GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

November 30, 2018

Dr. Bobby Azam
Superintendent
Andrews Independent School District
405 NW 3rd Street
Andrews, Texas 79714

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Andrews Independent School District and Lapetus Energy Project, LLC, Application 1293

Dear Superintendent Azam:

On October 30, 2018, the Comptroller issued written notice that Lapetus Energy Project, LLC (applicant) submitted a completed application (Application 1293) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on September 17, 2018, to the Andrews 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 1293.

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 within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of October 30, 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 Lapetus Energy Project, LLC (project) applying to Andrews 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 Lapetus Energy Project, LLC.

Applicant	Lapetus Energy Project, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Andrews ISD
2017-2018 Average Daily Attendance	3,840
County	Andrews
Proposed Total Investment in District	$141,833,373
Proposed Qualified Investment	$120,250,000
Limitation Amount	$30,000,000
Qualifying Time Period (Full Years)	2020-2021
Number of new qualifying jobs committed to by applicant	1*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,173
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,173
Minimum annual wage committed to by applicant for qualified jobs	$61,000
Minimum weekly wage required for non-qualifying jobs	$1,209
Minimum annual wage required for non-qualifying jobs	$62,843
Investment per Qualifying Job	$141,833,373
Estimated M&O levy without any limit (15 years)	$8,171,803
Estimated M&O levy with Limitation (15 years)	$5,454,968
Estimated gross M&O tax benefit (15 years)	$2,716,835

** 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 Lapetus Energy Project, LLC (modeled).

	Employment					
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	258	333	590.77	$12,900,000	$28,880,000	$41,780,000
2020	1	30	31	$61,000	$5,089,000	$5,150,000
2021	1	18	19	$61,000	$3,449,000	$3,510,000
2022	1	(0)	1	$61,000	$1,719,000	$1,780,000
2023	1	(9)	-8	$61,000	$609,000	$670,000
2024	1	(12)	-11	$61,000	-$21,000	$40,000
2025	1	(12)	-11	$61,000	-$281,000	-$220,000
2026	1	(10)	-9	$61,000	-$301,000	-$240,000
2027	1	(7)	-6	$61,000	-$201,000	-$140,000
2028	1	(4)	-3	$61,000	-$21,000	$40,000
2029	1	(1)	0	$61,000	$189,000	$250,000
2030	1	1	2	$61,000	$399,000	$460,000
2031	1	3	4	$61,000	$579,000	$640,000
2032	1	4	5	$61,000	$709,000	$770,000
2033	1	4	5	$61,000	$809,000	$870,000
2034	1	5	6	$61,000	$869,000	$930,000

Source: CPA REMI, Leptus Energy Project, 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		Andrews ISD I&S Tax Levy	Andrews ISD M&O Tax Levy	Andrews ISD M&O and I&S Tax Levies	Andrews County Tax Levy	ACHD Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.1400	1.0600		0.5189	0.4846	
2019	$120,250,000	$120,250,000		$168,350	$1,274,650	$1,443,000	$623,977	$582,671	$2,649,649
2020	$102,237,500	$102,237,500		$143,133	$1,083,718	$1,226,850	$530,510	$495,392	$2,252,752
2021	$86,925,625	$86,925,625		$121,696	$921,412	$1,043,108	$451,057	$421,198	$1,915,363
2022	$73,909,344	$73,909,344		$103,473	$783,439	$886,912	$383,516	$358,128	$1,628,555
2023	$62,844,377	$62,844,377		$87,982	$666,150	$754,133	$326,099	$304,512	$1,384,744
2024	$53,438,083	$53,438,083		$74,813	$566,444	$641,257	$277,290	$258,934	$1,177,481
2025	$45,441,715	$45,441,715		$63,618	$481,682	$545,301	$235,797	$220,188	$1,001,285
2026	$38,643,835	$38,643,835		$54,101	$409,625	$463,726	$200,523	$187,249	$851,498
2027	$32,864,718	$32,864,718		$46,011	$348,366	$394,377	$170,535	$159,246	$724,158
2028	$27,951,596	$27,951,596		$39,132	$296,287	$335,419	$145,041	$135,439	$615,899
2029	$23,774,613	$23,774,613		$33,284	$252,011	$285,295	$123,366	$115,200	$523,862
2030	$20,542,200	$20,542,200		$28,759	$217,747	$246,506	$106,593	$99,537	$452,637
2031	$20,535,090	$20,535,090		$28,749	$217,672	$246,421	$106,557	$99,503	$452,480
2032	$20,528,336	$20,528,336		$28,740	$217,600	$246,340	$106,522	$99,470	$452,332
2033	$20,521,919	$20,521,919		$28,731	$217,532	$246,263	$106,488	$99,439	$452,190
2034	$20,515,823	$20,515,823		$28,722	$217,468	$246,190	$106,457	$99,409	$452,056
			Total	**$1,079,295**	**$8,171,803**	**$9,251,097**	**$4,000,329**	**$3,735,516**	**$16,986,942**

Source: CPA, Leptus Energy Project, LLC
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Andrews 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		Andrews ISD I&S Tax Levy	Andrews ISD M&O Tax Levy	Andrews ISD M&O and I&S Tax Levies	Andrews County Tax Levy	ACHD Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.1400	1.0600		0.5189	0.4846	
2019	$120,250,000	$120,250,000		$168,350	$1,274,650	$1,443,000	$623,977	$582,671	$2,649,649
2020	$102,237,500	$30,000,000		$143,133	$318,000	$461,133	$106,102	$99,078	$666,313
2021	$86,925,625	$30,000,000		$121,696	$318,000	$439,696	$90,211	$84,240	$614,147
2022	$73,909,344	$30,000,000		$103,473	$318,000	$421,473	$76,703	$71,626	$569,802
2023	$62,844,377	$30,000,000		$87,982	$318,000	$405,982	$65,220	$60,902	$532,105
2024	$53,438,083	$30,000,000		$74,813	$318,000	$392,813	$55,458	$51,787	$500,058
2025	$45,441,715	$30,000,000		$63,618	$318,000	$381,618	$47,159	$44,038	$472,815
2026	$38,643,835	$30,000,000		$54,101	$318,000	$372,101	$40,105	$37,450	$449,656
2027	$32,864,718	$30,000,000		$46,011	$318,000	$364,011	$34,107	$31,849	$429,967
2028	$27,951,596	$27,951,596		$39,132	$296,287	$335,419	$29,008	$27,088	$391,515
2029	$23,774,613	$23,774,613		$33,284	$252,011	$285,295	$24,673	$23,040	$333,009
2030	$20,542,200	$20,542,200		$28,759	$217,747	$246,506	$106,593	$99,537	$452,637
2031	$20,535,090	$20,535,090		$28,749	$217,672	$246,421	$106,557	$99,503	$452,480
2032	$20,528,336	$20,528,336		$28,740	$217,600	$246,340	$106,522	$99,470	$452,332
2033	$20,521,919	$20,521,919		$28,731	$217,532	$246,263	$106,488	$99,439	$452,190
2034	$20,515,823	$20,515,823		$28,722	$217,468	$246,190	$106,457	$99,409	$452,056
			Total	**$1,079,295**	**$5,454,968**	**$6,534,262**	**$1,725,341**	**$1,611,127**	**$9,870,730**
			Diff	**$0**	**$2,716,835**	**$2,716,835**	**$2,274,988**	**$2,124,389**	**$7,116,212**

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, Leptus Energy Project, 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 Lapetus Energy Project, 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	$1,274,650	$1,274,650	$0	$0
Limitation Period (10 Years)	2020	$318,000	$1,592,650	$765,718	$765,718
	2021	$318,000	$1,910,650	$603,412	$1,369,129
	2022	$318,000	$2,228,650	$465,439	$1,834,568
	2023	$318,000	$2,546,650	$348,150	$2,182,719
	2024	$318,000	$2,864,650	$248,444	$2,431,162
	2025	$318,000	$3,182,650	$163,682	$2,594,844
	2026	$318,000	$3,500,650	$91,625	$2,686,469
	2027	$318,000	$3,818,650	$30,366	$2,716,835
	2028	$296,287	$4,114,937	$0	$2,716,835
	2029	$252,011	$4,366,948	$0	$2,716,835
Maintain Viable Presence (5 Years)	2030	$217,747	$4,584,695	$0	$2,716,835
	2031	$217,672	$4,802,367	$0	$2,716,835
	2032	$217,600	$5,019,967	$0	$2,716,835
	2033	$217,532	$5,237,500	$0	$2,716,835
	2034	$217,468	$5,454,968	$0	$2,716,835
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	$217,406	$5,672,374	$0	$2,716,835
	2036	$217,348	$5,889,722	$0	$2,716,835
	2037	$217,293	$6,107,014	$0	$2,716,835
	2038	$217,240	$6,324,254	$0	$2,716,835
	2039	$217,190	$6,541,444	$0	$2,716,835
	2040	$217,142	$6,758,587	$0	$2,716,835
	2041	$217,097	$6,975,684	$0	$2,716,835
	2042	$217,054	$7,192,739	$0	$2,716,835
	2043	$217,014	$7,409,753	$0	$2,716,835
	2044	$216,975	$7,626,728	$0	$2,716,835

$7,626,728 is greater than **$2,716,835**

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, Lapetus Energy Project, 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 Lapetus Energy Project, 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 7X Energy X. in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. "The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely."
  - B. "Without the tax incentive, the applicant would be forced to abandon the project and send its development capital and prospective investment funds in other states where the rate of return is higher on a project basis."
  - C. "Without the tax incentives in Texas, a project with a power purchase agreement becomes non-financeable and the developer would have to abandon the project and go to a different market."

- According to *7Xenergy.com* news dated May 25, 2018, "7X Energy, Inc. ("7X") announces the finalization of an energy contract with CoServ Electric and Brazos Electric Power Cooperative, Inc. for the sale of solar energy from the Lapetus Energy Project ("Lapetus"). The 35 megawatt (MW) solar project, owned and developed by 7X Energy, will be constructed in Andrews County, Texas, and is scheduled to commence operations in 2019."
- According to *CoServ.com* news dated June 22, 2018 "CoServ Electric has finalized a contract with 7X Energy for the purchase of 25 MW of power from a solar facility to be built in West Texas. The Power Purchase Agreement (PPA) for the Lapetus Energy Project represents the largest solar energy contract to date with an electric cooperative in Texas. Lapetus will be the first large scale solar facility built in Andrews County, about an hour away from Midland, and is scheduled to commence operations in December 2019."

- According to *solarindustrymag.com* news dated May 23, 2018, 7X Energy Inc., a Texas-based utility-scale solar developer, has finalized a contract with CoServ Electric and Brazos Electric Power Cooperative Inc. for the sale of solar energy from the Lapetus Energy Project. The 35 MW solar project, owned and developed by 7X Energy, will be constructed in Andrews County, Texas, and is scheduled to commence operations in 2019."
- According to *retailenergyX.com* news dated May 23, 2018, "7X Energy, Inc. announced the finalization of an energy contract with CoServ Electric and Brazos Electric Power Cooperative, Inc. for the sale of solar energy from the Lapetus Energy Project. The 35 megawatt (MW) solar project, owned and developed by 7X Energy, will be constructed in Andrews County, Texas, and is scheduled to commence operations in 2019."

- Supplemental information provided by the applicant indicated the following:
  A. Lapetus Energy Project, LLC is not known by any other names.
  B. ERCOT GIR number is 19INR0149 and was assigned in February 2018.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

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

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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

TAB 5

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non-financeable and the developer would have to abandon the project and go to a different market.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

7X.energy
SOLAR EVOLVED

7X ENERGY ANNOUNCES POWER PURCHASE AGREEMENT FOR LAPETUS ENERGY PROJECT IN WEST TEXAS

Represents the largest SolarBlocks™ contract to date for company

AUSTIN, TX– 7X Energy, Inc. ("7X") announces the finalization of an energy contract with CoServ Electric and Brazos Electric Power Cooperative, Inc. for the sale of solar energy from the Lapetus Energy Project ("Lapetus"). The 35 megawatt (MW) solar project, owned and developed by 7X Energy, will be constructed in Andrews County, Texas, and is scheduled to commence operations in 2019.

Solar energy from the Lapetus facility will be sold in SolarBlocks™ under a multi-year Power Purchase Agreement (PPA). SolarBlocks is a power block purchasing strategy developed by 7X, with the support of the Lapetus buyers, that enables customers to procure contractually guaranteed fixed blocks of energy produced from solar plants. The fixed blocks of solar, which can be forecasted down to the 15-minute settlement interval, lock in low energy rates during peak periods when electricity can be most expensive and remove the intermittent variability of delivered energy associated with traditional solar generation. SolarBlocks can be purchased by electric cooperatives, utilities and corporations in competitive retail electricity markets.

"The 7X team is working tirelessly to package and deliver reliable clean energy in a way that our customers are accustomed to when purchasing traditional energy," said Clay Butler, CEO of 7X Energy. "For too long our industry has been trying to squeeze a square peg into a round hole, and we aim to change that by making renewable energy procurement easier for buyers."

Brazos Electric will be purchasing the energy on behalf of CoServ Electric for the benefit of CoServ's roughly 220,000 electric meters in North Texas. This agreement represents the largest solar energy contract to date with an electric cooperative in Texas and was made possible by the low competitive cost of 7X Energy's solar power in ERCOT (Electric Reliability Council of Texas).

"We want to provide renewable energy solutions for our Members," said CoServ President/CEO Donnie Clary. "This project helps enhance our role as a trusted energy advisor, focused on the future and passing along the resulting economic benefits."

Brazos Electric signed onto the contract as the generation and transmission provider for CoServ, facilitating the transaction among Brazos Electric, CoServ and 7X. Brazos, the oldest and largest generation and transmission cooperative in Texas, worked diligently with CoServ and the 7X team to customize the right energy solution, including the fixed delivery of power for CoServ, its distribution co-op member.

Brazos Electric 's Executive Vice President and General Manager Clifton Karnei said, "Brazos Electric enjoyed working with 7X Energy in negotiating a solar PPA to procure cost-effective solar power for CoServ and its retail Members."

CoServ and Brazos Electric were supported in the development of the solar energy contract by the National Renewables Cooperative Organization (NRCO). NRCO provides full origination and development services for its owner-members and electric cooperative customers, with more than one gigawatt of wind and solar projects completed to date, including 45 cooperative-run community solar farms.

Lapetus will be the first large-scale solar facility to be built in Andrews County. During peak construction, the solar facility will bring 75 jobs to the county and inject millions in local property tax revenue over the life of the facility.

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About 7X Energy

7X Energy is a Texas-based utility-scale solar developer. The company is 100% employee-owned and consists of a diverse team of seasoned industry veterans focused on the development and sale of renewable energy to commercial and wholesale customers. In 2016, 7X sold over 3 gigawatts of solar projects across the U.S. to fund its early operations. Using its custom proprietary mapping and transmission modeling software, 7X continues to build a portfolio of projects and products across the U.S. 7X Energy's development, technical, and software expertise accelerates the project site selection and evaluation process, while lowering energy costs and minimizing risk for its customers and investors.

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CoServ to purchase power from West Texas solar facility

CORINTH, Texas — June 22, 2018 — CoServ Electric has finalized a contract with 7X Energy for the purchase of 25 MW of power from a solar facility to be built in West Texas.

The Power Purchase Agreement (PPA) for the Lapetus Energy Project represents the largest solar energy contract to date with an electric cooperative in Texas. Lapetus will be the first large-scale solar facility to be built in Andrews County, about an hour away from Midland, and is scheduled to commence operations in December 2019.

Brazos Electric Power Cooperative, Inc., CoServ's generation and transmission provider, will purchase the energy on behalf of CoServ Electric for the benefit of CoServ's more than 220,000 electric meters in North Texas.

"We are constantly seeking energy solutions today to help diversify our energy portfolio tomorrow," said CoServ President/CEO Donnie Clary. "Once this facility is up and running, CoServ will be in a position to offer lower-priced solar options to Members."

22 Jun 2018

The PPA is the latest solar initiative for CoServ, which has offered a solar rate through its community solar farm, the CoServ Solar Station (above), since 2015. (Photo: KEN OLTMANN / CoServ)

CoServ also offers a solar rebate for Members who participate in the Certified Solar Installation Program for rooftop solar, as well as a solar rate through its community solar farm, the CoServ Solar Station, for those Members who are interested in solar but do not wish to install solar panels on their rooftops.

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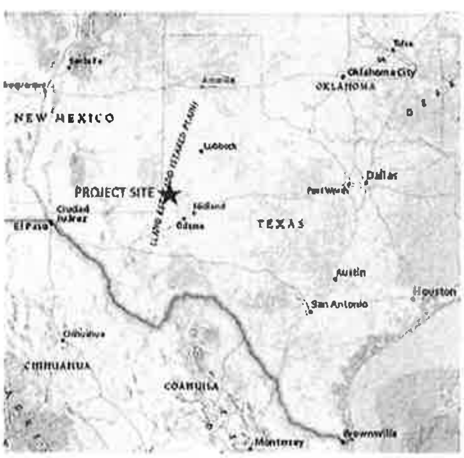
ABOUT COSERV: Established in 1937 as Denton County Electric Cooperative Inc., CoServ Electric is based in Corinth, Texas, and supplies electricity to more than 228,000 meters in Denton, Collin and four other North Texas counties. CoServ Gas, a natural gas affiliate established in 1998, serves more than 116,000 gas meters in Denton, Collin and Kaufman counties.

Categories: Announcements, Featured Articles

Solar News Utility

North Texas Electric Co-op Signs Up For Solar

Posted by **Betsy Lillian** - May 23, 2018



The Lapetus project site (Source: 7X)

7X Energy Inc., a Texas-based utility-scale solar developer, has finalized a contract with CoServ Electric and Brazos Electric Power Cooperative Inc. for the sale of solar energy from the Lapetus Energy Project.

The 35 MW solar project, owned and developed by 7X Energy, will be constructed in Andrews County, Texas, and is scheduled to commence operations in 2019.

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"For too long, our industry has been trying to squeeze a square peg into a round hole, and we aim to change that by making renewable energy procurement easier for buyers," notes Clay Butler, CEO of 7X Energy.

Brazos Electric will be purchasing the energy on behalf of CoServ Electric for the benefit of CoServ's roughly 220,000 electric meters in north Texas. 7X claims this agreement represents the largest solar energy contract to date with an electric cooperative in Texas.

"We want to provide renewable energy solutions for our members," says Donnie Clary, president and CEO of CoServ. "This project helps enhance our role as a trusted energy advisor, focused on the future and passing along the resulting economic benefits."

CoServ and Brazos Electric were supported in the development of the contract by the National Renewables Cooperative Organization, which provides origination and development services for its owner-members and electric cooperative customers.

During peak construction, the Lapetus facility will bring 75 jobs to the county and inject millions in local property tax revenue over its lifetime, notes 7X.

TAGS clean-energy renewable renewable-energy renewables solar solar power

7X Energy Announces Power Purchase Agreement For Texas Project

May 23,2018

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Tags:
7X Energy Texas Contract Awards CoServ

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COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
– Andrews ISD – Lapetus Energy Project, LLC App. #1293

Comptroller Questions (via email on October 31, 2018):

1. *Is the Lapetus Energy Project currently known by any other project names?*

2. *Please also list any other names by which this project may have been known in the past – in media reports, investor presentations, or any listings with any federal or state agency.*

3. *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number and when it was assigned.*

Applicant Response (via email on October 31, 2018):

1. *No, the Lapetus Energy Project, LLC is not known by any other names.*

2. *N/A*

3. *Yes. 19INR0149. Feb 2018.*