\$0	\$0	\$497,570
2022	\$165,750,000	\$20,000,000		\$288,405	\$192,200	\$480,605	\$0	\$0	\$480,605
2023	\$156,000,000	\$20,000,000		\$271,440	\$192,200	\$463,640	\$0	\$0	\$463,640
2024	\$146,250,000	\$20,000,000		\$254,475	\$192,200	\$446,675	\$0	\$0	\$446,675
2025	\$136,500,000	\$20,000,000		\$237,510	\$192,200	\$429,710	\$0	\$0	\$429,710
2026	\$126,750,000	\$20,000,000		\$220,545	\$192,200	\$412,745	\$0	\$0	\$412,745
2027	\$117,000,000	\$20,000,000		\$203,580	\$192,200	\$395,780	\$0	\$0	\$395,780
2028	\$107,250,000	\$20,000,000		\$186,615	\$192,200	\$378,815	\$0	\$0	\$378,815
2029	\$97,500,000	\$97,500,000		\$169,650	\$936,975	\$1,106,625	\$900,413	\$774,443	\$2,781,480
2030	\$87,750,000	\$87,750,000		\$152,685	\$843,278	\$995,963	\$810,371	\$696,998	\$2,503,332
2031	\$78,000,000	\$78,000,000		\$135,720	\$749,580	\$885,300	\$720,330	\$619,554	\$2,225,184
2032	\$68,250,000	\$68,250,000		\$118,755	\$655,882	\$774,637	\$630,289	\$542,110	\$1,947,036
2033	\$58,500,000	\$58,500,000		\$101,790	\$562,185	\$663,975	\$540,247	\$464,665	\$1,668,888
			Total	\$3,308,175	\$5,669,900	\$8,978,075	\$3,601,650	\$3,097,770	\$15,677,495
			Diff	\$0	\$12,601,113	\$12,601,113	\$13,956,394	\$12,003,859	\$38,561,365

Source: CPA, Blue Cloud Wind Energy, LLC

¹Tax Rate per \$100 Valuation

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

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2016	\$0	\$0	\$0	\$0
	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2019	\$192,200	\$192,200	\$1,681,750	\$1,681,750
	2020	\$192,200	\$384,400	\$1,588,053	\$3,269,803
	2021	\$192,200	\$576,600	\$1,494,355	\$4,764,158
	2022	\$192,200	\$768,800	\$1,400,658	\$6,164,815
	2023	\$192,200	\$961,000	\$1,306,960	\$7,471,775
	2024	\$192,200	\$1,153,200	\$1,213,263	\$8,685,038
	2025	\$192,200	\$1,345,400	\$1,119,565	\$9,804,603
	2026	\$192,200	\$1,537,600	\$1,025,868	\$10,830,470
	2027	\$192,200	\$1,729,800	\$932,170	\$11,762,640
	2028	\$192,200	\$1,922,000	\$838,473	\$12,601,113
Maintain Viable Presence (5 Years)	2029	\$936,975	\$2,858,975	\$0	\$12,601,113
	2030	\$843,278	\$3,702,253	\$0	\$12,601,113
	2031	\$749,580	\$4,451,833	\$0	\$12,601,113
	2032	\$655,882	\$5,107,715	\$0	\$12,601,113
	2033	\$562,185	\$5,669,900	\$0	\$12,601,113
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	\$468,487	\$6,138,387	\$0	\$12,601,113
	2035	\$374,790	\$6,513,177	\$0	\$12,601,113
	2036	\$374,790	\$6,887,967	\$0	\$12,601,113
	2037	\$374,790	\$7,262,757	\$0	\$12,601,113
	2038	\$374,790	\$7,637,547	\$0	\$12,601,113
	2039	\$374,790	\$8,012,337	\$0	\$12,601,113
	2040	\$374,790	\$8,387,127	\$0	\$12,601,113
	2041	\$374,790	\$8,761,917	\$0	\$12,601,113
	2042	\$374,790	\$9,136,707	\$0	\$12,601,113
	2043	\$374,790	\$9,511,497	\$0	\$12,601,113

\$9,511,497
 is less than **\$12,601,113**

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.

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2016	0	0	0	\$0	\$0	\$0	0	0	\$0
2017	0	0	0	\$0	\$0	\$0	0	0	\$0
2018	150	143	293	\$7,854,600	\$11,432,510	\$19,287,110	992000	-534000	\$1,526,000
2019	4	14	18	\$160,400	\$2,158,940	\$2,319,340	168000	206000	-\$38,000
2020	4	10	14	\$160,400	\$2,036,870	\$2,197,270	130000	206000	-\$76,000
2021	4	8	12	\$160,400	\$1,426,510	\$1,586,910	130000	183000	-\$53,000
2022	4	6	10	\$160,400	\$1,060,300	\$1,220,700	84000	168000	-\$84,000
2023	4	4	8	\$160,400	\$1,060,300	\$1,220,700	99000	153000	-\$54,000
2024	4	4	8	\$160,400	\$816,160	\$976,560	114000	130000	-\$16,000
2025	4	10	14	\$160,400	\$938,230	\$1,098,630	99000	114000	-\$15,000
2026	4	6	10	\$160,400	\$694,090	\$854,490	107000	107000	\$0
2027	4	10	14	\$160,400	\$1,060,300	\$1,220,700	137000	76000	\$61,000
2028	4	8	12	\$160,400	\$1,060,300	\$1,220,700	153000	53000	\$100,000
2029	4	6	10	\$160,400	\$816,160	\$976,560	130000	53000	\$77,000
2030	4	6	10	\$160,400	\$572,020	\$732,420	84000	15000	\$69,000
2031	4	2	6	\$160,400	\$327,880	\$488,280	99000	8000	\$91,000
2032	4	8	12	\$160,400	\$327,880	\$488,280	99000	-23000	\$122,000
2033	4	2	6	\$160,400	\$572,020	\$732,420	69000	-61000	\$130,000
2034	4	2	6	\$160,400	\$83,740	\$244,140	15000	-69000	\$84,000
2035	4	(0)	4	\$160,400	-\$160,400	\$0	15000	-92000	\$107,000
2036	4	(0)	4	\$160,400	\$83,740	\$244,140	-8000	-153000	\$145,000
2037	4	(2)	2	\$160,400	-\$404,540	-\$244,140	-15000	-168000	\$153,000
2038	4	(2)	2	\$160,400	-\$404,540	-\$244,140	-15000	-198000	\$183,000
2039	4	(2)	2	\$160,400	\$83,740	\$244,140	-15000	-198000	\$183,000
2040	4	(2)	2	\$160,400	-\$648,680	-\$488,280	-46000	-244000	\$198,000
2041	4	(0)	4	\$160,400	-\$648,680	-\$488,280	-76000	-290000	\$214,000
2042	4	(4)	0	\$160,400	-\$892,820	-\$732,420	-61000	-275000	\$214,000
2043	4	(8)	-4	\$160,400	-\$1,136,960	-\$976,560	-92000	-320000	\$228,000
Total							\$2,396,000	-\$1,153,000	\$3,549,000
							\$13,060,497	is greater than	\$12,601,113
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, Blue Cloud Wind Energy, LLC

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

Attachment C – Limitation as a Determining Factor

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

Methodology

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

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

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Blue Cloud Wind Energy 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:

- Blue Cloud Wind Energy, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Blue Cloud Wind Energy, LLC was formed in 2016. Since its formation Blue Cloud Wind Energy, LLC and its associate parties have not entered into any agreements for offtake or project finance. Blue Cloud and its affiliates have, however, entered into the following representative agreements and material contracts for the development of a project phase within Sudan ISD. Grants of leases and easements covering approximately 22,000 acres with 50 landowners, GIA (Generator Interconnection Agreement) with Southwestern Public Service (SPS) and the Southwest Power Pool (SPP), Wind data measurement contract with Wireless Innovations for data transmission for 4 Met Towers, Contract with V-Bar for data storage and verification of wind data, D&O Insurance Policy & Public Liability insurance contract with MHBT Marsh & McLennan Agency LLC, Environmental and habitat studies with SWCA, Wind and site analysis studies with AWS Truepower LLC, Geotechnical surveys with BARR Engineering, Contract for transformer engineering, procurement, and supply with SMIT Transformatoren, B.V, Consulting agreement with Energy Renewal Partners, LLC.”
 - B. “The business activities defined within the agreements and contracts listed above will determine with greater certainty and granularity the feasibility of completing development of an economic renewable energy project within Sudan ISD. These contracts and initial investments are preliminary in nature as Blue Cloud Wind Energy, LLC has determined that a value limitation agreement with Sudan ISD is an essential economic driver to allow for the return on investment necessary to finance and construct the wind energy project.”
 - C. “The CIP and Tri Global management teams have experience in multiple international and domestic markets. Based on this experience, the management teams evaluate all potential projects for feasibility, finance-ability, and the economic returns they represent in comparison to other project opportunities across the globe. The Blue Cloud project is currently in such a period

of assessment to determine whether the identified site in Sudan ISD represents the best location or whether redeployment of its development resources and capital to other power markets in the United States is more advisable.”

- D. “A 313 limitation of appraised value agreement is a key tax incentive agreement necessary to ensure the project is on a level playing field with other wind projects with similar incentives and with alternative types of generation that receive their own forms of economic support.
- E. “Without the requested limitation, the project will be unable to generate sufficient operating margins and net income to produce economically competitive energy and associated returns necessary to attract tax and sponsor equity investment. Such third-party investment is mandatory to finance the projected capital costs of approximately \$225M necessary to purchase wind turbines and other infrastructure and to fund the construction and closing costs of the facility.”
- F. “The Blue Cloud project was selected as a candidate due to the robust wind speed and proximity to SPP transmission within the Sudan ISD area. However, due to historically low power prices and increasing levels of competition in the Texas electric market, without a favorable tax incentive the project will be unable to provide the returns necessary for investors and financiers at current electricity prices. Without the 313 value limitation, the applicant will be forced to redeploy its capital into another region or state with a higher expected return.”
- July 12, 2016, *North American Windpower* on-line magazine report that, “Denmark-based Copenhagen Infrastructure Partners has purchased two wind farms from developer Tri Global Energy. Danish Investor acquires 516 MW in Texas. According to Copenhagen Infrastructure Partners, the deal includes the acquisition of the 366 MW Bearkat Renewable Energy Project, located in Glasscock County, Texas, and the 150 MW Blue Cloud Renewable Energy Project, located in Bailey and Lamb Counties, Texas. Tri Global Energy will continue to assist Copenhagen Infrastructure Partners with the development toward financial close, and the projects are planned to be fully operational before 2018 and qualify for 100% production tax credits.”

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

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements, 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**

Attachment 5

Documentation to assist in determining if limitation is a determining factor.

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.

Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

Blue Cloud Wind Energy, LLC was formed in 2016.

Since its formation Blue Cloud Wind Energy, LLC and its associate parties have not entered into any agreements for offtake or project finance. Blue Cloud and its affiliates have, however, entered into the following representative agreements and material contracts for the development of a project phase within Sudan ISD:

- Grants of leases and easements covering approximately 22,000 acres with 50 landowners.
- GIA (Generator Interconnection Agreement) with Southwestern Public Service (SPS) and the Southwest Power Pool (SPP)
- Wind data measurement contract with Wireless Innovations for data transmission for 4 Met Towers
- Contract with V-Bar for data storage and verification of wind data
- D&O Insurance Policy & Public Liability insurance contract with MHBT Marsh & McLennan Agency LLC
- Environmental and habitat studies with SWCA
- Wind and site analysis studies with AWS Truepower LLC
- Geotechnical surveys with BARR Engineering
- Contract for transformer engineering, procurement, and supply with SMIT Transformatoren, B.V.
- Consulting agreement with Energy Renewal Partners, LLC.

Does the applicant have current business activities at the location where the proposed project will occur?

The business activities defined within the agreements and contracts listed above will determine with greater certainty and granularity the feasibility of completing development of an economic renewable energy project within Sudan ISD.

These contracts and initial investments are preliminary in nature as Blue Cloud Wind Energy, LLC has determined that a value limitation agreement with Sudan ISD is an essential economic driver to allow for the return on investment necessary to finance and construct the wind energy project.

Is the applicant evaluating other locations not in Texas for the proposed project?

The CIP and Tri Global management teams have experience in multiple international and domestic markets. Based on this experience, the management teams evaluate all potential projects for feasibility, finance-ability, and the economic returns they represent in comparison to other project opportunities across the globe.

The Blue Cloud Project is currently in such a period of assessment to determine whether the identified site in Sudan ISD represents the best location or whether redeployment of its development resources and capital to other power markets in the United States is more advisable.

A 313 Limitation of Appraised Value Agreement is a key tax incentive agreement necessary to ensure the Project is on a level playing field with other wind projects with similar incentives and with alternative types of generation that receive their own forms of economic support. Without the requested limitation, the Project will be unable to generate sufficient operating margins and net income to produce economically competitive energy and associated returns necessary to attract tax and sponsor equity investment. Such third-party investment is mandatory to finance the projected capital costs of approximately \$225M necessary to purchase wind turbines and other infrastructure and to fund the construction and closing costs of the facility.

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?

The Blue Cloud Project was selected as a candidate due to the robust wind speed and proximity to SPP transmission within the Sudan ISD area. However, due to historically low power prices and increasing levels of competition in the Texas electric market, without a favorable tax incentive the Project will be unable to provide the returns necessary for investors and financiers at current electricity prices. Without the 313 Value Limitation, the applicant will be forced to redeploy its capital into another region or state with a higher expected return.

The information provided in this Attachment and throughout the application has been assembled to provide the reviewer with the best possible data on which to make an assessment and determination of the critical nature of the limitation on appraised value to the feasibility of Blue Cloud Wind Energy, LLC.

Supporting Information

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

Danish Investor Acquires 516 MW In Texas

Posted by [Lauren Tyler](#) on **July 12, 2016** [No Comments](#)

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Denmark-based Copenhagen Infrastructure Partners has purchased two wind farms from developer Tri Global Energy.



According to Copenhagen Infrastructure Partners, the deal includes the acquisition of the 366 MW Bearkat Renewable Energy Project, located in Glasscock County, Texas, and the 150 MW Blue Cloud Renewable Energy Project, located in Bailey and Lamb Counties, Texas.

Tri Global Energy will continue to assist Copenhagen Infrastructure Partners with the development toward financial close, and the projects are planned to be fully operational before 2018 and qualify for 100% production tax credits.

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