



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

June 14, 2017

Bill Boyd
Superintendent
Crane Independent School District
511 West 8th
Crane, Texas 79731

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations Taxes by and between Crane Independent School District
and SP-Horsehead Crossing Solar, LLC, Application 1182

Dear Superintendent Boyd:

On April 26, 2017, the Comptroller issued written notice that SP-Horsehead Crossing Solar, LLC (applicant) submitted a completed application (Application 1182) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on March 21, 2017, to the Crane 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.

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

- 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 1182.

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's 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 by December 31, 2017.

Note that any building or improvement existing as of the application review start date of April 26, 2017, 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,

A handwritten signature in blue ink that reads "Lisa Claven for Mike Reissig". The signature is written in a cursive style and includes a checkmark at the end.

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of SP-Horsehead Crossing Solar, LLC (project) applying to Crane Independent School District (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 SP-Horsehead Crossing Solar, LLC.

Applicant	SP-Horsehead Crossing Solar, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Crane ISD
Estimated 2015-2016 Average Daily Attendance	1,037
County	Crane
Proposed Total Investment in District	\$193,760,920
Proposed Qualified Investment	\$179,480,000
Limitation Amount	\$25,000,000
Qualifying Time Period (Full Years)	2018-2019
Number of new qualifying jobs committed to by applicant	2*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,115
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,108
Minimum annual wage committed to by applicant for qualified jobs	\$58,000
Minimum weekly wage required for non-qualifying jobs	\$1,119
Minimum annual wage required for non-qualifying jobs	\$58,189
Investment per Qualifying Job	\$96,880,460
Estimated M&O levy without any limit (15 years)	\$12,834,330
Estimated M&O levy with Limitation (15 years)	\$5,228,588
Estimated gross M&O tax benefit (15 years)	\$7,605,742

* 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 SP-Horsehead Crossing Solar, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	100	114	214	\$3,750,000	\$9,860,000	\$13,610,000
2019	202	239	441.339	\$7,616,000	\$22,115,000	\$29,731,000
2020	2	47	49	\$116,000	\$6,080,000	\$6,196,000
2021	2	22	24	\$116,000	\$4,034,000	\$4,150,000
2022	2	5	7	\$116,000	\$2,398,000	\$2,514,000
2023	2	(5)	-3	\$116,000	\$1,287,000	\$1,403,000
2024	2	(9)	-7	\$116,000	\$599,000	\$715,000
2025	2	(9)	-7	\$116,000	\$265,000	\$381,000
2026	2	(8)	-6	\$116,000	\$151,000	\$267,000
2027	2	(6)	-4	\$116,000	\$169,000	\$285,000
2028	2	(3)	-1	\$116,000	\$285,000	\$401,000
2029	2	(0)	2	\$116,000	\$475,000	\$591,000
2030	2	2	4	\$116,000	\$659,000	\$775,000
2031	2	4	6	\$116,000	\$843,000	\$959,000
2032	2	5	7	\$116,000	\$1,005,000	\$1,121,000
2033	2	6	8	\$116,000	\$1,136,000	\$1,252,000
2034	2	6	8	\$116,000	\$1,226,000	\$1,342,000

Source: CPA REMI, SP-Horsehead Crossing Solar, LLC

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

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Crane ISD I&S Tax Levy	Crane ISD M&O Tax Levy	Crane ISD M&O and I&S Tax Levies	Crane County Tax Levy	Crane Hospital District Tax Levy	Crane County Farm to Market & Lateral Road Tax Levy	Crane County Water District Tax Levy	Estimated Total Property Taxes
				0.0675	1.0600		0.7748	0.3300	0.0552	0.3450	
2020	\$167,095,880	\$167,095,880		\$112,790	\$1,771,216	\$1,884,006	\$1,294,711	\$551,416	\$92,170	\$576,481	\$3,730,133
2021	\$153,706,672	\$153,706,672		\$103,752	\$1,629,291	\$1,733,043	\$1,190,967	\$507,232	\$84,785	\$530,288	\$3,431,242
2022	\$139,258,532	\$139,258,532		\$94,000	\$1,476,140	\$1,570,140	\$1,079,018	\$459,553	\$76,815	\$480,442	\$3,108,711
2023	\$123,643,772	\$123,643,772		\$83,460	\$1,310,624	\$1,394,084	\$958,030	\$408,024	\$68,202	\$426,571	\$2,760,138
2024	\$106,790,600	\$106,790,600		\$72,084	\$1,131,980	\$1,204,064	\$827,447	\$352,409	\$58,906	\$368,428	\$2,383,920
2025	\$88,591,328	\$88,591,328		\$59,799	\$939,068	\$998,867	\$686,433	\$292,351	\$48,867	\$305,640	\$1,977,652
2026	\$68,938,268	\$68,938,268		\$46,533	\$730,746	\$777,279	\$534,155	\$227,496	\$38,026	\$237,837	\$1,538,930
2027	\$47,705,784	\$47,705,784		\$32,201	\$505,681	\$537,883	\$369,639	\$157,429	\$26,315	\$164,585	\$1,064,951
2028	\$35,896,000	\$35,896,000		\$24,230	\$380,498	\$404,727	\$278,133	\$118,457	\$19,800	\$123,841	\$801,318
2029	\$35,896,000	\$35,896,000		\$24,230	\$380,498	\$404,727	\$278,133	\$118,457	\$19,800	\$123,841	\$801,318
2030	\$50,896,000	\$50,896,000		\$34,355	\$539,498	\$573,852	\$394,358	\$167,957	\$28,074	\$175,591	\$1,136,167
2031	\$49,861,000	\$49,861,000		\$33,656	\$528,527	\$562,183	\$386,338	\$164,541	\$27,503	\$172,020	\$1,113,063
2032	\$48,742,000	\$48,742,000		\$32,901	\$516,665	\$549,566	\$377,668	\$160,849	\$26,886	\$168,160	\$1,088,083
2033	\$47,534,500	\$47,534,500		\$32,086	\$503,866	\$535,951	\$368,312	\$156,864	\$26,220	\$163,994	\$1,061,127
2034	\$46,229,500	\$46,229,500		\$31,205	\$490,033	\$521,238	\$358,200	\$152,557	\$25,500	\$159,492	\$1,031,995
			Total	\$817,280	\$12,834,330	\$13,651,610	\$9,381,544	\$3,995,593	\$667,869	\$4,177,211	\$27,028,748

Source: CPA, SP-Horsehead Crossing Solar, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Crane County, Crane County Farm-to Market and Lateral Road, Crane Hospital District and Crane County Water District, with all property tax incentives being sought using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital 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		Crane ISD I&S Tax Levy	Crane ISD M&O Tax Levy	Crane ISD M&O and I&S Tax Levies	Crane County Tax Levy	Crane Hospital District Tax Levy	Crane County Farm to Market & Lateral Road Tax Levy	Crane County Water District Tax Levy	Estimated Total Property Taxes
			Tax Rate *	0.0675	1.0600		0.7748	0.3300	0.0552	0.3450	
2020	\$167,095,880	\$25,000,000		\$112,790	\$265,000	\$377,790	\$258,942	\$110,283	\$92,170	\$576,481	\$747,015
2021	\$153,706,672	\$25,000,000		\$103,752	\$265,000	\$368,752	\$238,193	\$101,446	\$84,785	\$530,288	\$708,392
2022	\$139,258,532	\$25,000,000		\$94,000	\$265,000	\$359,000	\$215,804	\$91,911	\$76,815	\$480,442	\$666,714
2023	\$123,643,772	\$25,000,000		\$83,460	\$265,000	\$348,460	\$191,606	\$81,605	\$68,202	\$426,571	\$621,670
2024	\$106,790,600	\$25,000,000		\$72,084	\$265,000	\$337,084	\$165,489	\$70,482	\$58,906	\$368,428	\$573,055
2025	\$88,591,328	\$25,000,000		\$59,799	\$265,000	\$324,799	\$137,287	\$58,470	\$48,867	\$305,640	\$520,556
2026	\$68,938,268	\$25,000,000		\$46,533	\$265,000	\$311,533	\$106,831	\$45,499	\$38,026	\$237,837	\$463,864
2027	\$47,705,784	\$25,000,000		\$32,201	\$265,000	\$297,201	\$73,928	\$31,486	\$26,315	\$164,585	\$402,615
2028	\$35,896,000	\$25,000,000		\$24,230	\$265,000	\$289,230	\$55,627	\$23,691	\$19,800	\$123,841	\$368,548
2029	\$35,896,000	\$25,000,000		\$24,230	\$265,000	\$289,230	\$55,627	\$23,691	\$19,800	\$123,841	\$368,548
2030	\$50,896,000	\$50,896,000		\$34,355	\$539,498	\$573,852	\$394,358	\$167,957	\$28,074	\$175,591	\$1,136,167
2031	\$49,861,000	\$49,861,000		\$33,656	\$528,527	\$562,183	\$386,338	\$164,541	\$27,503	\$172,020	\$1,113,063
2032	\$48,742,000	\$48,742,000		\$32,901	\$516,665	\$549,566	\$377,668	\$160,849	\$26,886	\$168,160	\$1,088,083
2033	\$47,534,500	\$47,534,500		\$32,086	\$503,866	\$535,951	\$368,312	\$156,864	\$26,220	\$163,994	\$1,061,127
2034	\$46,229,500	\$46,229,500		\$31,205	\$490,033	\$521,238	\$358,200	\$152,557	\$25,500	\$159,492	\$1,031,995
			Total	\$817,280	\$5,228,588	\$6,045,868	\$3,384,211	\$1,441,333	\$667,869	\$4,177,211	\$10,871,412
			Diff	\$0	\$7,605,742	\$7,605,742	\$5,997,333	\$2,554,260	\$0	\$0	\$16,157,336

Assumes School Value Limitation and Tax Abatements with the County and Hospital District.

Source: CPA, SP-Horsehead Crossing Solar, LLC

*Tax 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 SP-Horsehead Crossing Solar, 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 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	2017	\$0	\$0	\$0	\$0
	2018	\$95,124	\$95,124	\$0	\$0
	2019	\$1,902,488	\$1,997,612	\$0	\$0
Limitation Period (10 Years)	2020	\$265,000	\$2,262,612	\$1,506,216	\$1,506,216
	2021	\$265,000	\$2,527,612	\$1,364,291	\$2,870,507
	2022	\$265,000	\$2,792,612	\$1,211,140	\$4,081,647
	2023	\$265,000	\$3,057,612	\$1,045,624	\$5,127,271
	2024	\$265,000	\$3,322,612	\$866,980	\$5,994,252
	2025	\$265,000	\$3,587,612	\$674,068	\$6,668,320
	2026	\$265,000	\$3,852,612	\$465,746	\$7,134,066
	2027	\$265,000	\$4,117,612	\$240,681	\$7,374,747
	2028	\$265,000	\$4,382,612	\$115,498	\$7,490,244
	2029	\$265,000	\$4,647,612	\$115,498	\$7,605,742
Maintain Viable Presence (5 Years)	2030	\$539,498	\$5,187,110	\$0	\$7,605,742
	2031	\$528,527	\$5,715,637	\$0	\$7,605,742
	2032	\$516,665	\$6,232,302	\$0	\$7,605,742
	2033	\$503,866	\$6,736,168	\$0	\$7,605,742
	2034	\$490,033	\$7,226,200	\$0	\$7,605,742
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	\$475,103	\$7,701,303	\$0	\$7,605,742
	2036	\$458,980	\$8,160,283	\$0	\$7,605,742
	2037	\$441,570	\$8,601,852	\$0	\$7,605,742
	2038	\$422,760	\$9,024,612	\$0	\$7,605,742
	2039	\$412,298	\$9,436,910	\$0	\$7,605,742
	2040	\$412,298	\$9,849,207	\$0	\$7,605,742
	2041	\$412,298	\$10,261,505	\$0	\$7,605,742
	2042	\$412,298	\$10,673,803	\$0	\$7,605,742
	2043	\$412,298	\$11,086,100	\$0	\$7,605,742
	2044	\$412,298	\$11,498,398	\$0	\$7,605,742

\$11,498,398

is greater than

\$7,605,742

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

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, SP-Horsehead Crossing Solar, 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 SP-Horsehead Crossing Solar, 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 SP-Horsehead Crossing Solar, LLC. in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “The applicant requires this appraised value limitation in order (i) to continue allocating resources to develop the project ... and (ii) to secure long-term 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.”
 - B. “Applicant is competing with 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 with 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 the applicant’s solar project ... [is] viable only if coupled with tax abatements or other forms of support or relief. ... Without the value limitation, the solar projects outside of Texas, located in Colorado [and] New Mexico would receive the constrained capital. With the value

limitation approved, applicant's Texas project ROI is near the hurdle required in order to secure capital investment."

- C. The Applicant has multiple other projects outside of Texas 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.

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

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

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

Application for Appraised Value Limitation on Qualified Property

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☒ Yes ☐ No
2. The property will be used for one of the following activities:
 - (1) manufacturing ☐ Yes ☒ No
 - (2) research and development ☐ Yes ☒ No
 - (3) a clean coal project as defined by Section 5.001, Water Code ☐ Yes ☒ No
 - (4) an advanced clean energy project as defined by Section 382.003, Health and Safety Code ☐ Yes ☒ No
 - (5) renewable energy electric generation ☒ Yes ☐ No
 - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☒ No
 - (7) nuclear electric power generation ☐ Yes ☒ No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☒ No
 - (9) a Texas Priority Project as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☒ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☒ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☒ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☒ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☒ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☒ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

☒ Land has no existing improvements

☐ Land has existing improvements (complete Section 13)

☐ Expansion of existing operation on the land (complete Section 13)

☐ 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**

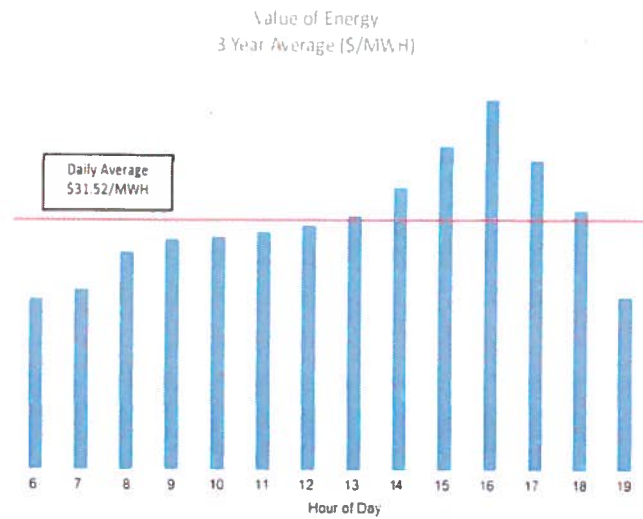
The applicant's parent company for this project is a national solar developer with the ability to locate projects of this type in other states in the US with strong solar characteristics. The applicant is actively developing other projects in Arizona, Colorado, New Mexico, Missouri, and Minnesota. All 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%

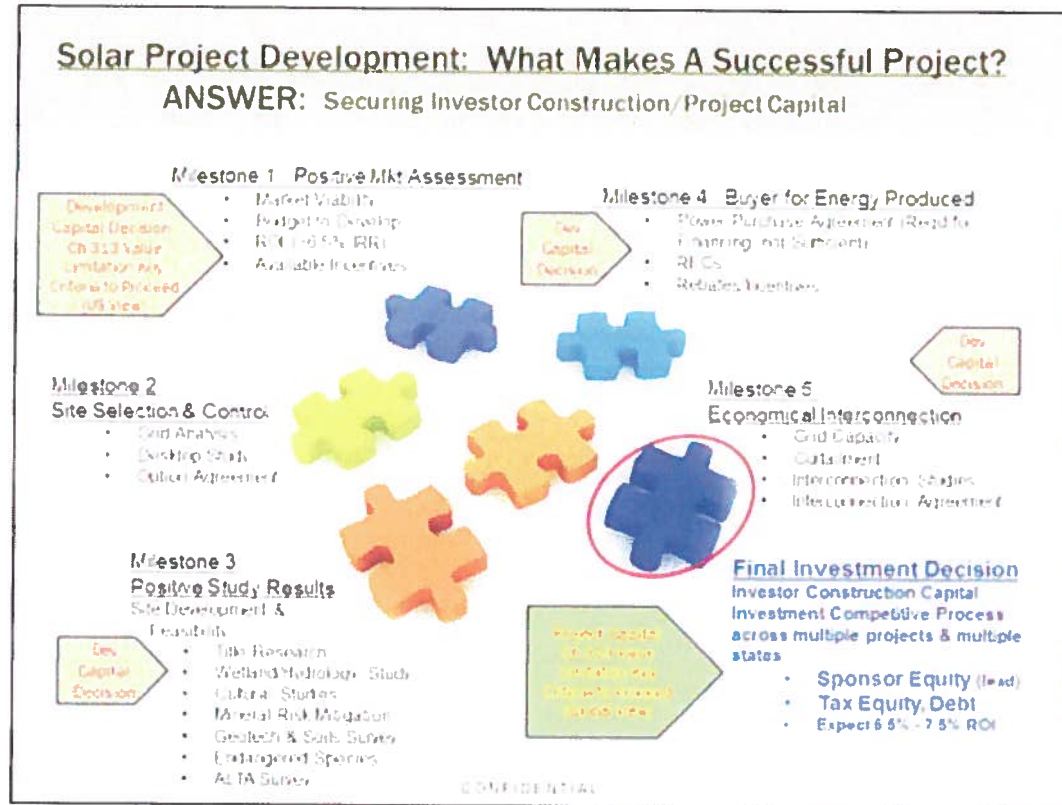
Other solar companies are also seeking value limitation. As noted by one applicant in a publicly available application: ***"Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and 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 bilateral 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.



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, geotech, 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.

