

O'HANLON, DEMERATH & CASTILLO

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July 30, 2018

Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
P.O. Box 13528
Austin, Texas 78711-3528

RE: Amended Application to Rio Grande City Independent School District from
Mesteno Windpower, LLC

To the Local Government Assistance & Economic Analysis Division:

I have enclosed for you the Amended Application to the Rio Grande City Independent School District from Mesteno Windpower, LLC.

1. Section 14, Question 7C: Has been updated
2. Maps have been updated
3. COG Regional Wage Page has been updated
4. Schedule D has been updated
5. New Signature Page

A copy of the amended application will be submitted to the Starr County Appraisal District.

Please do not hesitate to call with any questions.

Sincerely,

William Eggleston
Assistant to Kevin O'Hanlon
School District Consultant

Cc: Starr County Appraisal District

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

2. What is the last complete calendar quarter before application review start date:
 First Quarter Second Quarter Third Quarter Fourth Quarter of 2018
(year)

3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).

4. What is the number of new qualifying jobs you are committing to create? 6

5. What is the number of new non-qualifying jobs you are estimating you will create? 0

6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? Yes No
 - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.

7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 573.00
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 426.00
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 663.03

8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? §313.021(5)(A) or §313.021(5)(B)

9. What is the minimum required annual wage for each qualifying job based on the qualified property? 22,152.00

10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 22,152.00

11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? Yes No

12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? Yes No
 - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).

13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? Yes No
 - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.



Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

CHECKLIST ITEM #4

Detailed Description of Project

Mesteno Windpower, LLC anticipates constructing a wind-powered electric generating facility with an operating capacity of approximately 201.6 megawatts. Presently our plans are to install 56 Vestas V136 3.6 megawatt turbines on the property within the “Mesteno Wind” reinvestment zone in Starr County, Texas. Mesteno Windpower, LLC estimates that all 56 turbines are planned to be installed in Rio Grande City CISD.

If granted an Appraised Value Limitation pursuant to Texas Tax Code 313, Mesteno Windpower, LLC expects to issue a full notice to proceed for construction in Q4 of 2018 and expects to complete construction within 12 months.

The additional improvements for the Mesteno Windpower Project will include but are not limited to, wind turbines, towers, foundations, new and improved roads, buildings and offices, meteorological equipment, electrical transmission cables and towers, transformers, electrical substations, and any other equipment necessary to safely operate, maintain, and transmit power to the ERCOT electrical grid.



Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

CHECKLIST ITEM #5

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

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

The applicant has entered into long term lease agreements with the landowners in the project area. The applicant has also signed a generator interconnection agreement to interconnect the project to the transmission system. None of the contracts or agreements with the Company has entered into requires or obligates the Company to move forward with the proposed project in the event that a Chapter 313 Appraised Value Limitation is not approved.

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

Yes. Duke Energy Renewables, LLC, (“Duke”) parent company of Mesteno Windpower, LLC, is a leading U.S. developer, owner, and operator of wind energy projects throughout the country and has wind operations in several regions within the United States. Outside of Texas, Duke currently has operating wind energy projects in Oklahoma, Kansas, Colorado, Wyoming, Wisconsin, and Pennsylvania.

Duke actively seeks development opportunities across the country and can locate wind energy facilities many places in the United States. Duke bases its decision to deploy capital where there are good market opportunities and the company can achieve a strong return on investment. Because there is a finite supply of capital, only projects with the best returns receive investment capital. For these reasons, Duke studies and compares the economic returns at various competing sites throughout markets where wind development is attractive. Duke is currently involved in the development of several alternative sites outside of Texas, including Oklahoma, Iowa, and South Dakota.

The electricity market is highly competitive: Many market participants are offering to sell electricity to a select number of potential customers for long-term power contracts; therefore, buyers will purchase from sellers who offer the lowest possible price. Because property taxes are a significant operating expense for a renewable energy facility, tax incentives offered by states and localities help lower the cost of electricity offered by new renewable energy projects. Only after securing a long-term power contract does Duke then invest the significant amount of capital required to build and operate a renewable energy project; thus, in the Texas market, securing a Chapter 313 Value Limitation Agreement (along with the corresponding local Chapter 312



Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

agreement) is essential to offering the lowest possible price to secure the purchase commitment necessary to construct the project.

Without a Chapter 313 Value Limitation Agreement, the property tax liability would significantly jeopardize the project's competitiveness of securing a long-term power contract (especially when compared against competing ERCOT projects that have secured Chapter 313 and 312 agreements) and would result in Duke diverting investment capital to other projects outside of Texas. For this reason, it is critical that the Mesteno Windpower project secure a Value Limitation Agreement in order to potentially proceed with construction of the project in Texas.

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?

The information provided in this Attachment and throughout the Application has been assembled to provide the reviewer with the best possible information to make an assessment and determination of the critical nature of the Limitation on Appraised Value to the feasibility of Mesteno Windpower, LLC.



Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

CHECKLIST ITEM #7

Description of Qualified Investment

Mesteno Windpower, LLC plans to construct an approximately 201.6 MW wind farm in Starr County.

This application covers all qualified property within Rio Grande City CISD necessary for the commercial operations for the proposed wind farm described in Checklist #4. Two hundred one and six-tenths (201.6 MW) will be located in Rio Grande City CISD. Turbine placement is subject to change.

This application covers all qualified investment and qualified property necessary for the commercial operations of the win farm.

Qualified Investment and qualified property includes, but is not limited to, wind turbines, towers, foundations, new and improved roads, buildings and offices, meteorological equipment, electrical transmission cables and towers, transformers, electrical substations, and any other equipment necessary to safely operate, maintain, and transmit power to the ERCOT electrical grid.



Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

CHECKLIST ITEM #8

Description of Qualified Property

Mesteno Windpower, LLC plans to construct an approximately 201.6 MW wind farm in Starr County.

This application covers all qualified property within Rio Grande City CISD necessary for the commercial operations for the proposed wind farm described in Checklist #4. Two hundred one and six-tenths (201.6 MW) will be located in Rio Grande City CISD. Turbine placement is subject to change.

This application covers all qualified investment and qualified property necessary for the commercial operations of the win farm.

Qualified Investment and qualified property includes, but is not limited to, wind turbines, towers, foundations, new and improved roads, buildings and offices, electrical transmission cables and towers, transformers, electrical substations, and any other equipment necessary to safely operate, maintain, and transmit power to the ERCOT electrical grid.

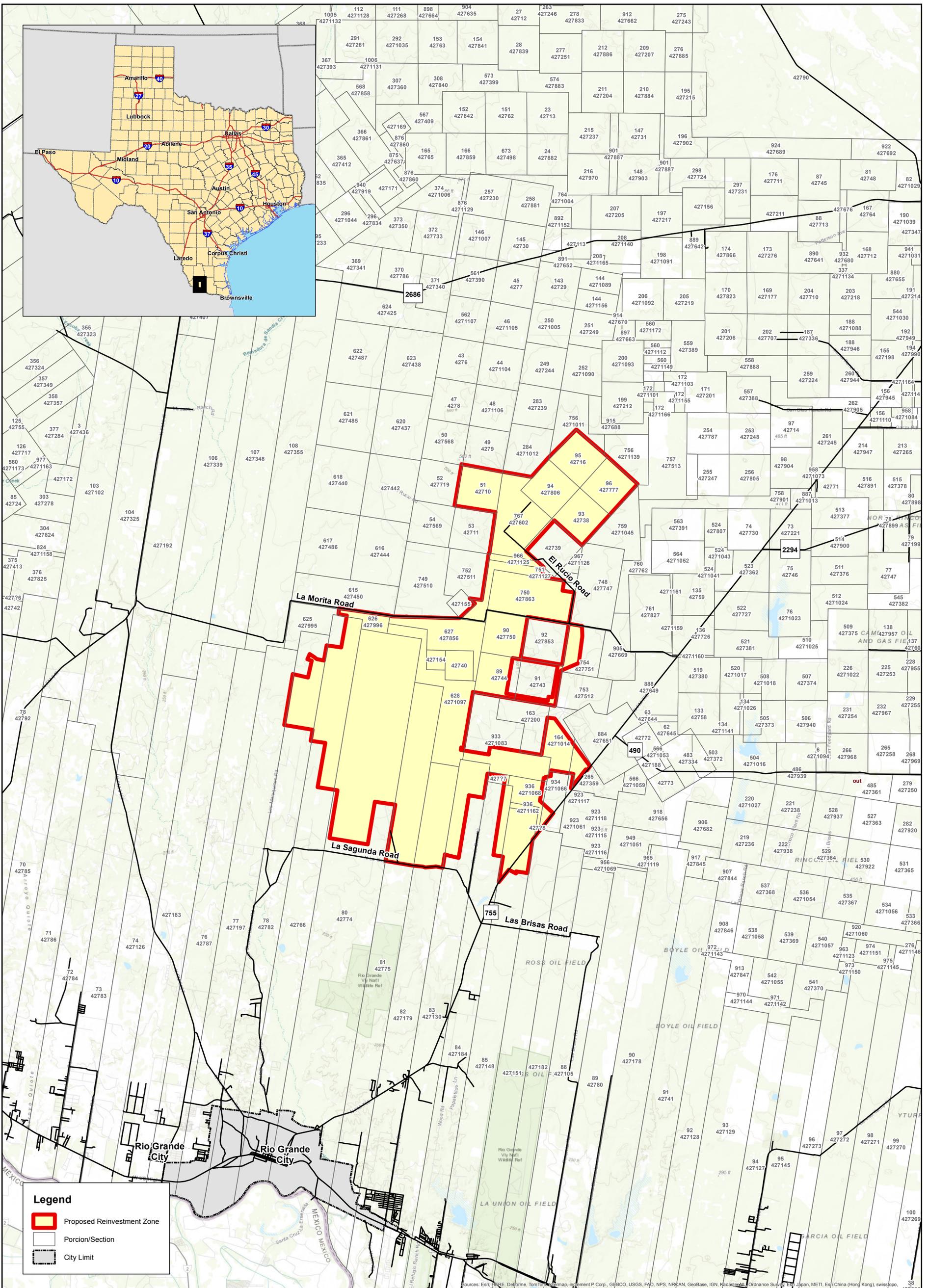


Mesteno Windpower, LLC
Chapter 313 Application to Rio Grande City CISD

CHECKLIST ITEM #11

Maps

1. Project vicinity – Attached
2. Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period - Attached
3. Qualified property including location of new buildings or new improvements - Attached
4. Existing property - Attached
5. Land location within vicinity map - Attached
6. Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size – To be supplemented after creation



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 www.energyrenewalpartners.com

ERP
 ENERGY RENEWAL PARTNERS, LLC

Duke Energy Renewables Mesteno Windpower Project

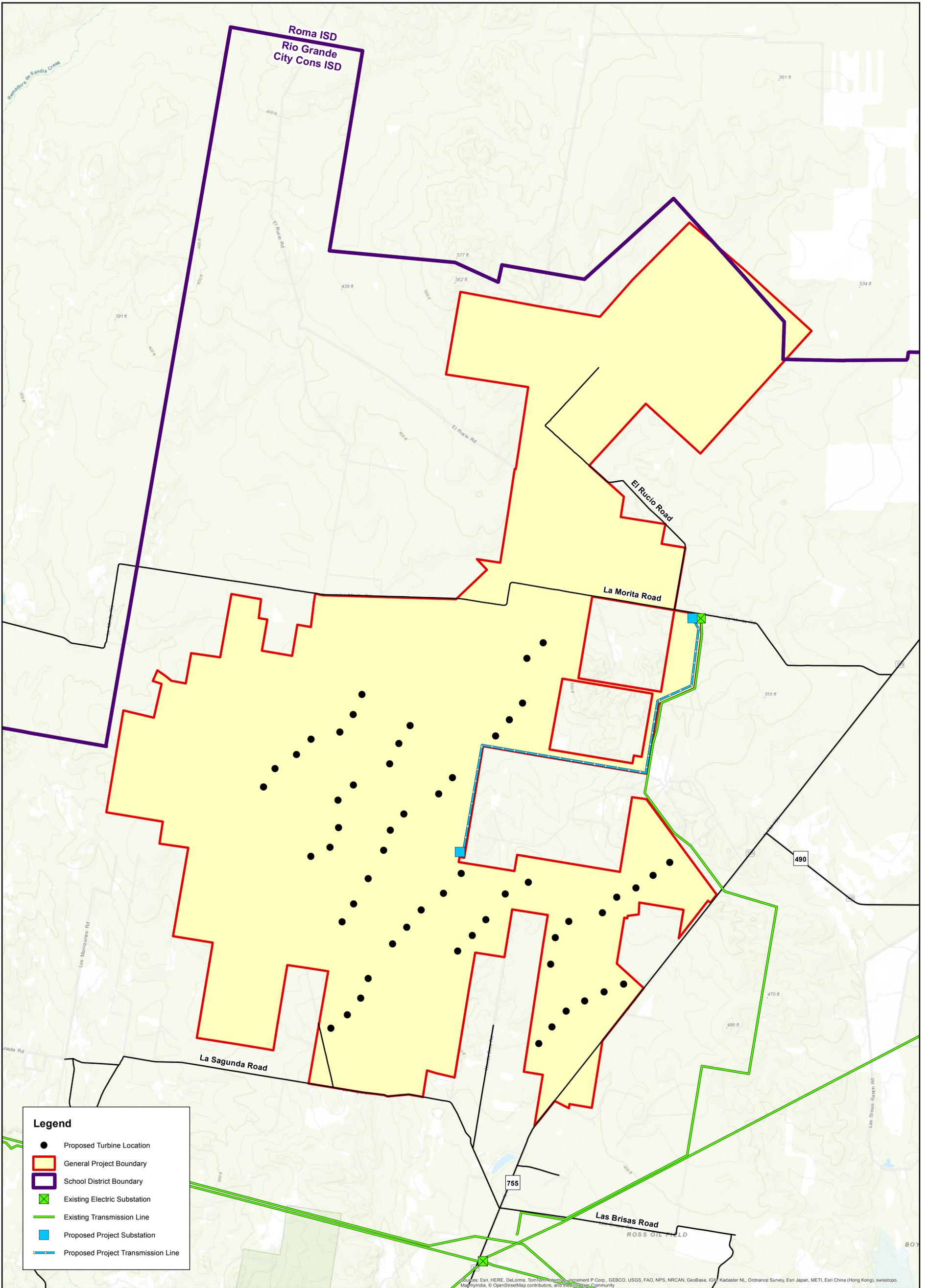
Project Location

Project Location: Starr County, Texas

MAP 1

Prepared by: B. Richards Date: 7/30/2018

Sources: Esri, HERE, DeLorme, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, MapmyIndia, © OpenStreetMap contributors, Swatch, User Community



Legend

- Proposed Turbine Location
- ▭ General Project Boundary
- ▭ School District Boundary
- ⊠ Existing Electric Substation
- Existing Transmission Line
- ▭ Proposed Project Substation
- Proposed Project Transmission Line

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ERP
ENERGY RENEWAL PARTNERS, LLC

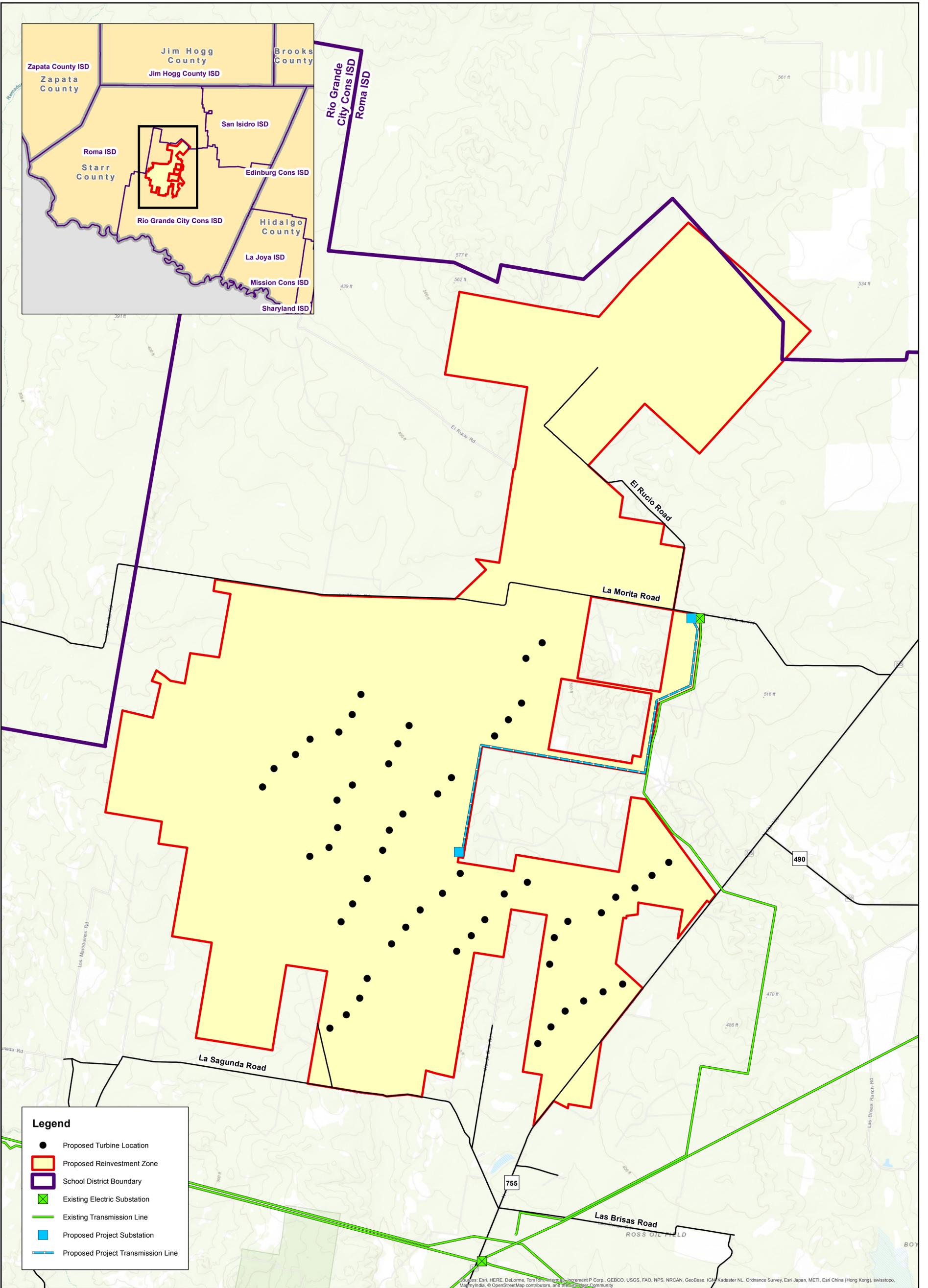
Duke Energy Renewables
Mesteño Windpower Project
Project Infrastructure

Project Location: Starr County, Texas

MAP 2

Prepared by: B. Richards Date: 7/20/2018

Sources: Esri, HERE, DeLorme, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, MapboxIndia, © OpenStreetMap contributors, and the GIS User Community



Legend

- Proposed Turbine Location
- ▭ Proposed Reinvestment Zone
- ▭ School District Boundary
- ⊠ Existing Electric Substation
- Existing Transmission Line
- ▭ Proposed Project Substation
- Proposed Project Transmission Line

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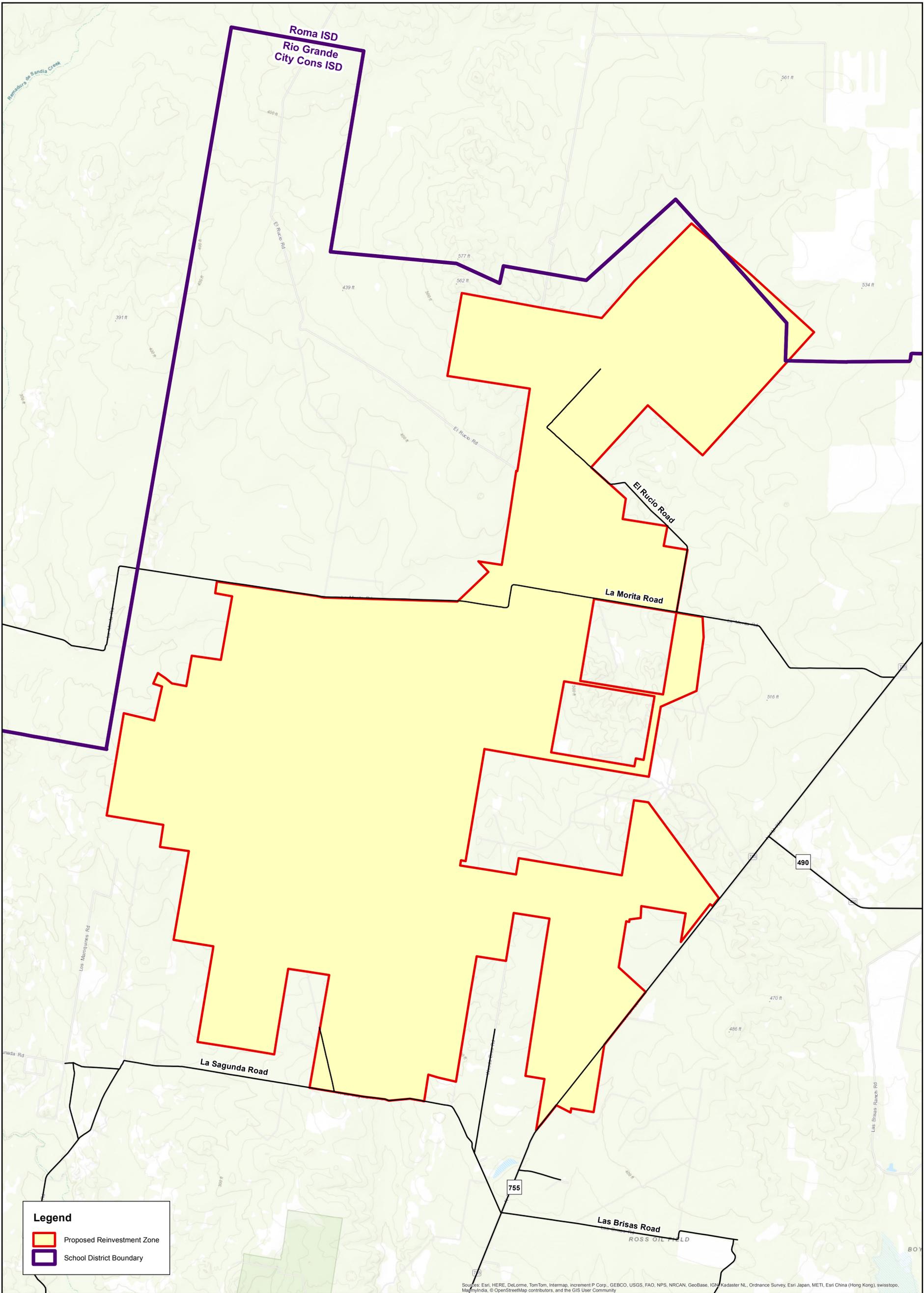
ERP
ENERGY RENEWAL PARTNERS, LLC

Duke Energy Renewables Mesteño Windpower Project Project Infrastructure

Project Location: Starr County, Texas

Prepared by: B. Richards Date: 7/30/2018

Sources: Esri, HERE, DeLorme, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, MapboxIndia, © OpenStreetMap contributors, and the GIS User Community



Legend

- Proposed Reinvestment Zone
- School District Boundary

Sources: Esri, HERE, DeLorme, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, MapboxIndia, © OpenStreetMap contributors, and the GIS User Community

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ENERGY RENEWAL PARTNERS, LLC

Duke Energy Renewables Mesteño Windpower Project Proposed Reinvestment Zone

Project Location: Starr County, Texas

Prepared by: B. Richards	Date: 7/30/2018
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CALCULATION OF WAGE REQUIREMENTS - STARR COUNTY

110% of County Average Weekly Wage for All Jobs

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2017	1st Qtr	Starr County	Total All	0	0	10	Total, all industries	596
2017	2nd Qtr	Starr County	Total All	0	0	10	Total, all industries	548
2017	3rd Qtr	Starr County	Total All	0	0	10	Total, all industries	565
2017	4th Qtr	Starr County	Total All	0	0	10	Total, all industries	584

$$2,293/4 = \$573.25 \text{ average weekly salary}$$

$$\times 1.1 (110\%)$$

$$\underline{\$630.58} \text{ 110\% of County Average Weekly Wage for All Jobs}$$

110% of County Average Weekly Wage for Manufacturing Jobs in County

Year	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
1st Qtr	Starr County	Private	31	2	31-33	Manufacturing	410
2nd Qtr	Starr County	Private	31	2	31-33	Manufacturing	401
3rd Qtr	Starr County	Private	31	2	31-33	Manufacturing	392
4th Qtr	Starr County	Private	31	2	31-33	Manufacturing	346

$$1,549/4 = \$387.25$$

$$\times 1.1 (110\%)$$

$$\underline{\$425.98} \text{ 110\% of County Average Weekly Wage for Manufacturing Jobs in County}$$

110% of County Average Weekly Wage for Manufacturing Jobs in Region (South Texas Development Council)

2017 Annual Wage \$31,343

$$\$31,343/52 = \$602.75 \text{ Average Weekly Salary}$$

$$\$602.75$$

$$\times 1.1 (110\%)$$

$$\underline{\$663.03} \text{ 110\% of County Average Weekly Wage for Manufacturing Jobs in Region}$$

2017 Manufacturing Average Wages by Council of Government Region Wages for All Occupations

COG	Wages	
	Hourly	Annual
Texas	\$26.24	\$54,587
1. Panhandle Regional Planning Commission	\$23.65	\$49,190
2. South Plains Association of Governments	\$19.36	\$40,262
3. NORTEX Regional Planning Commission	\$23.46	\$48,789
4. North Central Texas Council of Governments	\$26.80	\$55,747
5. Ark-Tex Council of Governments	\$18.59	\$38,663
6. East Texas Council of Governments	\$21.07	\$43,827
7. West Central Texas Council of Governments	\$21.24	\$44,178
8. Rio Grande Council of Governments	\$18.44	\$38,351
9. Permian Basin Regional Planning Commission	\$26.24	\$54,576
10. Concho Valley Council of Governments	\$19.67	\$40,924
11. Heart of Texas Council of Governments	\$21.53	\$44,781
12. Capital Area Council of Governments	\$31.49	\$65,497
13. Brazos Valley Council of Governments	\$17.76	\$39,931
14. Deep East Texas Council of Governments	\$17.99	\$37,428
15. South East Texas Regional Planning Commission	\$34.98	\$72,755
16. Houston-Galveston Area Council	\$28.94	\$60,202
17. Golden Crescent Regional Planning Commission	\$26.94	\$56,042
18. Alamo Area Council of Governments	\$22.05	\$48,869
19. South Texas Development Council	\$15.07	\$31,343
20. Coastal Bend Council of Governments	\$28.98	\$60,276
21. Lower Rio Grande Valley Development Council	\$17.86	\$37,152
22. Texoma Council of Governments	\$21.18	\$44,060
23. Central Texas Council of Governments	\$19.30	\$40,146
24. Middle Rio Grande Development Council	\$24.07	\$50,058

Source: Texas Occupational Employment and Wages

Data published: July 2018

Data published annually, next update will be July 31, 2019

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.

Date **7/18/2018**
 Applicant Name **Mesteno Windpower, LLC**
 ISD Name **Rio Grande City CISD**

Schedule A2: Total Investment for Economic Impact (including Qualified Property and other investments)

1271-riogrande-mesteno-amendment001
August 1, 2018

Form 50-296A
 Revised May 2014

PROPERTY INVESTMENT AMOUNTS									
(Estimated Investment in each year. Do not put cumulative totals.)									
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	Column B New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Column C Other investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Column D Other investment made during this year that will become Qualified Property [SEE NOTE]	Column E Total Investment (A+B+C+D)	
Total Investment from Schedule A1*	--	TOTALS FROM SCHEDULE A1			170,000,000	\$ -	\$ -	\$ -	170,000,000
	0	2018-2019	2018	17,000,000	\$ -	\$ -	\$ -	17,000,000	
Each year prior to start of value limitation period** <i>Insert as many rows as necessary</i>	0	2019-2020	2019	153,000,000	\$ -	\$ -	\$ -	153,000,000	
Value limitation period***	1	2020-2021	2020						
	2	2021-2022	2021						
	3	2022-2023	2022						
	4	2023-2024	2023						
	5	2024-2025	2024						
	6	2025-2026	2025						
	7	2026-2027	2026						
	8	2027-2028	2027						
	9	2028-2029	2028						
	10	2029-2030	2029						
	Total Investment made through limitation			170,000,000				170,000,000	
Continue to maintain viable presence	11	2030-2031	2030						
	12	2031-2032	2031						
	13	2032-2033	2032						
	14	2033-2034	2033						
	15	2034-2035	2034						
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035						
	17	2036-2037	2036						
	18	2037-2038	2037						
	19	2038-2039	2038						
	20	2039-2040	2039						
	21	2040-2041	2040						
	22	2041-2042	2041						
	23	2042-2043	2042						
	24	2043-2044	2043						
	25	2044-2045	2044						

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the **first row**.
 ** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.
 *** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were **not** captured on Schedule A1.
 For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.
 Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.
 Only tangible personal property that is specifically described in the application can become qualified property.
 Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.
 Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.
 Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Schedule D: Other Incentives (Estimated)

Date
Applicant Name
ISD Name

7/18/2018

Mesteno Windpower, LLC
Rio Grande City CISD

Form 50-296A
Revised May 2014

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County:					
	City:					
	Other:					
Tax Code Chapter 312	County: Starr County	2020	10 Years	1,227,903	75%	306,976
	City:					
	Other: South Texas College	2020	10 Years	295,630	75%	73,908
Local Government Code Chapters 380/381	County:					
	City:					
	Other:					
Freeport Exemptions						
Non-Annexation Agreements						
Enterprise Zone/Project						
Economic Development Corporation						
Texas Enterprise Fund						
Employee Recruitment						
Skills Development Fund						
Training Facility Space and Equipment						
Infrastructure Incentives						
Permitting Assistance						
Other:						
Other:						
Other:						
Other:						
TOTAL				1,523,533	75%	380,884

Additional information on incentives for this project:

Texas Comptroller of Public Accounts

Data Analysis and
Transparency
Form 50-296-A

SECTION 16: Authorized Signatures and Applicant Certification

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

1. Authorized School District Representative Signature

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

print here → Alfredo García
Print Name (Authorized School District Representative)

Superintendent
Title

sign here → [Signature]
Signature (Authorized School District Representative)

7/31/18
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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

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

print here → Brian K. Stallman
Print Name (Authorized Company Representative (Applicant))

Vice President, Mesteno Windpower, LLC
Title

sign here → [Signature]
Signature (Authorized Company Representative (Applicant))

July 26, 2018
Date



THERESA A. BOWLES
Notary Public, State of Ohio
My Commission Expires 10-13-2019

(Notary Seal)

GIVEN under my hand and seal of office this, the

26 day of July, 2018

Theresa A. Bowles
Notary Public in and for the State of Texas Ohio

My Commission expires: 10-13-2019

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