GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

March 12, 2019

Jose Cervantes
Superintendent
Pecos-Barstow-Toyah Independent School District
1301 South Eddy Street
Pecos, Texas 79772

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Pecos-Barstow-Toyah Independent School District and ETC Texas Pipeline, LTD, Application 1310

Dear Superintendent Cervantes:

On January 3, 2019, the Comptroller issued written notice that ETC Texas Pipeline, LTD (applicant) submitted a completed application (Application 1310) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on October 18, 2018, to the Pecos-Barstow-Toyah 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 committed 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 1310.

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, 2019.

Note that any building or improvement existing as of the application review start date of January 3, 2019, 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 ETC Texas Pipeline, LTD (project) applying to Pecos-Barstow-Toyah 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 ETC Texas Pipeline, LTD.

Applicant	ETC Texas Pipeline, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Pecos-Barstow-Toyah ISD
2017-2018 Average Daily Attendance	2,402
County	Reeves
Proposed Total Investment in District	$105,000,000
Proposed Qualified Investment	$105,000,000
Limitation Amount	$30,000,000
Qualifying Time Period (Full Years)	2020-2021
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,154
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,154
Minimum annual wage committed to by applicant for qualified jobs	$60,034
Minimum weekly wage required for non-qualifying jobs	$1,073
Minimum annual wage required for non-qualifying jobs	$55,810
Investment per Qualifying Job	$10,500,000
Estimated M&O levy without any limit (15 years)	$8,830,782
Estimated M&O levy with Limitation (15 years)	$4,708,029
Estimated gross M&O tax benefit (15 years)	$4,122,753

Table 2 is the estimated statewide economic impact of ETC Texas Pipeline, LTD (modeled).

	Employment			**Personal Income**		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	175	242	417	$10,505,880	$20,494,120	$31,000,000
2020	10	31	41	$600,336	$4,399,664	$5,000,000
2021	10	27	37	$600,336	$3,399,664	$4,000,000
2022	10	17	27	$600,336	$2,399,664	$3,000,000
2023	10	11	21	$600,336	$2,399,664	$3,000,000
2024	10	9	19	$600,336	$1,399,664	$2,000,000
2025	10	9	19	$600,336	$1,399,664	$2,000,000
2026	10	10	20	$600,336	$1,399,664	$2,000,000
2027	10	11	21	$600,336	$1,399,664	$2,000,000
2028	10	13	23	$600,336	$1,399,664	$2,000,000
2029	10	14	24	$600,336	$2,399,664	$3,000,000
2030	10	14	24	$600,336	$2,399,664	$3,000,000
2031	10	15	25	$600,336	$2,399,664	$3,000,000
2032	10	16	26	$600,336	$2,399,664	$3,000,000
2033	10	16	26	$600,336	$2,399,664	$3,000,000
2034	10	16	26	$600,336	$2,399,664	$3,000,000

Source: CPA REMI, ETC Texas Pipeline, LTD

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		Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital Tax Levy	Reeves County WCID #2 Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0850	0.8607		0.4995	0.2400	0.1193	
2020	$95,000,000	$95,000,000		$80,750	$817,665	$898,415	$474,544	$228,000	$113,379	$1,714,338
2021	$91,200,000	$91,200,000		$77,520	$784,958	$862,478	$455,562	$218,880	$108,843	$1,645,764
2022	$87,400,000	$87,400,000		$74,290	$752,252	$826,542	$436,580	$209,760	$104,308	$1,577,191
2023	$83,600,000	$83,600,000		$71,060	$719,545	$790,605	$417,599	$200,640	$99,773	$1,508,617
2024	$79,800,000	$79,800,000		$67,830	$686,839	$754,669	$398,617	$191,520	$95,238	$1,440,044
2025	$76,000,000	$76,000,000		$64,600	$654,132	$718,732	$379,635	$182,400	$90,703	$1,371,470
2026	$72,200,000	$72,200,000		$61,370	$621,425	$682,795	$360,653	$173,280	$86,168	$1,302,897
2027	$68,400,000	$68,400,000		$58,140	$588,719	$646,859	$341,672	$164,160	$81,633	$1,234,323
2028	$64,600,000	$64,600,000		$54,910	$556,012	$610,922	$322,690	$155,040	$77,097	$1,165,750
2029	$60,800,000	$60,800,000		$51,680	$523,306	$574,986	$303,708	$145,920	$72,562	$1,097,176
2030	$57,000,000	$57,000,000		$48,450	$490,599	$539,049	$284,726	$136,800	$68,027	$1,028,603
2031	$53,200,000	$53,200,000		$45,220	$457,892	$503,112	$265,745	$127,680	$63,492	$960,029
2032	$49,400,000	$49,400,000		$41,990	$425,186	$467,176	$246,763	$118,560	$58,957	$891,456
2033	$45,600,000	$45,600,000		$38,760	$392,479	$431,239	$227,781	$109,440	$54,422	$822,882
2034	$41,800,000	$41,800,000		$35,530	$359,773	$395,303	$208,799	$100,320	$49,887	$754,309
			Total	**$872,100**	**$8,830,782**	**$9,702,882**	**$5,125,075**	**$2,462,400**	**$1,224,489**	**$18,514,846**

Source: CPA, ETC Texas Pipeline, LTD

*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Reeves 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		Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital Tax Levy	Reeves County WCID #2 Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0850	0.8607		0.4995	0.2400	0.1193	
2020	$95,000,000	$30,000,000		$80,750	$258,210	$338,960	$237,272	$228,000	$113,379	$917,611
2021	$91,200,000	$30,000,000		$77,520	$258,210	$335,730	$227,781	$218,880	$108,843	$891,235
2022	$87,400,000	$30,000,000		$74,290	$258,210	$332,500	$218,290	$209,760	$104,308	$864,859
2023	$83,600,000	$30,000,000		$71,060	$258,210	$329,270	$208,799	$200,640	$99,773	$838,483
2024	$79,800,000	$30,000,000		$67,830	$258,210	$326,040	$199,308	$191,520	$95,238	$812,107
2025	$76,000,000	$30,000,000		$64,600	$258,210	$322,810	$379,635	$182,400	$90,703	$975,548
2026	$72,200,000	$30,000,000		$61,370	$258,210	$319,580	$360,653	$173,280	$86,168	$939,681
2027	$68,400,000	$30,000,000		$58,140	$258,210	$316,350	$341,672	$164,160	$81,633	$903,814
2028	$64,600,000	$30,000,000		$54,910	$258,210	$313,120	$322,690	$155,040	$77,097	$867,947
2029	$60,800,000	$30,000,000		$51,680	$258,210	$309,890	$303,708	$145,920	$72,562	$832,080
2030	$57,000,000	$57,000,000		$48,450	$490,599	$539,049	$284,726	$136,800	$68,027	$1,028,603
2031	$53,200,000	$53,200,000		$45,220	$457,892	$503,112	$265,745	$127,680	$63,492	$960,029
2032	$49,400,000	$49,400,000		$41,990	$425,186	$467,176	$246,763	$118,560	$58,957	$891,456
2033	$45,600,000	$45,600,000		$38,760	$392,479	$431,239	$227,781	$109,440	$54,422	$822,882
2034	$41,800,000	$41,800,000		$35,530	$359,773	$395,303	$208,799	$100,320	$49,887	$754,309
			Total	**$872,100**	**$4,708,029**	**$5,580,129**	**$4,033,624**	**$2,462,400**	**$1,224,489**	**$13,300,642**
			Diff	**$0**	**$4,122,753**	**$4,122,753**	**$1,091,451**	**$0**	**$0**	**$5,214,204**

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, ETC Texas Pipeline, LTD

*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 ETC Texas Pipeline, LTD (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	$0	$0	$0	$0
Limitation Period (10 Years)	2020	$258,210	$258,210	$559,455	$559,455
	2021	$258,210	$516,420	$526,748	$1,086,203
	2022	$258,210	$774,630	$494,042	$1,580,245
	2023	$258,210	$1,032,840	$461,335	$2,041,580
	2024	$258,210	$1,291,050	$428,629	$2,470,209
	2025	$258,210	$1,549,260	$395,922	$2,866,131
	2026	$258,210	$1,807,470	$363,215	$3,229,346
	2027	$258,210	$2,065,680	$330,509	$3,559,855
	2028	$258,210	$2,323,890	$297,802	$3,857,657
	2029	$258,210	$2,582,100	$265,096	$4,122,753
Maintain Viable Presence (5 Years)	2030	$490,599	$3,072,699	$0	$4,122,753
	2031	$457,892	$3,530,591	$0	$4,122,753
	2032	$425,186	$3,955,777	$0	$4,122,753
	2033	$392,479	$4,348,256	$0	$4,122,753
	2034	$359,773	$4,708,029	$0	$4,122,753
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	$327,066	$5,035,095	$0	$4,122,753
	2036	$294,359	$5,329,454	$0	$4,122,753
	2037	$261,653	$5,591,107	$0	$4,122,753
	2038	$228,946	$5,820,053	$0	$4,122,753
	2039	$204,416	$6,024,470	$0	$4,122,753
	2040	$204,416	$6,228,886	$0	$4,122,753
	2041	$204,416	$6,433,302	$0	$4,122,753
	2042	$204,416	$6,637,718	$0	$4,122,753
	2043	$204,416	$6,842,135	$0	$4,122,753
	2044	$204,416	$7,046,551	$0	$4,122,753
		$7,046,551	is greater than	**$4,122,753**	

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, ETC Texas Pipeline, LTD

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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 ETC Texas Pipeline, LTD'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 ETC Texas Pipeline, LTD in Tab 5 of their Application for a Limitation on Appraised Value:
    A. "Arrowhead III will be owned and operated by ETC Texas Pipeline, LTD. ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana."
    B. "As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico."
    C. "Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas."
- Per Comptroller Research
    A. Per the Energy Transfer website, Energy Transfer Company is the operator of ETC Texas Pipeline, Ltd assets.
    B. On a May 30, 2018 *Seeking Alpha* reported that "volumes are booming in the Permian… consequently, new processing plants have to be constructed in order to take away volumes. ETP (Energy Transfer Partners) confirmed by saying 'due to continued strong demand in the Permian, we are nearing capacity in both the Delaware and Midland Basin. As a result, we are

building a second 200 million cubic foot per day cryogenic processing plant near our existing Arrowhead plant.'"

C. On November 13, 2017 *Natural Gas Intelligence* reported that during a conference call, COO of Energy Transfer Partners LP (ETP), Marshall McCrea stated "We're probably more well positioned than anybody. There's not a lot of capacity out of West Texas. Really, the only way out other than west is through our pipe in Mexico, which we still believe will be some time down the road before they're fully ramping up. So, getting volume growth out of there is going to depend on either a new project or existing capacity, of which we have. So we're extremely optimistic over the next 12-14 months that the basis will blow out, probably blow out materially. We're well positioned to take advantage of that...We continue to be believers, the industry does, the producers do... if you look at what's happened to oil prices and everything that's going on in the Middle East, it points to nothing but significant volume growth out of the Permian Basin and a more significant need to move those volumes out... We'll continue to evaluate that, and we do believe we'll pay a part of that growth on the expansion out of the Waha area. But in the meantime, we're pretty excited about what's going to happen as far as basis spread and how it benefits our assets over the next couple of years."

D. Per Energy Transfer 2017 and 2018 Conference's Arrowhead and Arrowhead II are both a 200 MMcf/d cryogenic processing plant located within the Permian Basin Infrastructure. ETP stated in 2018 "is nearing capacity in both the Delaware and Midland Basins due to continued demand and strong growth outlook in the Permian. As a result of this demand, ETP has continued to buildout its Permian Infrastructure." Arrowhead III will also be a 200 MMcf/d located in the "eastern portion of the county", Reeves County.

E. Per ET 2019 UBS Conference, Energy Transfer stated "Recently approved construction of another 200 MMcf/d processing plant in the Delaware Basin. Expected to add one to two new processing plants per year in the Midland and Delaware Basins over the next few years as demand remains strong."

F. The qualified property for the Arrowhead III Plant (Application #1310) will be placed adjacent to the qualified property of both the Arrowhead II Plant (Application #1240) and the Arrowhead Plant (Application #1160). Commercial operations for Application #1160 began in 2017. Commercial operations for Application #1240 is estimated to begin in early 2019.

Supporting Information

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

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

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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

Tab 5

Limitation as a Determining Factor

Arrowhead III will be owned and operated by ETC Texas Pipeline, LTD. ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.

- Louisiana offers a 10-year, 100% property tax abatement under that state's Industrial Tax Exemption program as well as additional state sales tax incentives.
- New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.

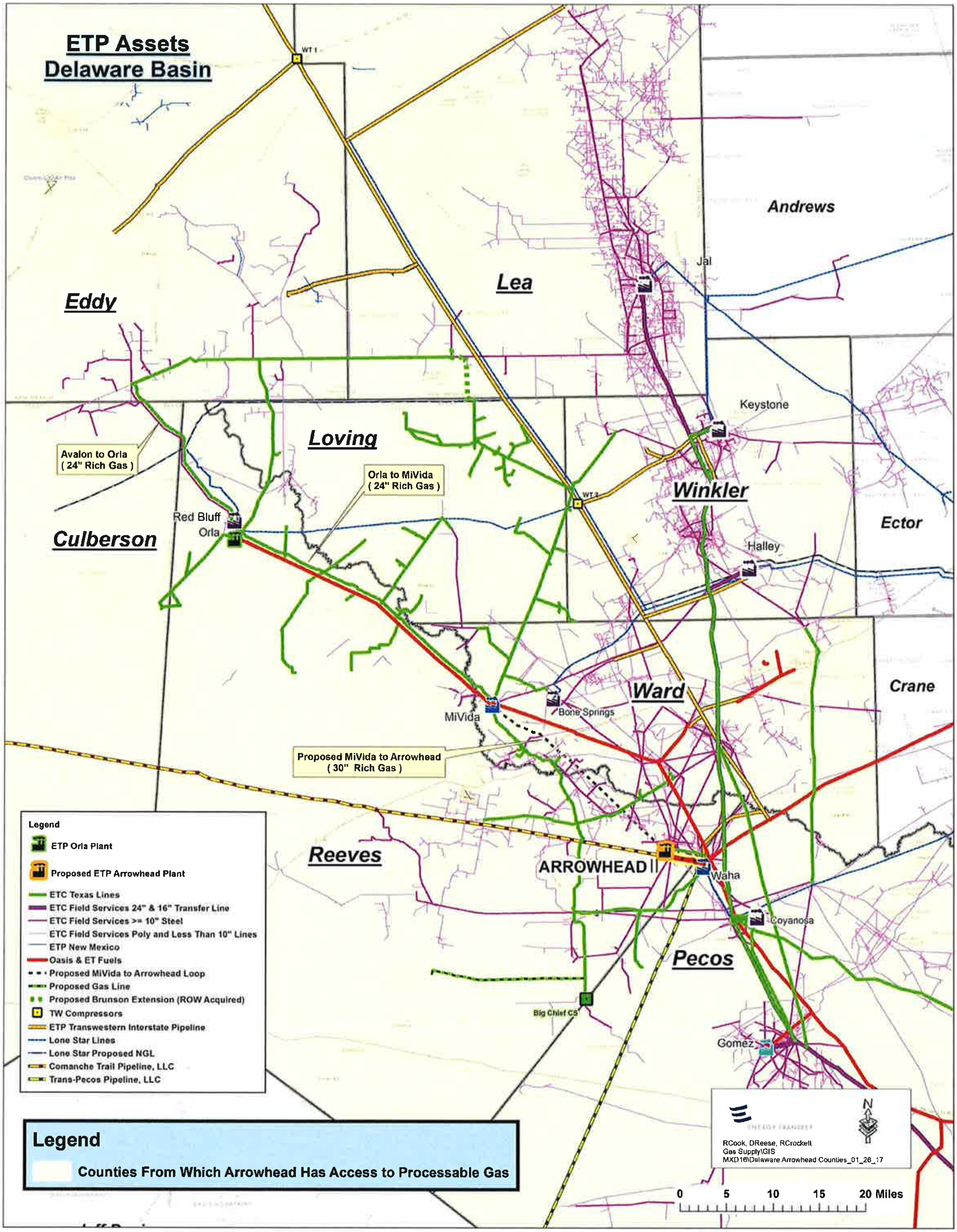
In the Delaware/Permian Basin alone, the company owns 7,820 miles of natural gas pipeline, 7 processing facilities with aggregate capacity of 815 MMcf/d (*Waha, Cayanosa, Red Bluff, Halley, Jal, Keystone, and Tippet*) and two treating facilities with aggregate capacity of 200 MMcf/d.

The Delaware/Permian Basin assets offer wellhead-to-market services to produces not only in the Texas counties, but also in the New Mexico counties of Eddy and Lee which surround Waha Hub.

Because of the proximity of the system to the Waha Hub, the syste, has a variety of market outlets for the natural gas that is gathered and processed, including several major interstate and intrastate pipelines serving California, the mid-continent region of the United States and the Texas/New Mexico natural gas markets.

Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas.

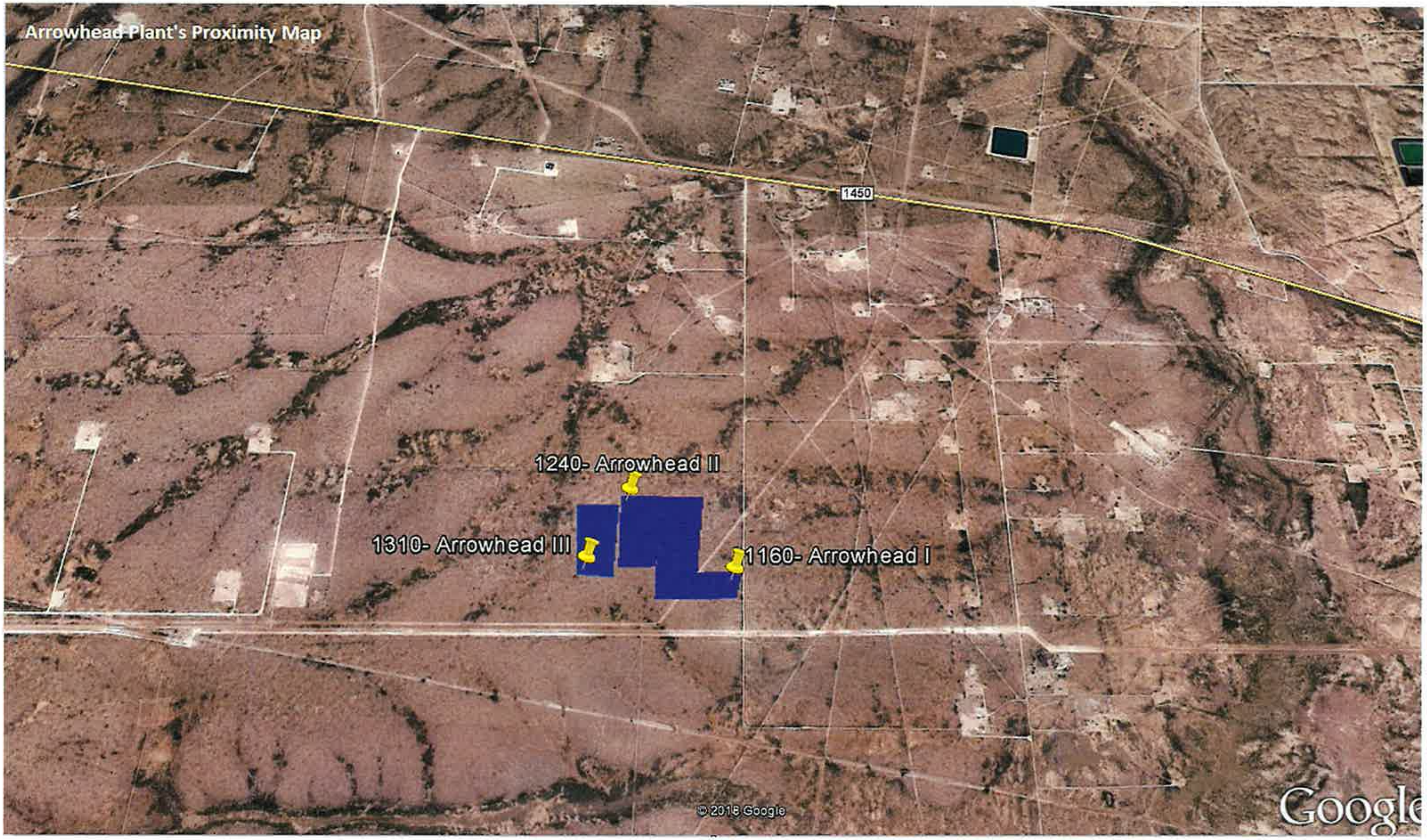
TC-ROLL UP



ETP Assets
Delaware Basin
WT 1
Andrews
Jal
Lea
Eddy
Keystone
Loving
Avalon to Orla
(24" Rich Gas)
Orla to MiVida
(24" Rich Gas)
Winkler
WT 2
Red Bluff
Orla
Culberson
Ector
Halley
Ward
Crane
Bone Springs
MiVida
Proposed MiVida to Arrowhead
(30" Rich Gas)
Reeves
ARROWHEAD
Waha
Coyanosa
Pecos
Big Chief CS
Gomez
Legend
ETP Orla Plant
Proposed ETP Arrowhead Plant
ETC Texas Lines
ETC Field Services 24" & 16" Transfer Line
ETC Field Services >= 10" Steel
ETC Field Services Poly and Less Than 10" Lines
ETP New Mexico
Oasis & ET Fuels
Proposed MiVida to Arrowhead Loop
Proposed Gas Line
Proposed Brunson Extension (ROW Acquired)
TW Compressors
ETP Transwestern Interstate Pipeline
Lone Star Lines
Lone Star Proposed NGL
Comanche Trail Pipeline, LLC
Trans-Pecos Pipeline, LLC
Legend
Counties From Which Arrowhead Has Access to Processable Gas
RCook, DReese, RCrockett
Gas Supply\GIS
MXD16\Delaware Arrowhead Counties_01_26_17
N
0
5
10
15
20 Miles

Supporting Information

Additional information provided by the Applicant or located by the Comptroller


Arrowhead Plant's Proximity Map
1450
1240- Arrowhead II
1310- Arrowhead III
1160- Arrowhead I
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Google

ENERGY TRANSFER

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Suite 600
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www.energytransfer.com

IMPORTANT NOTICE TO OUR VALUED CONTRACT PARTIES

Re: Merger of ETC Field Services LLC with and into ETC Texas Pipeline, Ltd.

As you may know, Regency Field Services LLC name was changed to ETC Field Services LLC on November 1, 2015 after merging earlier that year with its parent company, Energy Transfer Partners, LP ("Energy Transfer").

Energy Transfer is pleased to announce that effective June 4, 2018 ETC Field Services LLC has successfully merged with ETC Texas Pipeline, Ltd. ("ETX"). The Secretary of State documents and W-9 forms associated with the merger can be accessed online at: https://www.energytransfer.com/customer_activities.aspx. The documents are under the heading "For Intrastate and Gathering Users".

Much of the information below regarding ETC Field Services LLC did not change. Information listed in **bold** below show changes in effect on July 1, 2018.

Bank Account Information	Account Name: **ETC Texas Pipeline, Ltd.** Depository Bank Name: Wells Fargo Bank, N. A. (San Francisco) Depository Bank ABA Number for wire transfers: 121000248 Depository Bank ABA Number for Check and ACH transfers: 053101561 Account Number: **207990-0565328**
Lockbox	**ETC Texas Pipeline, Ltd., PO Box 951439, Dallas, Texas 75395-1439**
Federal Tax ID Number	**73-1493906**
DUNS Number	**148-97-8856**
Texas P-5 Number	**ETC Texas Pipeline, Ltd. 255104 / Energy Transfer Co 25017**
Texas Purchaser System Code	**0001**
Texas Comptroller Purchaser Taxpayer Number	**10505324664**
ETX State Tax Sales/Use Taxpayer Nos.	NM (**03-0350353-00-2**); OK (**SVU1035034802**); TX (**10505324664**); LA (TBD)

If you have a gathering, processing or purchase contract in the state of Texas you may see a Texas gross receipts tax reimbursement to Gatherer on your statement beginning with your July production settlement statements.

An Automatic P-4 has/will be filed with the Railroad Commission of Texas transferring all of the purchaser designations previously under ETC Field Services LLC to ETC Texas Pipeline, Ltd., and all of the gatherer designations to Energy Transfer Company, as the operator of the ETC Texas Pipeline, Ltd., assets. If you have any questions or require additional information about regulatory reporting in any of the states in which we operate, please contact Claire Jimenez at 214-840-5815 or Claire.Johnson@energytransfer.com.

Energy Transfer values its business with you and we look forward to continuing that relationship. **It is important to note that your contacts at Energy Transfer did not change as a result of this merge.** If you have any questions about this company merge, please contact the Contract Administration manager for your area listed below.

Midcon:	**Carol Harding**	**469-646-1530**
West Texas / Louisiana:	**Tanya T. Graham**	**469-646-1520**
South Texas / Brookeland:	**Melissa Branch**	**210-403-7487**

Sincerely,
ETC TEXAS PIPELINE, LTD.

Ken English

Ken English
Vice President – Contract Administration

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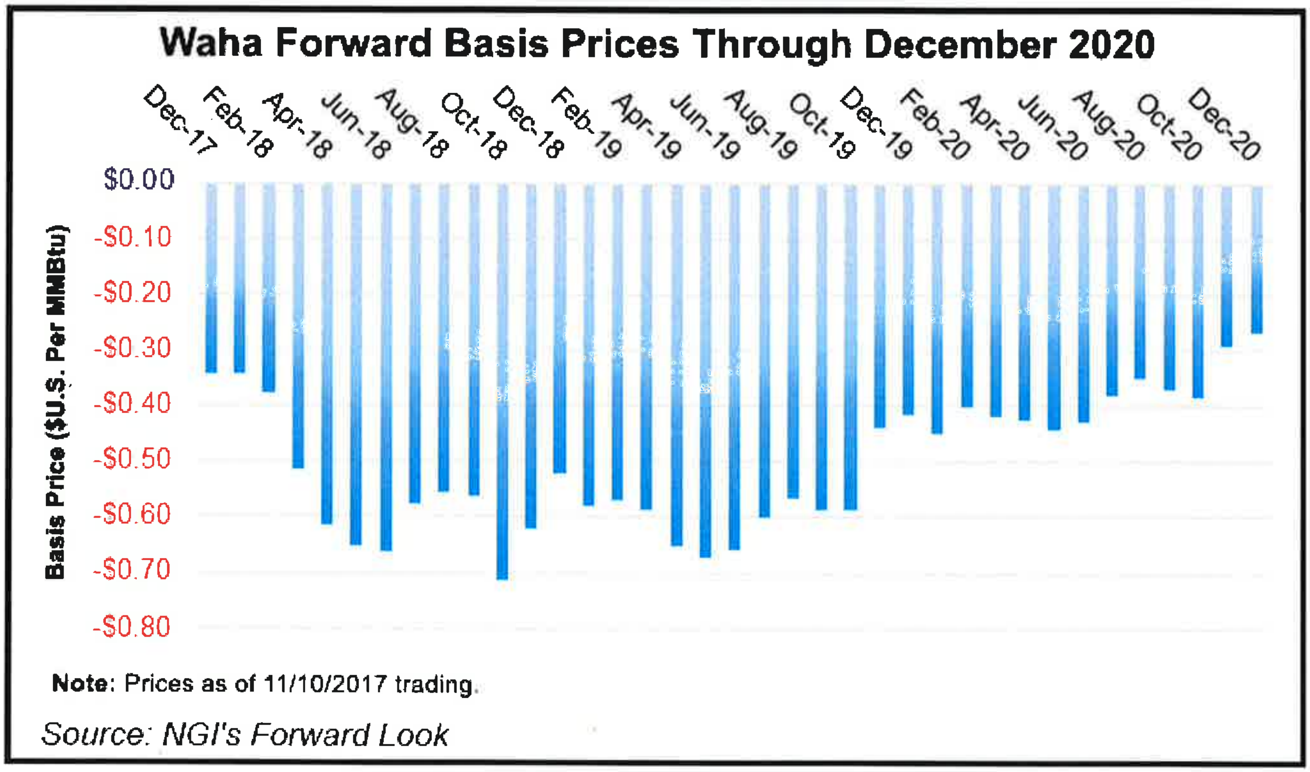
News | Data | Prices | Insight... since 1981

www.naturalgasintel.com/articles/112428-energy-transfer-well-positioned-for-potential-waha-basis-blowout



Energy Transfer Well-Positioned For Potential Waha Basis Blowout

Jeremiah Shelor
November 13, 2017

Basis differentials at the Waha Hub, situated at the heart of the Permian Basin, could "blow out materially" over the next year or two, and Energy Transfer Partners LP (ETP) is poised to take advantage, management said.

During a conference call last week to discuss 3Q2017 results, COO Marshall McCrea said the Dallas-based mid-streamer sees opportunities to capture value as all signs point to a continued increase in associated natural gas volumes from the Permian and potential constraints at Waha, which is located in Pecos County, TX.

"We're probably more well-positioned than anybody," McCrea said. "There's not a lot of capacity out of West Texas. Really, the only way out other than west is through our pipe to Mexico, which we still believe will be some time down the road before they're fully ramping up. So, getting volume growth out of there is going to depend on either a new project or existing capacity, of which we have.

"So, we're extremely optimistic over the next 12-14 months that the basis will blow out, probably blow out materially. We're well-positioned to take advantage of that. We're actually going to be feeding that with a lot of these projects that we're bringing on and ramping up with our processing plants and with our Red Bluff upstream intrastate."

ETP placed its 200 MMcf/d Arrowhead processing plant in Reeves County, TX, online during the third quarter to serve the Delaware sub-basin, management said, with the 200 MMcf/d Rebel II processing plant serving the Midland sub-basin scheduled for service in 2Q2018.

"Including the Panther Plant, which came online in December of last year, Rebel II is our third plant in the Midland Basin," CFO Thomas Long said. "We're nearing capacity in the Permian, and we'll need Rebel II as soon as possible to meet growing producer demand in the region."

The proposed Red Bluff pipeline is an 80-mile, 30- to 42-inch diameter pipe that would travel through the Delaware. The pipe would carry 1.4 Bcf/d from ETP's Red Bluff and Orla plants, as well as multiple third-party plants, to Waha. That project, which has an anchor shipping commitment from Anadarko Petroleum Corp., is expected to cost $300 million and come online in 2Q2018, management said.

"We continue to be believers, the industry does, the producers do," McCrea said. "If you look at what's happened to oil prices and everything that's going on in the Middle East, it points to nothing but significant volume growth out of the Permian Basin and a more significant need to move those volumes out.

"We certainly continue to evaluate other ways to more efficiently and inexpensively move volumes out by expanding systems that we have or using systems that we have in different manners," he said. "We'll continue to evaluate that, and we do believe we'll play a part of that growth on the expansion out of the Waha area. But in the meantime, we're pretty excited about what's going to happen as far as basis spread and how it benefits our assets over the next couple of years."

In the interstate segment of its business, ETP confirmed that the next phase of its 3.25 Bcf/d Rover Pipeline remains on track for completion by the end of the year.

"For Phase 1B, drilling operations on our remaining" horizontal directional drills (HDD) "are nearly complete," Long said. "We expect this phase will be in service and that we will be collecting demand fees on all of Phase 1 before the end of this year. In addition, construction of Phase 2 continues, and we feel confident the entire pipeline will be in service by the end of the first quarter of 2018."

Following a moratorium on HDD activities issued earlier this year, FERC recently provided ETP with several reports from third-party technical advisor J.D. Hair & Associates covering "the remaining HDDs on Rover, which should allow us to resume construction on these drills in short order. Both of these developments provide us with more certainty in meeting our projected in-service dates," Long said.

Rover, which has been flowing about 1 Bcf/d east-to-west through Ohio, is designed to deliver Marcellus and Utica shale gas to markets in the Midwest, Gulf Coast and Canada.

By segment, ETP saw third quarter interstate natural gas transportation volumes increase to 6,074,783 MMBtu/d from 5,385,679 MMBtu/d in the year-ago quarter. Management attributed the increase this quarter to Rover, as well as to increased backhaul deliveries on its Trunkline pipeline, increases on the Tiger pipeline due to higher Haynesville Shale production and increases on the Transwestern pipeline due to demand in the west and "opportunities in the Texas intrastate market."

"We continue to expect earnings in this segment to pick up once the remaining sections of Rover are in service and we are able to efficiently provide end-user customers with Marcellus and Utica gas," Long said. "In addition, we will also be receiving significant revenues from our backhaul capabilities on Panhandle and Trunkline."

Intrastate natural gas volumes also increased during the quarter to 8,942,066 MMBtu/d from 8,289,826 MMBtu/d, with higher exports to Mexico and new pipe additions partially offsetting lower production from the Barnett Shale, management said.

In the midstream segment, gathered volumes increased to 11,090,285 MMBtu/d from 9,675,003 MMBtu/d, while natural gas liquids (NGL) production moved higher to 449,454 b/d versus 420,877 b/d in the year-ago quarter.

NGL transportation volumes increased to 836,000 b/d versus 766,000 b/d a year ago.

ETP reported quarterly revenues of $6.97 billion versus $5.53 billion in 3Q2016. Revenues for general partner Energy Transfer Equity LP (ETE) totaled $9.47 billion for the third quarter, up from $7.71 billion in the year-ago period.

ETP reported net income for the quarter of $761 million (33 cents/unit) versus net income of $138 million (minus 33 cents/unit) in the year-ago period.

ETE reported quarterly net income attributable to partners of $252 million (22 cents/unit) versus $209 million (20 cents/unit) in the year-ago quarter.

Markets Editor | Dulles, VA
Jeremiah Shelor joined NGI in 2015 after covering business and politics for The Exponent Telegram in Clarksburg, WV. He holds a Master of Fine Arts in Literary Nonfiction from West Virginia University and a Bachelor of Arts in English from Virginia Tech.
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Seeking Alpha$^{\alpha}$
Long Ideas | Basic Materials

Last Stop For Energy Transfer Partners Before Takeoff

May 30, 2018 3:18 PM ET114 comments | 33 Likes
by: Todd Akin

Summary

- ETP has multiple catalysts working in its favor, including booming Permian volumes from increased short cycle investments, new facilities opening, and a strong technical setup forming.
- Balance sheet and liquidity position remain strong.
- How to play ETP's current setup through common stock will be discussed further below.

Energy Transfer Partners (ETP) is one of the most undervalued names I can find in the energy sector. The midstream giant is yielding over a 10% dividend, has multiple catalysts working in its favor, and maintains a strong balance sheet.

So, I have added ETP to the portfolio for residual income every quarter as well as strong stock price appreciation potential. Here's how to play Energy Transfer Partners.

Business is Booming

With all of the worries about shale oversupply in the U.S., someone surely has to benefit. We already discussed some of the biggest beneficiaries being the frac sand players. But, midstream players are in an enviable position, as well, when it comes to capitalizing on short cycle plays.

Volumes are booming in the Permian, for example, from all of the short cycle fracking taking place there. Consequently, new processing plants have to be constructed in order to take away the volumes. ETP confirmed this trend saying, "due to continued strong demand in the Permian, we are nearing capacity in both the Delaware and Midland Basin. As a result, we are building a second 200 million cubic foot per day cryogenic processing plant near our existing Arrowhead plant".

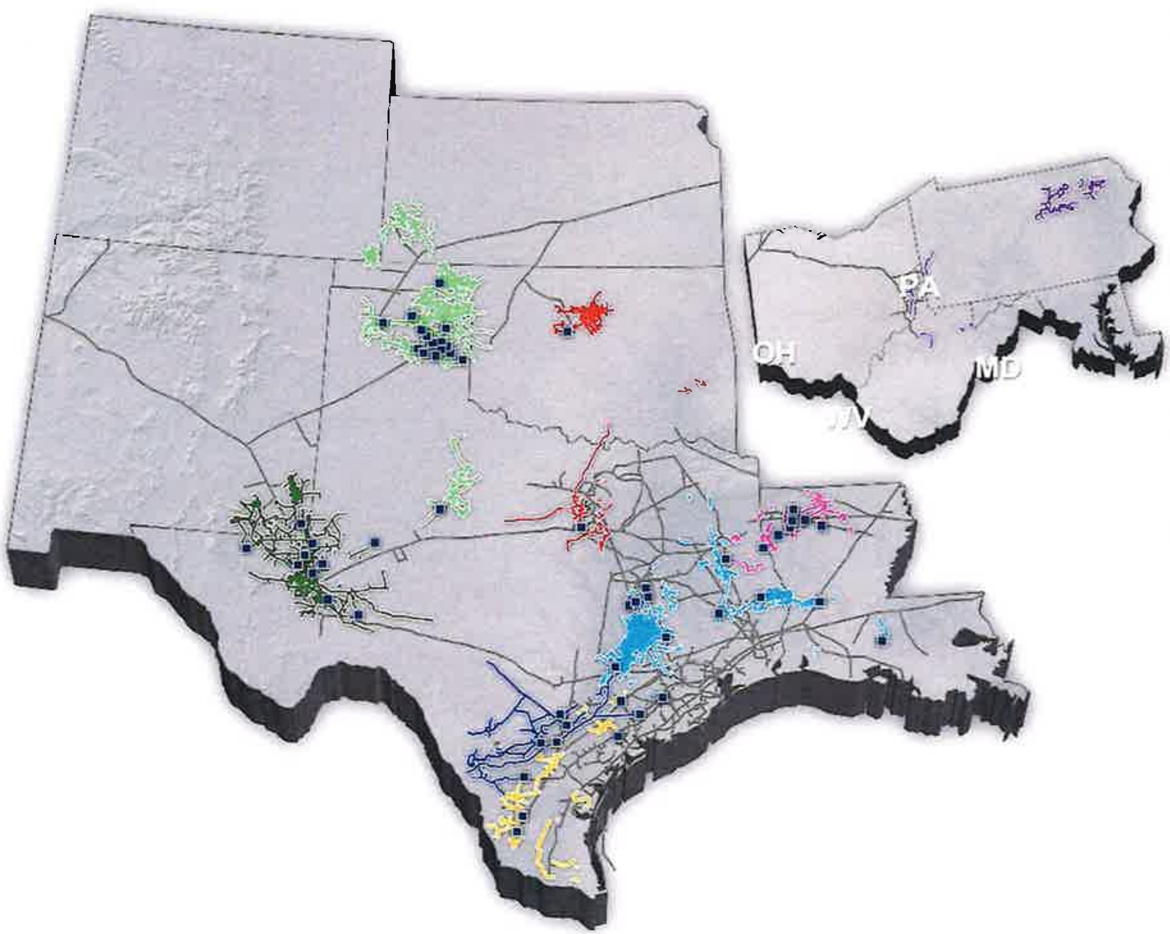
Unlike other upstream or downstream players, midstream companies, like ETP, benefit from business scaling up. Instead of costs rising in order to scale up business, ETP's business model acts much like a tollbooth for transporting oil and gas volumes. Sure, initial costs for construction of these new plants are quite large.

But, once operations are in place, the business essentially becomes a cash cow, which allows for attractive distributions to be paid each quarter. ETP has already reported, "our earnings are seeing a significant increase as a result of demand fees we are collecting. Q1 volumes continue to average over 400,000 barrels per day, and we have already seen solid growth in the beginning of the second quarter, with peak volumes transported now reaching over 500,000 barrels per day".

JOIN THE CONVERSATION

MIDSTREAM ASSETS

Midstream Asset Map



Midstream Highlights

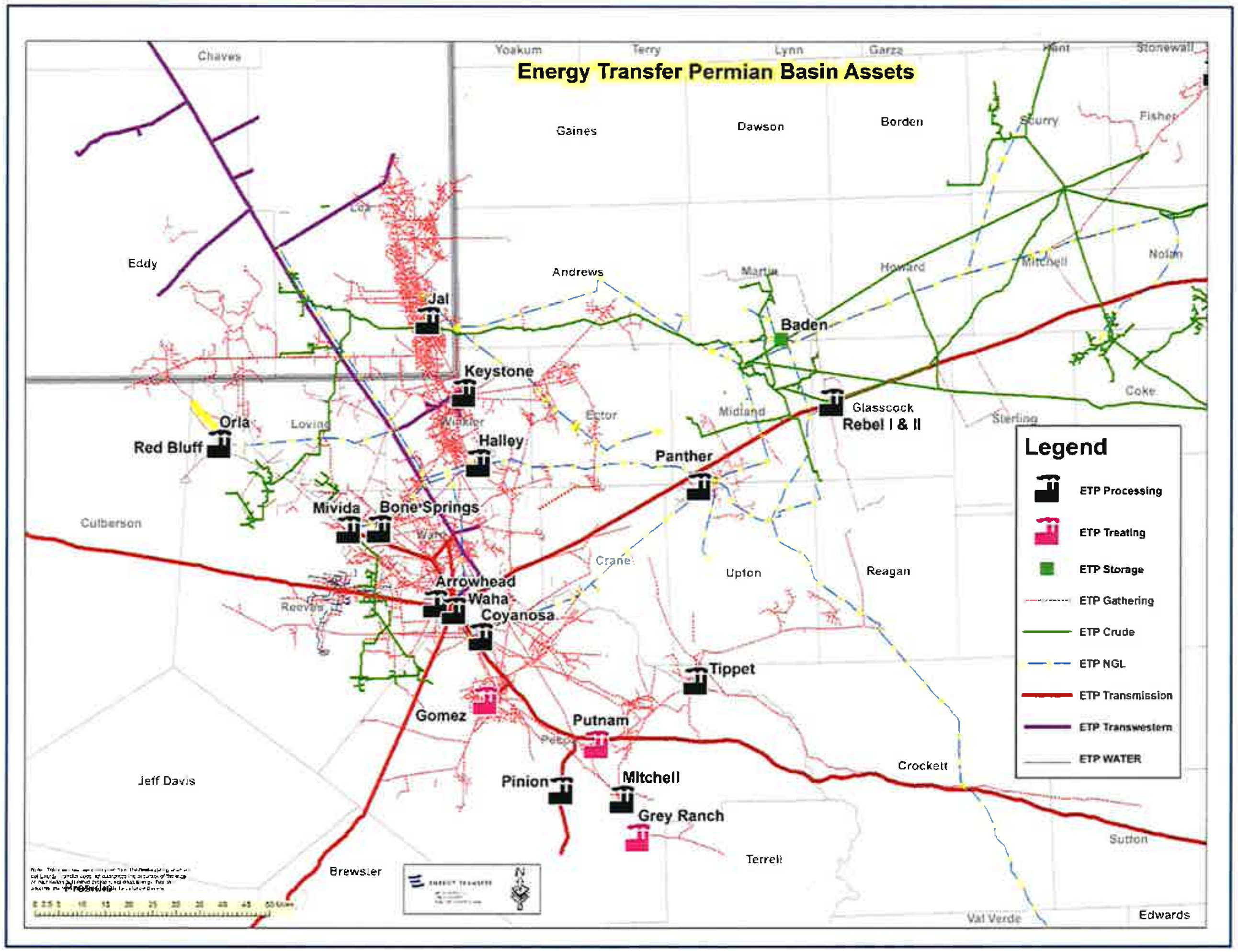
- Q1 2017 gathered volumes averaged ~10.2 million mmbtu/d, and NGLs produced were approx. 445,000 bbls/d, both up slightly over Q1 2016
- Utica Ohio River volumes continued to grow in the first quarter in the Northeast
- New 200 MMcf/d Panther processing plant in the Midland Basin came online in January 2017, and volumes will ramp up throughout the year
- New 200 MMcf/d Arrowhead processing plant expected to come online Q3 2017
- Due to continued strong demand in the Permian, announced new 200 MMcf/d Rebel II processing plant, which is expected online in Q2 2018

Current Operating Statistics	Processing Capacity (Bcf/d)	Basins Served
Permian	1.7	Permian, Midland, Delaware
MidContinent/Panhandle	0.9	Granite Wash, Cleveland
North Texas	0.7	Barnett, Woodford
South Texas	1.9	Eagle Ford
North Louisiana	1.0	Haynesville, Cotton Valley
Southeast Texas	0.4	Eagle Ford, Eaglebine
Eastern	-	Marcellus, Utica

More than 33,000 miles of gathering pipelines with ~ 6.7 Bcf/d of processing capacity

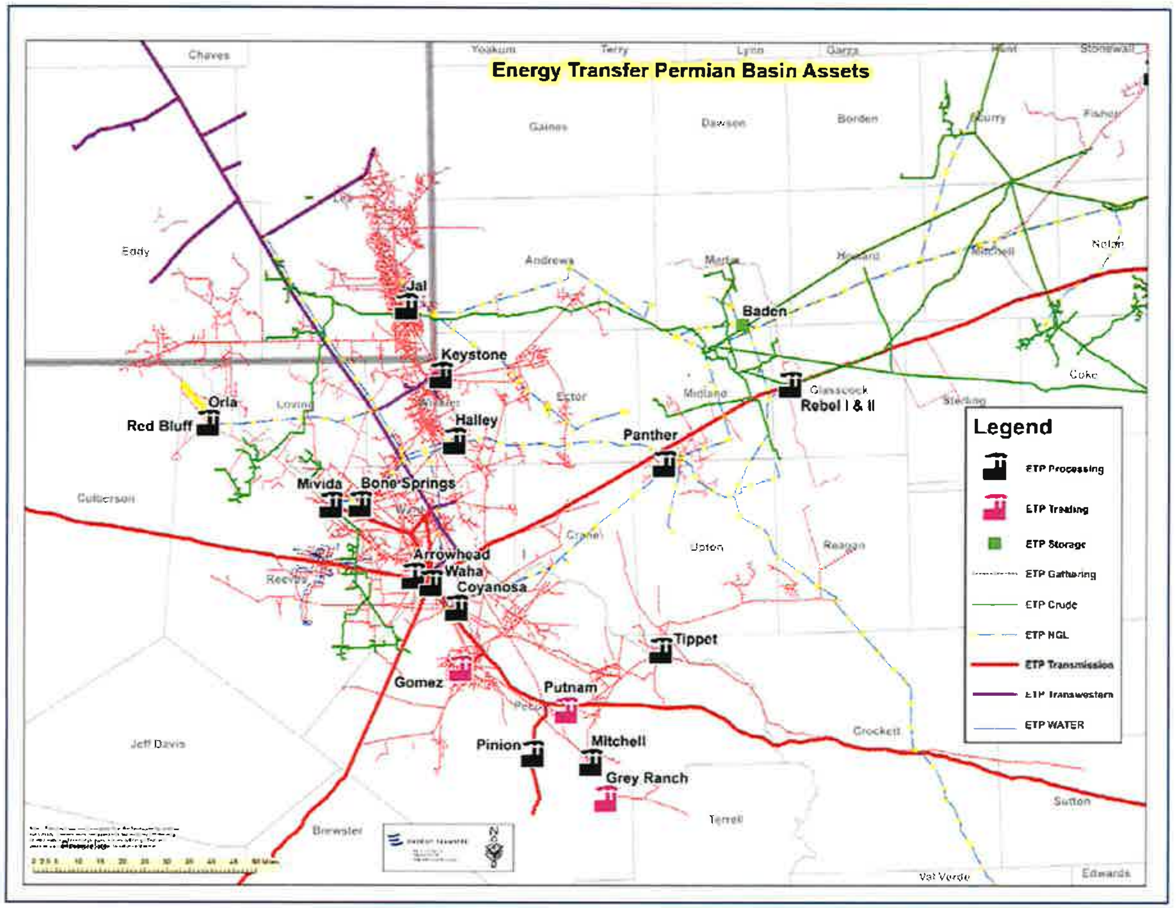
MIDSTREAM SEGMENT: PERMIAN BASIN INFRASTRUCTURE BUILDOUT

- ETP is nearing capacity in both the Delaware and Midland Basins due to continued producer demand and strong growth outlook in the Permian
- As a result of this demand, ETP has continued to buildout its Permian infrastructure
  - Brought 600 mmcf/d of processing capacity online in 2016 and 2017
  - Brought 200 mmcf/d Rebel II processing plant online at the end of April 2018
  - Expect 200 mmcf/d Arrowhead II processing plant to be placed into service in Q4 2018



MIDSTREAM SEGMENT – PERMIAN BASIN INFRASTRUCTURE BUILDOUT

- ET is nearing capacity in both the Delaware and Midland Basins due to continued producer demand and strong growth outlook in the Permian
- As a result of this demand, ET has continued to build out its Permian infrastructure



Processing Expansions

- 600 mmcf/d of processing capacity online in 2016 and 2017
- 200 mmcf/d Rebel II processing plant went into service at the end of April 2018; expected full by year-end
- 200 mmcf/d Arrowhead II processing plant went into service at end of October 2018; expected full by end of Q1 2019
- Recently approved construction of another 200 MMcf/d processing plant in the Delaware Basin
- Expect to add one to two new processing plants per year in the Midland and Delaware Basins over the next few years as demand remains strong

Red Bluff Express Pipeline

- 1.4 Bcf/d natural gas pipeline through heart of the Delaware Basin
- Connects Orla plant, as well as 3rd party plants, to Waha/Oasis header
- Went into service May 2018
- 25-mile expansion expected in service 2H 2019