GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

September 13, 2018

Carlos Gonzalez
Superintendent
Zapata County Independent School District
1302 Glenn St.
Zapata, Texas 78076

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Zapata County Independent School District and Reloj del Sol Wind Farm, LLC, Application 1259

Dear Superintendent Gonzalez:

On August 23, 2018, the Comptroller issued written notice that Reloj del Sol Wind Farm, LLC (applicant) submitted a completed application (Application 1259) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on May 22, 2018, to the Zapata County 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.

[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 1259.

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 August 23, 2018, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Reloj del Sol Wind Farm, LLC (project) applying to Zapata County 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 Reloj del Sol Wind Farm, LLC.

Applicant	Reloj del Sol Wind Farm, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation-Wind
School District	Zapata County ISD
2016-2017 Average Daily Attendance	3,177
County	Zapata
Proposed Total Investment in District	$220,000,000
Proposed Qualified Investment	$220,000,000
Limitation Amount	$25,000,000
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	$663
Minimum weekly wage required for each qualifying job by Tax Code, 313.0215(B)	$663
Minimum annual wage committed to by applicant for qualified jobs	$34,477
Minimum weekly wage required for non-qualifying jobs	$908
Minimum annual wage required for non-qualifying jobs	$47,204
Investment per Qualifying Job	$73,333,333
Estimated M&O levy without any limit (15 years)	$20,503,861
Estimated M&O levy with Limitation (15 years)	$6,879,722
Estimated gross M&O tax benefit (15 years)	$13,624,139

** 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 Reloj del Sol Wind Farm, LLC (modeled).

Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2020	96	82	178	$4,389,824	$7,695,137	$12,084,961
2021	3	13	15.625	$103,431	$1,727,624	$1,831,055
2022	3	9	12	$103,431	$1,483,483	$1,586,914
2023	3	9	12	$103,431	$1,239,342	$1,342,773
2024	3	5	8	$103,431	$1,117,272	$1,220,703
2025	3	13	16	$103,431	$1,117,272	$1,220,703
2026	3	9	12	$103,431	$1,239,342	$1,342,773
2027	3	13	16	$103,431	$1,361,413	$1,464,844
2028	3	11	14	$103,431	$1,605,553	$1,708,984
2029	3	7	10	$103,431	$1,361,413	$1,464,844
2030	3	7	10	$103,431	$1,117,272	$1,220,703
2031	3	5	8	$103,431	$1,117,272	$1,220,703
2032	3	9	12	$103,431	$628,991	$732,422
2033	3	7	10	$103,431	$628,991	$732,422
2034	3	7	10	$103,431	$628,991	$732,422
2035	3	3	6	$103,431	$384,850	$488,281

Source: CPA REMI, Reloj del Sol Wind Farm, 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		Zapata County ISD I&S Tax Levy	Zapata County ISD M&O Tax Levy	Zapata County ISD M&O and I&S Tax Levies	Zapata County Tax Levy	Zapata County Special Rd & Bridge Tax Levy	Zapata County Bond Tax Levy	Farm to Mkt Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0000	1.0400		0.6240	0.0700	0.2300	0.00001	
2021	$220,000,000	$220,000,000		$0	$2,288,000	$2,288,000	$1,372,800	$154,035	$506,000	$22	$3,814,835
2022	$202,540,000	$202,540,000		$0	$2,106,416	$2,106,416	$1,263,850	$141,810	$465,842	$20	$3,512,076
2023	$186,471,200	$186,471,200		$0	$1,939,300	$1,939,300	$1,163,580	$130,560	$428,884	$19	$3,233,440
2024	$171,682,528	$171,682,528		$0	$1,785,498	$1,785,498	$1,071,299	$120,205	$394,870	$17	$2,977,003
2025	$158,071,789	$158,071,789		$0	$1,643,947	$1,643,947	$986,368	$110,676	$363,565	$16	$2,740,990
2026	$145,544,954	$145,544,954		$0	$1,513,668	$1,513,668	$908,201	$101,905	$334,753	$15	$2,523,773
2027	$134,015,510	$134,015,510		$0	$1,393,761	$1,393,761	$836,257	$93,832	$308,236	$13	$2,323,850
2028	$123,403,855	$123,403,855		$0	$1,283,400	$1,283,400	$770,040	$86,402	$283,829	$12	$2,139,843
2029	$113,636,750	$113,636,750		$0	$1,181,822	$1,181,822	$709,093	$79,564	$261,365	$11	$1,970,479
2030	$104,646,804	$104,646,804		$0	$1,088,327	$1,088,327	$652,996	$73,270	$240,688	$10	$1,814,592
2031	$96,372,015	$96,372,015		$0	$1,002,269	$1,002,269	$601,361	$67,476	$221,656	$10	$1,671,106
2032	$88,755,330	$88,755,330		$0	$923,055	$923,055	$553,833	$62,143	$204,137	$9	$1,539,032
2033	$81,744,257	$81,744,257		$0	$850,140	$850,140	$510,084	$57,234	$188,012	$8	$1,417,458
2034	$75,290,496	$75,290,496		$0	$783,021	$783,021	$469,813	$52,715	$173,168	$8	$1,305,549
2035	$69,349,604	$69,349,604		$0	$721,236	$721,236	$432,742	$48,556	$159,504	$7	$1,202,533
			Total	$0	$20,503,861	$20,503,861	$12,302,317	$1,380,383			$34,186,561

Source: CPA, Reloj del Sol Wind Farm, LLC
*Tax Rate per $100 Valuation

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

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Zapata County ISD I&S Tax Levy	Zapata County ISD M&O Tax Levy	Zapata County ISD M&O and I&S Tax Levies	Zapata County Tax Levy	Zapata County Special Rd & Bridge Tax Levy	Zapata County Bond Tax Levy	Farm to Mkt Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0000	1.0400		0.6240	0.0700	0.2300	0.00001	
2021	$2,500,000	$25,000,000		$0	$260,000	$260,000	$6,240	$1,750	$5,750	$0	$267,990
2022	$150,000,000	$25,000,000		$0	$260,000	$260,000	$374,400	$105,024	$345,000	$15	$739,424
2023	$285,000,000	$25,000,000		$0	$260,000	$260,000	$711,360	$199,546	$655,500	$29	$1,170,906
2024	$273,600,000	$25,000,000		$0	$260,000	$260,000	$682,906	$191,564	$629,280	$27	$1,134,469
2025	$262,200,000	$25,000,000		$0	$260,000	$260,000	$654,451	$183,582	$603,060	$26	$1,098,033
2026	$250,800,000	$25,000,000		$0	$260,000	$260,000	$625,997	$175,600	$576,840	$25	$1,061,597
2027	$239,400,000	$25,000,000		$0	$260,000	$260,000	$597,542	$167,618	$550,620	$24	$1,025,161
2028	$228,000,000	$25,000,000		$0	$260,000	$260,000	$569,088	$159,636	$524,400	$23	$988,724
2029	$216,600,000	$25,000,000		$0	$260,000	$260,000	$540,634	$151,655	$498,180	$22	$952,288
2030	$205,200,000	$25,000,000		$0	$260,000	$260,000	$512,179	$143,673	$471,960	$21	$915,852
2031	$193,800,000	$96,372,015		$0	$1,002,269	$1,002,269	$1,209,312	$135,691	$445,740	$19	$2,347,272
2032	$182,400,000	$88,755,330		$0	$923,055	$923,055	$1,138,176	$127,709	$419,520	$18	$2,188,941
2033	$171,000,000	$81,744,257		$0	$850,140	$850,140	$1,067,040	$119,727	$393,300	$17	$2,036,908
2034	$159,600,000	$75,290,496		$0	$783,021	$783,021	$995,904	$111,746	$367,080	$16	$1,890,671
2035	$148,200,000	$69,349,604		$0	$721,236	$721,236	$924,768	$103,764	$340,860	$15	$1,749,768
			Total	$0	$6,879,722	$6,879,722	$10,609,997	$2,078,285			$19,568,003
			Diff	$0	$13,624,139	$13,624,139	$1,692,320	-$697,902			$14,618,557

Source: CPA, Reloj del Sol Wind Farm, 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 Reloj del Sol Wind Farm, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	$0	$0	$0	$0
	2019	$0	$0	$0	$0
	2020	$0	$0	$0	$0
Limitation Period (10 Years)	2021	$260,000	$260,000	$2,028,000	$2,028,000
	2022	$260,000	$520,000	$1,846,416	$3,874,416
	2023	$260,000	$780,000	$1,679,300	$5,553,716
	2024	$260,000	$1,040,000	$1,525,498	$7,079,215
	2025	$260,000	$1,300,000	$1,383,947	$8,463,161
	2026	$260,000	$1,560,000	$1,253,668	$9,716,829
	2027	$260,000	$1,820,000	$1,133,761	$10,850,590
	2028	$260,000	$2,080,000	$1,023,400	$11,873,990
	2029	$260,000	$2,340,000	$921,822	$12,795,812
	2030	$260,000	$2,600,000	$828,327	$13,624,139
Maintain Viable Presence (5 Years)	2031	$1,002,269	$3,602,269	$0	$13,624,139
	2032	$923,055	$4,525,324	$0	$13,624,139
	2033	$850,140	$5,375,465	$0	$13,624,139
	2034	$783,021	$6,158,486	$0	$13,624,139
	2035	$721,236	$6,879,722	$0	$13,624,139
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	$664,359	$7,544,081	$0	$13,624,139
	2037	$612,000	$8,156,081	$0	$13,624,139
	2038	$563,797	$8,719,878	$0	$13,624,139
	2039	$519,421	$9,239,299	$0	$13,624,139
	2040	$478,566	$9,717,865	$0	$13,624,139
	2041	$440,951	$10,158,816	$0	$13,624,139
	2042	$406,318	$10,565,134	$0	$13,624,139
	2043	$374,431	$10,939,564	$0	$13,624,139
	2044	$345,069	$11,284,634	$0	$13,624,139
	2045	$318,033	$11,602,667	$0	$13,624,139

$11,602,667	is less than	**$13,624,139**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

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

Source: CPA, Reloj del Sol Wind Farm, LLC

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2020	96	82	178	$4,389,824	$7,695,137	$12,084,961	602722.2	-320434.6	$923,157
2021	3	13	15.625	$103,431	$1,727,624	$1,831,055	129699.7	129699.7	$0
2022	3	9	12	$103,431	$1,483,483	$1,586,914	76293.9	129699.7	-$53,406
2023	3	9	12	$103,431	$1,239,342	$1,342,773	83923.3	114440.9	-$30,518
2024	3	5	8	$103,431	$1,117,272	$1,220,703	106811.5	114440.9	-$7,629
2025	3	13	16	$103,431	$1,117,272	$1,220,703	137329.1	106811.5	$30,518
2026	3	9	12	$103,431	$1,239,342	$1,342,773	160217.3	106811.5	$53,406
2027	3	13	16	$103,431	$1,361,413	$1,464,844	152587.9	68664.6	$83,923
2028	3	11	14	$103,431	$1,605,553	$1,708,984	183105.5	76293.9	$106,812
2029	3	7	10	$103,431	$1,361,413	$1,464,844	183105.5	83923.3	$99,182
2030	3	7	10	$103,431	$1,117,272	$1,220,703	167846.7	68664.6	$99,182
2031	3	5	8	$103,431	$1,117,272	$1,220,703	167846.7	61035.2	$106,812
2032	3	9	12	$103,431	$628,991	$732,422	152587.9	38147	$114,441
2033	3	7	10	$103,431	$628,991	$732,422	144958.5	15258.8	$129,700
2034	3	7	10	$103,431	$628,991	$732,422	144958.5	0	$144,959
2035	3	3	6	$103,431	$384,850	$488,281	99182.1	-7629.4	$106,812
2036	3	5	8	$103,431	$628,991	$732,422	76293.9	-45776.4	$122,070
2037	3	5	8	$103,431	$140,710	$244,141	53405.8	-68664.6	$122,070
2038	3	1	4	$103,431	-$103,431	$0	61035.2	-61035.2	$122,070
2039	3	(1)	2	$103,431	-$103,431	$0	45776.4	-76293.9	$122,070
2040	3	(1)	2	$103,431	-$591,712	-$488,281	0	-122070.3	$122,070
2041	3	1	4	$103,431	-$347,572	-$244,141	-15258.8	-152587.9	$137,329
2042	3	(3)	0	$103,431	-$835,853	-$732,422	15258.8	-137329.1	$152,588
2043	3	(3)	0	$103,431	-$1,079,994	-$976,563	15258.8	-175476.1	$190,735
2044	3	(5)	-2	$103,431	-$591,712	-$488,281	-15258.8	-160217.3	$144,959
2045	3	(5)	-2	$103,431	-$1,079,994	-$976,563	-30517.6	-198364.3	$167,847
2046	3	(3)	0	$103,431	-$103,431	$0	0	0	$0
2045	3	(3)	0	$103,431	-$103,431	$0	0	0	$0
						Total	**$2,899,170**	**-$411,988**	**$3,311,158**
							$14,913,825	is greater than	**$13,624,139**

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

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 Reloj del Sol Wind Farm 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 Reloj del Sol Wind Farm, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "The parent company, EDP Renewables North America ("EDP") can locate the Project anywhere in the U.S. sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect to the Project to the grid... For this Project to be competitive with other project being develop by EDP, as well as the other project within Texas that have secured abatement agreements, Applicant's Project must secure a Chapter 313 tax abatement with Zapata County ISD, as well as other Chapter 313, 3 I 2, and 381 agreements with respective entities for this Project. The Chapter 313 tax abatement with Zapata County ISD has a significant impact on the rate of return for this Project and allows it to be competitive not only with other projects in the EDP's portfolio, but also with other projects being developed by competing companies in Texas. EDP has limited capital to expend and will only select approximately one to five projects (up to approximately 600 MWs) to construct each year"
  B. "By way of comparison, EDP is actively developing and marketing multiple projects in the state of Kansas, which provides significant tax incentives at a state level. Kansas provides a property tax exemption for a period of 10 years on renewable facilities, via Kansas Statute 79- 201. Typically, during the 10 year exemption period, EDP would pay the county a community gift payment, but this is significantly less than the property taxes paid by a project in Texas. In Indiana, there is an economic incentive available for utility distributable facilities that provides a property tax exemption for a period of 10 years. The property tax exemption can exempt property up to 100% during the term. The incentive is negotiated with the local Economic Development Authority. The negotiated economic payments during the 10 year term coupled with valuation methodology from the state provide a substantial reduction in property tax."
  C. "EDP has an existing two phase wind farm in operation near Abilene, Texas and obtained a Chapter 313 Appraised Value Limitation for wind provided the needed economics to allow for the

EDP to invest capital, construct the project, and sell the power. More recently in 2016 EDP built a single phase wind farm in McCook, Texas on the border of Starr and Hidalgo counties that also had a Chapter 313 Appraised Value Limitation with both the Edinburg and Rio Grande City Independent School Districts, respectively. As the price of natural gas has declined over the last decade the market for long term power purchase agreements bas become more competitive... The Chapter 313 abatement has a significant impact on project economics to make it both competitive in the power purchase agreement market and also make it economically viable for investment."

D. "Project in the ERCOT power market and has submitted an interconnection request to ERCOT. The interconnection request is queue position is 17INR0025 and the study is currently in the Full Interconnection Study ("FIS") stage. The ERCOT power market limits the potential off-takers of the power produced by the Project, since power cannot be exported from ERCOT to other markets."

- Supplemental information provided by the applicant stated the following:
  A. In response to #1, Reloj del Sol Wind Farm is not currently known by any other project name.
  B. The GINR is 17INR0025. It was assigned in May 2015.
  C. You stated "Reloj del Sol Wind Farm is not currently known by any other project name," was previously known by any other project name? *No, it has not gone by any other project names.*

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:

- ☑ Land has no existing improvements
- ☐ Land has existing improvements *(complete Section 13)*
- ☐ Expansion of existing operation on the land *(complete Section 13)*
- ☐ 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

Section 8, #2: Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

The Applicant has executed all contracts as part of the development process and the Applicant has not executed any contracts that would require the Project to be constructed in Zapata County ISD or the State of Texas.

Section 8, #7: Is the applicant evaluating other locations not in Texas for the proposed project?

The parent company, EDP Renewables North America ("EDP") can locate the Project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect the Project to the grid. EDP has several gigawatts of renewable energy development assets in 20 states that it is marketing to different off-takers for construction and power purchase throughout the U.S. EDP is considering investment in many of these potential projects, instead of this Project. For this Project to be competitive with the other projects being developed by EDP, as well as the other projects within Texas that have secured abatement agreements, Applicant's Project must secure a Chapter 313 tax abatement with Zapata County ISD, as well as other Chapter 313, 312, and 381 agreements with respective entities for this Project. The Chapter 313 tax abatement with Zapata County ISD has a significant impact on the rate of return for this Project and allows it to be competitive not only with other projects in the EDP's portfolio, but also with other projects being developed by competing companies in Texas. EDP has limited capital to expend and will only select approximately one to five projects (up to approximately 600 MWs) to construct each year.

By way of comparison, EDP is actively developing and marketing multiple projects in the state of Kansas, which provides significant tax incentives at a state level. Kansas provides a property tax exemption for a period of 10 years on renewable facilities, via Kansas Statute 79-

TAB #5

CONTINUED

Documentation to assist in determining if limitation is a determining factor

201. Typically, during the 10 year exemption period, EDP would pay the county a community gift payment, but this is significantly less than the property taxes paid by a project in Texas. In Indiana, there is an economic incentive available for utility distributable facilities that provides a property tax exemption for a period of 10 years. The property tax exemption can exempt property up to 100% during the term. The incentive is negotiated with the local Economic Development Authority. The negotiated economic payments during the 10 year term coupled with valuation methodology from the state provide a substantial reduction in property tax. By way of further example, for this Project to compete with projects in Kansas and Indiana, as well as projects throughout the U.S., EDP's Project must secure the available tax incentives in Texas. This includes obtaining a Chapter 313 Appraised Value Limitation with Zapata County ISD to reduce the property tax liability to the school district for the portion of the Project that lies within the district.

Section 8, #8: Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?

The parent company, EDP Renewables North America ("EDP") can locate the Project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect the Project to the grid. EDP has several gigawatts of renewable energy development assets in 20 states that it is marketing to different off-takers for construction and power purchase throughout the U.S. EDP is considering investment in many of these potential projects, instead of this Project. For this Project to be competitive with the other projects being developed by EDP, as well as the other projects within Texas that have secured abatement agreements, EDP's Project must secure a Chapter 313 tax abatement with Zapata County ISD, as well as other Chapter 313, 312, and 381 agreements with respective entities for this Project. The Chapter 313 tax abatement with Zapata County ISD has a significant impact on the rate of return for this Project and allows it to be competitive not only with other projects in the EDP's portfolio, but also with other projects being developed by competing companies in Texas. EDP has limited capital to expend and will only select approximately one to five projects (up to approximately 600 MWs) to construct each year. EDP has an existing two phase wind farm in operation near Abilene, Texas and obtained a Chapter 313 Appraised Value Limitation for wind provided the needed economics to

TAB #5

CONTINUED

Documentation to assist in determining if limitation is a determining factor

allow for the EDP to invest capital, construct the project, and sell the power. More recently in 2016 EDP built a single phase wind farm in McCook, Texas on the border of Starr and Hidalgo counties that also had a Chapter 313 Appraised Value Limitation with both the Edinburg and Rio Grande City Independent School Districts, respectively. As the price of natural gas has declined over the last decade the market for long term power purchase agreements has become more competitive. The Department of Energy Wind Technologies Market Report determined that the national average levelized price of wind power contracts signed in 2014 had dropped to less than $25 per Mega-Watt hour compared to the peak pricing of $70 per Mega-Watt hour in 2009. The Chapter 313 abatement has a significant impact on project economics to make it both competitive in the power purchase agreement market and also make it economically viable for investment.

Section 8, #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?

As noted above, the availability of tax incentives for this proposed project are critical to the decision of whether to proceed with the project. EDP can locate the Project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation and transmission capacity to interconnect the Project to the grid has limited capital to expend and will only select approximately one to five projects (up to approximately 600 MWs) to construct each year.

EDP has submitted information regarding the amount of its capital investment in the Project, which will constitute approximately $220 million in Zapata County ISD, with an estimated operating capacity of 202 megawatts of power, and three miles of 345 kV transmission line planned to be located in Zapata County ISD. EDP has also provided information that the Project will be constructed and become operational by the end of the year 2020. EDP has located the Project in the ERCOT power market and has submitted an interconnection request to ERCOT. The interconnection request is queue position is 17INR0025 and the study is currently in the Full Interconnection Study ("FIS") stage. The ERCOT power market limits the potential off-takers of the power produced by the Project, since power cannot be exported from ERCOT to other markets.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2) – Zapata County ISD– Reloj del Sol Wind Farm, LLC App. #1259

Comptroller Questions (via email on July 11, 2018):

1. *Is Reloj del Sol Wind Farm 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.*
3. *When was the ERCOT IGNR number assigned?*

Comptroller Questions (via email on August 29, 2018):

4. *You stated "Reloj del Sol Wind Farm is not currently known by any other project name," was previously known by any other project name?*

Applicant Response (via email on July 11, 2018):

1. *In response to #1, Reloj del Sol Wind Farm is not currently known by any other project name.*
2. *The GINR is 17INR0025.*
3. *It was assigned in May 2015.*

Applicant Response (via email on August 29, 2018):

4. *No, it has not gone by any other project names.*