

## **TAB 4**

### ***Detailed description of the project***

Prospero Energy Project, LLC, proposes to develop a utility-scale, grid-connected solar photovoltaic energy (PV) plant within the Andrews Independent School District.

The project will be constructed on approximately 11,520 acres, which is part of a larger, long-term lease agreement with local landowners. The project will be located entirely in Andrews County and within the Andrews Independent School District. The proposed project will include, but is not limited to, the following:

- Planned 250 MW-AC in size;
- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracker racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility and its Qualified Property;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

The parent company of Prospero Energy Project, LLC, is a national solar developer with project opportunities all across the United States. The ability to enter into a limited appraisal valuation agreement with the Andrews Independent School District is a motivating factor for constructing the project in Andrews County, Texas, as opposed to building and investing in another state or region where state tax incentives are available. Additional states where Applicant is considering include Tennessee, North Carolina, Mississippi, Virginia, Nevada, Georgia, Alabama, Utah, New Mexico, California and Arizona.

## 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. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.

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 a different market.

## **TAB 7**

### ***Description of Qualified Investment***

Prospero Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 250 MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 250 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility and its Qualified Property;
- Meteorological equipment to measure solar irradiance and other weather conditions; and
- Associated equipment to safely operate, maintain and deliver electricity to the grid.

## **TAB 8**

### ***Description of Qualified Property***

Prospero Energy Project, LLC, anticipates constructing a solar photovoltaic (PV) electric generating facility with an operating capacity of approximately 250MW ac. The exact capacity and the specific technology components will be determined during the development and design process.

A 250 MW solar PV generating facility may include a qualified investment consisting of the following improvements:

- PV modules;
- DC-to-AC inverters;
- Medium and high-voltage electric cabling;
- Single axis tracking racking system (mounting structures);
- Project substation which will include a high-voltage transformer, switchgear, transmission equipment, telecommunications and SCADA equipment, circuit breakers, switches, and control room;
- High-voltage transmission line connecting the project to the grid (gen tie);
- Operations and maintenance (O&M) facility and its Qualified Property;
- Meteorological equipment to measure solar irradiance and other weather conditions; and Associated equipment to safely operate, maintain and deliver electricity to the grid.

**TAB 9**

N/A

**TAB 10**

*Description of all property not eligible to become qualified property (if applicable)*

1. N/A.

**TAB 14**

*Schedules A1, A2, B, C, and D completed and signed Economic Impact*

See attached Excel Spreadsheet

PROPERTY INVESTMENT AMOUNTS									
(Estimated Investment in each year. Do not put cumulative totals.)									
				Column A	Column B	Column C	Column D	Column E	
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in <b>tangible personal property</b> placed in service during this year that will become Qualified Property	New investment made during this year in <b>buildings or permanent nonremovable components of buildings</b> that will become Qualified Property	Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other new investment made during this year that may become Qualified Property [SEE NOTE]	Total Investment (Sum of Columns A+B+C+D)	
Investment made before filing complete application with district		Year preceding the first complete tax year of the qualifying time period (assuming no deferrals of qualifying time period)	2018	Not eligible to become Qualified Property				[The only other investment made before filing complete application with district that may become Qualified Property is land.]	0
Investment made after filing complete application with district, but before final board approval of application	--			0	0	0	0	0	
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period				30,000,000	0	0	0	30,000,000	
Complete tax years of qualifying time period	QTP1	2019-2020	2019	215,200,000	500,000	0	0	215,700,000	
	QTP2	2020-2021	2020	3,630,000	0	0	0	3,630,000	
<b>Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]</b>				248,830,000	500,000	0	0	249,330,000	
				Enter amounts from TOTAL row above in Schedule A2					
<b>Total Qualified Investment (sum of green cells)</b>				249,330,000					

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property, is used to maintain, refurbish, renovate, modify or upgrade existing property, or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Column C Other investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Column D Other investment made during this year that will become Qualified Property {SEE NOTE}	Column E Total Investment (A+B+C+D)
Total Investment from Schedule A1*	-	TOTALS FROM SCHEDULE A1		248,830,000	500,000	0	0	249,330,000
Enter amounts from TOTAL row in Schedule A1 in the row below								
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2017-2018	2017	0	0	0	0	0
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2018-2019	2018	30,000,000		0	0	30,000,000
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2019-2020	2019	215,200,000	500,000	0	0	215,700,000
Value limitation period***	1	2020-2021	2020	3,630,000	0	0	0	3,630,000
	2	2021-2022	2021	0	0	3,700,000	0	3,700,000
	3	2022-2023	2022	0	0	3,772,842	0	3,772,842
	4	2023-2024	2023	0	0	3,844,526	0	3,844,526
	5	2024-2025	2024	0	0	3,917,572	0	3,917,572
	6	2025-2026	2025	0	0	4,679,143	0	4,679,143
	7	2026-2027	2026	0	0	4,768,047	0	4,768,047
	8	2027-2028	2027	0	0	4,858,640	0	4,858,640
	9	2028-2029	2028	0	0	4,950,954	0	4,950,954
	10	2029-2030	2029	0	0	5,045,022	0	5,045,022
Total Investment made through limitation				248,830,000	500,000	39,536,746	0	288,866,746
Continue to maintain viable presence	11	2030-2031	2030			5,140,877		5,140,877
	12	2031-2032	2031			5,238,554		5,238,554
	13	2032-2033	2032			5,338,087		5,338,087
	14	2033-2034	2033			5,439,510		5,439,510
	15	2034-2035	2034			5,542,861		5,542,861
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035			5,648,175		5,648,175
	17	2036-2037	2036			5,755,491		5,755,491
	18	2037-2038	2037			5,864,845		5,864,845
	19	2038-2039	2038			5,976,277		5,976,277
	20	2039-2040	2039			6,089,826		6,089,826
	21	2040-2041	2040			6,205,533		6,205,533
	22	2041-2042	2041			6,323,438		6,323,438
	23	2042-2043	2042			6,443,583		6,443,583
	24	2043-2044	2043			6,566,011		6,566,011
	25	2044-2045	2044			6,690,766		6,690,766

\* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the **first row**.

\*\* Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

\*\*\* If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were **not** captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

**Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)**

Date

9/7/2017

1218-andrews-prosperoenergy-amendment001

Applicant Name

Prospero Energy Project, LLC

October 2, 2017 **Form 50-296A**

ISD Name

Andrews ISD

Revised May 2014

				Qualified Property			Estimated Taxable Value		
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period	0	2017-2018	2017	0	0	0	0	0	0
	0	2018-2019	2018	0	0	0	0	0	0
	0	2019-2020	2019	0	0	30,000,000	30,000,000	30,000,000	30,000,000
Value Limitation Period	1	2020-2021	2020	0	500,000	215,200,000	215,700,000	215,700,000	30,000,000
	2	2021-2022	2021	0	475,000	248,830,000	249,330,000	249,330,000	30,000,000
	3	2022-2023	2022	0	451,250	211,505,500	211,980,500	211,980,500	30,000,000
	4	2023-2024	2023	0	428,688	179,779,675	180,230,925	180,230,925	30,000,000
	5	2024-2025	2024	0	407,253	152,812,724	153,241,411	153,241,411	30,000,000
	6	2025-2026	2025	0	386,890	129,890,815	130,298,068	130,298,068	30,000,000
	7	2026-2027	2026	0	367,546	110,407,193	110,794,083	110,794,083	30,000,000
	8	2027-2028	2027	0	349,169	93,846,114	94,213,660	94,213,660	30,000,000
	9	2028-2029	2028	0	331,710	79,769,197	80,118,366	80,118,366	30,000,000
	10	2029-2030	2029	0	315,125	67,803,817	68,135,528	68,135,528	30,000,000
Continue to maintain viable presence	11	2030-2031	2030	0	299,368	57,633,245	57,948,369	57,948,369	57,932,613
	12	2031-2032	2031	0	284,400	49,766,000	50,065,368	50,065,368	50,050,400
	13	2032-2033	2032	0	270,180	49,766,000	50,050,400	50,050,400	50,036,180
	14	2033-2034	2033	0	256,671	49,766,000	50,036,180	50,036,180	50,022,671
	15	2034-2035	2034	0	243,837	49,766,000	50,022,671	50,022,671	50,009,837
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035	0	231,646	49,766,000	50,009,837	50,009,837	49,997,646
	17	2036-2037	2036	0	220,063	49,766,000	49,997,646	49,997,646	49,986,063
	18	2037-2038	2037	0	209,060	49,766,000	49,986,063	49,986,063	49,975,060
	19	2038-2039	2038	0	198,607	49,766,000	49,975,060	49,975,060	49,964,607
	20	2039-2040	2039	0	188,677	49,766,000	49,964,607	49,964,607	49,954,677
	21	2040-2041	2040	0	179,243	49,766,000	49,954,677	49,954,677	49,945,243
	22	2041-2042	2041	0	170,281	49,766,000	49,945,243	49,945,243	49,936,281
	23	2042-2043	2042	0	161,767	49,766,000	49,936,281	49,936,281	49,927,767
	24	2043-2044	2043	0	153,678	49,766,000	49,927,767	49,927,767	49,919,678
	25	2044-2045	2044	0	145,995	49,766,000	49,919,678	49,919,678	49,911,995

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.  
Only include market value for eligible property on this schedule.

**TAB 16**

*Description of Reinvestment Zone, including:*

- A. Evidence that the area qualifies as an reinvestment zone*
- B. Legal description of the reinvestment zone*
- C. Order, resolution or ordinance establishing the reinvestment zone*
- D. Guidelines and criteria for creating the zone*

It is anticipated that the Reinvestment Zone will be designated by Andrews County in November of 2017.

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in **Tab 17**. **NOTE:** If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here

Bobby Azam

Print Name (Authorized School District Representative)

Superintendent

Title

sign here

  
Signature (Authorized School District Representative)

October 19, 2017

Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here

Michael U. Alvarez

Print Name (Authorized Company Representative (Applicant))

Title

COO

sign here

  
Signature (Authorized Company Representative (Applicant))

Date

10.18.17

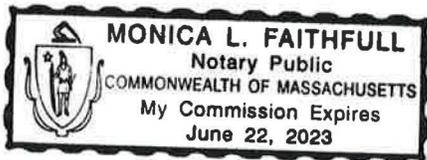
GIVEN under my hand and seal of office this, the

18 day of October, 2017



Notary Public in and for the State of ~~Texas~~ Massachusetts

My Commission expires: 01/22/2023



(Notary Seal)

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.