



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

July 11, 2017

Jim Haley
Superintendent
Pecos-Barstow-Toyah Independent School District
Post Office Box 869
Pecos, Texas 79772

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations Taxes by and between Pecos-Barstow-Toyah Independent
School District and West of the Pecos Solar, LLC, Application 1189

Dear Superintendent Haley:

On June 6, 2017, the Comptroller issued written notice that West of the Pecos Solar, LLC (applicant) submitted a completed application (Application 1189) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on April 20, 2017, to the Pecos-Barstow-Toyah 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 1189.

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).

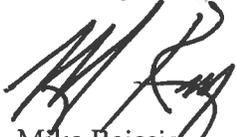
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed 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 June 6, 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 black ink, appearing to read "Mike Reissig". The signature is stylized and overlaps the printed name below it.

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of West of the Pecos Solar LLC (project) applying to Pecos-Barstow-Toyah 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 West of the Pecos Solar LLC.

Applicant	West of the Pecos Solar LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Pecos-Barstow-Toyah ISD
2015-2016 Average Daily Attendance	2,270
County	Reeves
Proposed Total Investment in District	\$90,000,000
Proposed Qualified Investment	\$90,000,000
Limitation Amount	\$30,000,000
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	\$692
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$680
Minimum annual wage committed to by applicant for qualified jobs	\$36,000
Minimum weekly wage required for non-qualifying jobs	\$776
Minimum annual wage required for non-qualifying jobs	\$40,366
Investment per Qualifying Job	\$45,000,000
Estimated M&O levy without any limit (15 years)	\$6,146,400
Estimated M&O levy with Limitation (15 years)	\$3,744,000
Estimated gross M&O tax benefit (15 years)	\$2,402,400

* 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 West of the Pecos Solar LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	120	138	258	\$4,243,699	\$11,524,401	\$15,768,100
2018	122	157	278.537	\$4,315,699	\$14,253,401	\$18,569,100
2019	2	33	35	\$72,000	\$4,298,700	\$4,370,700
2020	2	12	14	\$72,000	\$2,637,500	\$2,709,500
2021	2	(2)	0	\$72,000	\$1,352,400	\$1,424,400
2022	2	(9)	-7	\$72,000	\$529,300	\$601,300
2023	2	(11)	-9	\$72,000	\$38,400	\$110,400
2024	2	(11)	-9	\$72,000	-\$198,100	-\$126,100
2025	2	(9)	-7	\$72,000	-\$229,100	-\$157,100
2026	2	(6)	-4	\$72,000	-\$145,500	-\$73,500
2027	2	(3)	-1	\$72,000	\$15,500	\$87,500
2028	2	(1)	1	\$72,000	\$205,100	\$277,100
2029	2	1	3	\$72,000	\$393,300	\$465,300
2030	2	3	5	\$72,000	\$565,800	\$637,800
2031	2	4	6	\$72,000	\$704,200	\$776,200
2032	2	5	7	\$72,000	\$808,400	\$880,400

Source: CPA REMI, West of the Pecos Solar 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*	Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital Tax Levy	Estimated Total Property Taxes
			0.0550	1.0400			0.4995	0.3505	
2018	\$15,000,000	\$15,000,000		\$8,250	\$156,000	\$164,250	\$74,928	\$52,579	\$291,757
2019	\$90,000,000	\$90,000,000		\$49,500	\$936,000	\$985,500	\$449,568	\$315,473	\$1,750,541
2020	\$81,000,000	\$81,000,000		\$44,550	\$842,400	\$886,950	\$404,611	\$283,925	\$1,575,486
2021	\$72,000,000	\$72,000,000		\$39,600	\$748,800	\$788,400	\$359,654	\$252,378	\$1,400,432
2022	\$63,000,000	\$63,000,000		\$34,650	\$655,200	\$689,850	\$314,698	\$220,831	\$1,225,378
2023	\$54,000,000	\$54,000,000		\$29,700	\$561,600	\$591,300	\$269,741	\$189,284	\$1,050,324
2024	\$45,000,000	\$45,000,000		\$24,750	\$468,000	\$492,750	\$224,784	\$157,736	\$875,270
2025	\$36,000,000	\$36,000,000		\$19,800	\$374,400	\$394,200	\$179,827	\$126,189	\$700,216
2026	\$27,000,000	\$27,000,000		\$14,850	\$280,800	\$295,650	\$134,870	\$94,642	\$525,162
2027	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2028	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2029	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2030	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2031	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2032	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
			Total	\$325,050	\$6,146,400	\$6,471,450	\$2,952,163	\$2,071,603	\$11,495,216

Source: CPA, West of the Pecos Solar LLC

*Tax Rate per \$100 Valuation

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

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*	Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital Tax Levy	Estimated Total Property Taxes
				0.0550	1.0400		0.4995	0.3505	
2018	\$15,000,000	\$15,000,000		\$8,250	\$156,000	\$164,250	\$74,928	\$52,579	\$291,757
2019	\$90,000,000	\$30,000,000		\$49,500	\$312,000	\$361,500	\$0	\$315,473	\$676,973
2020	\$81,000,000	\$30,000,000		\$44,550	\$312,000	\$356,550	\$0	\$283,925	\$640,475
2021	\$72,000,000	\$30,000,000		\$39,600	\$312,000	\$351,600	\$0	\$252,378	\$603,978
2022	\$63,000,000	\$30,000,000		\$34,650	\$312,000	\$346,650	\$0	\$220,831	\$567,481
2023	\$54,000,000	\$30,000,000		\$29,700	\$312,000	\$341,700	\$0	\$189,284	\$530,984
2024	\$45,000,000	\$30,000,000		\$24,750	\$312,000	\$336,750	\$0	\$157,736	\$494,486
2025	\$36,000,000	\$30,000,000		\$19,800	\$312,000	\$331,800	\$0	\$126,189	\$457,989
2026	\$27,000,000	\$27,000,000		\$14,850	\$280,800	\$295,650	\$0	\$94,642	\$390,292
2027	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$0	\$63,095	\$260,195
2028	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$0	\$63,095	\$260,195
2029	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2030	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2031	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
2032	\$18,000,000	\$18,000,000		\$9,900	\$187,200	\$197,100	\$89,914	\$63,095	\$350,108
			Total	\$325,050	\$3,744,000	\$4,069,050	\$434,582	\$2,071,603	\$6,575,235
			Diff	\$0	\$2,402,400	\$2,402,400	\$2,517,581	\$0	\$4,919,981

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, West of the Pecos 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 West of the Pecos 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	2016	\$0	\$0	\$0	\$0
	2017	\$0	\$0	\$0	\$0
	2018	\$156,000	\$156,000	\$0	\$0
Limitation Period (10 Years)	2019	\$312,000	\$468,000	\$624,000	\$624,000
	2020	\$312,000	\$780,000	\$530,400	\$1,154,400
	2021	\$312,000	\$1,092,000	\$436,800	\$1,591,200
	2022	\$312,000	\$1,404,000	\$343,200	\$1,934,400
	2023	\$312,000	\$1,716,000	\$249,600	\$2,184,000
	2024	\$312,000	\$2,028,000	\$156,000	\$2,340,000
	2025	\$312,000	\$2,340,000	\$62,400	\$2,402,400
	2026	\$280,800	\$2,620,800	\$0	\$2,402,400
	2027	\$187,200	\$2,808,000	\$0	\$2,402,400
	2028	\$187,200	\$2,995,200	\$0	\$2,402,400
Maintain Viable Presence (5 Years)	2029	\$187,200	\$3,182,400	\$0	\$2,402,400
	2030	\$187,200	\$3,369,600	\$0	\$2,402,400
	2031	\$187,200	\$3,556,800	\$0	\$2,402,400
	2032	\$187,200	\$3,744,000	\$0	\$2,402,400
	2033	\$187,200	\$3,931,200	\$0	\$2,402,400
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	\$187,200	\$4,118,400	\$0	\$2,402,400
	2035	\$187,200	\$4,305,600	\$0	\$2,402,400
	2036	\$187,200	\$4,492,800	\$0	\$2,402,400
	2037	\$187,200	\$4,680,000	\$0	\$2,402,400
	2038	\$187,200	\$4,867,200	\$0	\$2,402,400
	2039	\$187,200	\$5,054,400	\$0	\$2,402,400
	2040	\$187,200	\$5,241,600	\$0	\$2,402,400
	2041	\$187,200	\$5,428,800	\$0	\$2,402,400
	2042	\$187,200	\$5,616,000	\$0	\$2,402,400
	2043	\$187,200	\$5,803,200	\$0	\$2,402,400

\$5,803,200

is greater than

\$2,402,400

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 lev directly related to this project.

Source: CPA, West of the Pecos Solar LLC

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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 West of the Pecos 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:

- This project was originally submitted to the Comptroller on August 26, 2015 and assigned application number 1088.
- January 7, 2016, the Comptroller’s office issued a certificate letter for application number 1088.
- May 25, 2017, the Comptroller’s office received a withdrawal letter request from West of the Pecos Solar LLC to Pecos-Barstow-Toyah Independent School District stating, “West of the Pecos Solar LLC failed to make any investment involving the Pecos-Barstow-Toyah ISD 313 Application number 1088 during the specified Qualifying Time Period.”
- April 28, 2017, Pecos-Barstow-Toyah Independent School District submitted to the Comptroller’s office from West of the Pecos Solar LLC a new application for the property described in application number 1088, seeking an appraised value limitation for a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 100MW (assigned application number 1189).
- The applicant’s parent company is E.ON Climate & Renewables North America, LLC.
- Per West of the Pecos Solar, LLC in Tab 5 of their Application for a Limitation on Appraised Value:

- A. "The applicant's parent company for this project is an international solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US."
- B. "The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely."
- C. "Other places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including Tennessee, Georgia, Alabama, North Carolina, Mississippi, Utah, New Mexico, California, Nevada and Arizona."
- D. "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 international 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. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas."
- E. "The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement."
- F. "Without the tax incentive, 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 on a project basis. This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies; the other states offer a much higher rate of return for the project financiers."
- G. "Without the tax incentives in Texas, a project with a power purchase agreement becomes non financeable."
- Supplemental information provided by the applicant stated the following:
 - A. The project has applied to ERCOT and the "GINR number is #14INR0044".

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

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 (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.

For more information, visit our website: www.TexasAhead.org/tax_programs/chapter313/

Supporting Information

Attachments provided in Tab
5
of the Application for a
Limitation on Appraised
Value

Tab 5

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company for this project is an international solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. Other places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including Tennessee, Georgia, Alabama, North Carolina, Mississippi, Utah, New Mexico, California, Nevada and Arizona.

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 international 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. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, 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 on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non financeable.