



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

November 13, 2017

Scotty Carman  
Superintendent  
Wink-Loving Independent School District  
P.O. Box 637  
Wink, Texas 79789

Re: Certificate for Limitation on Appraised Value of Property for School District  
Maintenance and Operations Taxes by and between Wink-Loving Independent School  
District and Phoebe Energy Project, LLC, Application 1217

Dear Superintendent Carman:

On October 26, 2017, the Comptroller issued written notice that Phoebe Energy Project, LLC (applicant) submitted a completed application (Application 1217) for a limitation on appraised value under the provisions of Tax Code Chapter 313.<sup>1</sup> This application was originally submitted on September 14, 2017, to the Wink-Loving 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.

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<sup>1</sup> 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 1217.

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 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 14, 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](mailto: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 written over the printed name.

Mike Reissig  
Deputy Comptroller

Enclosure

cc: Will Counihan

## Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Phoebe Energy Project, LLC (project) applying to Wink-Loving 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 Phoebe Energy Project, LLC.

Applicant	Phoebe Energy Project, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Wink-Loving ISD
Estimated 2016-2017 Average Daily Attendance	390
County	Winkler
Proposed Total Investment in District	\$265,505,245
Proposed Qualified Investment	\$225,760,000
Limitation Amount	\$25,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	*1
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,144
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,144
Minimum annual wage committed to by applicant for qualified jobs	\$59,500
Minimum weekly wage required for non-qualifying jobs	\$1,162
Minimum annual wage required for non-qualifying jobs	\$60,399
Investment per Qualifying Job	\$265,505,245
Estimated M&O levy without any limit (15 years)	\$16,444,495
Estimated M&O levy with Limitation (15 years)	\$5,193,286
Estimated gross M&O tax benefit (15 years)	\$11,251,208

\* 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 Phoebe Energy Project, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	100	125	225	\$5,000,000	\$10,366,000	\$15,366,000
2019	350	443	792,519	\$17,500,000	\$38,865,000	\$56,365,000
2020	1	78	79	\$59,500	\$9,890,500	\$9,950,000
2021	1	35	36	\$59,500	\$6,351,500	\$6,411,000
2022	1	3	4	\$59,500	\$3,454,500	\$3,514,000
2023	1	(14)	-13	\$59,500	\$1,488,500	\$1,548,000
2024	1	(21)	-20	\$59,500	\$290,500	\$350,000
2025	1	(22)	-21	\$59,500	-\$260,500	-\$201,000
2026	1	(18)	-17	\$59,500	-\$388,500	-\$329,000
2027	1	(13)	-12	\$59,500	-\$246,500	-\$187,000
2028	1	(8)	-7	\$59,500	\$44,500	\$104,000
2029	1	(3)	-2	\$59,500	\$393,500	\$453,000
2030	1	1	2	\$59,500	\$679,500	\$739,000
2031	1	4	5	\$59,500	\$971,500	\$1,031,000
2032	1	6	7	\$59,500	\$1,221,500	\$1,281,000
2033	1	7	8	\$59,500	\$1,416,500	\$1,476,000
2034	1	8	9	\$59,500	\$1,546,500	\$1,606,000

Source: CPA REMI, Phoebe Energy Project, 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*	Wink-Loving ISD I&S Tax Levy	Wink-Loving ISD M&O Tax Levy	Wink-Loving ISD M&O and I&S Tax Levies	Winkler County Tax Levy	Winkler County Hospital District Tax Levy	Estimated Total Property Taxes
				0.2800	1.0400		0.6500	0.2800	
2020	\$248,500,000	\$248,500,000		\$695,800	\$2,584,400	\$3,280,200	\$1,615,250	\$695,800	\$5,591,250
2021	\$211,275,000	\$211,275,000		\$591,570	\$2,197,260	\$2,788,830	\$1,373,288	\$591,570	\$4,753,688
2022	\$179,631,250	\$179,631,250		\$502,968	\$1,868,165	\$2,371,133	\$1,167,603	\$502,968	\$4,041,703
2023	\$152,731,688	\$152,731,688		\$427,649	\$1,588,410	\$2,016,058	\$992,756	\$427,649	\$3,436,463
2024	\$129,864,803	\$129,864,803		\$363,621	\$1,350,594	\$1,714,215	\$844,121	\$363,621	\$2,921,958
2025	\$110,425,808	\$110,425,808		\$309,192	\$1,148,428	\$1,457,621	\$717,768	\$309,192	\$2,484,581
2026	\$93,900,626	\$93,900,626		\$262,922	\$976,567	\$1,239,488	\$610,354	\$262,922	\$2,112,764
2027	\$79,852,287	\$79,852,287		\$223,586	\$830,464	\$1,054,050	\$519,040	\$223,586	\$1,796,676
2028	\$67,909,360	\$67,909,360		\$190,146	\$706,257	\$896,404	\$441,411	\$190,146	\$1,527,961
2029	\$57,756,127	\$57,756,127		\$161,717	\$600,664	\$762,381	\$375,415	\$161,717	\$1,299,513
2030	\$49,899,368	\$49,899,368		\$139,718	\$518,953	\$658,672	\$324,346	\$139,718	\$1,122,736
2031	\$49,884,400	\$49,884,400		\$139,676	\$518,798	\$658,474	\$324,249	\$139,676	\$1,122,399
2032	\$49,870,180	\$49,870,180		\$139,637	\$518,650	\$658,286	\$324,156	\$139,637	\$1,122,079
2033	\$49,856,671	\$49,856,671		\$139,599	\$518,509	\$658,108	\$324,068	\$139,599	\$1,121,775
2034	\$49,843,837	\$49,843,837		\$139,563	\$518,376	\$657,939	\$323,985	\$139,563	\$1,121,486
			<b>Total</b>	<b>\$4,427,364</b>	<b>\$16,444,495</b>	<b>\$20,871,859</b>	<b>\$10,277,809</b>	<b>\$4,427,364</b>	<b>\$35,577,032</b>

Source: CPA, Phoebe Energy Project, LLC

\*Tax Rate per \$100 Valuation

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district, Winkler County Hospital District and Winkler County, 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 abatement with the county.

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*	Wink-Loving ISD I&S Tax Levy	Wink-Loving ISD M&O Tax Levy	Wink-Loving ISD M&O and I&S Tax Levies	Winkler County Tax Levy	Winkler County Hospital District Tax Levy	Estimated Total Property Taxes
2020	\$248,500,000	\$25,000,000	0.2800	\$695,800	\$260,000	\$955,800	\$403,813	\$695,800	\$2,055,413
2021	\$211,275,000	\$25,000,000		\$591,570	\$260,000	\$851,570	\$343,322	\$591,570	\$1,786,462
2022	\$179,631,250	\$25,000,000		\$502,968	\$260,000	\$762,968	\$291,901	\$502,968	\$1,557,836
2023	\$152,731,688	\$25,000,000		\$427,649	\$260,000	\$687,649	\$248,189	\$427,649	\$1,363,486
2024	\$129,864,803	\$25,000,000		\$363,621	\$260,000	\$623,621	\$211,030	\$363,621	\$1,198,273
2025	\$110,425,808	\$25,000,000		\$309,192	\$260,000	\$569,192	\$179,442	\$309,192	\$1,057,826
2026	\$93,900,626	\$25,000,000		\$262,922	\$260,000	\$522,922	\$152,589	\$262,922	\$938,432
2027	\$79,852,287	\$25,000,000		\$223,586	\$260,000	\$483,586	\$129,760	\$223,586	\$836,933
2028	\$67,909,360	\$25,000,000		\$190,146	\$260,000	\$450,146	\$110,353	\$190,146	\$750,645
2029	\$57,756,127	\$25,000,000		\$161,717	\$260,000	\$421,717	\$93,854	\$161,717	\$677,288
2030	\$49,899,368	\$49,899,368		\$139,718	\$518,953	\$658,672	\$324,346	\$139,718	\$1,122,736
2031	\$49,884,400	\$49,884,400		\$139,676	\$518,798	\$658,474	\$324,249	\$139,676	\$1,122,399
2032	\$49,870,180	\$49,870,180		\$139,637	\$518,650	\$658,286	\$324,156	\$139,637	\$1,122,079
2033	\$49,856,671	\$49,856,671		\$139,599	\$518,509	\$658,108	\$324,068	\$139,599	\$1,121,775
2034	\$49,843,837	\$49,843,837		\$139,563	\$518,376	\$657,939	\$323,985	\$139,563	\$1,121,486
			<b>Total</b>	<b>\$4,427,364</b>	<b>\$5,193,286</b>	<b>\$9,620,650</b>	<b>\$3,785,055</b>	<b>\$4,427,364</b>	<b>\$17,833,069</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$11,251,208</b>	<b>\$11,251,208</b>	<b>\$6,492,754</b>	<b>\$0</b>	<b>\$17,743,962</b>

Source: CPA, Phoebe Energy Project, 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 25<sup>th</sup> Anniversary of Limitation Start

This represents the Comptroller’s determination that Phoebe Energy Project, 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)
<b>Limitation Pre-Years</b>	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
	2019	\$2,267,200	\$2,267,200	\$0	\$0
<b>Limitation Period (10 Years)</b>	2020	\$260,000	\$2,527,200	\$2,324,400	\$2,324,400
	2021	\$260,000	\$2,787,200	\$1,937,260	\$4,261,660
	2022	\$260,000	\$3,047,200	\$1,608,165	\$5,869,825
	2023	\$260,000	\$3,307,200	\$1,328,410	\$7,198,235
	2024	\$260,000	\$3,567,200	\$1,090,594	\$8,288,829
	2025	\$260,000	\$3,827,200	\$888,428	\$9,177,257
	2026	\$260,000	\$4,087,200	\$716,567	\$9,893,823
	2027	\$260,000	\$4,347,200	\$570,464	\$10,464,287
	2028	\$260,000	\$4,607,200	\$446,257	\$10,910,545
	2029	\$260,000	\$4,867,200	\$340,664	\$11,251,208
<b>Maintain Viable Presence (5 Years)</b>	2030	\$518,953	\$5,386,153	\$0	\$11,251,208
	2031	\$518,798	\$5,904,951	\$0	\$11,251,208
	2032	\$518,650	\$6,423,601	\$0	\$11,251,208
	2033	\$518,509	\$6,942,110	\$0	\$11,251,208
	2034	\$518,376	\$7,460,486	\$0	\$11,251,208
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2035	\$518,249	\$7,978,735	\$0	\$11,251,208
	2036	\$518,129	\$8,496,864	\$0	\$11,251,208
	2037	\$518,014	\$9,014,878	\$0	\$11,251,208
	2038	\$517,906	\$9,532,784	\$0	\$11,251,208
	2039	\$517,802	\$10,050,586	\$0	\$11,251,208
	2040	\$517,704	\$10,568,290	\$0	\$11,251,208
	2041	\$517,611	\$11,085,901	\$0	\$11,251,208
	2042	\$517,522	\$11,603,424	\$0	\$11,251,208
	2043	\$517,438	\$12,120,862	\$0	\$11,251,208
	2044	\$517,358	\$12,638,220	\$0	\$11,251,208

**\$12,638,220**

is greater than

**\$11,251,208**

### 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, Phoebe Energy Project, 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 Phoebe Energy Project, 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 Phoebe Energy Project, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “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, North Carolina, Mississippi, Nevada, Georgia, Alabama (Thebe Project), Utah (Pasithee Project), New Mexico, California, Arizona, and Virginia (Cordelia Project, etc.)”
  - B. “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.”

- C. "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 and the developer would have to abandon the project and go to different market."
- Longroad Development, LLC, Phoebe Energy, LLC's parent company included the project in a company investor presentation material – Longroad Energy Infratil Investor Day, March 29, 2017.
  - According to a May 4, 2017 CBS7 news story, "County commissioners in Winkler County heard a request from 7X Energy to build a solar field. ... The project would bring about 200 jobs during the construction phase and up to 7 permanent jobs." In January 2017, Longroad acquired 3GW pipeline of solar projects from 7X Energy Inc. Longroad will work with 7X Energy Inc. to build out the 3GW solar pipeline and other project.
  - Supplemental information provided by the applicant indicated the following:
    - A. The Phoebe Energy Project ("Phoebe") is not known by any other project names.
    - B. The GINR number for the Phoebe project is 19INR0029.

#### **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 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.**

# 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, Longroad Development, LLC, is a national 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, North Carolina, Mississippi, Nevada, Georgia, Alabama (Thebe Project), Utah (Pasihee Project), New Mexico, California, Arizona, and Virginia (Cordelia Project, etc.).

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. 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 and the developer would have to abandon the project and go to different market.

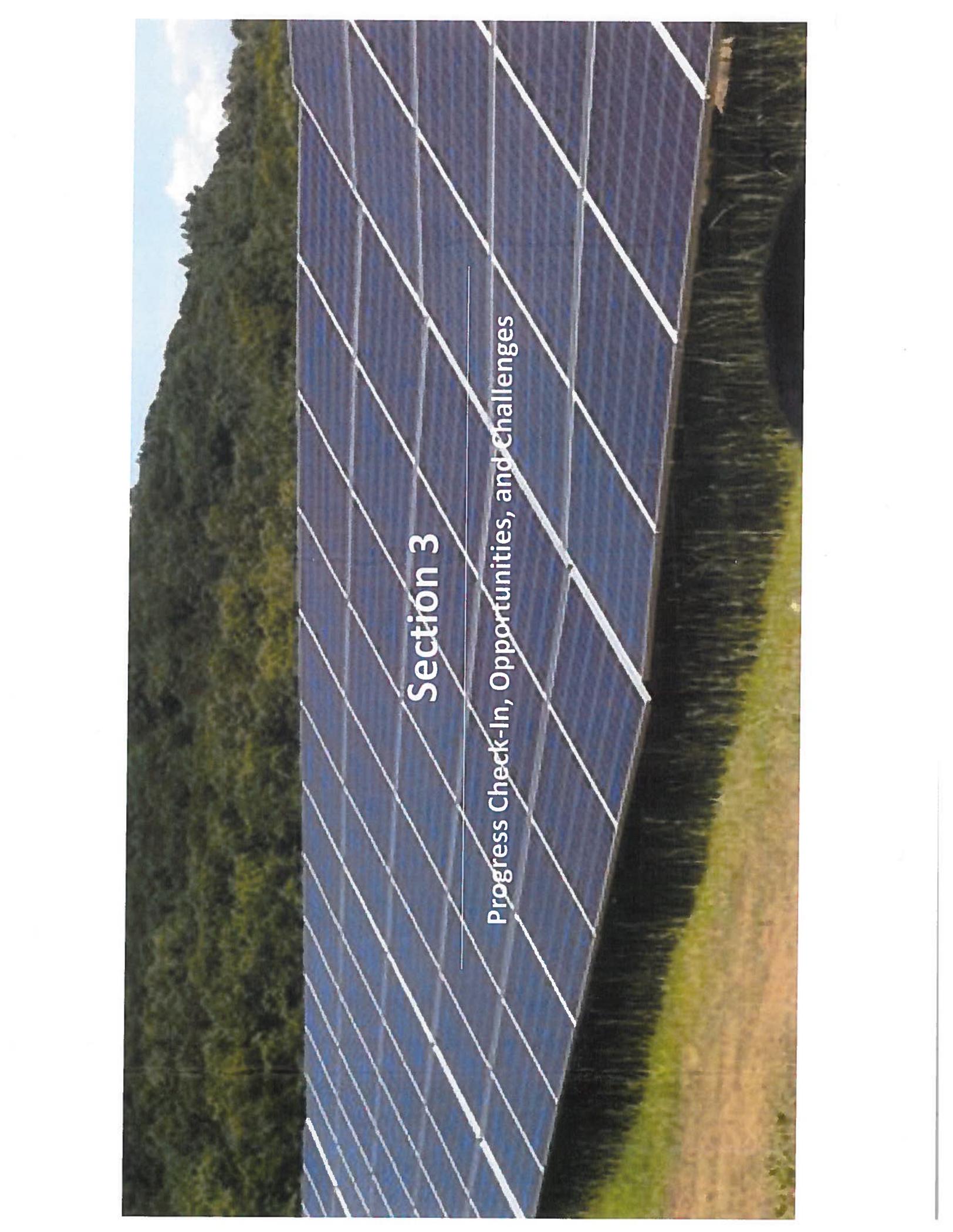
# Supporting Information

Additional information  
provided by the Applicant or  
located by the Comptroller

# Infratil Investor Day

March 29, 2017

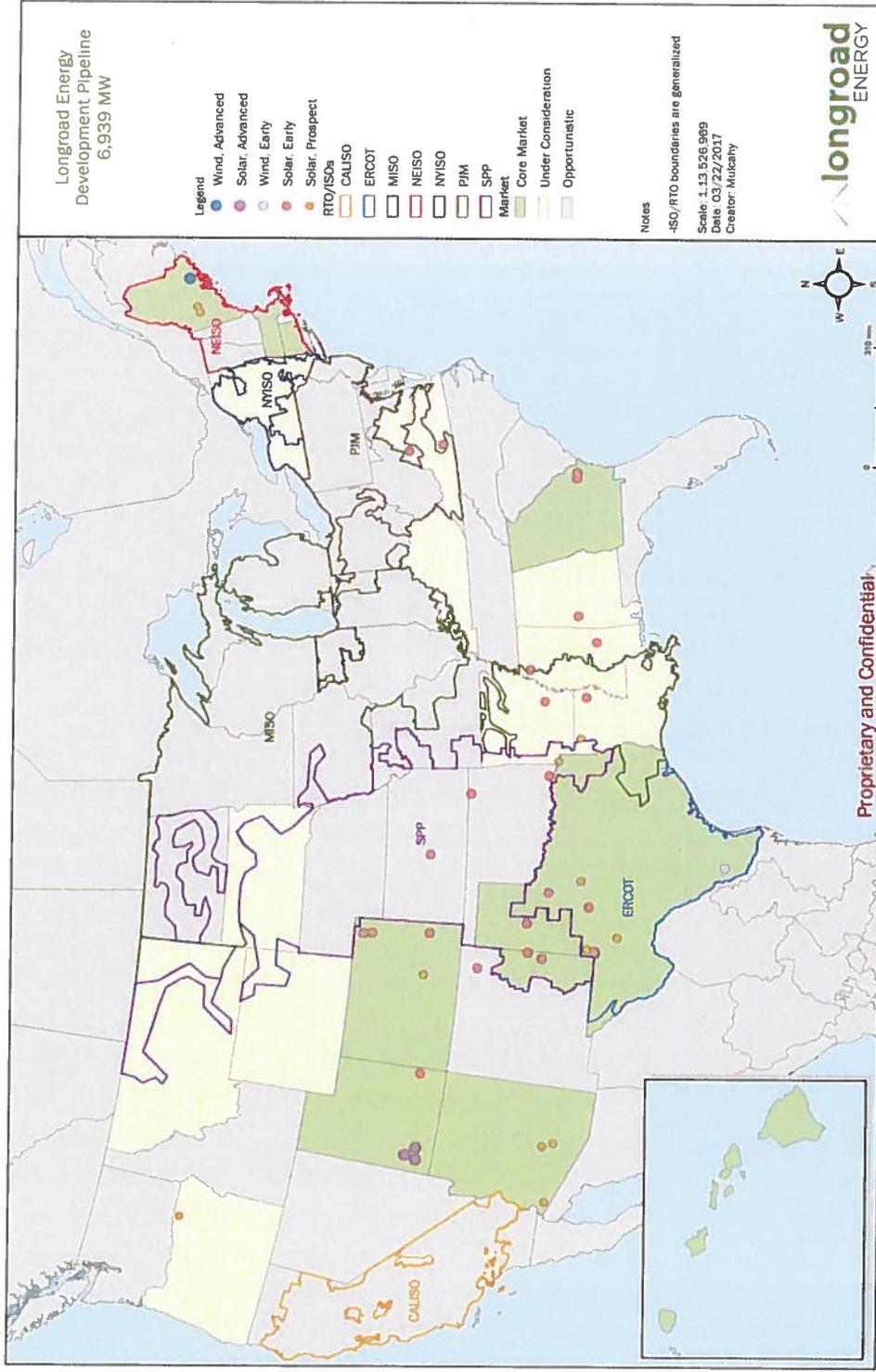




## Section 3

Progress Check-In, Opportunities, and Challenges

# Portfolio Map (excludes M&A)



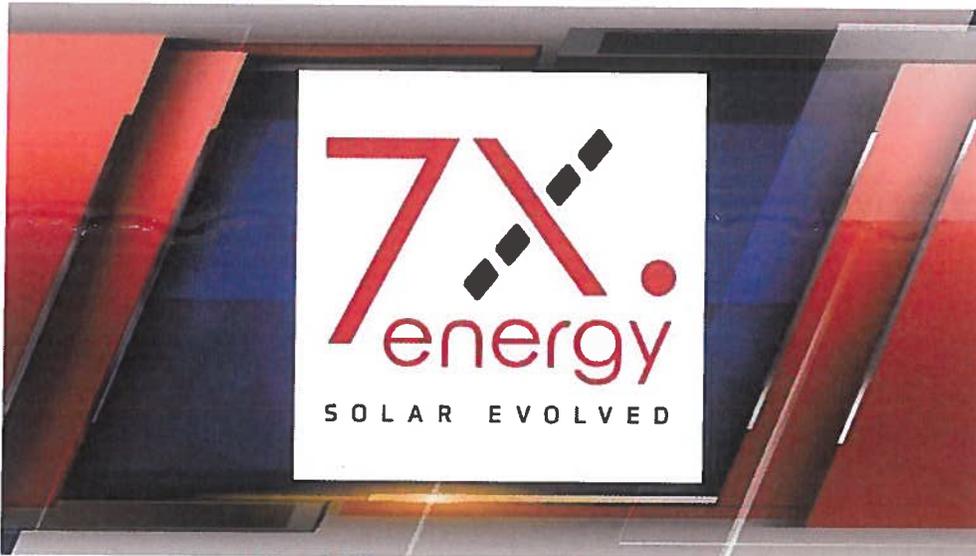
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## 7X Energy looking to build solar field in Winkler County



Posted: Thu 9:35 AM, May 04, 2017 | Updated: Thu 1:50 PM, May 04, 2017



County commissioners in Winkler County have heard a request from 7X Energy to build a solar field.

If approved the field would have a fence around the facility to prevent noise and it would stop it from being an eye sore to the community according to the Chief Development Officer for the company.

The project would bring about 200 jobs during the construction phase and up to 7 permanent jobs.

[Dancing With the Stars heading to the Permian Basin](#)

[Odessa City Council to meet on City Attorney Sexual Harassment allegations](#)

[DPS responds to crash at Highway 158 and 1788](#)

[Whataburger introduces their very own James Avery Charm](#)

[Midlanders gather for Life Chain to pray for the end of abortion](#)

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)  
– Wink-Loving ISD – Phoebe Energy Project, LLC App. #1217 –

Comptroller Questions (via email on October 24, 2017):

- 1) *Is the Phoebe Energy Project, 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 GINR number.*

Applicant Response (via email on October 24, 2017):

- 1) *The Phoebe Energy Project ("Phoebe") is not known by any other project names.*
- 2) *The GINR number for the Phoebe project is 19INR0029.*