



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

December 7, 2017

Rick Teran
Superintendent
Childress Independent School District
308 Third St. NW
Childress, Texas 79201

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Childress Independent School District and Childress Solar Park, LLC Application 1197

Dear Superintendent Teran:

On September 8, 2017 the Comptroller issued written notice that Childress Solar Park, LLC (applicant) submitted a completed application (Application 1197) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on June 5, 2017, to the Childress 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 committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1197.

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

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district'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 within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of September 8, 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,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Childress Solar Park, LLC (project) applying to Childress 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 Childress Solar Park, LLC.

Applicant	Childress Solar Park, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Childress ISD
2016-2017 Average Daily Attendance	1,069
County	Childress
Proposed Total Investment in District	\$168,192,000
Proposed Qualified Investment	\$168,192,000
Limitation Amount	\$20,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$752
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(A)	\$752
Minimum annual wage committed to by applicant for qualified jobs	\$39,111
Minimum weekly wage required for non-qualifying jobs	\$738
Minimum annual wage required for non-qualifying jobs	\$38,363
Investment per Qualifying Job	\$16,819,200
Estimated M&O levy without any limit (15 years)	\$12,850,428
Estimated M&O levy with Limitation (15 years)	\$3,763,909
Estimated gross M&O tax benefit (15 years)	\$9,086,520

Table 2 is the estimated statewide economic impact of Childress Solar Park, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	0	0	0	\$0	\$0	\$0
2018	290	1,011	1300.78	\$11,655,390	\$66,469,610	\$78,125,000
2019	10	31	41	\$432,890	\$8,478,210	\$8,911,100
2020	10	(6)	4	\$432,890	\$4,694,110	\$5,127,000
2021	10	(26)	-16	\$432,890	\$1,764,410	\$2,197,300
2022	10	(41)	-31	\$432,890	-\$310,790	\$122,100
2023	10	(43)	-33	\$432,890	-\$1,287,390	-\$854,500
2024	10	(47)	-37	\$432,890	-\$2,141,890	-\$1,709,000
2025	10	(39)	-29	\$432,890	-\$2,874,290	-\$2,441,400
2026	10	(43)	-33	\$432,890	-\$3,240,490	-\$2,807,600
2027	10	(37)	-27	\$432,890	-\$3,362,590	-\$2,929,700
2028	10	(37)	-27	\$432,890	-\$3,118,390	-\$2,685,500
2029	10	(37)	-27	\$432,890	-\$3,362,590	-\$2,929,700
2030	10	(35)	-25	\$432,890	-\$3,850,890	-\$3,418,000

Source: CPA REMI, Childress Solar Park, 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*	Childress ISD I&S Tax Levy	Childress ISD M&O Tax Levy	Childress ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Childress County Hospital District Tax Levy	Clarendon Jr. College District Tax Levy	Gateway Ground Water Conservation District Tax Levy	Estimated Total Property Taxes
2019	\$167,942,000	\$167,942,000		\$142,751	\$1,746,597	\$1,889,348	\$990,858	\$335,884	\$387,404	\$16,794	\$3,620,287
2020	\$154,481,640	\$154,481,640		\$131,309	\$1,606,609	\$1,737,918	\$911,442	\$308,963	\$356,354	\$15,448	\$3,330,125
2021	\$141,021,280	\$141,021,280		\$119,868	\$1,466,621	\$1,586,489	\$832,026	\$282,043	\$325,304	\$14,102	\$3,039,963
2022	\$127,560,920	\$127,560,920		\$108,427	\$1,326,634	\$1,435,060	\$752,609	\$255,122	\$294,254	\$12,756	\$2,749,801
2023	\$114,100,560	\$114,100,560		\$96,985	\$1,186,646	\$1,283,631	\$673,193	\$228,201	\$263,204	\$11,410	\$2,459,640
2024	\$100,640,200	\$100,640,200		\$85,544	\$1,046,658	\$1,132,202	\$593,777	\$201,280	\$232,154	\$10,064	\$2,169,478
2025	\$87,179,840	\$87,179,840		\$74,103	\$906,670	\$980,773	\$514,361	\$174,360	\$201,104	\$8,718	\$1,879,316
2026	\$73,719,480	\$73,719,480		\$62,662	\$766,683	\$829,344	\$434,945	\$147,439	\$170,054	\$7,372	\$1,589,154
2027	\$60,259,120	\$60,259,120		\$51,220	\$626,695	\$677,915	\$355,529	\$120,518	\$139,004	\$6,026	\$1,298,992
2028	\$46,798,760	\$46,798,760		\$39,779	\$486,707	\$526,486	\$276,113	\$93,598	\$107,954	\$4,680	\$1,008,830
2029	\$33,738,400	\$33,738,400		\$28,678	\$350,879	\$379,557	\$199,057	\$67,477	\$77,827	\$3,374	\$727,291
2030	\$33,060,632	\$33,060,632		\$28,102	\$343,831	\$371,932	\$195,058	\$66,121	\$76,263	\$3,306	\$712,680
2031	\$32,382,864	\$32,382,864		\$27,525	\$336,782	\$364,307	\$191,059	\$64,766	\$74,700	\$3,238	\$698,070
2032	\$31,705,096	\$31,705,096		\$26,949	\$329,733	\$356,682	\$187,060	\$63,410	\$73,136	\$3,171	\$683,459
2033	\$31,027,328	\$31,027,328		\$26,373	\$322,684	\$349,057	\$183,061	\$62,055	\$71,573	\$3,103	\$668,849
			Total	\$1,050,275	\$12,850,428	\$13,900,704	\$7,290,147	\$2,471,236	\$2,850,287	\$123,562	\$26,635,936

Source: CPA, Childress Solar Park, LLC

*Tax Rate per \$100 Valuation

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

Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Childress ISD I&S Tax Levy	Childress ISD M&O Tax Levy	Childress ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Childress County Hospital District Tax Levy	Clarendon Jr. College District Tax Levy	Gateway Ground Water Conservation District Tax Levy	Estimated Total Property Taxes
			0.0850	1.0400		0.5900	0.2000	0.2307	0.0100	
\$167,942,000	20,000,000		\$142,751	\$208,000	\$350,751	\$9,909	\$3,359	\$387,404	\$16,794	\$768,216
\$154,481,640	20,000,000		\$131,309	\$208,000	\$339,309	\$9,114	\$3,090	\$356,354	\$15,448	\$723,315
\$141,021,280	20,000,000		\$119,868	\$208,000	\$327,868	\$8,320	\$2,820	\$325,304	\$14,102	\$678,415
\$127,560,920	20,000,000		\$108,427	\$208,000	\$316,427	\$7,526	\$2,551	\$294,254	\$12,756	\$633,514
\$114,100,560	20,000,000		\$96,985	\$208,000	\$304,985	\$6,732	\$2,282	\$263,204	\$11,410	\$588,613
\$100,640,200	20,000,000		\$85,544	\$208,000	\$293,544	\$5,938	\$2,013	\$232,154	\$10,064	\$543,713
\$87,179,840	20,000,000		\$74,103	\$208,000	\$282,103	\$5,144	\$1,744	\$201,104	\$8,718	\$498,812
\$73,719,480	20,000,000		\$62,662	\$208,000	\$270,662	\$4,349	\$1,474	\$170,054	\$7,372	\$453,911
\$60,259,120	20,000,000		\$51,220	\$208,000	\$259,220	\$3,555	\$1,205	\$139,004	\$6,026	\$409,011
\$46,798,760	20,000,000		\$39,779	\$208,000	\$247,779	\$2,761	\$936	\$107,954	\$4,680	\$364,110
\$33,738,400	33,738,400		\$28,678	\$350,879	\$379,557	\$199,057	\$67,477	\$77,827	\$3,374	\$727,291
\$33,060,632	33,060,632		\$28,102	\$343,831	\$371,932	\$195,058	\$66,121	\$76,263	\$3,306	\$712,680
\$32,382,864	32,382,864		\$27,525	\$336,782	\$364,307	\$191,059	\$64,766	\$74,700	\$3,238	\$698,070
\$31,705,096	31,705,096		\$26,949	\$329,733	\$356,682	\$187,060	\$63,410	\$73,136	\$3,171	\$683,459
\$31,027,328	31,027,328		\$26,373	\$322,684	\$349,057	\$183,061	\$62,055	\$71,573	\$3,103	\$668,849
							\$0	\$0		
		Total	\$1,050,275	\$3,763,909	\$4,814,184	\$1,018,643	\$345,303	\$2,850,287	\$123,562	\$9,151,979
		Diff	\$0	\$9,086,520	\$9,086,520	\$6,271,504	\$2,125,934	\$0	\$0	\$17,483,957

Source: CPA, Childress Solar Park, 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 Childress Solar Park, 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	\$208,000	\$208,000	\$1,538,597	\$1,538,597
	2020	\$208,000	\$416,000	\$1,398,609	\$2,937,206
	2021	\$208,000	\$624,000	\$1,258,621	\$4,195,827
	2022	\$208,000	\$832,000	\$1,118,634	\$5,314,461
	2023	\$208,000	\$1,040,000	\$978,646	\$6,293,107
	2024	\$208,000	\$1,248,000	\$838,658	\$7,131,765
	2025	\$208,000	\$1,456,000	\$698,670	\$7,830,435
	2026	\$208,000	\$1,664,000	\$558,683	\$8,389,118
	2027	\$208,000	\$1,872,000	\$418,695	\$8,807,812
	2028	\$208,000	\$2,080,000	\$278,707	\$9,086,520
Maintain Viable Presence (5 Years)	2029	\$350,879	\$2,430,879	\$0	\$9,086,520
	2030	\$343,831	\$2,774,710	\$0	\$9,086,520
	2031	\$336,782	\$3,111,492	\$0	\$9,086,520
	2032	\$329,733	\$3,441,225	\$0	\$9,086,520
	2033	\$322,684	\$3,763,909	\$0	\$9,086,520
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	\$315,635	\$4,079,544	\$0	\$9,086,520
	2035	\$308,587	\$4,388,131	\$0	\$9,086,520
	2036	\$301,538	\$4,689,669	\$0	\$9,086,520
	2037	\$294,489	\$4,984,158	\$0	\$9,086,520
	2038	\$287,440	\$5,271,598	\$0	\$9,086,520
	2039	\$280,391	\$5,551,990	\$0	\$9,086,520
	2040	\$273,343	\$5,825,332	\$0	\$9,086,520
	2041	\$266,294	\$6,091,626	\$0	\$9,086,520
	2042	\$259,245	\$6,350,871	\$0	\$9,086,520
	2043	\$252,196	\$6,603,068	\$0	\$9,086,520

\$6,603,068

is less than

\$9,086,520

Analysis Summary

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

No

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Childress Solar Park, LLC

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2017	0	0	0	\$0	\$0	\$0	0	0	\$0
2018	290	1,011	1300.78	\$11,655,390	\$66,469,610	\$78,125,000	8453400	-2372700	\$10,826,100
2019	10	31	41	\$432,890	\$8,478,210	\$8,911,100	396700	923200	-\$526,500
2020	10	(6)	4	\$432,890	\$4,694,110	\$5,127,000	282300	892600	-\$610,300
2021	10	(26)	-16	\$432,890	\$1,764,410	\$2,197,300	145000	824000	-\$679,000
2022	10	(41)	-31	\$432,890	-\$310,790	\$122,100	30500	724800	-\$694,300
2023	10	(43)	-33	\$432,890	-\$1,287,390	-\$854,500	-22900	602700	-\$625,600
2024	10	(47)	-37	\$432,890	-\$2,141,890	-\$1,709,000	-68700	495900	-\$564,600
2025	10	(39)	-29	\$432,890	-\$2,874,290	-\$2,441,400	-114400	381500	-\$495,900
2026	10	(43)	-33	\$432,890	-\$3,240,490	-\$2,807,600	-145000	282300	-\$427,300
2027	10	(37)	-27	\$432,890	-\$3,362,590	-\$2,929,700	-167800	160200	-\$328,000
2028	10	(37)	-27	\$432,890	-\$3,118,390	-\$2,685,500	-183100	68700	-\$251,800
2029	10	(37)	-27	\$432,890	-\$3,362,590	-\$2,929,700	-206000	7600	-\$213,600
2030	10	(35)	-25	\$432,890	-\$3,850,890	-\$3,418,000	-228900	-53400	-\$175,500
2031	10	(31)	-21	\$432,890	-\$3,606,690	-\$3,173,800	-274700	-137300	-\$137,400
2032	10	(31)	-21	\$432,890	-\$3,850,890	-\$3,418,000	-282300	-160200	-\$122,100
2033	10	(37)	-27	\$432,890	-\$4,339,190	-\$3,906,300	-351000	-244100	-\$106,900
2034	10	(37)	-27	\$432,890	-\$4,583,290	-\$4,150,400	-396700	-305200	-\$91,500
2035	10	(39)	-29	\$432,890	-\$4,827,390	-\$4,394,500	-412000	-351000	-\$61,000
2036	10	(37)	-27	\$432,890	-\$5,803,990	-\$5,371,100	-434900	-434900	\$0
2037	10	(39)	-29	\$432,890	-\$5,803,990	-\$5,371,100	-473000	-495900	\$22,900
2038	10	(43)	-33	\$432,890	-\$6,536,390	-\$6,103,500	-503500	-526400	\$22,900
2039	10	(39)	-29	\$432,890	-\$6,048,090	-\$5,615,200	-503500	-618000	\$114,500
2040	10	(47)	-37	\$432,890	-\$7,757,090	-\$7,324,200	-564600	-679000	\$114,400
2041	10	(41)	-31	\$432,890	-\$7,757,090	-\$7,324,200	-595100	-747700	\$152,600
2042	10	(45)	-35	\$432,890	-\$8,001,290	-\$7,568,400	-579800	-762900	\$183,100
2043	10	(47)	-37	\$432,890	-\$8,245,390	-\$7,812,500	-564600	-785800	\$221,200
2044	10	(53)	-43	\$432,890	-\$7,757,090	-\$7,324,200	-579800	-778200	\$198,400
Total							\$1,655,600	-\$4,089,200	\$5,744,800
							\$12,347,868	is greater than	\$9,086,520

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

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 Childress Solar Park, LLC 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 Childress Solar Par, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Applicant was formed by a landowner in Childress County with the intention of demonstrating the market viability of transmission-grade, solar electric generation in the Panhandle region of Texas.”
 - B. “The Applicant requires the proposed limitation on appraised value in order to be able to develop the proposed generation facility in Childress County, Texas. Specifically, absent the grant of the limitation on appraised value, the project economic simply fail to meet the target rate of return demanded by solar energy investors for facilities of this kind.”
 - C. “Developing this first solar farm in the Panhandle region also has the challenge of the energy curtailment secondary to the high production from numerous wind farms in the west Texas. The LMP analysis shows that Misea Solar Park will have 12.8% curtailment.

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 (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

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

Applicant was formed by a landowner in Childress County with the intention of demonstrating the market viability of transmission-grade, solar electric generation in the Panhandle region of Texas. The Applicant requires the proposed limitation on appraised value in order to be able to develop the proposed generation facility in Childress County, Texas. Specifically, absent the grant of the limitation on appraised value, the project economics simply fail to meet the target rate of return demanded by solar energy investors for facilities of this kind. Consequently, absent the grant of the limitation, the facility will not be constructed in Childress County.

Developing this first solar farm in the Panhandle region also has the challenge of the energy curtailment secondary to the high production from numerous wind farms in west Texas. The LMP analysis shows that Misae Solar Park will have 12.8% curtailment.

Texas wholesale electricity prices can be significantly below national averages. Other states both have higher average clearing prices for electricity and also offer (for example, in California) subsidies for renewable energy projects. As a result of the higher electricity prices and those subsidies, the potential for a solar electric generation project to meet its investors' desired returns is significantly higher in those states. At the same time as the potential margin is smaller in Texas, Texas imposes significant school and other property taxes. To meet investor returns for the proposed project in Childress County—given the low electricity prices (even, as a general matter, if via bilateral contract with an off-taker) and the lack of direct subsidies—the only option for the project to be viable is for the property tax burden significantly to be reduced. To be explicit, absent the grant of the requested limitation sought by Applicant, the property tax liabilities upon the project will result in returns that are deemed too low by project investors and financiers. Consequently, the Applicant will not be able to finance, build, or operate the facility in Childress County or in Texas—even with the existence of a signed off-take agreement (e.g. power purchase agreement)—due to the low clearing prices of energy in the state. Without the tax incentives requested, the Applicant will have no choice but to abandon the project in Childress County altogether and pursue investment options in other states. Please note: the statements in this paragraph are true regardless of whether the electricity is sold on the open market (e.g. through the ERCOT clearing system) or via bilateral agreement (e.g. a PPA).

Finally, in support of the answer Applicant gave to Question 2 of Section 8 of the Application, the Applicant stipulates that it has leased the land on which the Applicant intends to develop the project. In support of the answer Applicant gave to Question 5 of Section 8 of the Application, the Applicant stipulates that has obtained letter from County Judge Jay Maiden stating that no special permitting is needed in Childress County to build a solar farm in privately owned property.