



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 17, 2018

Alfredo Garcia
Superintendent
Rio Grande City Consolidated Independent School District
1 South Fort Ringgold
Rio Grande City, Texas 78582

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Rio Grande City Consolidated Independent School District and Mesteno Windpower, LLC, Application 1271

Dear Superintendent Garcia:

On August 24, 2018, the Comptroller issued written notice that Mesteno Windpower, LLC (applicant) submitted a completed application (Application 1271) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on June 25, 2018, to the Rio Grande City Consolidated 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 1271.

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 24, 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,

A handwritten signature in blue ink that reads "Lisa Craven". The signature is written in a cursive style with a large initial "L".

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Mesteno Windpower, LLC (project) applying to Rio Grande City Consolidated 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 Mesteno Windpower, LLC.

Applicant	Mesteno Windpower, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Generation-Wind
School District	Rio Grande City CISD
2017-2018 Average Daily Attendance	9,731
County	Starr
Proposed Total Investment in District	\$170,000,000
Proposed Qualified Investment	\$170,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	6*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$426
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(A)	\$426
Minimum annual wage committed to by applicant for qualified jobs	\$22,152
Minimum weekly wage required for non-qualifying jobs	\$573
Minimum annual wage required for non-qualifying jobs	\$29,810
Investment per Qualifying Job	\$28,333,333
Estimated M&O levy without any limit (15 years)	\$18,843,312
Estimated M&O levy with Limitation (15 years)	\$7,976,098
Estimated gross M&O tax benefit (15 years)	\$10,867,214

* 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 Mesteno Windpower, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	20	35	55	\$1,000,000	\$3,460,000	\$4,460,000
2019	225	385	609.7	\$11,250,000	\$40,260,000	\$51,510,000
2020	6	68	74	\$132,912	\$8,767,088	\$8,900,000
2021	6	49	55	\$132,912	\$6,987,088	\$7,120,000
2022	6	29	35	\$132,912	\$5,247,088	\$5,380,000
2023	6	18	24	\$132,912	\$4,197,088	\$4,330,000
2024	6	14	20	\$132,912	\$3,677,088	\$3,810,000
2025	6	15	21	\$132,912	\$3,587,088	\$3,720,000
2026	6	17	23	\$132,912	\$3,747,088	\$3,880,000
2027	6	20	26	\$132,912	\$4,067,088	\$4,200,000
2028	6	24	30	\$132,912	\$4,467,088	\$4,600,000
2029	6	27	33	\$132,912	\$4,907,088	\$5,040,000
2030	6	28	34	\$132,912	\$5,167,088	\$5,300,000
2031	6	29	35	\$132,912	\$5,507,088	\$5,640,000
2032	6	30	36	\$132,912	\$5,847,088	\$5,980,000
2033	6	31	37	\$132,912	\$6,167,088	\$6,300,000

Source: CPA REMI, Mesteno Windpower, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Rio Grande City CISD I&S Tax Levy	Rio Grande City CISD M&O Tax Levy	Rio Grande City CISD M&O and I&S Tax Levies	Starr County Tax Levy	Starr Hospital District Tax Levy	Starr Drainage Water District Tax Levy	South Texas College Tax Levy	Estimated Total Property Taxes
				0.2609	1.1700		0.7684	0.2682	0.0100	0.1850	
2020	\$159,800,000	\$159,800,000		\$416,918	\$1,869,660	\$2,286,578	\$1,227,903	\$428,524	\$15,980	\$295,630	\$3,943,006
2021	\$150,212,000	\$150,212,000		\$391,903	\$1,757,480	\$2,149,384	\$1,154,229	\$402,813	\$15,021	\$277,892	\$3,706,426
2022	\$141,199,280	\$141,199,280		\$368,389	\$1,652,032	\$2,020,420	\$1,084,975	\$378,644	\$14,120	\$261,219	\$3,484,040
2023	\$132,727,323	\$132,727,323		\$346,286	\$1,552,910	\$1,899,195	\$1,019,877	\$355,926	\$13,273	\$245,546	\$3,274,998
2024	\$124,763,684	\$124,763,684		\$325,508	\$1,459,735	\$1,785,244	\$958,684	\$334,570	\$12,476	\$230,813	\$3,078,498
2025	\$117,277,863	\$117,277,863		\$305,978	\$1,372,151	\$1,678,129	\$901,163	\$314,496	\$11,728	\$216,964	\$2,893,788
2026	\$110,241,191	\$110,241,191		\$287,619	\$1,289,822	\$1,577,441	\$847,093	\$295,626	\$11,024	\$203,946	\$2,720,161
2027	\$103,626,720	\$103,626,720		\$270,362	\$1,212,433	\$1,482,795	\$796,268	\$277,889	\$10,363	\$191,709	\$2,556,951
2028	\$97,409,116	\$97,409,116		\$254,140	\$1,139,687	\$1,393,827	\$748,492	\$261,215	\$9,741	\$180,207	\$2,403,534
2029	\$91,564,569	\$91,564,569		\$238,892	\$1,071,305	\$1,310,197	\$703,582	\$245,542	\$9,156	\$169,394	\$2,259,322
2030	\$86,070,695	\$86,070,695		\$224,558	\$1,007,027	\$1,231,586	\$661,367	\$230,810	\$8,607	\$159,231	\$2,123,763
2031	\$80,906,454	\$80,906,454		\$211,085	\$946,606	\$1,157,690	\$621,685	\$216,961	\$8,091	\$149,677	\$1,996,337
2032	\$76,052,066	\$76,052,066		\$198,420	\$889,809	\$1,088,229	\$584,384	\$203,944	\$7,605	\$140,696	\$1,876,557
2033	\$71,488,942	\$71,488,942		\$186,515	\$836,421	\$1,022,935	\$549,321	\$191,707	\$7,149	\$132,255	\$1,763,963
2034	\$67,199,606	\$67,199,606		\$175,324	\$786,235	\$961,559	\$516,362	\$180,204	\$6,720	\$124,319	\$1,658,125
			Total	\$4,201,898	\$18,843,312	\$23,045,210	\$12,375,386	\$4,318,871	\$161,054	\$2,979,498	\$39,739,466

Source: CPA, Mesteno Windpower, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Starr 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	Tax Rate*	Rio Grande City CISD I&S Tax Levy	Rio Grande City CISD M&O Tax Levy	Rio Grande City CISD M&O and I&S Tax Levies	Starr County Tax Levy	Starr Hospital District Tax Levy	Starr Drainage Water District Tax Levy	South Texas College Tax Levy	Estimated Total Property Taxes
			0.2609	1.1700			0.7684	0.2682	0.0100	0.1850	
2020	\$159,800,000	\$30,000,000		\$416,918	\$351,000	\$767,918	\$306,976	\$428,524	\$15,980	\$73,908	\$1,503,418
2021	\$150,212,000	\$30,000,000		\$391,903	\$351,000	\$742,903	\$288,557	\$402,813	\$15,021	\$69,473	\$1,434,273
2022	\$141,199,280	\$30,000,000		\$368,389	\$351,000	\$719,389	\$271,244	\$378,644	\$14,120	\$65,305	\$1,369,277
2023	\$132,727,323	\$30,000,000		\$346,286	\$351,000	\$697,286	\$254,969	\$355,926	\$13,273	\$61,386	\$1,308,180
2024	\$124,763,684	\$30,000,000		\$325,508	\$351,000	\$676,508	\$239,671	\$334,570	\$12,476	\$57,703	\$1,250,750
2025	\$117,277,863	\$30,000,000		\$305,978	\$351,000	\$656,978	\$225,291	\$314,496	\$11,728	\$54,241	\$1,196,765
2026	\$110,241,191	\$30,000,000		\$287,619	\$351,000	\$638,619	\$211,773	\$295,626	\$11,024	\$50,987	\$1,146,019
2027	\$103,626,720	\$30,000,000		\$270,362	\$351,000	\$621,362	\$199,067	\$277,889	\$10,363	\$47,927	\$1,098,318
2028	\$97,409,116	\$30,000,000		\$254,140	\$351,000	\$605,140	\$187,123	\$261,215	\$9,741	\$45,052	\$1,053,479
2029	\$91,564,569	\$30,000,000		\$238,892	\$351,000	\$589,892	\$175,896	\$245,542	\$9,156	\$42,349	\$1,011,330
2030	\$86,070,695	\$86,070,695		\$224,558	\$1,007,027	\$1,231,586	\$661,367	\$230,810	\$8,607	\$159,231	\$2,123,763
2031	\$80,906,454	\$80,906,454		\$211,085	\$946,606	\$1,157,690	\$621,685	\$216,961	\$8,091	\$149,677	\$1,996,337
2032	\$76,052,066	\$76,052,066		\$198,420	\$889,809	\$1,088,229	\$584,384	\$203,944	\$7,605	\$140,696	\$1,876,557
2033	\$71,488,942	\$71,488,942		\$186,515	\$836,421	\$1,022,935	\$549,321	\$191,707	\$7,149	\$132,255	\$1,763,963
2034	\$67,199,606	\$67,199,606		\$175,324	\$786,235	\$961,559	\$516,362	\$180,204	\$6,720	\$124,319	\$1,658,125
			Total	\$4,201,898	\$7,976,098	\$12,177,995	\$5,293,686	\$4,318,871	\$161,054	\$1,274,508	\$21,790,552
			Diff	\$0	\$10,867,214	\$10,867,214	\$7,081,700	\$0	\$0	\$1,704,990	\$17,948,914

Source: CPA, Mesteno Windpower, 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 Mesteno Windpower, 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	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
	2019	\$99,450	\$99,450	\$0	\$0
Limitation Period (10 Years)	2020	\$351,000	\$450,450	\$1,518,660	\$1,518,660
	2021	\$351,000	\$801,450	\$1,406,480	\$2,925,140
	2022	\$351,000	\$1,152,450	\$1,301,032	\$4,226,172
	2023	\$351,000	\$1,503,450	\$1,201,910	\$5,428,082
	2024	\$351,000	\$1,854,450	\$1,108,735	\$6,536,817
	2025	\$351,000	\$2,205,450	\$1,021,151	\$7,557,968
	2026	\$351,000	\$2,556,450	\$938,822	\$8,496,790
	2027	\$351,000	\$2,907,450	\$861,433	\$9,358,222
	2028	\$351,000	\$3,258,450	\$788,687	\$10,146,909
	2029	\$351,000	\$3,609,450	\$720,305	\$10,867,214
Maintain Viable Presence (5 Years)	2030	\$1,007,027	\$4,616,477	\$0	\$10,867,214
	2031	\$946,606	\$5,563,083	\$0	\$10,867,214
	2032	\$889,809	\$6,452,892	\$0	\$10,867,214
	2033	\$836,421	\$7,289,312	\$0	\$10,867,214
	2034	\$786,235	\$8,075,548	\$0	\$10,867,214
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	\$739,061	\$8,814,609	\$0	\$10,867,214
	2036	\$694,718	\$9,509,327	\$0	\$10,867,214
	2037	\$653,035	\$10,162,361	\$0	\$10,867,214
	2038	\$613,852	\$10,776,214	\$0	\$10,867,214
	2039	\$577,021	\$11,353,235	\$0	\$10,867,214
	2040	\$542,400	\$11,895,635	\$0	\$10,867,214
	2041	\$509,856	\$12,405,491	\$0	\$10,867,214
	2042	\$479,265	\$12,884,756	\$0	\$10,867,214
	2043	\$450,509	\$13,335,265	\$0	\$10,867,214
	2044	\$423,478	\$13,758,743	\$0	\$10,867,214

\$13,758,743

is greater than

\$10,867,214

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

Source: CPA, Mesteno Windpower, 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 Mesteno Windpower, 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 Mesteno Windpower, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “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.”
 - B. “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 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.”
- Supplemental information from Applicant:
 - A. The project isn’t formally known by any other names. In its development stage, the project was formerly known as “LV expansion”, “Rio Bravo II”, or “Los Vientos VIB”. The “LV expansion” moniker was due to the projects proximity to the Los Vientos III – V projects.
 - B. The project has applied to ERCOT at this time. The project’s IGNR number is 16INR0081, and has not changed. Please note, the agreement for Mesteno Wind, LLC is under the Duke Energy Renewables Wind, LLC entity. Was assigned 12/30/14.

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:

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

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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



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.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
– Rio Grande City CISD– Mesteno Windpower, LLC App. #1271

Comptroller Questions (via email on August 02, 2018):

1. *Is Mesteno Windpower, LLC 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 and the date it was assigned.*

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

1. *The project isn't formally known by any other names. In its development stage, the project was formerly known as "LV expansion", "Rio Bravo II", or "Los Vientos VIB". The "LV expansion" moniker was due to the projects proximity to the Los Vientos III – V projects.*
2. *Yes, the project has applied to ERCOT at this time. The project's IGNR number is 16INR0081, and has not changed. Please note, the agreement for Mesteno Wind, LLC is under the Duke Energy Renewables Wind, LLC entity. Was assigned 12/30/14.*