GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

November 26, 2018

Dr. J. Glenn Hambrick
Carthage Independent School District
#1 Bulldog Dr.
Carthage, Texas 75633

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Carthage Independent School District and TECO Gas Processing, LLC, Application 1270

Dear Superintendent Hambrick:

On August 28, 2018, the Comptroller issued written notice that TECO Gas Processing, LLC (applicant) submitted a completed application (Application 1270) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on June 18, 2018, to the Carthage 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 1270.

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 28, 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,

Lisa Craven

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of TECO Gas Processing, LLC (project) applying to Carthage 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 TECO Gas Processing, LLC.

Applicant	TECO Gas Processing, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Carthage ISD
2017-2018 Average Daily Attendance	2,494
County	Panola
Proposed Total Investment in District	$125,000,000
Proposed Qualified Investment	$125,000,000
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	$962
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$962
Minimum annual wage committed to by applicant for qualified jobs	$50,000
Minimum weekly wage required for non-qualifying jobs	$907
Minimum annual wage required for non-qualifying jobs	$47,139
Investment per Qualifying Job	$41,666,667
Estimated M&O levy without any limit (15 years)	$17,483,440
Estimated M&O levy with Limitation (15 years)	$9,172,280
Estimated gross M&O tax benefit (15 years)	$8,311,160

** 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 TECO Gas Processing, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	150	198	348	$7,500,000	$16,507,000	$24,007,000
2019	150	209	359.48	$7,500,000	$19,582,000	$27,082,000
2020	83	133	216	$4,150,000	$14,371,000	$18,521,000
2021	3	26	29	$150,000	$5,107,000	$5,257,000
2022	3	8	11	$150,000	$3,144,000	$3,294,000
2023	3	(3)	0	$150,000	$1,774,000	$1,924,000
2024	3	(6)	-3	$150,000	$1,067,000	$1,217,000
2025	3	(5)	-2	$150,000	$884,000	$1,034,000
2026	3	(1)	2	$150,000	$998,000	$1,148,000
2027	3	4	7	$150,000	$1,278,000	$1,428,000
2028	3	8	11	$150,000	$1,646,000	$1,796,000
2029	3	12	15	$150,000	$2,035,000	$2,185,000
2030	3	15	18	$150,000	$2,404,000	$2,554,000
2031	3	15	18	$150,000	$2,549,000	$2,699,000
2032	3	16	19	$150,000	$2,735,000	$2,885,000
2033	3	17	20	$150,000	$2,884,000	$3,034,000
2034	3	17	20	$150,000	$2,987,000	$3,137,000
2035	3	16	19	$150,000	$3,057,000	$3,207,000

Source: CPA REMI, TECO Gas Processing, 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		CarthageISD I&S Tax Levy	Carthage ISD M&O Tax Levy	Carthage ISD M&O and I&S Tax Levies	Panola County Tax Levy	Panola County College District Tax Levy	Panola County Groundwater Conservation Distrcit Tax Levy	Panola County Emergency Services Distrcit Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.2400	1.0400		0.5822	0.1939	0.0110	0.0213	
2019	$105,000,000	$105,000,000		$252,000	$1,092,000	$1,344,000	$611,310	$203,564	$11,550	$22,365	$2,158,874
2020	$125,000,000	$125,000,000		$300,000	$1,300,000	$1,600,000	$727,750	$242,338	$13,750	$26,625	$2,570,088
2021	$121,030,000	$121,030,000		$290,472	$1,258,712	$1,549,184	$704,637	$234,641	$13,313	$25,779	$2,488,462
2022	$118,560,000	$118,560,000		$284,544	$1,233,024	$1,517,568	$690,256	$229,852	$13,042	$25,253	$2,437,677
2023	$116,090,000	$116,090,000		$278,616	$1,207,336	$1,485,952	$675,876	$225,064	$12,770	$24,727	$2,386,892
2024	$113,620,000	$113,620,000		$272,688	$1,181,648	$1,454,336	$661,496	$220,275	$12,498	$24,201	$2,336,107
2025	$111,150,000	$111,150,000		$266,760	$1,155,960	$1,422,720	$647,115	$215,487	$12,227	$23,675	$2,285,322
2026	$108,680,000	$108,680,000		$260,832	$1,130,272	$1,391,104	$632,735	$210,698	$11,955	$23,149	$2,234,537
2027	$106,210,000	$106,210,000		$254,904	$1,104,584	$1,359,488	$618,355	$205,909	$11,683	$22,623	$2,183,752
2028	$103,740,000	$103,740,000		$248,976	$1,078,896	$1,327,872	$603,974	$201,121	$11,411	$22,097	$2,132,967
2029	$101,270,000	$101,270,000		$243,048	$1,053,208	$1,296,256	$589,594	$196,332	$11,140	$21,571	$2,082,182
2030	$98,800,000	$98,800,000		$237,120	$1,027,520	$1,264,640	$575,214	$191,544	$10,868	$21,044	$2,031,397
2031	$96,330,000	$96,330,000		$231,192	$1,001,832	$1,233,024	$560,833	$186,755	$10,596	$20,518	$1,980,612
2032	$93,860,000	$93,860,000		$225,264	$976,144	$1,201,408	$546,453	$181,966	$10,325	$19,992	$1,929,827
2033	$91,390,000	$91,390,000		$219,336	$950,456	$1,169,792	$532,073	$177,178	$10,053	$19,466	$1,879,042
2034	$88,920,000	$88,920,000		$213,408	$924,768	$1,138,176	$517,692	$172,389	$9,781	$18,940	$1,828,257
2035	$86,450,000	$86,450,000		$207,480	$899,080	$1,106,560	$503,312	$167,601	$9,510	$18,414	$1,777,473
			Total	$4,034,640	$17,483,440	$21,518,080	$9,787,364	$3,259,149	$184,921	$358,074	$34,564,593

Source: CPA, TECO Gas Processing, LLC
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Panola 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		CarthageISD I&S Tax Levy	Carthage ISD M&O Tax Levy	Carthage ISD M&O and I&S Tax Levies	Panola County Tax Levy	Panola County College District Tax Levy	Panola County Groundwater Conservation Distrcit Tax Levy	Panola County Emergency Services Distrcit Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.2400**	**1.0400**		**0.5822**	**0.1939**	**0.0110**	**0.0213**	
2019	$105,000,000	$105,000,000		$252,000	$1,092,000	$1,344,000	$611,310	$203,564	$11,550	$22,365	$2,158,874
2020	$125,000,000	$125,000,000		$300,000	$1,300,000	$1,600,000	$291,100	$242,338	$13,750	$26,625	$2,133,438
2021	$121,030,000	$30,000,000		$290,472	$312,000	$602,472	$281,855	$234,641	$13,313	$25,779	$1,118,968
2022	$118,560,000	$30,000,000		$284,544	$312,000	$596,544	$276,103	$229,852	$13,042	$25,253	$1,102,499
2023	$116,090,000	$30,000,000		$278,616	$312,000	$590,616	$270,350	$225,064	$12,770	$24,727	$1,086,030
2024	$113,620,000	$30,000,000		$272,688	$312,000	$584,688	$264,598	$220,275	$12,498	$24,201	$1,069,561
2025	$111,150,000	$30,000,000		$266,760	$312,000	$578,760	$258,846	$215,487	$12,227	$23,675	$1,053,093
2026	$108,680,000	$30,000,000		$260,832	$312,000	$572,832	$253,094	$210,698	$11,955	$23,149	$1,036,624
2027	$106,210,000	$30,000,000		$254,904	$312,000	$566,904	$247,342	$205,909	$11,683	$22,623	$1,020,155
2028	$103,740,000	$30,000,000		$248,976	$312,000	$560,976	$241,590	$201,121	$11,411	$22,097	$1,003,686
2029	$101,270,000	$30,000,000		$243,048	$312,000	$555,048	$235,838	$196,332	$11,140	$21,571	$987,218
2030	$98,800,000	$30,000,000		$237,120	$312,000	$549,120	$575,214	$191,544	$10,868	$21,044	$1,315,877
2031	$96,330,000	$96,330,000		$231,192	$1,001,832	$1,233,024	$560,833	$186,755	$10,596	$20,518	$1,980,612
2032	$93,860,000	$93,860,000		$225,264	$976,144	$1,201,408	$546,453	$181,966	$10,325	$19,992	$1,929,827
2033	$91,390,000	$91,390,000		$219,336	$950,456	$1,169,792	$532,073	$177,178	$10,053	$19,466	$1,879,042
2034	$88,920,000	$88,920,000		$213,408	$924,768	$1,138,176	$517,692	$172,389	$9,781	$18,940	$1,828,257
2035	$86,450,000	$86,450,000		$207,480	$899,080	$1,106,560	$503,312	$167,601	$9,510	$18,414	$1,777,473
			Total	**$4,034,640**	**$9,172,280**	**$13,206,920**	**$5,856,292**	**$3,259,149**	**$184,921**	**$358,074**	**$22,322,360**
			Diff	**$0**	**$8,311,160**	**$8,311,160**	**$3,931,073**	**$0**	**$0**	**$0**	**$12,242,233**
Assumes School Value Limitation and Tax Abatements with the County.											

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	$26,000	$26,000	$0	$0
	2019	$1,092,000	$1,118,000	$0	$0
	2020	$1,300,000	$2,418,000	$0	$0
Limitation Period (10 Years)	2021	$312,000	$2,730,000	$946,712	$946,712
	2022	$312,000	$3,042,000	$921,024	$1,867,736
	2023	$312,000	$3,354,000	$895,336	$2,763,072
	2024	$312,000	$3,666,000	$869,648	$3,632,720
	2025	$312,000	$3,978,000	$843,960	$4,476,680
	2026	$312,000	$4,290,000	$818,272	$5,294,952
	2027	$312,000	$4,602,000	$792,584	$6,087,536
	2028	$312,000	$4,914,000	$766,896	$6,854,432
	2029	$312,000	$5,226,000	$741,208	$7,595,640
	2030	$312,000	$5,538,000	$715,520	$8,311,160
Maintain Viable Presence (5 Years)	2031	$1,001,832	$6,539,832	$0	$8,311,160
	2032	$976,144	$7,515,976	$0	$8,311,160
	2033	$950,456	$8,466,432	$0	$8,311,160
	2034	$924,768	$9,391,200	$0	$8,311,160
	2035	$899,080	$10,290,280	$0	$8,311,160
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	$873,392	$11,163,672	$0	$8,311,160
	2037	$847,704	$12,011,376	$0	$8,311,160
	2038	$822,016	$12,833,392	$0	$8,311,160
	2039	$796,328	$13,629,720	$0	$8,311,160
	2040	$770,640	$14,400,360	$0	$8,311,160
	2041	$744,952	$15,145,312	$0	$8,311,160
	2042	$719,264	$15,864,576	$0	$8,311,160
	2043	$693,576	$16,558,152	$0	$8,311,160
	2044	$667,888	$17,226,040	$0	$8,311,160
	2045	$642,200	$17,868,240	$0	$8,311,160

$17,868,240 is greater than **$8,311,160**

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, TECO Gas Processing, 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 TECO Gas Processing, 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 TECO Gas Processing, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment."
  B. "The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project."
  C. "Capital investments by the Applicant are based on expected economic return on investment. Property tax liabilities can make up a substantial ongoing cost of operation that directly impacts the rate of return on the investment in the proposed project. Without the tax incentive the economics of this project will be less competitive with other capital intensive projects and the viability of the proposed project becomes uncertain."
  D. "The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis."
  E. "This is because other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state incentives for renewable energy generation, 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 is not financeable."
- On September 27, 2018, the Comptroller's office received documentation to change the Applicant from BTA Gas Processing LLC to TECO Gas Processing LLC. Enterprise Products Partners, L.P. is the reporting entity for BTA Gas Processing LLC, TECO Gas Processing LLC, and Enterprise Products LLC.

- In amended Tab 12 of the application, the applicant states, "Enterprise Products LLC, an affiliate of TECO, currently operates multiple gas processing and manufacturing plants and expects to integrate the new facility with existing operations. Because of the way Enterprise operates and the integration with existing operations, Enterprise is able to operate its facilities with synergistic efficiencies."
- A June 1, 2018 *The Panola Watchman* article states, "A proposed natural gas processing plant is looking for a home, and Panola County commissioners have tentatively agreed to use a tax abatement proposal to lure the project to the Antioch area. Enterprise is proposing to build a $125 million plant by the end of 2019 that could process 200 million cubic feet of natural gas each day."
- A June 18, 2018 *The Panola Watchman* article states, "Trustees voted Monday to accept Enterprise Products LP's application for a value limitation agreement, paving the way for a possible deal to help bring the proposed plant to the area. Enterprise is looking at building a $125 million plant by the end of 2019 in the Antioch area. The proposed plan would be able to process 200 million cubic feet of natural gas each day, and Enterprise would build the site to accommodate any future growth."
- August 10, 2018 *The Panola Watchman* article states, "Panola County commissioners OK reinvestment zone ahead of potential tax abatement."

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

Limitation is a Determining Factor

1. **Does the applicant currently own the land on which the proposed project will occur?**

   Applicant owns the land upon which the facility identified in Tab 7 will be constructed. The land is described in Tab 9.

2. **Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?**

   No

3. **Does the applicant have current business activities at the location where the proposed project will occur?**

   Attached as Tab 10 is a depiction of the proposed project site. The area shaded in yellow, designated as "New Project Boundary" is the location of the new proposed project. The areas outlined in red are existing assets located on the property but will not be part of the proposed project, therefore not eligible for value limitation.

4. **Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?**

   No

5. **Has the applicant received any local or state permits for activities on the proposed project site?**

   No.

6. **Has the applicant received commitments for state or local incentives for activities at the proposed project site?**

   No.

7. **Is the applicant evaluating other locations not in Texas for the proposed project?**

   Applicant is a leading midstream energy company with a large pipeline footprint in the United States. These pipelines provide substantial flexibility in plant location. Applicant has gas manufacturing locations in Texas, Louisiana, New Mexico, Colorado, and

Wyoming. Applicant also has significant interstate pipeline assets in Louisiana and New Mexico that can and do move product to and from Texas. This allows potential manufacturing facilities to be located in other states and the product moved to Applicant's facilities in Texas.

Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. The Chapter 313 Value Limitation, if granted, would make the location in Texas a feasible investment, as is further discussed in Item 10 to Tab 5.

8. **Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?**

   Yes, see Item 10 to Tab 5, as referenced below in the answer to question 10.

9. **Has the applicant provided information related to the applicant's inputs, transportation and market for the proposed project?**

   N/A

10. **Are you submitting information to assist in the determinations 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?**

    See the attached Item 10 to Tab 5.

Key Determining factors:

- The Applicant has submitted in Item 10 to Tab 5 a discounted cash flow model (DCF) computing the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. The DCF model shows that the rate of return with the valuation limitation agreement exceeds the minimum rate of return required by the Applicant to proceed with the proposed investment.
- An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment.

- The property tax burden for the Applicant's proposed project is significant. The property tax burden has a direct impact on the proposed project's economic viability and the decision to invest in Texas.
- The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project.
- Capital investments by the Applicant are based on expected economic return on investment. Property tax liabilities can make up a substantial ongoing cost of operation that directly impacts the rate of return on the investment in the proposed project. Without the tax incentive the economics of this project will be less competitive with other capital intensive projects and the viability of the proposed project becomes uncertain.
- Tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas.
- The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis.

AT THE REQUEST OF THE APPLICANT, SUPPORTING DOCUMENTS IN ITEM 10 TO TAB 5 ARE CONSIDERED PROPRIETARY AND CONFIDENTIAL PURSUANT TO SECTION 313.028 OF THE TEXAS TAX CODE, DUE TO THE NATURE OF THE FINANCIAL INFORMATION AND ANALYSIS SUBMITTED. Applicant has separately submitted Proprietary and Confidential Discounted Cash Flow Models comparing the rate of return on investment in the proposed project with and without a Chapter 313 Appraised Value Limitation Agreement. These models are confidential.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

The Panola Watchman

Tax abatement proposed for potential Panola County gas processing plant

By Meredith Shamburger mshamburger@panolawatchman.com Jun 1, 2018 (0)

Panola County commissioners to consider Enterprise Products tax abatement Tuesday

Panola County commissioners will meet Tuesday to discuss and possibly vote on a proposed tax abatement for a natural gas processing plant.

Public hearing on gas plant tax abatement set

Panola County officials are taking steps to adopt a proposed tax abatement for a natural gas plant project, setting a public hearing on the cr...

A proposed natural gas processing plant is looking for a home, and Panola County commissioners have tentatively agreed to use a tax abatement proposal to lure the project to the Antioch area.

Details of the proposed abatement have not yet been worked out with Enterprise Products Partners LP, the mid-stream energy company that would build the plant, but commissioners on Tuesday told representatives that they were willing to provide incentives to the company to put the plant in Panola County.

Enterprise is proposing to build a $125 million plant by the end of 2019 that could process 200 million cubic feet of natural gas each day. They told commissioners they were deciding between Panola County and Caddo Parish for that plant's new home. The proposed Panola County location is near Hills Lake Road and Antioch Road in Precinct 4.

"We're expanding heavily in West Texas to accommodate for the Permian and just a few weeks ago, I was told that we're going to be looking at expanding possibly in East Texas or West Louisiana," Curt Tate, a senior tax director for Enterprise, said.

The plant would include a train line on 25 acres of land,

with the potential to build out the site for expansion. Tate told commissioners the project would provide 10 jobs from Enterprise, in addition to the construction jobs needed to get the building up and running. The proposed plant would be self-contained and would not use fire services, Tate said.

Tate pitched two different tax abatement options over a 10-year period to county commissioners, both of which would provide at least $1 million in upfront tax payments in the first year, with the rest of the agreed-upon taxes paid over the next nine years. Tax abatements are agreements where a taxing authority agrees to reduce taxes over a set period to encourage economic development efforts.

Enterprise would also cover the county's legal fees for setting up the tax abatement agreement. This type of abatement agreement is something Enterprise has done with other Texas counties, including Chambers and Jefferson, Tate said.

Enterprise has numerous operations in both Caddo Parish and Panola County.

"One of the benefits that you have from a facility like this is you got to look at the long-term," Tate said. "One of the things we know in Panola County is it does have a rich history in oil and gas production. And Al and I have been doing tax our whole career. One of the things that we were able to see was is that the Panola County tax roles are doing this: fluctuating up and down because the mineral prices go up and down. The beautiful thing about our facilities is these are 40- to 50-year life assets, and what we do is we come in with a $125 million facility and future growth potential, and we give the county a stable base that they can always depend on."

Tags Panolacounty Oilandgas

Meredith Shamburger

The Panola Watchman

Carthage ISD looks at economic incentives for proposed natural gas plant

By Meredith Shamburger mshamburger@panolawatchman.com Jun 18, 2018

Panola County commissioners to consider Enterprise Products tax abatement Tuesday

Panola County commissioners will meet Tuesday to discuss and possibly vote on a proposed tax abatement for a natural gas processing plant.

Public hearing on gas plant tax abatement set

Panola County officials are taking steps to adopt a proposed tax abatement for a natural gas plant project, setting a public hearing on the cr...

An energy company seeking economic incentives to build a $125 million natural gas processing plant in Panola County got a tentative OK from Carthage ISD school board members Monday.

Trustees voted Monday to accept Enterprise Products LP's application for a value limitation agreement, paving the way for a possible deal to help bring the proposed plant to the area. Superintendent Glenn Hambrick told trustees the program, under Chapter 313 of the Tax Code, was a "no-lose scenario."

"If 313 didn't exist and Enterprise came in and they added $125 million to the economy, we wouldn't see anything on the (maintenance and operations) side anyway," Hambrick said. "All that would do is raise what we send back to the state. What we kept would be no different than all what would after the (debt service) side; we were already going to keep that."

Enterprise is looking at building a $125 million plant by the end of 2019 in the Antioch area. The proposed plan would be able to process 200 million cubic feet of natural gas each day, and Enterprise would build the site to accommodate any future growth. The project would provide 10 jobs from Enterprise in addition to construction jobs before the plant opened. Company

representatives have been pitching the project to both county and school officials hoping to get tax breaks for the plant.

"We're expanding heavily in West Texas to accommodate for the Permian and just a few weeks ago, I was told that we're going to be looking at expanding possibly in East Texas or West Louisiana," Curt Tate, a senior tax director for Enterprise, told Panola County commissioners in May.

The school board's move followed a similar expression of support from Panola County in late May, after Enterprise Products made a pitch to the county board that included an upfront payment of at least $1 million in exchange for reduced tax payments over a 10-year period. Any proposed tax abatement between Enterprise and Panola County would need to be finalized and approved before taking effect.

Carthage ISD trustees also voted Monday to retain attorneys and consultants to help them with the value limitation process. There were no board members against the proposed actions; Trustee Truman Shirey abstained from the votes because he is currently in negotiation with Enterprise over the placement of a pipeline through his property.

State law prohibits school districts from entering into tax abatement agreements, where a taxing authority agrees to reduce or eliminate a percentage of taxes for a specific period of time to draw in economic development to an area. Instead, school districts have the option to use what's called an appraised value limitation, where there's an agreement that the taxpayer will pay full taxes on a certain limited amount on the district's maintenance and operations tax rate (the limitation agreement would not apply to the debt service side of the district's budget, the part of the tax rate that is determined by bond referendums). For Carthage ISD, that means Enterprise would be paying on about $20-$30 million in taxable value instead of the total $125 million value of the new plant.

The Panola Watchman

Panola County commissioners OK reinvestment zone ahead of potential tax abatement

By Meredith Shamburger mshamburger@panolawatchman.com Aug 10, 2018

Panola County commissioners approved a tax abatement reinvestment zone in August, preparing the way for a potential tax abatement for Enterprise Products. Commissioners will discuss the abatement Tuesday.

Meredith Shamburger

Paving the way for a potential tax abatement, Panola County commissioners approved what's known as a "tax abatement reinvestment zone" for a proposed gas processing plant in Antioch at their Tuesday meeting.

Enterprise Products Partners LP is proposing to build a $125 million gas processing plant on 21 acres that would handle 200 million cubic feet of natural gas a day.

Al Noor, a representative from Enterprise, told commissioners Tuesday the reinvestment zone would be a "win-win situation" for both of them, providing jobs to residents, a central hub for his energy company in Panola and the chance to expand Enterprise's footprint.

Enterprise officials had pitched two different proposals to commissioners at a May meeting, both of which would provide at least $1 million in upfront tax payments for the first year. The rest of agreed-upon taxes would be paid out over the next nine years. The entire project would provide 10 jobs from Enterprise, with the possibility of future expansion, along with construction jobs, officials said.

A tax abatement reinvestment zone is required before a taxing unit can enter into a tax abatement agreement, under state law. Commissioners are required to determine whether the proposed project's improvements to area are "feasible and practical" and would benefit the county after the expiration of any tax abatement agreement, as well as whether the proposed reinvestment zone "would contribute to the economic development" of the property.

Commissioners and Enterprise officials are still negotiating a potential tax abatement. The agreement would only cover taxes for Panola County, not any other taxing entity.

Enterprise is also still working on a similar proposal with Carthage ISD, although state law requires a different approval process for that. Noor told county officials his company expected to hear back from the state comptroller's office on a potential tax agreement with Carthage ISD next month.

Tags Panola County

Meredith Shamburger

Reporter

Carthage native Meredith Shamburger has worked for the Panola Watchman since 2018. Before that, she worked at sister papers in Longview and Marshall; the Dallas Morning News; and The Daily Voice, a hyperlocal news company in Westchester County, New York.

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