



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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P.O.Box 13528 • Austin, TX 78711-3528

March 2, 2018

Dr. Kim Alexander  
Superintendent  
Roscoe Collegiate Independent School District  
1101 W. 7<sup>th</sup> Street  
PO Box 579  
Roscoe, TX 79545

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Roscoe Collegiate Independent School District and Mesquite Star Special, LLC, Application 1223

Dear Superintendent Alexander:

On December 15, 2017, the Comptroller issued written notice that Mesquite Star Special, LLC (applicant) submitted a completed application (Application 1223) for a limitation on appraised value under the provisions of Tax Code Chapter 313.<sup>1</sup> This application was originally submitted on September 18, 2017, to the Roscoe Collegiate 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 1223.

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

**Certificate decision required by 313.025(d)**

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2018

Note that any building or improvement existing as of the application review start date of December 15, 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', written over the word 'Sincerely,'.

Mike Reissig  
Deputy Comptroller

Enclosure

cc: Will Counihan

## Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Mesquite Star Special, LLC (project) applying to Roscoe Collegiate 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 Mesquite Star Special, LLC.

Applicant	Mesquite Star Special, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy - Wind
School District	Roscoe Collegiate ISD
2016-2017 Average Daily Attendance	521
County	Fisher
Proposed Total Investment in District	\$81,250,000
Proposed Qualified Investment	\$81,250,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	3*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$893.58
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$893.58
Minimum annual wage committed to by applicant for qualified jobs	\$46,466
Minimum weekly wage required for non-qualifying jobs	\$738
Minimum annual wage required for non-qualifying jobs	\$38,428
Investment per Qualifying Job	\$27,083,333
Estimated M&O levy without any limit (15 years)	\$8,789,684
Estimated M&O levy with Limitation (15 years)	\$5,432,193
Estimated gross M&O tax benefit (15 years)	\$3,357,491

\* 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 Mesquite Star Special, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	150	175	325	\$6,000,000	\$14,941,600	\$20,941,600
2019	150	195	344.73	\$6,000,000	\$18,266,800	\$24,266,800
2020	3	38	41	\$139,398	\$5,329,102	\$5,468,500
2021	3	14	17	\$139,398	\$3,244,102	\$3,383,500
2022	3	(3)	0	\$139,398	\$1,665,602	\$1,805,000
2023	3	(11)	-8	\$139,398	\$642,102	\$781,500
2024	3	(13)	-10	\$139,398	\$62,402	\$201,800
2025	3	(12)	-9	\$139,398	-\$147,798	-\$8,400
2026	3	(9)	-6	\$139,398	-\$130,698	\$8,700
2027	3	(6)	-3	\$139,398	\$24,902	\$164,300
2028	3	(2)	1	\$139,398	\$248,102	\$387,500
2029	3	1	4	\$139,398	\$491,202	\$630,600
2030	3	3	6	\$139,398	\$699,802	\$839,200
2031	3	5	8	\$139,398	\$893,202	\$1,032,600
2032	3	6	9	\$139,398	\$1,051,902	\$1,191,300
2033	3	7	10	\$139,398	\$1,174,902	\$1,314,300

Source: CPA REMI, Mesquite Star Special, 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*	Roscoe Collegiate ISD I&S Tax Levy	Roscoe Collegiate ISD M&O Tax Levy	Roscoe Collegiate ISD M&O and I&S Tax Levies	Fisher County Tax Levy	Fisher County Hospital District Tax Levy	Estimated Total Property Taxes
			0.2300	1.1700		0.8155	0.2800		
2019	\$18,250,000	\$18,250,000		\$41,975	\$213,525	\$255,500	\$148,830	\$51,100	\$455,430
2020	\$79,625,000	\$79,625,000		\$183,138	\$931,613	\$1,114,750	\$649,346	\$222,950	\$1,987,046
2021	\$74,051,000	\$74,051,000		\$170,317	\$866,397	\$1,036,714	\$603,890	\$207,343	\$1,847,946
2022	\$68,867,000	\$68,867,000		\$158,394	\$805,744	\$964,138	\$561,614	\$192,828	\$1,718,579
2023	\$64,046,000	\$64,046,000		\$147,306	\$749,338	\$896,644	\$522,298	\$179,329	\$1,598,271
2024	\$59,563,000	\$59,563,000		\$136,995	\$696,887	\$833,882	\$485,739	\$166,776	\$1,486,398
2025	\$55,394,000	\$55,394,000		\$127,406	\$648,110	\$775,516	\$451,741	\$155,103	\$1,382,360
2026	\$51,516,000	\$51,516,000		\$118,487	\$602,737	\$721,224	\$420,116	\$144,245	\$1,285,584
2027	\$47,910,000	\$47,910,000		\$110,193	\$560,547	\$670,740	\$390,708	\$134,148	\$1,195,596
2028	\$44,556,000	\$44,556,000		\$102,479	\$521,305	\$623,784	\$363,356	\$124,757	\$1,111,897
2029	\$41,437,000	\$41,437,000		\$95,305	\$484,813	\$580,118	\$337,921	\$116,024	\$1,034,062
2030	\$39,365,000	\$39,365,000		\$90,540	\$460,571	\$551,110	\$321,024	\$110,222	\$982,356
2031	\$37,397,000	\$37,397,000		\$86,013	\$437,545	\$523,558	\$304,974	\$104,712	\$933,244
2032	\$35,527,000	\$35,527,000		\$81,712	\$415,666	\$497,378	\$289,724	\$99,476	\$886,578
2033	\$33,751,000	\$33,751,000		\$77,627	\$394,887	\$472,514	\$275,241	\$94,503	\$842,258
			<b>Total</b>	<b>\$1,727,887</b>	<b>\$8,789,684</b>	<b>\$10,517,570</b>	<b>\$6,126,522</b>	<b>\$2,103,514</b>	<b>\$18,747,606</b>

Source: CPA, Mesquite Star Special, LLC

\*Tax Rate per \$100 Valuation

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and Fisher County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with Fisher County and Fisher County Hospital District.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Roscoe Collegiate ISD I&S Tax Levy	Roscoe Collegiate ISD M&O Tax Levy	Roscoe Collegiate ISD M&O and I&S Tax Levies	Fisher County Tax Levy	Fisher County Hospital District Tax Levy	Estimated Total Property Taxes
			<b>Tax Rate*</b>	<b>0.2300</b>	<b>1.1700</b>		<b>0.8155</b>	<b>0.2800</b>	
2019	\$18,250,000	\$18,250,000		\$41,975	\$213,525	\$255,500	\$148,830	\$51,100	\$455,430
2020	\$79,625,000	\$30,000,000		\$183,138	\$351,000	\$534,138	\$363,634	\$124,852	\$1,022,623
2021	\$74,051,000	\$30,000,000		\$170,317	\$351,000	\$521,317	\$338,178	\$116,112	\$975,607
2022	\$68,867,000	\$30,000,000		\$158,394	\$351,000	\$509,394	\$314,504	\$107,983	\$931,881
2023	\$64,046,000	\$30,000,000		\$147,306	\$351,000	\$498,306	\$292,487	\$100,424	\$891,217
2024	\$59,563,000	\$30,000,000		\$136,995	\$351,000	\$487,995	\$272,014	\$93,395	\$853,404
2025	\$55,394,000	\$30,000,000		\$127,406	\$351,000	\$478,406	\$252,975	\$86,858	\$818,239
2026	\$51,516,000	\$30,000,000		\$118,487	\$351,000	\$469,487	\$235,265	\$80,777	\$785,529
2027	\$47,910,000	\$30,000,000		\$110,193	\$351,000	\$461,193	\$218,797	\$75,123	\$755,113
2028	\$44,556,000	\$30,000,000		\$102,479	\$351,000	\$453,479	\$203,480	\$69,864	\$726,822
2029	\$41,437,000	\$30,000,000		\$95,305	\$351,000	\$446,305	\$189,236	\$64,973	\$700,514
2030	\$39,365,000	\$39,365,000		\$90,540	\$460,571	\$551,110	\$321,024	\$110,222	\$982,356
2031	\$37,397,000	\$37,397,000		\$86,013	\$437,545	\$523,558	\$304,974	\$104,712	\$933,244
2032	\$35,527,000	\$35,527,000		\$81,712	\$415,666	\$497,378	\$289,724	\$99,476	\$886,578
2033	\$33,751,000	\$33,751,000		\$77,627	\$394,887	\$472,514	\$275,241	\$94,503	\$842,258
			<b>Total</b>	<b>\$1,727,887</b>	<b>\$5,432,193</b>	<b>\$7,160,080</b>	<b>\$4,020,361</b>	<b>\$1,380,373</b>	<b>\$12,560,814</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$3,357,491</b>	<b>\$3,357,491</b>	<b>\$2,106,161</b>	<b>\$723,141</b>	<b>\$6,186,792</b>
Assumes School Value Limitation and Tax Abatements with the Fisher County and the Fisher County Hospital District.									

Source: CPA, Mesquite Star Special, 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 MESQUITE STAR SPECIAL, 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	\$213,525	\$213,525	\$0	\$0
<b>Limitation Period (10 Years)</b>	2020	\$351,000	\$564,525	\$580,613	\$580,613
	2021	\$351,000	\$915,525	\$515,397	\$1,096,009
	2022	\$351,000	\$1,266,525	\$454,744	\$1,550,753
	2023	\$351,000	\$1,617,525	\$398,338	\$1,949,091
	2024	\$351,000	\$1,968,525	\$345,887	\$2,294,978
	2025	\$351,000	\$2,319,525	\$297,110	\$2,592,088
	2026	\$351,000	\$2,670,525	\$251,737	\$2,843,825
	2027	\$351,000	\$3,021,525	\$209,547	\$3,053,372
	2028	\$351,000	\$3,372,525	\$170,305	\$3,223,678
	2029	\$351,000	\$3,723,525	\$133,813	\$3,357,491
<b>Maintain Viable Presence (5 Years)</b>	2030	\$460,571	\$4,184,096	\$0	\$3,357,491
	2031	\$437,545	\$4,621,640	\$0	\$3,357,491
	2032	\$415,666	\$5,037,306	\$0	\$3,357,491
	2033	\$394,887	\$5,432,193	\$0	\$3,357,491
	2034	\$375,137	\$5,807,330	\$0	\$3,357,491
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2035	\$356,382	\$6,163,712	\$0	\$3,357,491
	2036	\$338,563	\$6,502,275	\$0	\$3,357,491
	2037	\$321,633	\$6,823,908	\$0	\$3,357,491
	2038	\$305,557	\$7,129,465	\$0	\$3,357,491
	2039	\$290,277	\$7,419,742	\$0	\$3,357,491
	2040	\$275,769	\$7,695,511	\$0	\$3,357,491
	2041	\$261,986	\$7,957,498	\$0	\$3,357,491
	2042	\$248,882	\$8,206,380	\$0	\$3,357,491
	2043	\$237,656	\$8,444,036	\$0	\$3,357,491
	2044	\$237,656	\$8,681,693	\$0	\$3,357,491

**\$8,681,693** is greater than **\$3,357,491**

<b>Analysis Summary</b>	
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 levv directly related to this project.

Source: CPA, MESQUITE STAR SPECIAL, 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 Mesquite Star Special, LLC decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Mesquite Star Special, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “The applicant is in the final stages of a sale transaction for the development rights of the project. The transaction, which is anticipated to close in the next month, is with a leading independent power producer and national wind and solar developer with the ability to locate projects of this type in other states in the US with strong wind resources.”
  - B. “The transaction (and this construction of this project) 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 construction the project in Texas becomes unlikely.”
  - C. “Other states being evaluated for this project are Washington, New Mexico, Nebraska, Oklahoma, Pennsylvania and West Virginia.”
  - D. “Supplemental information provided by the applicant stated the following:
    - A. “The ERCOT GINR number is 19INR0080 and the project is known as Whitehorse Wind for ERCOT purposes due to another project having the same name as the applicant.”

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

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

# **Supporting Information**

**Section 8 of the Application for  
a Limitation on Appraised Value**

**SECTION 6: Eligibility Under Tax Code Chapter 313.024**

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

**SECTION 7: Project Description**

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

<input checked="" type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements ( <i>complete Section 13</i> )
<input type="checkbox"/> Expansion of existing operation on the land ( <i>complete Section 13</i> )	<input type="checkbox"/> Relocation within Texas

**SECTION 8: Limitation as Determining Factor**

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

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

# **Supporting Information**

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

**Attachment C - Limitation as a Determining Factor**

**TAB 5**

*Documentation to assist in determining if limitation is a determining factor.*

The applicant is in final stages of a sale transaction for the development rights of the project. The transaction, which is anticipated to close in the next month, is with a leading independent power producer and national wind and solar developer with the ability to locate projects of this type in other states in the US with strong wind resources. The applicant's counterparty is actively developing and constructing other projects throughout the US. The transaction (and thus construction of this project) 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. Property taxes can be the highest operating expense for a wind generation facility as wind facilities 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 wind 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. Other states being evaluated for this project are Washington, New Mexico, Nebraska, Oklahoma, Pennsylvania and West Virginia.

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 unfinanceable.