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Sara Hardner Leon  
Colby R. Nichols  
Andrew Tatgenhorst  
Darrick W. Eugene  
Mackenzie Lewis  
Casandra Johnson  
William C. Bednar, *Of Counsel*



Jay Youngblood  
*Tyler, Texas*  
John J. Janssen, Ph.D.  
*Corpus Christi, Texas*  
Rick W. Powell  
*Pittsburg/Lewisville, Texas*

June 7, 2017

*Via Hand Delivery*

Mr. Will Counihan  
Local Government Assistance & Economic Analysis  
Texas Comptroller of Public Accounts  
111 E. 17<sup>th</sup> Street  
Austin, Texas 78774

Re: Application for Chapter 313 Value Limitation Agreement between the Crane Independent School District and SP-Horsehead Crossing Solar, LLC, Application #1182

Dear Local Government Assistance and Economic Analysis Division:

I enclose an Amendment to the above referenced Application for Limitation of Value on School District Maintenance and Operations Taxes submitted by SP-Horsehead Crossing Solar, LLC. The Applicant seeks to amend the Application to address concerns raised by the Comptroller in the initial review.

We appreciate your attention to this matter.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Sara Leon", is written over a printed name. The signature is fluid and cursive, with a large initial "S" and "L".

Sara Hardner Leon

Enclosure

cc: Robert Reichenberger  
[robert@solar-prime.com](mailto:robert@solar-prime.com)

Tony Priest  
Business Manager  
Crane Independent School District

1001 ESE Loop 323, Ste. 450  
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802 N. Carancahua, Ste. 665  
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**Tab 5**

**Documentation to Assist in Determining if Limitation is a Determining Factor**

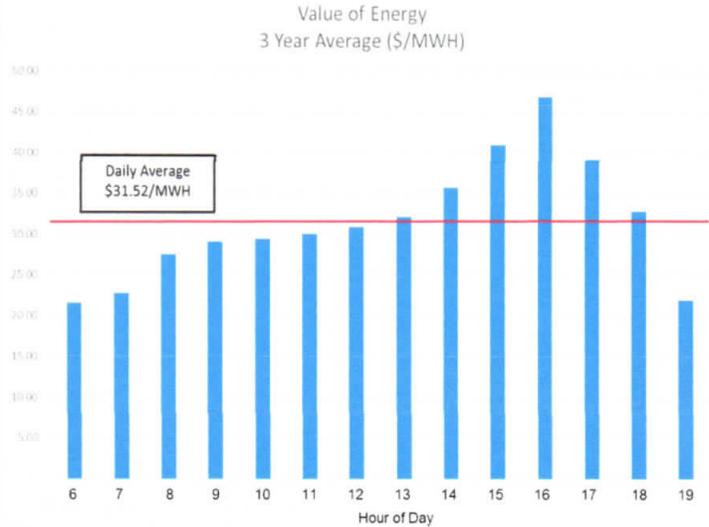
The applicant’s parent company for this project is a national solar developer with the ability to locate projects of this type in other states in the US with strong solar characteristics. The applicant is actively developing other projects in Arizona, Colorado, New Mexico, Missouri, and Minnesota. All of these projects are competing with the Crane County project for applicant’s limited resources (see Attachment 1). The applicant requires this appraised value limitation in order (i) to continue allocating resources to develop the project (e.g., paying for studies related to environment and subsurface geotechnical conditions at the project site, having detailed land surveys carried out, retaining the services of specialized legal counsel and consultants), and (ii) to secure long-term (>20 years) project related capital from the limited pool of third-party institutional solar investors that have the very significant resources needed to construct and operate a project of this size.

Applicant is competing with other solar developers that are developing large solar projects in other states and are also seeking long-term financing from this same small pool of institutional investors as applicant. These institutions have investment hurdle rates, and generally require investment returns of at least 6.5%. At the same time, applicant’s solar project is viable only if it is able to sell electricity at competitive prices within the Texas market, which has low electricity rates when compared with most other states. These dual constraints of investor return requirements and the need to offer competitively-priced electricity means that applicant’s solar project (and other solar projects within Texas) are viable only if coupled with tax abatements or other form(s) of support or relief. Specifically, without the value limitation sought by applicant, the project return on investment (ROI) of less than 6% is well below investor requirements of at least 6.5% ROI (see table below), making it unattractive to institutional investors and also inferior to the applicant’s other projects outside of Texas as shown in table. Without the value limitation, the solar projects outside of Texas, located in Colorado & New Mexico, would receive the constrained investment capital. With the value limitation approved, applicant’s Texas project ROI is near the hurdle required in order to secure capital investment.

Projects Competing for Investment Capital	Texas Project		Outside Texas, Competing Projects		
	Crane County, TX	Crane County, TX	Pueblo, CO	Deming, NM	Alamosa, CO
Property Tax Abatement/Value Limitation	No	Yes	Yes	Yes	Yes
ROI: Project IRR (to Investor)	< 6.0%	6.45%	6.78%	6.68%	6.55%

Other solar companies are also seeking value limitation. As noted by one applicant in a publicly available application: ***“Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract.”***

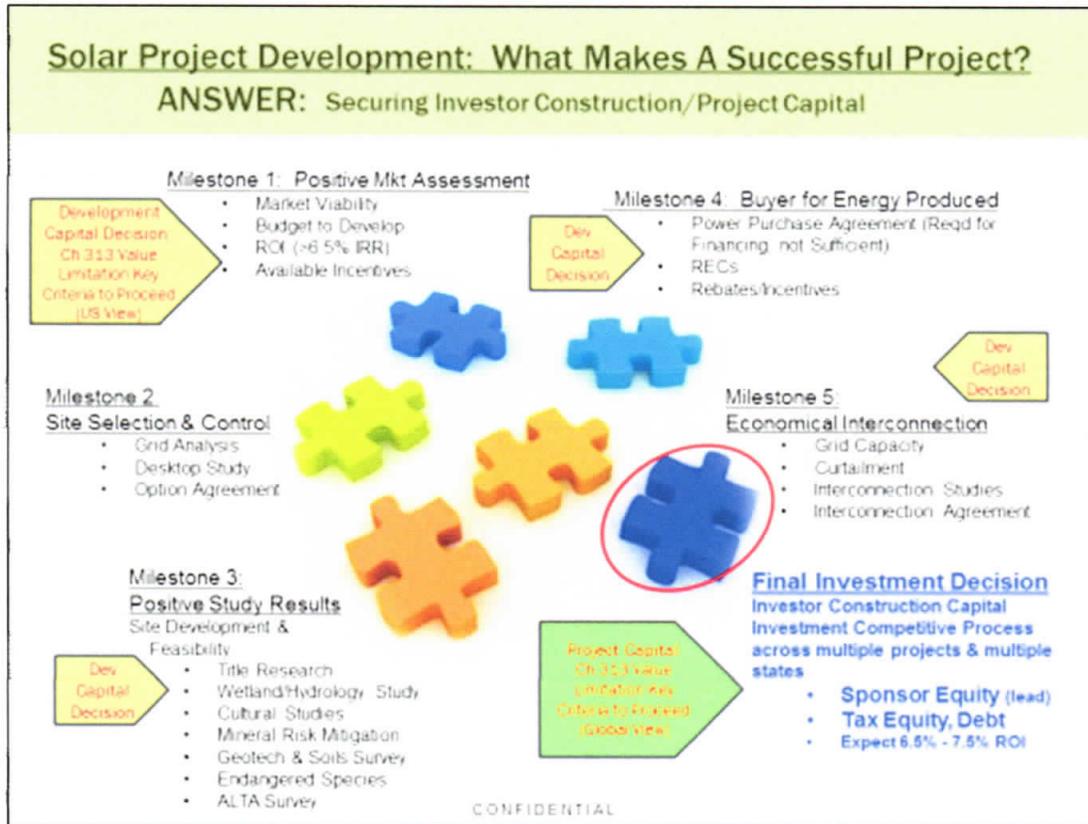
This is supported by the information in the chart to right showing value of energy in West Texas from publicly available ERCOT data. Without the value limitation, either 1)solar companies would have to charge well above the 3 year average of \$31.52 per MWH, making the PPA undesirable for a potential PPA counterparty or 2)if the solar project matches the competitive energy price in the PPA, the project margins (ROI) would be so low that the project would never receive financing and the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher.



This is supported by the information in the chart to right showing value of energy in West Texas from publicly available ERCOT data. Without the value limitation, either 1)solar companies would have to charge well above the 3 year average of \$31.52 per MWH, making the PPA undesirable for a potential PPA counterparty or 2)if the solar project matches the competitive energy price in the PPA, the project margins (ROI) would be so low that the project would never receive financing and the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher.

### Solar Project Development Process

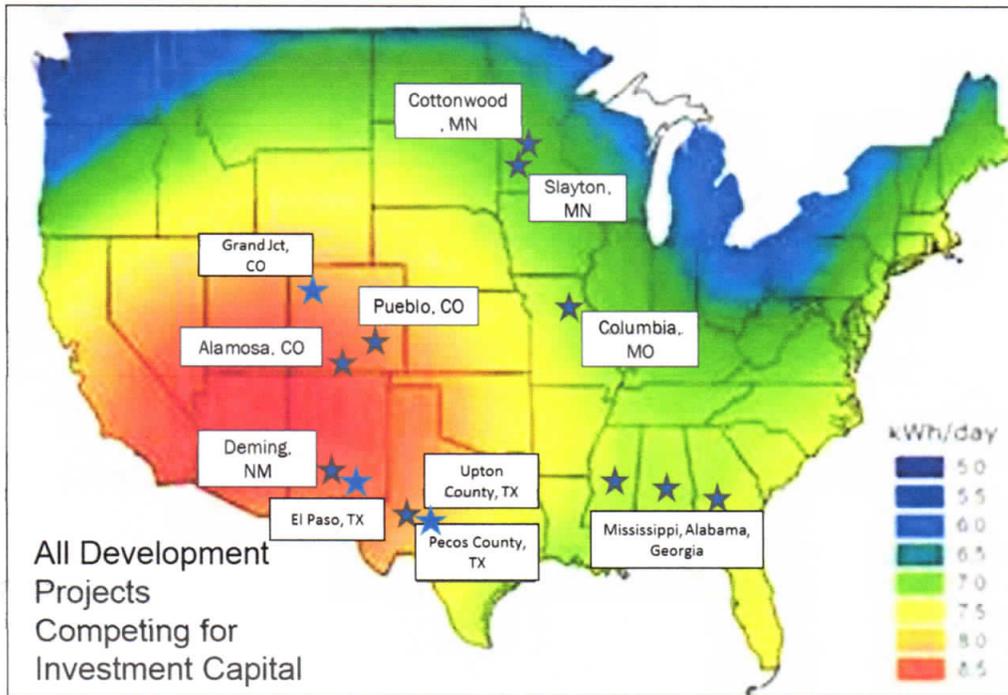
The applicant has provided an explanation of its Solar Project Development process below in an effort to further elaborate on the elements that are necessary to secure development and investment capital necessary to bring a project to Texas. In order to invest in and make the decision to construct a Texas solar project, several milestones must be met to advance the project to a point where it will be considered by an investor of project/construction capital. The applicant, as the project developer, works closely with investors to ensure there is a clear understanding of their financial and other project related requirements. The applicant then adopts these requirements in making development capital decisions, which fund the work in achieving the project related milestones shown in the image below. The achievement of an individual milestone, absent the other milestones, is not sufficient in order to secure investment capital as a fatal flaw may exist in one of the other milestone categories. As an example, even with a “Buyer for the Energy” (milestone 4 in the image below), the project cannot obtain investment capital because the project investor must also be certain that the market is viable (milestone 1), that the land site is controlled (milestone 2), that there are not endangered species, geo-tech, mineral title, etc related fatal flaws from milestone 3, and that the project can even be interconnected to the grid successfully (milestone 5).



**Attachment 1**

**Applicant's Other Projects Outside of Texas Competing for Investment**

The Applicant has multiple other projects outside of Texas (see image below for our other projects) that are competing for development and project capital investment. The value limitation is essential to improving the project economics to a point that we can consider bringing this project to Texas. Solar projects and their associated components are modular and can be deployed anywhere in the USA or the world that provides acceptable return on investment.



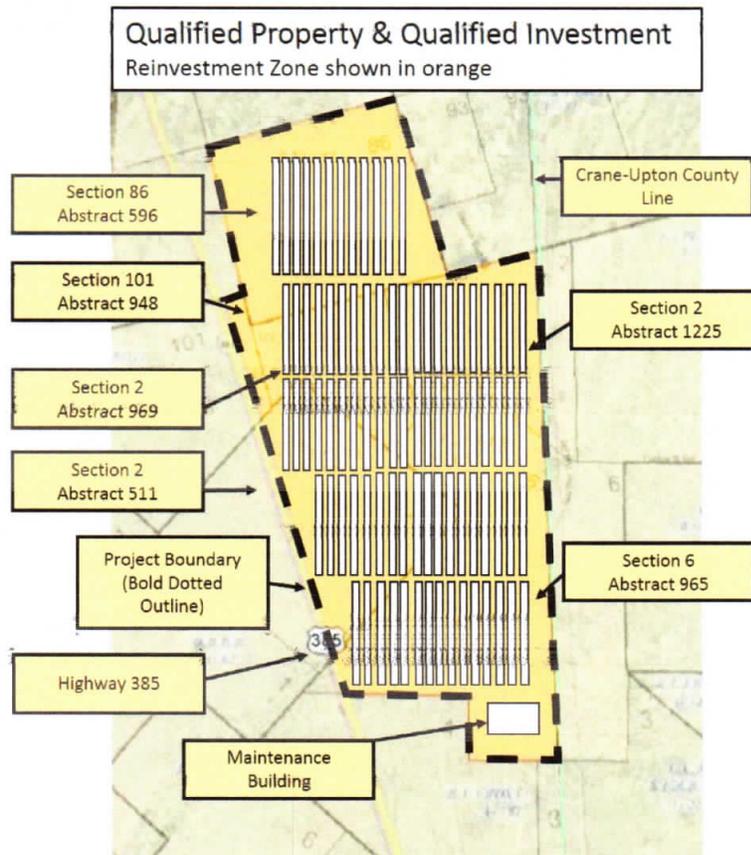
## Tab 7

### Description of Qualified Investment

The Qualified Investment is described below:

- Approximately 150MW solar power generating facility containing:
  - Photovoltaic (PV) Solar Panels and DC-to-AC Inverters
  - Tracker system infrastructure.
  - Collection Substation including High Voltage Transformer, Switch Gear & Transmission equipment
  - Inverter boxes on concrete or gravel pads
  - Fencing for safety and security, Video Security System
  - Telephone System and Data Systems for communication and remote monitoring of solar facility
  - Maintenance trailer
  - Meteorological equipment to measure solar irradiance & weather conditions
  - New or improved access roads and service roads.

and associated ancillary equipment necessary to safely operate, maintain, and transmit power to the ERCOT grid. Project area & panel tracker layout illustration below.



## Tab 8

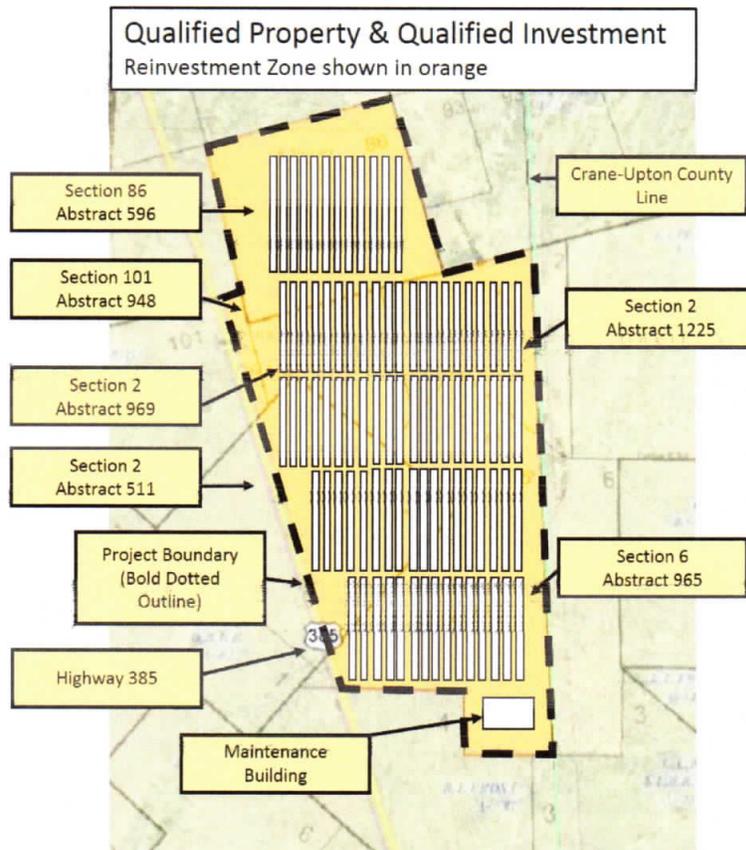
### Description of Qualified Property

The Qualified Property is described below:

- Approximately a 150MW solar power generating facility containing:
  - Photovoltaic (PV) Solar Panels and DC-to-AC Inverters
  - Tracker system infrastructure.
  - Collection Substation including High Voltage Transformer, Switch Gear & Transmission equipment
  - Inverter boxes on concrete or gravel pads
  - Fencing for safety and security, Video Security System
  - Telephone System and Data Systems for communication and remote monitoring of solar facility
  - Maintenance trailer
  - Meteorological equipment to measure solar irradiance & weather conditions
  - New or improved access roads and service roads.

and associated ancillary equipment necessary to safely operate, maintain, and transmit power to the ERCOT grid.

Project area & panel tracker layout illustration below.



**Tab 11**

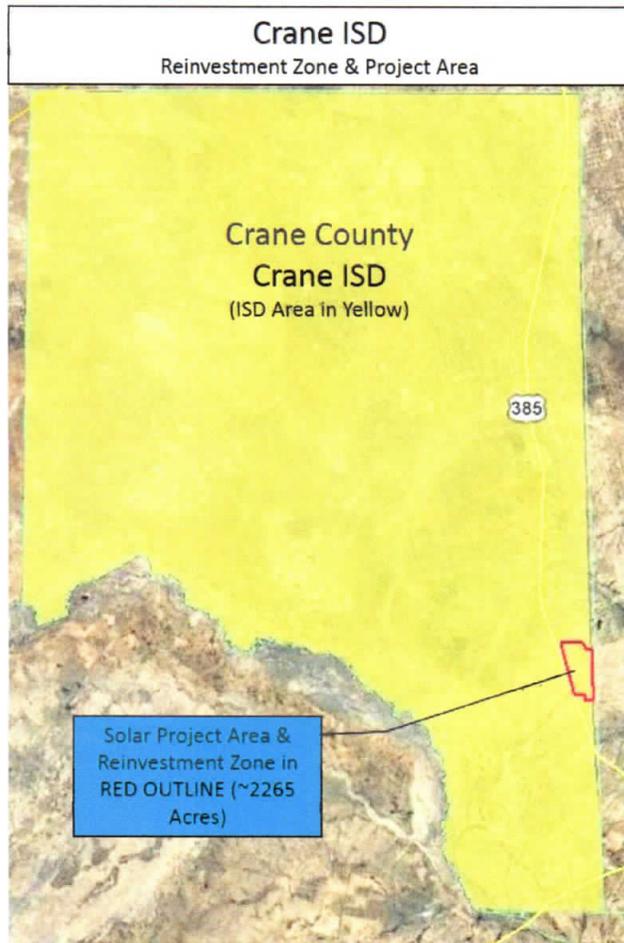
**Maps that clearly show:**

- a) Project vicinity (See Below)
- b) Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period (See Below)
- c) Qualified property including location of new buildings or new improvements (See Below)
- d) Existing property (There is no existing property on the site)
- e) Land location within vicinity map (See Below)
- f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size (See Below)

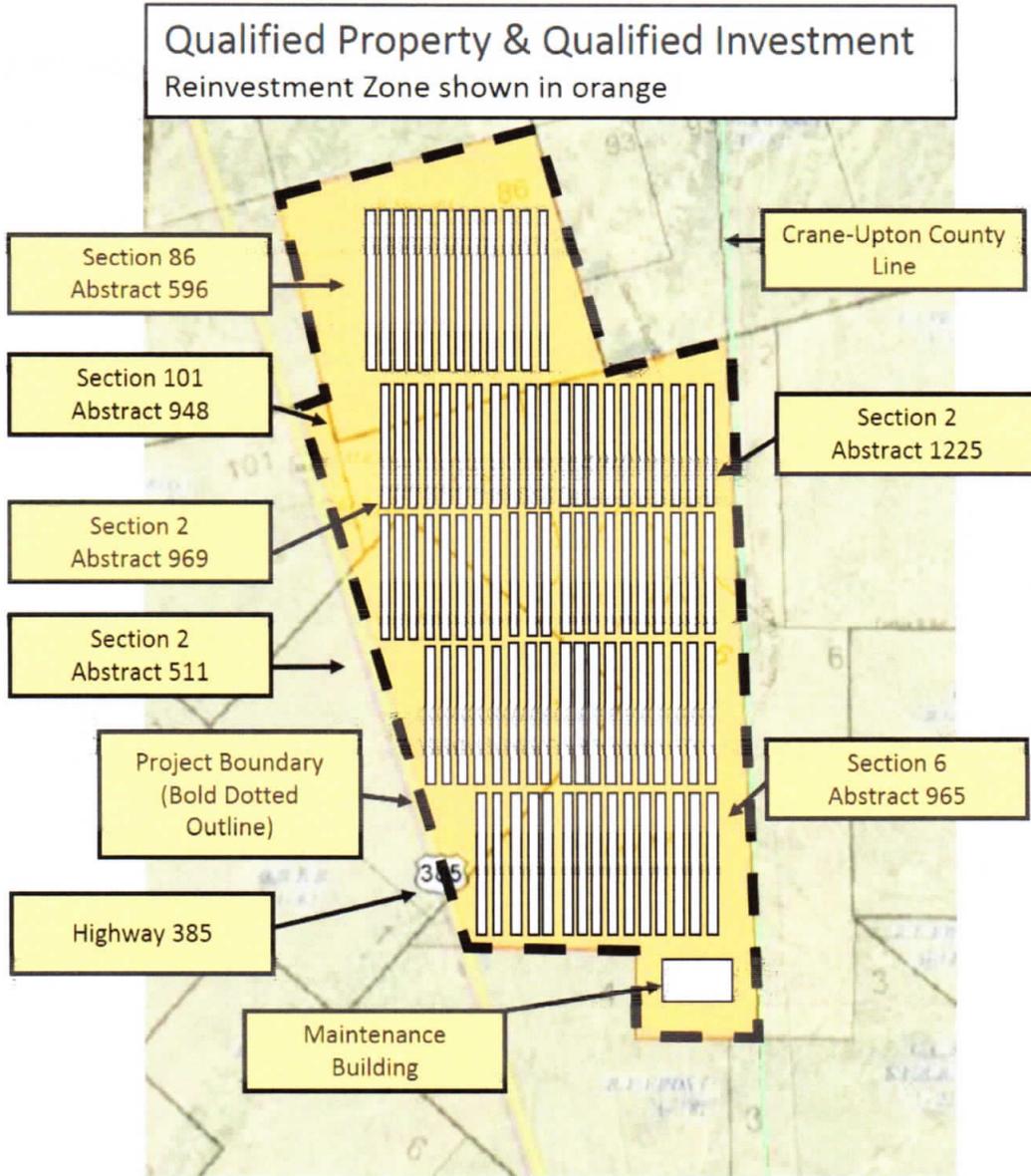
**Vicinity Map:** Two vicinity maps have been provided below. The Solar Project is located 100% in Crane County and 100% in Crane ISD

Crane ISD area and Crane County (Yellow Area). Solar Project area (red outline).





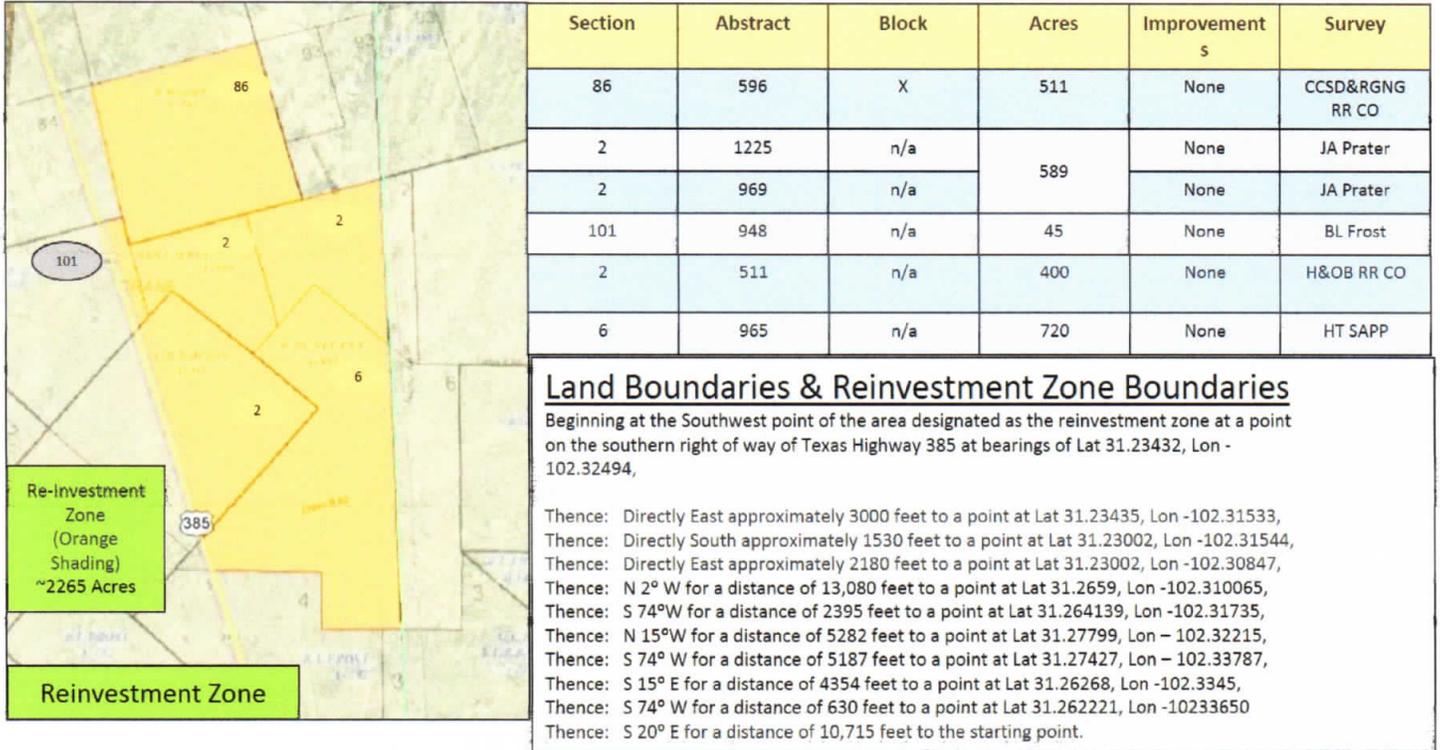
Location of the Qualified Investment & New Buildings and New Improvements (Solar Facility) shown below.



**Reinvestment Zone**

Reinvestment Zone

2265 Acres, all located in Crane ISD, Crane County Texas



**Tab 12**

**Request for Waiver of Job Creation Requirement  
and supporting information (if applicable)**

**Solar Prime LLC**

SP-Horsehead Crossing Solar LLC  
Robert Reichenberger  
President  
(303) 886-1162  
robert@solar-prime.com

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May 23, 2017

Mr. Bill Boyd  
Superintendent  
Crane Independent School District  
511 West 8th  
Crane, TX 79731

Re: Chapter 313 Job Waiver Request for Solar Project

Dear Mr. Boyd:

This letter is to request a waiver of the requirement to create 10 full time jobs as part of the Appraised Value Limitation application for the SP-Horsehead Crossing Solar LLC solar project contemplated for Southeastern Crane County, TX and inside Crane ISD's district. House Bill 1470 altered the jobs requirement by adding Section 313.025(f-1) to permit a school district's board of trustees to make a finding that the job requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. SP-Horsehead Crossing Solar LLC requests that the Crane ISD Board of Trustees make such a finding and waive the job creation requirement for ten (10) permanent jobs.

The new qualifying job creation requirement exceeds the number of employees necessary for the operation of the project according to our over 10-year experience developing solar projects with the type of technology being utilized at this project site. For this site design, we are specifying high capacity inverters (>1.5MW inverter blocks) and single axis tracker technology. For this type of solar technology, our experience and operational practices prescribe one operations person per each 80-90MW of solar generation capacity. This means that two (2) highly skilled maintenance employees are reasonably necessary for the operation of the facility described in this application. Solar projects create a large number of full-time, temporary jobs during the construction phase, but require a small number of personnel to operate the facility after commercial operation.

This waiver request is in line with industry norms for the number of jobs related to a solar generation facility of this size. This is evidenced by previously filed limitation agreement applications by solar developers who requested a waiver of the job requirements and through readily available documentation related to the development of solar generation facilities.

Respectfully,



Robert Reichenberger  
SP-Horsehead Crossing Solar LLC

Tab 17

Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative (applicant)

**SECTION 16: Authorized Signatures and Applicant Certification**

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in **Tab 17**. **NOTE:** If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

**1. Authorized School District Representative Signature**

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here

Tony Priest  
Print Name (Authorized School District Representative)

Business Manager  
Title

sign here

[Signature]  
Signature (Authorized School District Representative)

5/25/17  
Date

**2. Authorized Company Representative (Applicant) Signature and Notarization**

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here

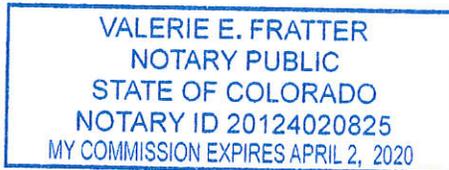
Robert Reichenberger  
Print Name (Authorized Company Representative (Applicant))

Authorized Representative  
Title

sign here

Robert Reichenberger  
Signature (Authorized Company Representative (Applicant))

5/23/17  
Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

23<sup>rd</sup> day of May, 2017

[Signature]  
Notary Public in and for the State of ~~Texas~~ Colorado

My Commission expires: 04/02/2020

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.