



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 21, 2019

Todd Wilson  
Superintendent  
Chillicothe Independent School District  
1610 South 6th Street  
Chillicothe, Texas 79225

Re: Certificate for Limitation on Appraised Value of Property for School District  
Maintenance and Operations taxes by and between Chillicothe Independent School  
District and Blue Summit III Wind, LLC, Application 1322

Dear Superintendent Wilson:

On February 20, 2019, the Comptroller issued written notice that Blue Summit III Wind, LLC (applicant) submitted a completed application (Application 1322) for a limitation on appraised value under the provisions of Tax Code Chapter 313.<sup>1</sup> This application was originally submitted on November 27, 2018, to the Chillicothe 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.

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<sup>1</sup> 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 1322.

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 February 20, 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](mailto: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  
Deputy Comptroller

Enclosure

cc: Will Counihan

### Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Blue Summit III Wind, LLC (project) applying to Chillicothe 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 Blue Summit III Wind, LLC.

|   |                                      |
|---|--------------------------------------|
| Applicant   | Blue Summit III Wind, LLC            |
| Tax Code, 313.024 Eligibility Category  | Renewable Energy Electric Generation |
| School District   | Chillicothe ISD                      |
| 2017-2018 Average Daily Attendance  | 197                                  |
| County  | Hardeman                             |
| Proposed Total Investment in District   | \$126,500,000                        |
| Proposed Qualified Investment   | \$126,500,000                        |
| Limitation Amount   | \$25,000,000                         |
| Qualifying Time Period (Full Years)   | 2020-2021                            |
| Number of new qualifying jobs committed to by applicant                         |                                      |
| Number of new non-qualifying jobs estimated by applicant                        | 4*                                   |
| Average weekly wage of qualifying jobs committed to by applicant                | 0                                    |
| Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B) | \$1,032                              |
| Minimum annual wage committed to by applicant for qualified jobs                | \$1,032                              |
| Minimum weekly wage required for non-qualifying jobs                            | \$53,670                             |
| Minimum annual wage required for non-qualifying jobs                            | \$681                                |
| Investment per Qualifying Job   | \$35,413                             |
| Estimated M&O levy without any limit (15 years)                                 | \$11,295,189                         |
| Estimated M&O levy with Limitation (15 years)                                   | \$4,951,349                          |
| Estimated gross M&O tax benefit (15 years)                                      | \$6,343,841                          |

\* 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 Blue Summit III Wind, LLC (modeled).

| Year | Employment |                    |       | Personal Income |                    |              |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
|      | Direct     | Indirect + Induced | Total | Direct          | Indirect + Induced | Total        |
| 2019 | 300        | 394                | 694   | \$15,750,000    | \$34,250,000       | \$50,000,000 |
| 2020 | 4          | 39                 | 43    | \$214,680       | \$5,785,320        | \$6,000,000  |
| 2021 | 4          | 26                 | 30    | \$214,680       | \$4,785,320        | \$5,000,000  |
| 2022 | 4          | 6                  | 10    | \$214,680       | \$2,785,320        | \$3,000,000  |
| 2023 | 4          | (4)                | 0     | \$214,680       | \$1,785,320        | \$2,000,000  |
| 2024 | 4          | (7)                | -3    | \$214,680       | \$785,320          | \$1,000,000  |
| 2025 | 4          | (7)                | -3    | \$214,680       | \$785,320          | \$1,000,000  |
| 2026 | 4          | (4)                | 0     | \$214,680       | \$785,320          | \$1,000,000  |
| 2027 | 4          | (1)                | 3     | \$214,680       | \$785,320          | \$1,000,000  |
| 2028 | 4          | 2                  | 6     | \$214,680       | \$785,320          | \$1,000,000  |
| 2029 | 4          | 5                  | 9     | \$214,680       | \$785,320          | \$1,000,000  |
| 2030 | 4          | 6                  | 10    | \$214,680       | \$785,320          | \$1,000,000  |
| 2031 | 4          | 8                  | 12    | \$214,680       | \$1,785,320        | \$2,000,000  |
| 2032 | 4          | 9                  | 13    | \$214,680       | \$1,785,320        | \$2,000,000  |
| 2033 | 4          | 9                  | 13    | \$214,680       | \$1,785,320        | \$2,000,000  |
| 2034 | 4          | 9                  | 13    | \$214,680       | \$1,785,320        | \$2,000,000  |

Source: CPA REMI, Blue Summit III Wind, 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*    | Chillicothe ISD I&S Tax Levy | Chillicothe ISD M&O Tax Levy | Chillicothe ISD M&O and I&S Tax Levies | Hardeman County Tax Levy | Chillicothe Hospital Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|--------------|------------------------------|------------------------------|--|--------------------------|-------------------------------|--------------------------------|
|      |                                 |                                 |              | <b>0.2000</b>                | <b>1.0400</b>                |  | <b>0.7100</b>            | <b>0.8547</b>                 |                                |
| 2020 | \$121,454,000                   | \$121,454,000                   |              | \$242,908                    | \$1,263,122                  | \$1,506,030                            | \$862,323                | \$1,038,058                   | \$3,406,411                    |
| 2021 | \$111,775,410                   | \$111,775,410                   |              | \$223,551                    | \$1,162,464                  | \$1,386,015                            | \$793,605                | \$955,335                     | \$3,134,956                    |
| 2022 | \$102,870,164                   | \$102,870,164                   |              | \$205,740                    | \$1,069,850                  | \$1,275,590                            | \$730,378                | \$879,223                     | \$2,885,191                    |
| 2023 | \$94,676,418                    | \$94,676,418                    |              | \$189,353                    | \$984,635                    | \$1,173,988                            | \$672,203                | \$809,192                     | \$2,655,382                    |
| 2024 | \$87,137,275                    | \$87,137,275                    |              | \$174,275                    | \$906,228                    | \$1,080,502                            | \$618,675                | \$744,755                     | \$2,443,932                    |
| 2025 | \$80,200,389                    | \$80,200,389                    |              | \$160,401                    | \$834,084                    | \$994,485                              | \$569,423                | \$685,466                     | \$2,249,374                    |
| 2026 | \$73,817,602                    | \$73,817,602                    |              | \$147,635                    | \$767,703                    | \$915,338                              | \$524,105                | \$630,913                     | \$2,070,356                    |
| 2027 | \$67,944,606                    | \$67,944,606                    |              | \$135,889                    | \$706,624                    | \$842,513                              | \$482,407                | \$580,717                     | \$1,905,637                    |
| 2028 | \$62,540,640                    | \$62,540,640                    |              | \$125,081                    | \$650,423                    | \$775,504                              | \$444,039                | \$534,530                     | \$1,754,072                    |
| 2029 | \$57,568,201                    | \$57,568,201                    |              | \$115,136                    | \$598,709                    | \$713,846                              | \$408,734                | \$492,031                     | \$1,614,611                    |
| 2030 | \$52,992,787                    | \$52,992,787                    |              | \$105,986                    | \$551,125                    | \$657,111                              | \$376,249                | \$452,925                     | \$1,486,284                    |
| 2031 | \$48,782,655                    | \$48,782,655                    |              | \$97,565                     | \$507,340                    | \$604,905                              | \$346,357                | \$416,941                     | \$1,368,203                    |
| 2032 | \$44,908,601                    | \$44,908,601                    |              | \$89,817                     | \$467,049                    | \$556,867                              | \$318,851                | \$383,830                     | \$1,259,548                    |
| 2033 | \$41,343,758                    | \$41,343,758                    |              | \$82,688                     | \$429,975                    | \$512,663                              | \$293,541                | \$353,362                     | \$1,159,565                    |
| 2034 | \$38,063,406                    | \$38,063,406                    |              | \$76,127                     | \$395,859                    | \$471,986                              | \$270,250                | \$325,325                     | \$1,067,561                    |
|      |                                 |                                 | <b>Total</b> | <b>\$2,172,152</b>           | <b>\$11,295,189</b>          | <b>\$13,467,341</b>                    | <b>\$7,711,139</b>       | <b>\$9,282,604</b>            | <b>\$30,461,084</b>            |

Source: CPA, Blue Summit III Wind, LLC

\*Tax Rate per \$100 Valuation

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and Hardeman 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*    | Chillicothe ISD I&S Tax Levy | Chillicothe ISD M&O Tax Levy | Chillicothe ISD M&O and I&S Tax Levies | Hardeman County Tax Levy | Chillicothe Hospital Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|--------------|------------------------------|------------------------------|--|--------------------------|-------------------------------|--------------------------------|
|      |                                 |                                 |              | <b>0.2000</b>                | <b>1.0400</b>                |  | <b>0.7100</b>            | <b>0.8547</b>                 |                                |
| 2020 | \$121,454,000                   | \$25,000,000                    |              | \$242,908                    | \$260,000                    | \$502,908                              | \$0                      | \$1,038,058                   | \$1,540,966                    |
| 2021 | \$111,775,410                   | \$25,000,000                    |              | \$223,551                    | \$260,000                    | \$483,551                              | \$0                      | \$955,335                     | \$1,438,886                    |
| 2022 | \$102,870,164                   | \$25,000,000                    |              | \$205,740                    | \$260,000                    | \$465,740                              | \$0                      | \$879,223                     | \$1,344,963                    |
| 2023 | \$94,676,418                    | \$25,000,000                    |              | \$189,353                    | \$260,000                    | \$449,353                              | \$0                      | \$809,192                     | \$1,258,545                    |
| 2024 | \$87,137,275                    | \$25,000,000                    |              | \$174,275                    | \$260,000                    | \$434,275                              | \$0                      | \$744,755                     | \$1,179,030                    |
| 2025 | \$80,200,389                    | \$25,000,000                    |              | \$160,401                    | \$260,000                    | \$420,401                              | \$0                      | \$685,466                     | \$1,105,867                    |
| 2026 | \$73,817,602                    | \$25,000,000                    |              | \$147,635                    | \$260,000                    | \$407,635                              | \$0                      | \$630,913                     | \$1,038,548                    |
| 2027 | \$67,944,606                    | \$25,000,000                    |              | \$135,889                    | \$260,000                    | \$395,889                              | \$0                      | \$580,717                     | \$976,606                      |
| 2028 | \$62,540,640                    | \$25,000,000                    |              | \$125,081                    | \$260,000                    | \$385,081                              | \$0                      | \$534,530                     | \$919,611                      |
| 2029 | \$57,568,201                    | \$25,000,000                    |              | \$115,136                    | \$260,000                    | \$375,136                              | \$0                      | \$492,031                     | \$867,167                      |
| 2030 | \$52,992,787                    | \$52,992,787                    |              | \$105,986                    | \$551,125                    | \$657,111                              | \$376,249                | \$452,925                     | \$1,486,284                    |
| 2031 | \$48,782,655                    | \$48,782,655                    |              | \$97,565                     | \$507,340                    | \$604,905                              | \$346,357                | \$416,941                     | \$1,368,203                    |
| 2032 | \$44,908,601                    | \$44,908,601                    |              | \$89,817                     | \$467,049                    | \$556,867                              | \$318,851                | \$383,830                     | \$1,259,548                    |
| 2033 | \$41,343,758                    | \$41,343,758                    |              | \$82,688                     | \$429,975                    | \$512,663                              | \$293,541                | \$353,362                     | \$1,159,565                    |
| 2034 | \$38,063,406                    | \$38,063,406                    |              | \$76,127                     | \$395,859                    | \$471,986                              | \$270,250                | \$325,325                     | \$1,067,561                    |
|      |                                 |                                 | <b>Total</b> | <b>\$2,172,152</b>           | <b>\$4,951,349</b>           | <b>\$7,123,500</b>                     | <b>\$1,605,248</b>       | <b>\$9,282,604</b>            | <b>\$18,011,352</b>            |
|      |                                 |                                 | <b>Diff</b>  | <b>\$0</b>                   | <b>\$6,343,841</b>           | <b>\$6,343,841</b>                     | <b>\$6,105,891</b>       | <b>\$0</b>                    | <b>\$12,449,732</b>            |

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, Blue Summit III Wind, 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 25<sup>th</sup> Anniversary of Limitation Start**

This represents the Comptroller’s determination that Blue Summit III Wind, 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) |
|---|----------|---|---|---|---|
| <b>Limitation Pre-Years</b>                                     | 2017     | \$0   | \$0   | \$0   | \$0   |
|   | 2018     | \$0   | \$0   | \$0   | \$0   |
|   | 2019     | \$0   | \$0   | \$0   | \$0   |
| <b>Limitation Period (10 Years)</b>                             | 2020     | \$260,000                                     | \$260,000   | \$1,003,122   | \$1,003,122   |
|   | 2021     | \$260,000                                     | \$520,000   | \$902,464   | \$1,905,586   |
|   | 2022     | \$260,000                                     | \$780,000   | \$809,850   | \$2,715,436   |
|   | 2023     | \$260,000                                     | \$1,040,000                                       | \$724,635   | \$3,440,070   |
|   | 2024     | \$260,000                                     | \$1,300,000                                       | \$646,228   | \$4,086,298   |
|   | 2025     | \$260,000                                     | \$1,560,000                                       | \$574,084   | \$4,660,382   |
|   | 2026     | \$260,000                                     | \$1,820,000                                       | \$507,703   | \$5,168,085   |
|   | 2027     | \$260,000                                     | \$2,080,000                                       | \$446,624   | \$5,614,709   |
|   | 2028     | \$260,000                                     | \$2,340,000                                       | \$390,423   | \$6,005,132   |
|   | 2029     | \$260,000                                     | \$2,600,000                                       | \$338,709   | \$6,343,841   |
| <b>Maintain Viable Presence (5 Years)</b>                       | 2030     | \$551,125                                     | \$3,151,125                                       | \$0   | \$6,343,841   |
|   | 2031     | \$507,340                                     | \$3,658,465                                       | \$0   | \$6,343,841   |
|   | 2032     | \$467,049                                     | \$4,125,514                                       | \$0   | \$6,343,841   |
|   | 2033     | \$429,975                                     | \$4,555,489                                       | \$0   | \$6,343,841   |
|   | 2034     | \$395,859                                     | \$4,951,349                                       | \$0   | \$6,343,841   |
| <b>Additional Years as Required by 313.026(c)(1) (10 Years)</b> | 2035     | \$364,466                                     | \$5,315,814                                       | \$0   | \$6,343,841   |
|   | 2036     | \$335,577                                     | \$5,651,392                                       | \$0   | \$6,343,841   |
|   | 2037     | \$308,993                                     | \$5,960,384                                       | \$0   | \$6,343,841   |
|   | 2038     | \$284,528                                     | \$6,244,913                                       | \$0   | \$6,343,841   |
|   | 2039     | \$262,015                                     | \$6,506,927                                       | \$0   | \$6,343,841   |
|   | 2040     | \$241,296                                     | \$6,748,224                                       | \$0   | \$6,343,841   |
|   | 2041     | \$222,229                                     | \$6,970,453                                       | \$0   | \$6,343,841   |
|   | 2042     | \$204,681                                     | \$7,175,134                                       | \$0   | \$6,343,841   |
|   | 2043     | \$188,532                                     | \$7,363,665                                       | \$0   | \$6,343,841   |
|   | 2044     | \$173,668                                     | \$7,537,334                                       | \$0   | \$6,343,841   |

**\$7,537,334**

is greater than

**\$6,343,841**

**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, Blue Summit III Wind, 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 Blue Summit III Wind, 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 Blue Summit III Wind, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “NEER is keen to develop and build the proposed Blue Summit III Wind Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects. NextEra is active in states throughout the Great Plains and southwest, where each project individually competes for a finite pool of capital investment. State and local tax incentives contribute to the lowering of the cost of power sold to our customers and making our investment more viable and marketable. NEER has over 40 wind sites in development throughout the country and are continually comparing investment opportunities, rate of return, and market viability of each project based upon project financial metrics. For example, NEER currently has ongoing project developments in many states, including but not limited to, California, North Dakota and Oklahoma.”
  - B. “Due to the extremely competitive power market in SPP most if not all PPA's economic model assumptions are based on the Project securing this Chapter 313 appraised value limitation and other local tax incentives. 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 PPA. A signed PPA in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Both parties of the PPA have an escape clause if the terms of the PPA cannot be met. Without the tax incentives in Texas, a project with a PPA becomes non-financeable. Therefore, this appraised value limitation is critical to the ability of the proposed Project to move forward as currently sited.”
- Per Comptroller Research
  - A. On June 15, 2018, Sustainable Brands reported that AT&T had entered into a purchase power agreement with NextEra Energy Resources. Kevin Gildea, vice president of development for

NextEra Energy Resources, stated " We are pleased to work with AT&T to expand the reach of renewable energy and provide a significant economic boost to local communities, both in Texas and Oklahoma. Wind energy is helping drive the clean energy economy, providing new and exciting job opportunities in rural communities as well as millions of dollars in additional revenue with which to help enhance schools, roads and other essential services."

- B. The qualified property for the Blue Summit III Wind Project located in Chillicothe ISD (Application #1322) will be placed in between the qualified property of both the Blue Summit II Wind Project located in Chillicothe ISD (Application #1246) and the Blue Summit III Wind Project located in Quanah ISD (Application #1245). Map provided by Comptroller.
- Provided by applicant
  - A. Blue Summit III does have a signed PPA and it was executed the same time as the PPA for Blue Summit II but is a standalone and separate from Blue Summit II's PPA. As we point out in Tab 5, these PPA's are based on financial models that assume the project will receive all 313 Limitation agreements and 312 Abatement agreements. If these agreements are not approved the Company would have to exercise their escape clause to back out of the PPA because they could no longer provide electricity at the price guaranteed in the PPA. The actual date for the execution of the PPA was May 9, 2018.
  - B. The 30-megawatt Blue Summit Battery Energy Storage location in Texas is one of the nation's largest battery storage sites. Located in north Texas at the Blue Summit Wind Energy Center, the 30-megawatt Blue Summit Battery Energy Storage site went into commercial operation Aug. 11, 2017. Like other energy storage projects, Blue Summit Battery Energy Storage will be used to provide rapid response regulating service; in other words, the site will charge and discharge its batteries to help the ISO match demand and resources on the transmission system. The batteries take power from the grid, store it and then discharge onto the system when needed. ERCOT provides a signal to either charge or discharge the batteries, and the equipment automatically responds. Wind site personnel are responsible for the maintenance of the facility. None of the Battery Storage system assets are part of this application.
  - C. There are no interconnections between those applications as Blue Summit II and Blue Summit III are separate projects.

### **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

**TAB 5**

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

NextEra Energy Resources (NEER) is one of the largest wholesale generators of electric power in the U.S., with nearly 19,880 MW of generating capacity across 24 states and four Canadian provinces as of January 2017. NEER produces the majority of its electricity from clean and renewable sources, including wind and solar. NEER also provides full energy and capacity requirements services, engages in power and gas marketing and trading activities, participates in natural gas, natural gas liquids and oil production and pipeline infrastructure development and owns a retail electricity provider. NEER has a long-term commitment to both wind and solar with an outlook to significantly expand our fleet of clean energy generating capacity.

NEER is keen to develop and build the proposed Blue Summit III Wind Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects. NextEra is active in states throughout the Great Plains and southwest, where each project individually competes for a finite pool of capital investment. State and local tax incentives contribute to the lowering of the cost of power sold to our customers and making our investment more viable and marketable. NEER has over 40 wind sites in development throughout the country and are continually comparing investment opportunities, rate of return, and market viability of each project based upon project financial metrics. For example, NEER currently has ongoing project developments in many states, including but not limited to, California, North Dakota and Oklahoma.

Due to the extremely competitive power market in SPP most if not all PPA's economic model assumptions are based on the Project securing this Chapter 313 appraised value limitation and other local tax incentives. 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 PPA. A signed PPA in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Both parties of the PPA have an escape clause if the terms of the PPA cannot be met. Without the tax incentives in Texas, a project with a PPA becomes non-financeable. Therefore, this appraised value limitation is critical to the ability of the proposed Project to move forward as currently sited.

# **Supporting Information**

Additional information  
provided by the Applicant or  
located by the Comptroller

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)  
– Chillicothe ISD– Blue Summit III Wind, LLC App. #1322

Comptroller Questions (via email on February 26, 2019):

1. *Is Blue Summit III Wind, LLC (Blue Summit III) 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 was it assigned.*

Comptroller Questions (via email on March 25, 2019):

4. *Was there a PPA made with Blue Summit III Wind, if so when?*
5. *The attached article indicates that a storage system, Blue Summit Battery, was built. Please explain if there any interconnections between Blue Summit III Wind project and this battery; and if any batteries associated are included in the existing application.*

Comptroller Questions (via email on April 29, 2019):

6. *Are there any interconnections between App 1245, App 1246 and this application (App 1322).*

Applicant Response (via email on March 15, 2019):

1. *Is Blue Summit III Wind, LLC (Blue Summit III) currently known by any other project names? No*
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. None*
3. *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number and when was it assigned. 19INR0182. 08/27/2018*

Applicant Response (via email on May 8, 2019):

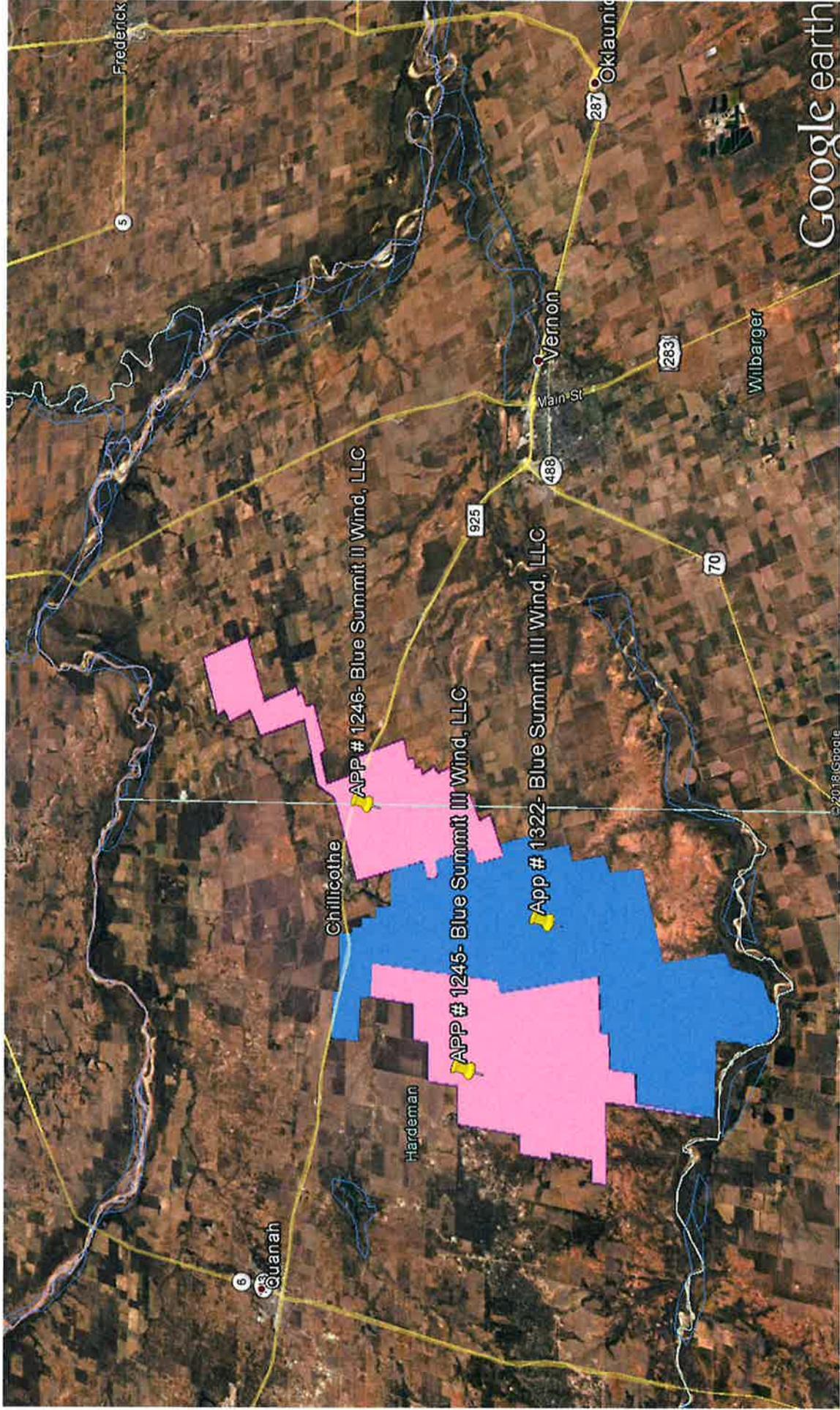
4. *Blue Summit III does have a signed PPA and it was executed the same time as the PPA for Blue Summit II but is a standalone and separate from Blue Summit II's PPA. As we point out in Tab 5, these PPA's are based on financial models that assume the project will receive all 313 Limitation agreements and 312 Abatement agreements. If these agreements are not approved the Company would have to exercise their escape clause to back out of the PPA because they could no longer provide electricity at the price guaranteed in the PPA. The actual date for the execution of the PPA was May 9, 2018.*

5. *The 30-megawatt Blue Summit Battery Energy Storage location in Texas is one of the nation's largest battery storage sites. Located in north Texas at the Blue Summit Wind Energy Center, the 30-megawatt Blue Summit Battery Energy Storage site went into commercial operation Aug. 11, 2017. Like other energy storage projects, Blue Summit Battery Energy Storage will be used to provide rapid response regulating service; in other words, the site will charge and discharge its batteries to help the ISO match demand and resources on the transmission system. The batteries take power from the grid, store it and then discharge onto the system when needed. ERCOT provides a signal to either charge or discharge the batteries, and the equipment automatically responds. Wind site personnel are responsible for the maintenance of the facility. None of the Battery Storage system assets are part of this application.*

Applicant Response (via email on May 8, 2019):

6. *There are no interconnections between those applications as Blue Summit II and Blue Summit III are separate projects.*

### Vicinity Map of Blue Summit Wind projects



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ENERGY JAN 2018

# What will keep Texas' electricity grid humming? Big battery farms, salt caverns



*Jeff Mosier, Energy and Environment Writer*

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Texas is a leader in wind power and is quickly growing its solar capacity. The state, however, has fallen short in the newest green energy frontier: storage.

Although it trails California and other early adopters, Texas is quickly adding more storage to make the state's electricity grid more stable and reliable. That, experts say, could potentially undercut some natural gas plants years in the future.

Texas' newest utility-scale battery-based electricity storage facility was approved in August, and work started in the fall on another 20 megawatts' worth of batteries at West Texas wind energy plants. There's also a much larger, low-tech storage option deep underground expected to open in the summer of 2020.

"Battery storage is still in its infancy," said Steve Stengel, spokesman for Florida-based NextEra Energy, which owns the 30-megawatt Blue Summit battery that opened last year. "It's something that we're very focused on. We're spending a lot of time studying it."

These storage facilities provide electricity to the grid in fractions of a second to help keep it humming at a steady 60 hertz because large enough drops or spikes in frequency could lead to blackouts or damage equipment.

Texas is getting more and more power from wind and solar energy. But batteries aren't cheap enough yet to use them to store excess renewable electricity, which can be unleashed when the sun isn't shining or the wind isn't blowing. Instead, storage is used for short bursts that keep the grid humming efficiently.

[Texas' largest power generator speeds up coal's decline with closure of two more plants](#)

In 2016, the U.S. had 23.3 gigawatts of storage, or about 10 times the generation capacity of the Comanche Peak Nuclear Plant in Glen Rose, according to federal figures. A vast majority of that storage was connected to hydroelectric energy instead of batteries. And little of that storage — less than two-tenths of a percent — was in Texas.

The opening of Blue Summit, which is next to a NextEra wind energy plant, increased the state's utility-scale battery storage significantly. And a nonbattery, compressed air storage project in the planning stages would nearly quadruple the state's storage capacity.

## Balanced grid

For now, storage in Texas is another tool to keep the grid balanced. Eventually, it could play a role in undercutting certain natural gas plants called "peakers," which are fired up on-demand to provide electricity during peak demand.

"If you think about how energy storage starts to take over the world, peaking is kind of your first big market," Shayle Kann, a senior adviser to GTM Research and Wood Mackenzie, said at a [December 2017 conference](#).

GTM Research/Wood Mackenzie research projected that electricity storage would compete against peakers in four years and always win the price battle in a decade.

Cyrus Reed, director of the Sierra Club Lone Star Chapter, wrote hopefully about that possibility in September.

"The promise of storage is also that Texas — and other states — may be able to reduce and even eliminate the need for the use of fairly inefficient and dirty natural gas peaker plants by charging up batteries during low use times and releasing the energy during peak energy use times," he wrote on the website of Cynthia and George Mitchell Foundation.

Peakers have helped meet demand as Texas integrated more renewable energy into its mix. Wind provided more than 17 percent of the state's electricity in 2017 and is expected to pass coal within a couple of years.

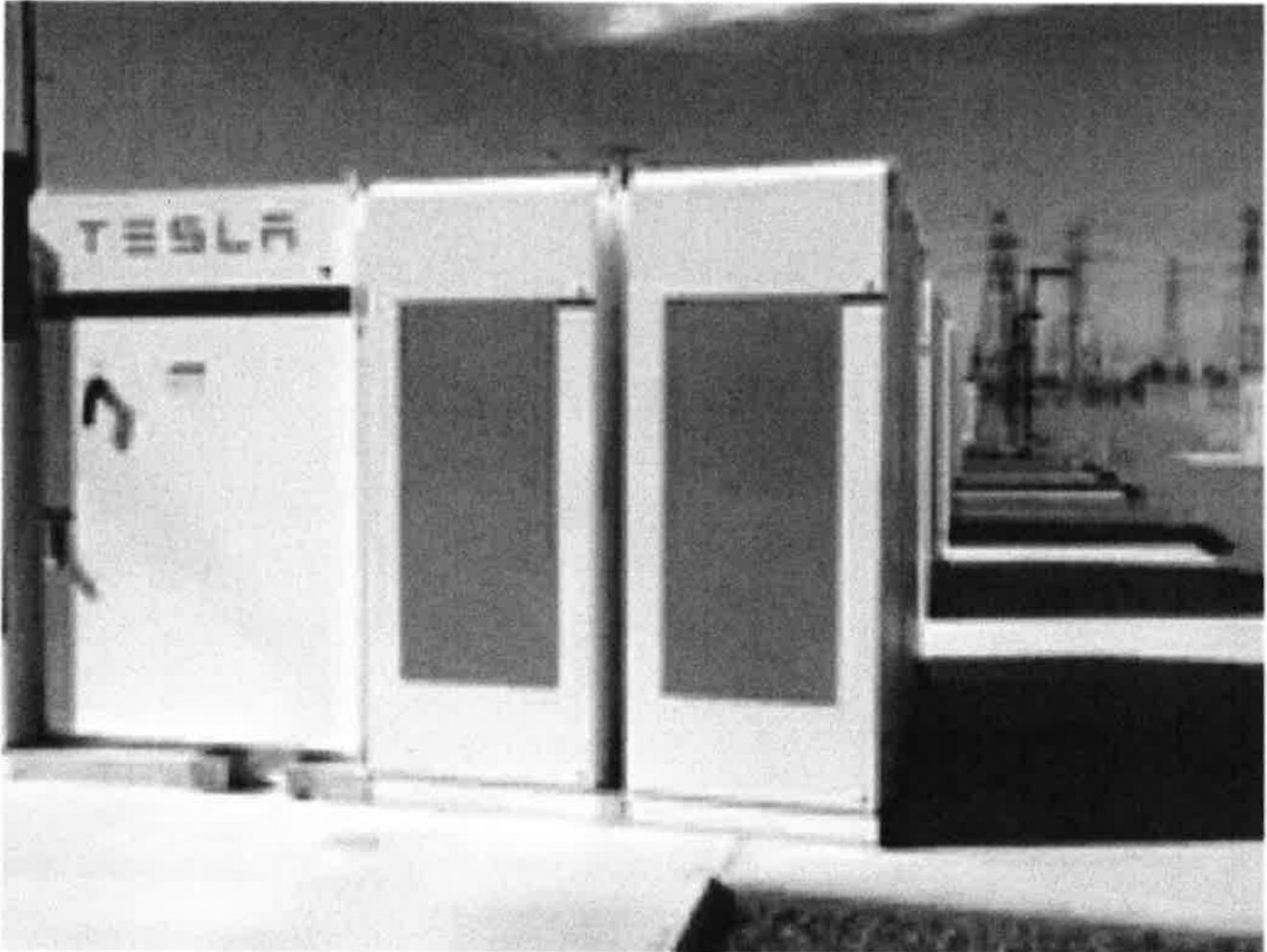
Steve Everley, spokesman for industry group Texans for Natural Gas, said projections are often unreliable and that he hopes government officials don't base policy on these assumptions.

"Technological innovation is a good thing," Everley said. "But when you're talking about power markets, when you're talking about keeping the lights on, you want to make those decisions based upon certainty, not based upon speculative projections."

Storage has already gotten a big push from states working to reduce emissions. Natural gas produces much less carbon dioxide than coal. But the methane released is a much more powerful greenhouse gas contributing to climate change.

## **Lagging other states**

New York Gov. Andrew Cuomo has called for 1,500 megawatts of new energy storage projects by 2025. And California is pushing for battery storage to replace natural gas peaker plants.



California regulators want Pacific Gas and Electric Co. to replace natural gas facilities with an energy storage system such as this Tesla battery bank in Ontario. The bank was installed in three months. (Ivan Penn/Tribune News Service)

Joshua Rhodes, a research fellow at the Energy Institute at the University of Texas at Austin, said there are only a few utility-scale batteries in Texas.

The 4-megawatt Big-Old Battery, or BOB, provides backup power for Presidio. That city along the Texas-Mexico border is at the end of a stretch of transmission lines and was subject to frequent and extended outages.

"It was cheaper to build a battery at the end of the line than to firm up the transmission that went out to Presidio," Rhodes said.

But electricity storage doesn't always mean batteries.

Financing is being finalized for a 317-megawatt compressed air energy storage facility near Palestine in Anderson County. The operator plans to pump air into salt caves, create about 2,800

pounds per square inch pressure, and then use that pressure to run a series of turbines to generate electricity when necessary — much like hydroelectric power generation.

In many ways, it's comparable to batteries, only many times larger, said Jack Farley, president and CEO of project developer Apex. Unlike batteries, the Bethel Energy Center isn't linked to a wind or solar project.

Farley said the company will buy electricity from the grid when prices are cheap — that's also when renewables are generating much of the supply — and then sell it back when prices are higher.

Rhodes said it's difficult to project the future of storage. He said there are a large number of battery mega-factories worldwide that could keep the industry supplied. At the same time, abundant natural gas is keeping a lid on energy prices.

"When renewables plus storage are less than natural gas," Rhodes said, "that's when everything flips."



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## News & Views

# AT&T Expands its Renewable Energy Program with NextEra Energy Resources

06/15/2018

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To celebrate today's Global Wind Day, AT&T\* is expanding its [renewable energy program](http://www.att.com/renewable-energy) (<http://www.att.com/renewable-energy>) with NextEra Energy Resources. Together, AT&T and subsidiaries of NextEra Energy Resources will help to deliver clean energy, create jobs, boost the local economy and support a low-carbon economy.

During a groundbreaking ceremony in Webb County, Texas for the first AT&T-backed wind farm project, AT&T announced a new agreement to purchase 300 megawatts (MW) of wind energy. It also announced a scholarship program for students interested in pursuing careers as wind turbine technicians, one of the fastest-growing jobs in the U.S.<sup>1</sup>

### Delivering renewable energy

AT&T's new power purchase agreement with a subsidiary of NextEra Energy Resources will deliver 300 additional megawatts (MW) of renewable energy from two new wind farm projects in Wilbarger and Hardeman Counties, Texas. The new agreement builds on AT&T's [previous investments](http://about.att.com/story/att_corporate_renewable_energy_purchase.html) ([http://about.att.com/story/att\\_corporate\\_renewable\\_energy\\_purchase.html](http://about.att.com/story/att_corporate_renewable_energy_purchase.html)) backing two wind energy centers in Webb and Duval Counties in Texas and Caddo County, Oklahoma.

Together, these agreements will deliver 820 MW of wind power, and constitute one of the largest corporate renewable energy purchases in the U.S.<sup>2</sup> The projects are expected to reduce greenhouse gas emissions equivalent to taking more than 530,000 cars off the road or providing electricity for more than 372,000 homes per year.<sup>3</sup>< p>

"We're going big on renewable energy. It's a clean, abundant, renewable source of home-grown power," said Joe Taylor, vice president of global tech optimization and implementation, AT&T. "As one of the world's largest companies, our investments can help scale this critical energy source for America's transition to a low-carbon economy."

### Creating jobs and community benefits

AT&T's investments in renewable energy will help to create jobs and economic benefits. NextEra Energy Resources estimates the AT&T-backed wind farm projects will create as many as 1,000 construction jobs in Texas and Oklahoma. The projects are also estimated to generate nearly \$190 million in property tax revenues for local communities and more than \$167 million in lease payments to landowners.<sup>4</sup>

"We are pleased to work with AT&T to expand the reach of renewable energy and provide a significant economic boost to local communities, both in Texas and Oklahoma," said Kevin Gildea, NextEra Energy Resources' vice president of development. "Wind energy is helping drive the clean energy economy, providing new and exciting job opportunities in rural communities as well as millions of dollars in additional revenue with which to help enhance schools, roads and other essential services."

### Supporting students

AT&T-backed wind energy centers will also benefit students and local communities. During the groundbreaking event, AT&T announced a \$50,000 contribution to Texas State Technical College (TSTC) to create the AT&T Wind Energy Scholarship fund. The fund provides financial assistance for students earning a TSTC wind energy degree or certificate and is open exclusively to students from counties with AT&T-backed wind farms (Webb, Duval, Wilbarger and Hardeman Counties). NextEra Energy Resources has committed to interview graduates of the TSTC program for future wind technician positions, as they become available, as well as internship opportunities.

The scholarship complements a new wind energy program being established at Webb County Consolidated Independent Schools (WCISD) and supported by NextEra Energy Resources. Webb CISD is one of the few high schools in the nation to host its own wind technician program.<sup>5</sup> NextEra Energy Resources also contributed a wind turbine gear box to the school to help students with hands-on training.

"We welcome the opportunity to educate, expose, and equip our students with dynamic skill sets stemming from the benefits of a career in renewable energy," said Beto Gonzalez, superintendent of Webb Consolidated Independent School District. "We are grateful to both NextEra Energy Resources and AT&T for their generous contributions to establish one of the nation's first high school wind energy programs and for creating a new and exciting career path for our students."

AT&T's renewable energy program is a key component of its [10x Carbon Reduction Goal](http://about.att.com/content/csr/home/sustainability-reporting/enabling-10x-carbon-savings.html) (<http://about.att.com/content/csr/home/sustainability-reporting/enabling-10x-carbon-savings.html>) and is part of the company's larger commitment to the environment. Since 2010, AT&T has put into place more than 65,000 energy efficiency projects resulting in annualized savings of \$427 million.<sup>6</sup> Learn more about AT&T's commitment to environmental and social responsibility at [att.com/csr](http://www.att.com/csr) (<http://www.att.com/csr>).

<sup>1</sup>Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Wind Turbine Technicians, on the Internet at <https://www.bls.gov/ooh/installation-maintenance-and-repair/wind-turbine-technicians.htm> (<https://www.bls.gov/ooh/installation-maintenance-and-repair/wind-turbine-technicians.htm>)

<sup>2</sup>Business Renewables Center (2017). BRC Deal Tracker. <http://businessrenewables.org/corporate-transactions/> (<http://businessrenewables.org/corporate-transactions/>)

<sup>3</sup>EPA Greenhouse Gas Equivalencies Calculator: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator> (<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>)

<sup>4</sup>Estimates provided by [NextEra Energy Resources](https://www.nexteraenergyresources.com/) (<https://www.nexteraenergyresources.com/>).

<sup>5</sup>NBC News April 14, 2018 <https://www.nbcnews.com/news/us-news/workers-are-climbing-wind-turbines-middle-class-n865221> (<https://www.nbcnews.com/news/us-news/workers-are-climbing-wind-turbines-middle-class-n865221>)

<sup>6</sup>AT&T. CSR Website. FAQ - Energy Management (2017). <http://about.att.com/content/csr/home/frequently-requested-info/environment.html> (<http://about.att.com/content/csr/home/frequently-requested-info/environment.html>)

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