



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 19, 2017

Darryl Flusche
Superintendent
Canyon Independent School District
3301 N. 23rd Street
Canyon, Texas 79015

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations Taxes by and between Canyon Independent School District
and Buffalo Wind Prime, LLC, Application 1203

Dear Superintendent Flusche:

On September 5, 2017, the Comptroller issued written notice that Buffalo Wind Prime, LLC (applicant) submitted a completed application (Application 1203) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on July 10, 2017, to the Canyon 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 B; 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 1203.

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 B.

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 September 5, 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,

 for Mike Reissig

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Buffalo Wind Prime, LLC (project) applying to Canyon 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 Buffalo Wind Prime, LLC.

Applicant	Buffalo Wind Prime, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Canyon ISD
Estimated 2015-2016 Average Daily Attendance	9,083
County	Randall
Proposed Total Investment in District	\$168,000,000
Proposed Qualified Investment	\$168,000,000
Limitation Amount	\$80,000,000
Qualifying Time Period (Full Years)	2018-2019
Number of new qualifying jobs committed to by applicant	*5
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$991
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$991
Minimum annual wage committed to by applicant for qualified jobs	\$51,526
Minimum weekly wage required for non-qualifying jobs	\$804
Minimum annual wage required for non-qualifying jobs	\$41,822
Investment per Qualifying Job	\$33,600,000
Estimated M&O levy without any limit (15 years)	\$17,035,200
Estimated M&O levy with Limitation (15 years)	\$11,814,400
Estimated gross M&O tax benefit (15 years)	\$5,220,800

* 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 Buffalo Wind Prime, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	18	23	40	\$901,701	\$1,797,299	\$2,699,000
2018	158	203	360.59	\$8,115,307	\$16,815,693	\$24,931,000
2019	5	37	42	\$257,629	\$4,265,371	\$4,523,000
2020	5	22	27	\$257,629	\$3,070,371	\$3,328,000
2021	5	9	14	\$257,629	\$2,015,371	\$2,273,000
2022	5	2	7	\$257,629	\$1,303,371	\$1,561,000
2023	5	(1)	4	\$257,629	\$856,371	\$1,114,000
2024	5	(2)	3	\$257,629	\$615,371	\$873,000
2025	5	(1)	4	\$257,629	\$549,371	\$807,000
2026	5	0	5	\$257,629	\$580,371	\$838,000
2027	5	2	7	\$257,629	\$668,371	\$926,000
2028	5	3	8	\$257,629	\$778,371	\$1,036,000
2029	5	5	10	\$257,629	\$878,371	\$1,136,000
2030	5	6	11	\$257,629	\$1,003,371	\$1,261,000
2031	5	7	12	\$257,629	\$1,118,371	\$1,376,000
2032	5	7	12	\$257,629	\$1,217,371	\$1,475,000
2033	5	7	12	\$257,629	\$1,302,371	\$1,560,000

Source: CPA REMI, Buffalo Wind Prime, 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*	Canyon ISD I&S Tax Levy	Canyon ISD M&O Tax Levy	Canyon ISD M&O and I&S Tax Levies	Randall County Tax Levy	South Randall Hospital District Tax Levy	High Plains Water Conservation District #1 Tax Levy	Randall County Noxious Weed Control District Tax Levy	Estimated Total Property Taxes
			0.2250	1.0400			0.4147	0.0745	0.0075	0.0300	
2019	\$168,000,000	\$168,000,000		\$378,000	\$1,747,200	\$2,125,200	\$696,746	\$125,093	\$12,600	\$50,400	\$2,947,039
2020	\$159,600,000	\$159,600,000		\$359,100	\$1,659,840	\$2,018,940	\$661,909	\$118,838	\$11,970	\$47,880	\$2,799,687
2021	\$151,200,000	\$151,200,000		\$340,200	\$1,572,480	\$1,912,680	\$627,072	\$112,584	\$11,340	\$45,360	\$2,652,335
2022	\$142,800,000	\$142,800,000		\$321,300	\$1,485,120	\$1,806,420	\$592,234	\$106,329	\$10,710	\$42,840	\$2,504,983
2023	\$134,400,000	\$134,400,000		\$302,400	\$1,397,760	\$1,700,160	\$557,397	\$100,074	\$10,080	\$40,320	\$2,357,631
2024	\$126,000,000	\$126,000,000		\$283,500	\$1,310,400	\$1,593,900	\$522,560	\$93,820	\$9,450	\$37,800	\$2,210,279
2025	\$117,600,000	\$117,600,000		\$264,600	\$1,223,040	\$1,487,640	\$487,722	\$87,565	\$8,820	\$35,280	\$2,062,927
2026	\$109,200,000	\$109,200,000		\$245,700	\$1,135,680	\$1,381,380	\$452,885	\$81,310	\$8,190	\$32,760	\$1,915,575
2027	\$100,800,000	\$100,800,000		\$226,800	\$1,048,320	\$1,275,120	\$418,048	\$75,056	\$7,560	\$30,240	\$1,768,224
2028	\$92,400,000	\$92,400,000		\$207,900	\$960,960	\$1,168,860	\$383,211	\$68,801	\$6,930	\$27,720	\$1,620,872
2029	\$84,000,000	\$84,000,000		\$189,000	\$873,600	\$1,062,600	\$348,373	\$62,546	\$6,300	\$25,200	\$1,473,520
2030	\$75,600,000	\$75,600,000		\$170,100	\$786,240	\$956,340	\$313,536	\$56,292	\$5,670	\$22,680	\$1,326,168
2031	\$67,200,000	\$67,200,000		\$151,200	\$698,880	\$850,080	\$278,699	\$50,037	\$5,040	\$20,160	\$1,178,816
2032	\$58,800,000	\$58,800,000		\$132,300	\$611,520	\$743,820	\$243,861	\$43,782	\$4,410	\$17,640	\$1,031,464
2033	\$50,400,000	\$50,400,000		\$113,400	\$524,160	\$637,560	\$209,024	\$37,528	\$3,780	\$15,120	\$884,112
			Total	\$3,685,500	\$17,035,200	\$20,720,700	\$6,793,277	\$1,219,655	\$122,850	\$491,400	\$28,733,632

Source: CPA, Buffalo Wind Prime, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Randall County, South Randall Hospital District, High Plains Water Conservation District #1 and Randall County Noxious Weed Control District, with all property tax incentives 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.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Canyon ISD I&S Tax Levy	Canyon ISD M&O Tax Levy	Canyon ISD M&O and I&S Tax Levies	Randall County Tax Levy	South Randall Hospital District Tax Levy	High Plains Water Conservation District #1 Tax Levy	Randall County Noxious Weed Control District Tax Levy	Estimated Total Property Taxes
2019	\$168,000,000	\$80,000,000	0.2250	\$378,000	\$832,000	\$1,210,000	\$0	\$0	\$12,600	\$50,400	\$1,210,000
2020	\$159,600,000	\$80,000,000		\$359,100	\$832,000	\$1,191,100	\$0	\$0	\$11,970	\$47,880	\$1,191,100
2021	\$151,200,000	\$80,000,000		\$340,200	\$832,000	\$1,172,200	\$0	\$0	\$11,340	\$45,360	\$1,172,200
2022	\$142,800,000	\$80,000,000		\$321,300	\$832,000	\$1,153,300	\$0	\$0	\$10,710	\$42,840	\$1,153,300
2023	\$134,400,000	\$80,000,000		\$302,400	\$832,000	\$1,134,400	\$0	\$0	\$10,080	\$40,320	\$1,134,400
2024	\$126,000,000	\$80,000,000		\$283,500	\$832,000	\$1,115,500	\$0	\$0	\$9,450	\$37,800	\$1,115,500
2025	\$117,600,000	\$80,000,000		\$264,600	\$832,000	\$1,096,600	\$0	\$0	\$8,820	\$35,280	\$1,096,600
2026	\$109,200,000	\$80,000,000		\$245,700	\$832,000	\$1,077,700	\$0	\$0	\$8,190	\$32,760	\$1,077,700
2027	\$100,800,000	\$80,000,000		\$226,800	\$832,000	\$1,058,800	\$0	\$0	\$7,560	\$30,240	\$1,058,800
2028	\$92,400,000	\$80,000,000		\$207,900	\$832,000	\$1,039,900	\$0	\$0	\$6,930	\$27,720	\$1,039,900
2029	\$84,000,000	\$84,000,000		\$189,000	\$873,600	\$1,062,600	\$348,373	\$62,546	\$6,300	\$25,200	\$1,473,520
2030	\$75,600,000	\$75,600,000		\$170,100	\$786,240	\$956,340	\$313,536	\$56,292	\$5,670	\$22,680	\$1,326,168
2031	\$67,200,000	\$67,200,000		\$151,200	\$698,880	\$850,080	\$278,699	\$50,037	\$5,040	\$20,160	\$1,178,816
2032	\$58,800,000	\$58,800,000		\$132,300	\$611,520	\$743,820	\$243,861	\$43,782	\$4,410	\$17,640	\$1,031,464
2033	\$50,400,000	\$50,400,000		\$113,400	\$524,160	\$637,560	\$209,024	\$37,528	\$3,780	\$15,120	\$884,112
			Total	\$3,685,500	\$11,814,400	\$15,499,900	\$1,393,493	\$250,186	\$122,850	\$491,400	\$17,143,578
			Diff	\$0	\$5,220,800	\$5,220,800	\$5,399,785	\$969,469	\$0	\$0	\$11,590,054

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

Source: CPA, Buffalo Wind Prime, 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 Buffalo Wind Prime, 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	\$174,720	\$174,720	\$0	\$0
Limitation Period (10 Years)	2019	\$832,000	\$1,006,720	\$915,200	\$915,200
	2020	\$832,000	\$1,838,720	\$827,840	\$1,743,040
	2021	\$832,000	\$2,670,720	\$740,480	\$2,483,520
	2022	\$832,000	\$3,502,720	\$653,120	\$3,136,640
	2023	\$832,000	\$4,334,720	\$565,760	\$3,702,400
	2024	\$832,000	\$5,166,720	\$478,400	\$4,180,800
	2025	\$832,000	\$5,998,720	\$391,040	\$4,571,840
	2026	\$832,000	\$6,830,720	\$303,680	\$4,875,520
	2027	\$832,000	\$7,662,720	\$216,320	\$5,091,840
	2028	\$832,000	\$8,494,720	\$128,960	\$5,220,800
Maintain Viable Presence (5 Years)	2029	\$873,600	\$9,368,320	\$0	\$5,220,800
	2030	\$786,240	\$10,154,560	\$0	\$5,220,800
	2031	\$698,880	\$10,853,440	\$0	\$5,220,800
	2032	\$611,520	\$11,464,960	\$0	\$5,220,800
	2033	\$524,160	\$11,989,120	\$0	\$5,220,800
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	\$436,800	\$12,425,920	\$0	\$5,220,800
	2035	\$349,440	\$12,775,360	\$0	\$5,220,800
	2036	\$349,440	\$13,124,800	\$0	\$5,220,800
	2037	\$349,440	\$13,474,240	\$0	\$5,220,800
	2038	\$349,440	\$13,823,680	\$0	\$5,220,800
	2039	\$349,440	\$14,173,120	\$0	\$5,220,800
	2040	\$349,440	\$14,522,560	\$0	\$5,220,800
	2041	\$349,440	\$14,872,000	\$0	\$5,220,800
	2042	\$349,440	\$15,221,440	\$0	\$5,220,800
	2043	\$349,440	\$15,570,880	\$0	\$5,220,800

\$15,570,880

is greater than

\$5,220,800

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, Buffalo Wind Prime, 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 Buffalo Wind Prime, 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 Buffalo Wind Prime, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “NRS [National Renewable Solutions] recognizes that every states’ resource is as unique as their incentives for development. And, given the state of affairs with regard to sluggish regional power pricing within ERCOT, high development activity recruitment, and the ERCOT congestion issues affecting net power pricing, Buffalo Wind Prime respectfully submits that the project is only successful upon being granted a Limitation on Appraised Value by Canyon ISD as available through Section 313 of the Texas Tax Code.” NRS manages Buffalo Wind Prime, LLC.
 - B. “The applicant requires this appraised value limitation in order to move forward with the development of the project. Without this appraised value limitation, the impact of comparatively high Texas property taxes on the cost of the project does not allow the project to compete for global customers against similar projects operated by competitors of Praxair in the U.S. and around the world.”
- Per Buffalo Wind Prime, LLC in Tab 5 of the Application, the project was developed seven years ago. “Buffalo Wind was created in 2010 under our predecessor, National Wind, LLC out of Minneapolis and acquired by Minneapolis firm, National Renewable Solutions, LLC (NRS), in 2011 with the stated goal of developing a 300 MW (+) wind farm. Concurrently, NRS had a

portfolio of wind projects in development including Maryland, Montana, New Mexico, South Dakota, and two in Minnesota. Buffalo Wind, being one of the earliest projects in the portfolio, has had extensive discussions with numerous prospective sponsor and tax equity partners for project financing. "

- The project's announcement was covered in a joint news release between National Wind, LLC and KRS Energy, dated February 9, 2010,
 - A. "Managing member, National Wind of Minneapolis, MN, and KRS Energy of Centennial, Colorado, announce the launch of Buffalo Wind Energy, LLC, a utility-scale, community wind project located in west central Randall County (the "Buffalo Wind Project"). The Buffalo Wind Project plans to develop up to 300 megawatts of wind energy."
 - B. 'This is National Wind's first Texas wind project and we are excited to work with KRS Energy to introduce landowners to our community wind model,' says Travis Moen, Project Developer for National Wind, LLC. 'Although Texas has more installed wind projects than any other state, it has little community wind development. Studies show that community wind projects increase local economic impacts up to five times more than that of non community-based projects. Also, this is a very interesting project because of its unique transmission access that provides potential to sell power into the ERCOT market and the Southern Power Pool (SPP).'
 - C. "Buffalo Wind Energy currently has 14,500 acres under lease between the towns of Amarillo and Umbarger along with the direct participation of 12 area families. The 12 families appointed four individuals to represent the development as the project's Board of Advisors."
- An April 30, 2010 *Amarillo Globe-News* article states, "Local landowners are joining a Minnesota firm to develop 14,500 acres in Randall County into a wind farm. National Wind, based in Minneapolis, is the managing member of Buffalo Wind Energy, a Texas company running the project. It is trying to create a community wind project that could allow landowners to not only profit from leasing wind rights, but also by investing in the wind farm. 'We want to take our land and not change our farms and ranches, and make additional income,' said Randy Darnell, who has leased about 1,000 acres to Buffalo Wind. 'Wind looks inevitable, and we want to participate.' Darnell and landowner Todd Vincent started talking about attracting a developer about two years ago. Spreading the word 'by visiting across the fence row' with their neighbors southwest of Amarillo, they put together a core group that settled on National Wind as a partner, Darnell said."
- Supplemental information provided by the applicant indicated the following:
 - A. The project has applied to ERCOT and its Generation Interconnection Request No. is #13INR0025.
 - B. The project is also known by other names – "Buffalo Wind Prime is referred to as Buffalo Wind or Buffalo Wind I with ERCOT."

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

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

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

<input type="checkbox"/> Land has no existing improvements	<input checked="" type="checkbox"/> Land has existing improvements (<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.

Supporting Information

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

Tab 5

Limitation of Appraised Value is a determining factor for Buffalo Wind Prime, LLC to invest capital and construct the project in Texas.

Overview

Buffalo Wind was created in 2010 under our predecessor, National Wind, LLC out of Minneapolis and acquired by Minneapolis firm, National Renewable Solutions, LLC (NRS), in 2011 (Renewable Energy News article from April 30, 2010, attached) with the stated goal of developing a 300 MW (+) wind farm. Concurrently, NRS had a portfolio of wind projects in development including Maryland, Montana, New Mexico, South Dakota, and two in Minnesota. Buffalo Wind, being one of the earliest projects in the portfolio, has had extensive discussions with numerous prospective sponsor and tax equity partners for project financing. The Limitation on Appraised Value has been, and continues to be an even greater, determining assumption for the Buffalo Wind project and its eventual success.

Although the wind resource in the Texas Panhandle is of the highest quality, there are several factors in the Electric Reliability Council of Texas (ERCOT) and the state which have contributed to significant financial pressure, further challenging energy project economics. For these reasons, the opportunity to limit School and County Property taxes has become a critical cost factor to assure the viability of our project.

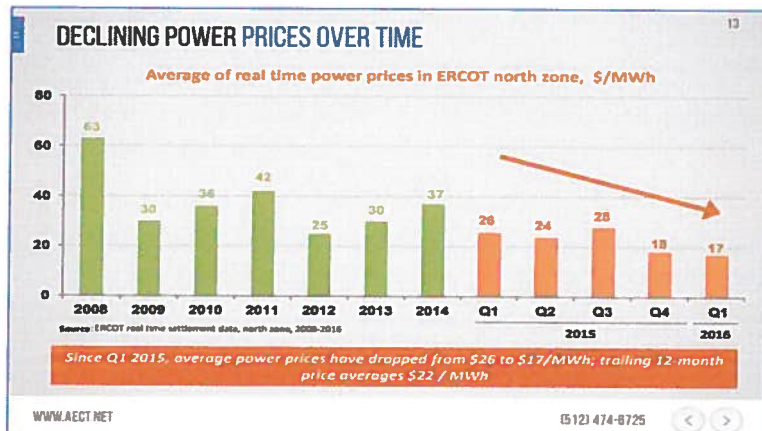
These financial pressures include:

- (1) ERCOT regional power pricing,
- (2) regional competition for development,
- (3) limited transmission infrastructure
- (4) delivery and congestion issues.

Downward trends of ERCOT Regional Pricing.

Wholesale power pricing within the ERCOT system has been trending down for the last several years. Association of Electric Companies of Texas, Inc (AECT) states in their 2017 presentation, *The Wholesale Electric Market in ERCOT*, in 2011, wholesale power prices in the Texas Panhandle were approximately \$42/MWh on average for the year. Further, the report shows 2014 prices at \$37/MWh and 2015 at an average of \$26/MWh. In 2017, the market is seeing long term power purchase agreements or other power purchase contracts even below \$17/MWh for 20yr contracts. When just comparing

Except from Association of Electric Companies of Texas, Inc (AECT) 2017 presentation, *The Wholesale Electric Market in ERCOT*



2014 with the current wholesale pricing environment, this adjustment alone represents over \$6.3M in lost revenue, for our project, annually, or a cumulative impact of approximately \$126M over 20yrs.

Regional Competition for Development.

Many states throughout the country offer some state tax incentives, whether Property Tax Abatement, Limitation on Appraised Value, State-driven Renewable Energy Production Tax Credits or Industrial Revenue Bonds. In NRS's recent project history in adjacent states, our Broadview Energy projects (New Mexico) needed to maximize the State Production Tax Credits and Industrial Revenue Bonds, a program which allows for full gross receipts and sales and use tax abatement. These incentives were instrumental in overcoming the significant costs and risks with delivering the power over 650 miles from Curry County, NM to SoCal Edison's users in southern California. The limitation on appraised value in Texas is critical to compete State to State with similar wind regimes and markets, and to meet current market pricing.

Limited Transmission Infrastructure

The ERCOT market has experienced an incredible amount of development and success, largely due to the infrastructure which the State of Texas has built. However, since 2014, when Phase I of the Competitive Renewable Energy Zones (CREZ) was completed with the installation of the 345kV Panhandle Loop transmission circuit, new wind energy development has been built to serve the needs of electricity users in southern Texas which nearly exceed the infrastructure limits.

Currently, the Panhandle is served by a single transmission line, which makes the line stability and reliability more difficult. ERCOT and Sharyland continues to look at adding other lines and infrastructure, but further improvements are not scheduled to be complete for 2-4 more years.

Delivery and Congestion Issues

The "excess capacity" is generally referred as "congestion". Congestion within ERCOT is managed by offering congestion pricing, or a competitive market of bidding to deliver generated power during times of high generation and limited capacity. Simply stated, congestion pricing pushes wind power prices even below zero during those times. This project revenue strain causes prospective financial partners to place an even heavier burden on project performance.

Meanwhile, demand in southern Texas and the desire for low prices created from generation development in the Texas Panhandle has risen. This high generation is limited by insufficient infrastructure development and results in excess capacity that is either "curtailed" or where the "basis differential" from the Panhandle to the Texas growth centers greatly off-sets revenue to limit the potential for profitability.

Summary

Buffalo Wind has now submitted evidence of its continuing efforts since the inception of Buffalo Wind in 2010. The developer of Buffalo Wind, National Renewable Solutions, LLC and its predecessor, National Wind, LLC, has fully developed over 700MW of wind energy projects and

currently manages a nearly 2GW development-phase portfolio of utility-scale projects in Minnesota, Texas, Maryland, Kansas, Indiana, New Mexico and Nebraska.

NRS recognizes that every states' resource is as unique as their incentives for development. And, given the state of affairs with regard to sluggish regional power pricing within ERCOT, high development activity recruitment, and the ERCOT congestion issues affecting net power pricing, Buffalo Wind Prime respectfully submits that the project is only successful upon being granted a Limitation on Appraised Value by Canyon ISD as available through Section 313 of the Texas Tax Code.

Please feel free to contact me for questions or further clarification.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Patrick Pelstring". The signature is written in a cursive, flowing style.

Patrick Pelstring, Manager
Buffalo Wind Prime, LLC

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

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National Wind Launches its 1st Texas Wind Project: Buffalo Wind Energy, LLC



9, 2010 03:57 PM Eastern Daylight Time

AMARILLO, Texas--(BUSINESS WIRE)--Managing member, National Wind of Minneapolis, MN, and KRS Energy of Arapahoe, Colorado, announce the launch of Buffalo Wind Energy, LLC, a utility-scale, community wind project located in central Randall County (the "Buffalo Wind Project"). The Buffalo Wind Project plans to develop up to 300 megawatts of wind energy.

Buffalo Wind Energy provides greater profit distribution throughout the local community. It's about keeping project proceeds local."

 Tweet this

"This is National Wind's first Texas wind project and we are excited to work with KRS Energy to introduce landowners to our community wind model," says Travis Moen, Project Developer for National Wind, LLC. "Although Texas has more installed wind projects than any other state, it has little community wind development. Studies show that community wind projects increase local economic impacts up to five times more than that of non community-based projects. Also, this is a very interesting project because of its unique transmission access that provides potential to sell power into the ERCOT market and the Southern Power Pool (SPP)."

Buffalo Wind Energy currently has 14,500 acres under lease between the towns of Amarillo and Umbarger along with the direct participation of 12 area families. The 12 families appointed four individuals to represent the development as the project's Board of Advisors. The Buffalo Wind Project Board of Advisors is made up of David Christian, Randy Darnell, Todd Vincent, and Casey Fox.

Throughout the last year, the Board of Advisors, along with local attorney, James Wester, has worked in tandem with National Wind and KRS Energy to structure the project and build local interest and participation in the Buffalo Wind Project.

"Community wind projects operate under a business model that allows both landowners who receive turbines and even those who don't, the opportunity to share in project revenues," says Randy Darnell. "This provides greater profit distribution

throughout the local community. It's about keeping project proceeds local."

[Download the entire press release](#)

About Buffalo Wind Energy: Buffalo Wind Energy, LLC is a community-based wind development company located in Randall County, Texas. Our company's objective is to develop up to 300 MW of wind turbine-based renewable energy. Visit our website at www.buffalowindenergy.com.

About National Wind: National Wind, LLC is the leader in developing utility-scale (50 megawatts or larger) community wind energy projects. National Wind and its subsidiary, Wind Energy Developers, LLC, have participated in developing 14 wind energy projects and currently have over 4,000 megawatts in active development. National Wind projects are located in Minnesota, Iowa, North Dakota, South Dakota, Montana, Colorado, Texas and Ohio. Please visit <http://www.nationalwind.com> for more information.

About KRS Energy: KRS Energy, LLC, is a wind energy development company based in Centennial, Colorado. It is owned and operated by developers, John Kellogg and Paul Seby. KRS's principals have over 40 years of combined experience in developing energy and industrial projects.

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- **CEO:** Leon Steinberg
- **Employees:** 50
- **Organization:** PRI

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Wind farm plan a win-win? - Landowners might profit

Amarillo Globe-News (TX) - April 30, 2010

- Author/Byline: Kevin Welch, kevin.welch@amarillo.com
- Section: Local News
- Readability: 9-12 grade level (Lexile: 1130)

Local landowners are joining a Minnesota firm to develop 14,500 acres in Randall County into a wind farm.

National Wind, based in Minneapolis, is the managing member of Buffalo Wind Energy, a Texas company running the project.

It is trying to create a community wind project that could allow landowners to not only profit from leasing wind rights, but also by investing in the wind farm.

"We want to take our land and not change our farms and ranches, and make additional income," said Randy Darnell, who has leased about 1,000 acres to Buffalo Wind. "Wind looks inevitable, and we want to participate."

Darnell and landowner Todd Vincent started talking about attracting a developer about two years ago. Spreading the word "by visiting across the fence row" with their neighbors southwest of Amarillo, they put together a core group that settled on National Wind as a partner, Darnell said.

Construction is dependent on the completion of transmission lines to take the power downstate to larger cities. That should be in 2013, said Patrick Pelstring, co-chairman of National Wind.

The land currently leased from 12 families provides enough space to develop a wind farm that would be rated at 150 megawatts. Another 150 megawatts could be added in a later phase, Pelstring said.

One megawatt of electricity can power about 350 average homes, according to industry estimates.

David Christian, who has leased about 1,300 acres to Buffalo Wind, thinks the project has potential.

"A lot of people have leased to developers but don't know if anything will get developed," he said. "I think our probability is good."

Financing for the project isn't complete.

"We always go out and get a financial partner," Pelstring said. "We're negotiating with an East Coast group, but it's premature to name them."

An advisory board of four landowners will serve as liaison between Buffalo Wind and landowners as the project progresses. The proposed site is southwest of Amarillo. Farm-to-Market Road 2219 runs through part of the land.

Buffalo Wind plans to connect the wind farm to the new transmission lines. Rate payers in the large cities that will take the power are paying for construction of the lines.

The proposed routes of the lines haven't been narrowed, but the process is ongoing. It's unclear where one might run relative to the wind farm.

"Some (early proposals) run through the middle, some on the edge, some are six miles away," said Travis Moen, project developer with National Wind.

National Wind has 220 megawatts worth of turbines operating and 4,000 megawatts of projects in development, primarily in Minnesota, Iowa and North Dakota, according to its Web site.

The Buffalo project will be its first Texas wind farm.

Record: 769367085

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COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
– Canyon ISD – Buffalo Wind Prime, LLC App. #1203 –

Comptroller Questions (via email on September 12, 2017):

- 1) *Is the Buffalo Wind Prime, LLC project currently known by any other project names?*
- 2) *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number.*

Applicant Response (via email on September 13, 2017):

- 1) *Project names - Buffalo Wind Prime is referred to as Buffalo Wind or Buffalo Wind I with ERCOT.*
- 2) *Interconnection reference with ERCOT - #13INR0025.*