
SARA LEON
& ASSOCIATES, LLC

August 29, 2019

Via Electronic Mail and Hand Delivery: Tabita.Collazo@cpa.texas.gov

Tabita Collazo
Research Analyst
Economic Development & Local Government
Data Analysis & Transparency Division
Texas Comptroller of Public Accounts
111 E. 17th Street
Austin, Texas 78774

Re: Application #1322 submitted by Blue Summit III Wind, LLC

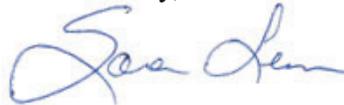
Dear Ms. Collazo:

Enclosed please find the Findings of the Chillicothe Independent School District Board of Trustees dated August 6, 2019 together with an executed Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes between Chillicothe Independent School District and Blue Summit II Wind, LLC.

A true and correct electronic copy of these documents is enclosed. A copy is also being provided to Mr. Richard Petree, the Hardeman County Interim Chief Appraiser.

Thank you so much for your attention to this matter.

Sincerely,



Sara Hardner Leon

SHL/vr

Enclosures

cc: Todd Wilson, Chillicothe Independent School District
John O'Hair, NextEra Energy

FINDINGS
OF THE
CHILlicothe INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES

UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY

BLUE SUMMIT III WIND, LLC
TEXAS TAXPAYER ID #32065707211
APPLICATION #1322

August 6, 2019

Board Findings of the Chillicothe Independent School District

FINDINGS OF THE CHILLICOTHE INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT ON THE APPLICATION SUBMITTED BY BLUE SUMMIT III WIND, LLC

STATE OF TEXAS §
 §
COUNTY OF HARDEMAN §

On the 6th day of August, 2019, a public meeting of the Board of Trustees of the Chillicothe Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the Application of Blue Summit III Wind, LLC (Application #1322) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from attorneys and consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Chillicothe Independent School District makes the following findings with respect to the Application of Blue Summit III Wind, LLC #1322, and the economic impact of that Application:

On November 27, 2018, the Superintendent of Schools of the Chillicothe Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Blue Summit III Wind, LLC #1322 for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is posted on the Texas Comptroller's website at:

<https://comptroller.texas.gov/economy/local/ch313/agreement-docs-details.php?id=1322>

The Applicant, Blue Summit III Wind, LLC (Taxpayer ID 32065707211) ("Applicant"), consists of entities subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. The Board of Trustees acknowledges receipt of the Application, along with the required Application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Hardeman County Appraisal District for review pursuant to 34 Texas Administrative Code § 9.1054. The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a determination that the Application was complete was issued on February 20, 2019.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation on May 21, 2019 pursuant to Texas Tax Code § 313.026, and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Exhibit A**.

Board Findings of the Chillicothe Independent School District

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Chillicothe Independent School District. A copy of a report prepared by Jigsaw School Finance Solutions, LLC is attached to these findings as **Exhibit B**. The Texas Commissioner of Education has determined that the project will not impact school enrollment.

The Board of Trustees has confirmed that the taxable value of property in the Chillicothe Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in the 2017 ISD Summary Worksheet posted on the Texas Comptroller's website at:

<https://comptroller.texas.gov/data/property-tax/pvs/2017f/2440999021D.php>

After receipt of the Application, the District submitted a proposed form of Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, in the form required by the Comptroller of Public Accounts. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

The Applicant qualifies for a limitation on appraised value of Qualified Property under Texas Tax Code § 313.024 in the eligibility category of Renewable Energy Electric Generation.

Board Finding Number 2.

The Applicant's entire proposed investment in the Chillicothe Independent School District is \$126,500,000—\$126,500,000 of which is proposed to be Qualified Investment under Texas Tax Code § 313.021.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$1,032 per year. The review of the Application by the State Comptroller's Office indicates that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for Qualified Jobs under Texas Tax Code § 313.021.

Board Finding Number 4.

The level of the Applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$35,413 on the basis of the four new qualifying positions committed to by the Applicant for this project.

Board Findings of the Chillicothe Independent School District

The project's total investment is \$126,500,000, resulting in a relative level of investment per qualifying job of \$35,413.

Board Finding Number 5.

The Applicant has requested a waiver of the job creation requirement under Texas Tax Code § 313.25(f-1), and the Board finds such waiver request should be granted. The Board notes that the number of jobs proposed for this project (four jobs) is consistent with industry standards in the Renewable Energy Electric Generation industry.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region. In support of Finding 6, the economic impact evaluation states:

Table 2 depicts this project's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels.

Table 2—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

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 Table 3 and Table 4:

Board Findings of the Chillicothe Independent School District

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Chillicothe ISD I&S Tax Levv	Chillicothe ISD M&O Tax Levv	Chillicothe ISD M&O and I&S Tax Levv	Hardeman County Tax Levy	Chillicothe Hospital Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.2000	1.0400	0.7100	0.8547		
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	\$25,992,787		\$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
Total				\$2,172,152	\$4,951,349	\$7,123,500	\$1,605,248	\$9,282,604	\$18,011,352
Diff				\$0	\$6,343,841	\$6,343,841	\$6105,891	\$0	\$12,449,732

¹Tax Rate per \$100 Valuation

Table 3 illustrates the estimated tax impact of the Applicant's project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	CISD I&S Tax Levy	CISD M&O Tax Levy	CISD M&O and I&S Tax Levies	Hardeman County Tax Levy	Chillicothe Hospital Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.2000	1.0400	0.7100	0.8547		
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
Total				\$2,172,152	\$11,295,189	\$13,467,34	\$7,711,139	\$9,282,604	\$30,461,084

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

Board Findings of the Chillicothe Independent School District

Board Finding Number 8.

The effect of the Applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggesting little underlying enrollment growth based on the impact of the project.

Board Finding Number 9.

The Applicant's 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. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

	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	\$ 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
Maintain Viable Presence (5 Years)	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
Additional Years as Required by § 313.026(c)(1) (10 Years)	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
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Board Finding Number 10.

The limitation on appraised value requested by the Applicant is a determining factor in the Applicant's decision to invest capital and construct the project in this state.

Board Finding Number 11.

The ability of the Applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Findings 10 and 11, **Attachment C** of the economic impact study states:

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. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- I. Per Blue Summit III Wind, LLC in Tab 5 of their Application for a Limitation of 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."
- II. 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,

Board Findings of the Chillicothe Independent School District

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 Quannah ISD (Application #1245). Map provided by Comptroller.

III. 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

Board Finding Number 12.

The Board of Trustees of the Chillicothe Independent School District hired consultants to review and verify the information in Application #1322. Based upon the consultants' review, the Board has determined that the information provided by the Applicant appears to be true and correct.

Board Finding Number 13.

The Board of Trustees has determined that the Tax Limitation Amount requested by the Applicant is currently \$25,000,000 Million Dollars, which is consistent with the minimum values currently set out by Texas Tax Code § 313.054(a).

Board Finding Number 14.

The Applicant (Taxpayer ID 32065707211) is eligible for the limitation on appraised value of Qualified Property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 15.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Exhibit C, includes adequate and appropriate revenue protection provisions for the District.

Board Finding Number 16.

Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

Board Findings of the Chillicothe Independent School District

It is therefore ORDERED that the Agreement attached hereto as **Exhibit C** is approved and hereby authorized to be executed and delivered by and on behalf of the Chillicothe Independent School District. It is further ORDERED that these Findings and the Attachments referred to herein be attached to the official minutes of this meeting and maintained in the permanent records of the Board of Trustees of the Chillicothe Independent School District.

Dated the 6th day of August, 2019.

CHILlicothe INDEPENDENT SCHOOL DISTRICT

By: 
~~Mark Williams~~
President, Board of Trustees

ATTEST:

By: 
~~Sharon Brock~~ Cheryl McGlocklin
Secretary, Board of Trustees

**Findings and Order of the Chillicothe Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Blue Summit III Wind, LLC (Tax ID 32065707211) (Application #1322)**

EXHIBIT A

Comptroller's Economic Impact Analysis



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13828 • 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 313.¹ 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.

¹ All Statutory references are to the Texas Tax Code, unless otherwise noted.

- Sec. 313.024(d) Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
- Sec. 313.024(d-2) Not applicable to Application 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 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
				0.2000	1.0400		0.7100	0.8547	
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
			Total	\$2,172,152	\$11,295,189	\$13,467,341	\$7,711,139	\$9,282,604	\$30,461,084

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
				0.2000	1.0400		0.7100	0.8547	
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		\$105,906	\$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
			Total	\$2,172,152	\$4,951,349	\$7,123,500	\$1,605,248	\$9,282,604	\$18,011,352
			Diff	\$0	\$6,343,841	\$6,343,841	\$6,105,891	\$0	\$12,449,732

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 25th 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)
Limitation Pre-Years	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	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
Maintain Viable Presence (5 Years)	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
Additional Years as Required by 313.026(c)(1) (10 Years)	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 B (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 1717 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 (complete Section 13)
<input type="checkbox"/> Expansion of existing operation on the land (complete Section 13)	<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 313.025(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**

Blue Summit III Wind, LLC

Chapter 313 Application to Chillicothe ISD

Cummings Westlake, LLC

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.

**ATTACHMENT TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED
PROPERTY BY BLUE SUMMIT III WIND, LLC TO CHILLICOTHE ISD**

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.*

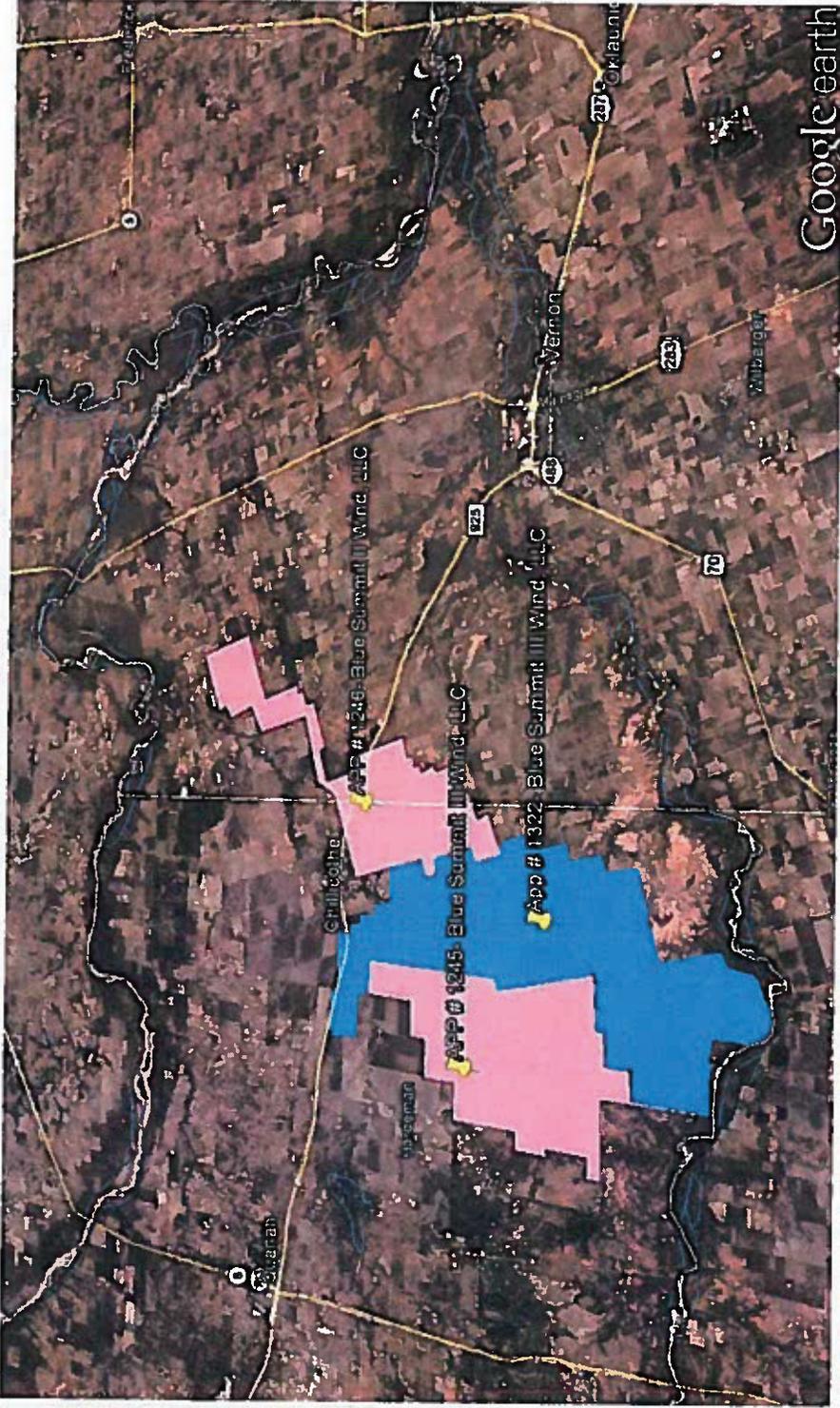
5. *The 30-megawatt Blue Summit Battery Energy Storage location in Texas is one of the nation's largest battery storage sites. Located in north Texas at the Blue Summit Wind Energy Center, the 30-megawatt Blue Summit Battery Energy Storage site went into commercial operation Aug. 11, 2017. Like other 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.*

Map provided per Compeller

Vicinity Map of Blue Summit Wind projects





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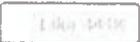
LEADER | JAN 2018

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



Jill Moore, 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.

3/25/2018

What will keep Texas' electricity grid humming? Big battery farms, salt caverns | Energy | Dallas News

"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.

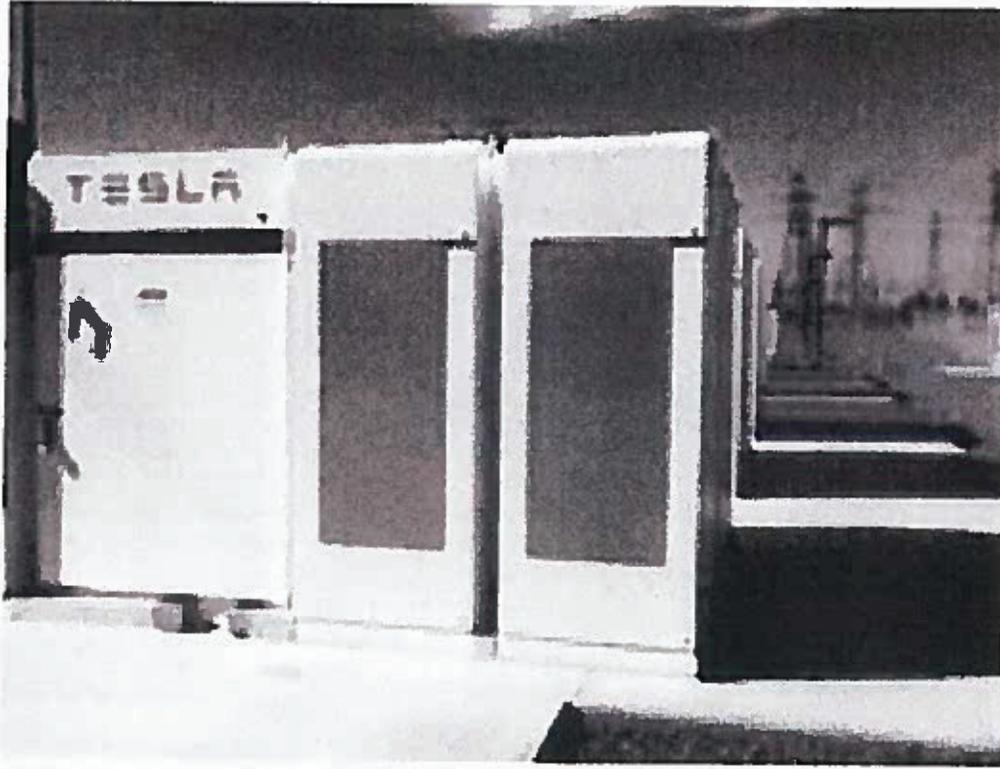
Steve Everley, spokesman for industry group Texans for Natural Gas, said projections are often unreliable and that he hopes government officials don't base policy on these assumptions.

"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

3/25/2019

What will keep Texas' electricity grid humming? Big battery farms, salt caverns | Energy | Dallas News

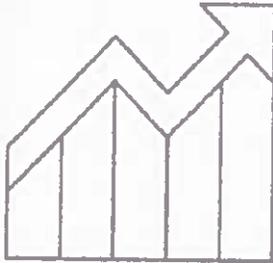
pounds per square inch pressure, and then use that pressure to run a series of turbines to generate electricity when necessary — much like hydroelectric power generation.

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



To celebrate today's Global Wind Day, AT&T* is expanding its [renewable energy program](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.†

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://www.att.com/renewable-energy) in wind energy, 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.‡ 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.¶

"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.¶

"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

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AT&T Expands its Renewable Energy Program with NextEra Energy Resources | Sustainable Brands

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.* 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 Beta 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](https://about.att.com/content/csr/2018/08/14/att-expands-its-renewable-energy-program-nextera-energy-resources) (<https://about.att.com/content/csr/2018/08/14/att-expands-its-renewable-energy-program-nextera-energy-resources>) and is part of the company's larger commitment to the environment. Since 2010, AT&T has put into place more than 85,000 energy efficiency projects resulting in annualized savings of \$427 million.* Learn more about AT&T's commitment to environmental and social responsibility at att.com/csr (<http://att.com/csr>).

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

*Business Renewables Center (2017) BRC Deal Tracker <http://businessrenewables.org/commodity/transactions/> (<http://businessrenewables.org/commodity/transactions/>).

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

*Estimates provided by NextEra Energy Resources (<https://www.nexteraenergyresources.com/>).

*NBC News April 14, 2018 <https://www.nbcnews.com/news/wireless-att-climbing-wind-turbines-middle-class-n865221> (<https://www.nbcnews.com/news/wireless-att-climbing-wind-turbines-middle-class-n865221>).

*AT&T CSR Website, FAQ - Energy Management (2017) <http://about.att.com/content/csr/2017/faq/energy-management.html> (<http://about.att.com/content/csr/2017/faq/energy-management.html>).

Company:
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**Findings and Order of the Chillicothe Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Blue Summit III Wind, LLC (Tax ID 32065707211) (Application #1322)**

EXHIBIT B

**Summary of Financial Impact on
Chillicothe Prepared by
Jigsaw School Finance Solutions, LLC**

SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED BLUE
SUMMIT III WIND LLC PROJECT (APP # 1322) ON THE
FINANCES OF CHILLICOTHE ISD UNDER A REQUESTED CHAPTER 313
APPRAISED VALUE LIMITATION

PREPARED BY
JIGSAW SCHOOL FINANCE SOLUTIONS, LLC

Introduction

Blue Summit III Wind LLC has submitted an application to the Chillicothe ISD Board of Trustees for a property value limitation on a proposed project under Chapter 313 of the Tax Code. The application was reviewed and signed by authorized representatives from the school district in February of 2019, and the business representatives in February of 2019. The application is for a renewable energy electric generation project as authorized by Sec. 313.024 (b) of the Tax Code with a proposed qualifying investment of \$121 million. This project is consistent with the state's goal for economic development, the expanded intent of House Bill 1200 as originally passed by the Texas Legislature in 2001 and amended thereafter with Chapter 313 of the Texas Tax Code.

Blue Summit III Wind LLC is proposing an investment in Chillicothe ISD to construct a wind powered electric generating facility in Hardeman and Wilbarger Counties, Texas. The facility itself is expected to have a total capacity of 115 Megawatts and will feature the installation of 46 2.50 Megawatt GE turbines. Under the provisions of Chapter 313, Chillicothe ISD may offer a minimum value limitation of \$25 million. Under Sec. 313.027, the application must provide that the limitation under Subsection (1) applies for a period of 10 years; and (2) specify the beginning date of the limitation, which must be January 1 of the first tax year that begins after: (A) the application date; (B) the qualifying time period; or (C) the date commercial operations begin at the site of the project. Blue Summit III Wind LLC proposed third quarter of 2019 as the commencement of construction and the commencement of commercial operations in December of 2019. The qualifying time period would begin 2019 with value limitation starting in tax year 2020 and extend through tax year 2029. Beginning in the tax year 2020, the project would go on the local tax roll at \$25 million and remain at that level of taxable value for ten years for maintenance and operations (M&O) taxes.

Revenue Protection Payments to Chillicothe ISD	\$1,099,698
Supplemental Payments to Chillicothe ISD	700,000
Total Revenue to Chillicothe ISD Attributed to	
Tax Code Chapter 313 Agreement -	<u>\$1,799,698</u>

School Finance Mechanics

The current Texas system of public school funding (through school year 2018-2019) is based on the ad valorem property tax. Schools levy a tax rate for maintenance and operation (M&O) and interest and sinking (I&S) against a current year tax roll. State funding is calculated using a prior year value certified by the Comptroller's Property Tax Division (CPTD). Texas school districts are funded by a combination of local ad valorem property taxes and state aid. Most of the money that a school district generates through the funding formulas is generated in Tier 1. The Tier 1 formulas start with a Basic Allotment per student of \$5,140. Calculations that use the number of students in average daily attendance, the number of students who participate in special programs, and adjustments for size, sparsity and location determine a Total Cost of Tier 1. A local fund assignment is determined by multiplying the district's compressed tax rate by the previous year (CPTD) property value. This formula determines the local ad valorem property taxes the district must collect in order to satisfy the district's share of the Tier 1 cost. School districts that are relatively property wealthy per student fund most of the Total Cost of Tier 1 with local property taxes while school districts that are relatively property poor per student receive most of the Total Cost of Tier 1 from state aid. Pennies that districts levy over and above the compressed tax rate and up to \$1.17 generate additional state and local funding in Tier 2 Level 1 and Tier 2 Level 2. Current funding formulas provide for a Guaranteed Yield per penny per WADA of \$106.28 for Tier 2 Level 1 and a Guaranteed Yield per penny per WADA of \$31.95 in Tier 2 Level 2.

Chillicothe ISD is very close to becoming a property rich per student district thus generating Maintenance and Operation revenue from a combination of state funding and local ad valorem property taxes. In an attempt to provide some degree of funding equity among school districts, the formulas provide two equalized wealth levels. A district that exceeds the first equalized wealth level of \$514,000 per weighted ADA is subject to recapture on taxes collected at the compressed rate. A district that exceeds the second equalized wealth level of \$319,500 per weighted ADA is subject to recapture on revenues collected on pennies that exceed six pennies over the compressed rate. Blue Summit III Wind LLC is requesting that the value of the renewable energy project be limited to \$25,000,000 in years one through ten of the agreement. The full value of the project would be subject to interest and sinking taxes (I&S) levied by Chillicothe ISD in all years of the agreement.

Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on Chillicothe ISD future revenue streams will be very useful to the district concerning the decision to grant the limitation and for the district's long-range financial planning process. Currently 15 years of data and analysis are required during the Chapter 313 application process.

The approach used in this report was to predict 15 years of base data including average daily attendance, M&O and I&S tax rates, maintenance and operation (M&O) tax collections and current year (CAD) values and prior year (CPTD) values for each year of the agreement. Current year (CAD) values and prior year (CPTD) values were forecast both with the full project value and with the limited value of the project. The enrollment and property value assumptions are summarized in Table 1.

Table 1 Base District Information
 Chillicothe ISD, Blue Summit III Wind LLC, Project #1322

Year of Agreement	School Year	ADA	WADA	Assumed M&O Tax Rate	Assumed I&S Tax Rate	CAD Value No Limit	CAD Value with Limitation	CPTD No Limit	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
0	2018-19	187	326	\$1.0400	\$0.2000	\$119,621,870	\$119,621,870	\$115,267,079	\$115,267,079	\$353,173	\$353,173
0	2019-20	187	326	\$1.0400	\$0.2000	\$144,621,870	\$144,621,870	\$119,621,870	\$119,621,870	\$366,516	\$366,516
OTPI/L1	2020-21	187	326	\$1.0400	\$0.2000	\$266,075,870	\$169,621,870	\$144,621,870	\$144,621,870	\$443,114	\$443,114
OTPI/L2	2021-22	187	326	\$1.0400	\$0.2000	\$256,397,280	\$169,621,870	\$266,075,870	\$169,621,870	\$815,243	\$519,713
L3	2022-23	187	326	\$1.0400	\$0.2000	\$247,492,034	\$169,621,870	\$256,397,280	\$169,621,870	\$785,589	\$519,713
L4	2023-24	187	326	\$1.0400	\$0.2000	\$273,352,897	\$203,678,279	\$247,492,034	\$169,621,870	\$758,303	\$510,713
L5	2024-25	187	326	\$1.0400	\$0.2000	\$263,170,289	\$201,033,014	\$273,352,897	\$203,678,279	\$837,539	\$624,054
L6	2025-26	187	326	\$1.0400	\$0.2000	\$253,748,735	\$196,548,346	\$263,170,289	\$201,033,014	\$808,341	\$615,955
L7	2026-27	187	326	\$1.0400	\$0.2000	\$245,030,359	\$196,212,757	\$253,748,735	\$196,548,346	\$777,474	\$608,342
L8	2027-28	187	326	\$1.0400	\$0.2000	\$236,961,911	\$194,017,304	\$245,030,359	\$196,212,757	\$750,781	\$601,186
L9	2028-29	187	326	\$1.0400	\$0.2000	\$229,494,218	\$191,953,578	\$236,961,911	\$194,017,304	\$726,040	\$594,459
L10	2029-30	187	326	\$1.0400	\$0.2000	\$246,572,553	\$214,004,353	\$229,494,218	\$191,953,578	\$703,159	\$588,136
MVP1	2030-31	187	326	\$1.0400	\$0.2000	\$236,254,377	\$226,254,377	\$246,572,553	\$214,004,353	\$755,486	\$655,699
MVP2	2031-32	187	326	\$1.0400	\$0.2000	\$226,724,433	\$226,724,433	\$236,254,377	\$208,254,377	\$723,872	\$723,872
MVP3	2032-33	187	326	\$1.0400	\$0.2000	\$217,921,872	\$217,921,872	\$226,724,433	\$226,724,433	\$694,673	\$694,673
MVP4	2033-34	187	326	\$1.0400	\$0.2000	\$209,790,574	\$209,790,574	\$217,921,872	\$217,921,872	\$667,702	\$667,702
MVP5	2034-35	187	326	\$1.0400	\$0.2000	\$203,491,958	\$203,491,958	\$209,790,574	\$209,790,574	\$642,788	\$642,788

To isolate the impact of the value limitation on the district's finances over this 15-year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that existed in the 2018-19 school year. In July 2018, Wilbarger and Hardeman Appraisal Districts certified the district's 2018 current year (CAD) net taxable values at \$119,621,870. These values were used as the basis for subsequent current year (CAD) values in this report. The 2017 Comptroller Property Tax Division (CPTD) values also certified to school districts were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

As mentioned above, in order to provide calculations extended 15 years into the future and to isolate the impact of the proposed project by Blue Summit III Wind LLC, certain constants and assumptions are used.

- The estimates presented at the end of the report are based upon the school funding system and formulas as defined by the 85th Texas Legislature in 2017. This school funding system and formulas were used for the duration of the project;

- although, no guarantee exists that this system or these formulas will remain in effect after the 2018-19 school year.
2. The 2018-19 ADA of 187.221 was used as the basis of the calculations and was held constant for the duration of the agreement. Blue Summit III Wind LLC commits to qualifying new jobs but student enrollment growth is not expected to be impacted by the project.
 3. The general approach used is to maintain relatively static base property values. The certified estimate CAD taxable value, as furnished by the Wilbarger and Hardeman Appraisal Districts for school year 2018-19, was used as the base value to which the estimated project values for each year as set forth in schedule B of the application were added. These projected CAD values were then used for the CPTD values in each of the following years based on the lag between these two values.
 4. Although the impact of the approval of this agreement could possibly result in lower M&O tax rates in future years, an evaluation of the M&O tax rate is not included in the scope of this analysis. The calculated tax collections each year are based on the district's 2018-19 approved M&O rate of \$1.04 and was used for the duration of the review with an assumed collection rate of 100 percent each year with no projected delinquent taxes.

The proposed agreement calls for Chillicothe ISD to be held harmless against total state and local revenue losses that might occur as a result of the value limitation being in effect for any given year of the agreement. In order to predict when and if these revenue losses may occur, two models were developed. One model illustrated in Table 2 incorporates the full value of the Blue Summit III Wind LLC project into the state and local funding calculations. The other model shown in Table 3 assumes that only the limited value of the Blue Summit III Wind LLC project is available for M&O taxation purposes. In any year of the limitation period where total state and local funding with the full project value exceeds the total state and local funding produced when the limited value is used, a Revenue Protection Payment is indicated for that year. The results of these calculations are illustrated in Table 4. Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the fifteen years of this proposed agreement. If the full value of the project increases significantly during the value limitation period, the school district revenue losses may be larger than these estimates.

Financial Impact on the District

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against total state and local maintenance and operation revenue losses as a result of the value limitation agreement. Revenue Protection calculations are to be made using whatever property tax laws and school funding formulas are in place at that time. During the first year when the value of the property is limited, the school district will likely see a significant loss in total revenue. As per the language in the contract, the company will be required to make Revenue Protection Payments to the district in an amount equal to the loss of state and local revenue as a result of the limitation in all years of the agreement. Any revenue loss exceeding tax savings are rolled to the following school year.

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was calculated for each year of the agreement. A summary of the differences in Table 2 and Table 3 are summarized in Table 4. A loss in total state and local M&O revenue to the district is noted in Table 4 for school year 2020-2021 and 2022-23 resulting from the agreement due to the inverted value lag between the CPTD and CAD values during the first years of the value limitation. The estimated total revenue loss noted in Table 4 is \$1,091,217 for year 2020-21 and \$8,481 in 2022-23. Typically, you will see a revenue gain by the district in the first years after the limitation period due primarily to another value lag between the CPTD and CAD values.

The Supplemental Payment Clause of the proposed agreement calls for the school district to annually receive the greater of \$50,000 or \$100 multiplied by the district's average daily attendance. Since 187.221 was used for the average daily attendance in the calculations, \$50,000 will be the required supplemental payment.

Table 2 "Baseline Revenue Model" - Project Value Added with No Value Limitation
 Chillicothe ISD, Blue Summit III Wind LLC, Project #1322

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.08 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at Level 1: EWL	Recapture at Level 2 EWL	Other State Aid	Total General Fund
0	2018-19	\$643,445	\$88,001	\$1,172,294	\$71,773	\$0	\$0	\$0	\$0	\$1,975,513
0	2019-20	\$721,533	\$37,444	\$1,417,294	\$86,773	\$0	\$0	\$0	\$0	\$2,263,045
QTP1/L1	2020-21	\$558,859	\$70,208	\$2,607,544	\$159,646	\$0	\$0	\$0	\$0	\$3,396,255
QTP1/L2	2021-22	\$146,655	\$37,444	\$1,720,719	\$153,838	\$0	\$791,975	\$0	\$0	\$2,058,655
L3	2022-23	\$146,557	\$70,208	\$1,762,591	\$148,495	\$0	\$662,831	\$0	\$0	\$2,127,851
L4	2023-24	\$90,174	\$88,001	\$1,828,217	\$184,012	\$0	\$850,640	\$0	\$0	\$2,170,402
L5	2024-25	\$71,978	\$37,444	\$1,639,576	\$157,902	\$0	\$939,492	\$0	\$0	\$1,906,901
L6	2025-26	\$83,164	\$70,208	\$1,680,864	\$152,249	\$0	\$805,874	\$0	\$0	\$1,986,485
L7	2026-27	\$93,826	\$37,444	\$1,722,374	\$147,018	\$0	\$678,924	\$0	\$0	\$2,000,662
L8	2027-28	\$104,219	\$70,208	\$1,764,095	\$142,177	\$0	\$558,132	\$0	\$0	\$2,080,699
L9	2028-29	\$88,143	\$88,001	\$1,602,982	\$137,697	\$0	\$646,061	\$0	\$0	\$1,916,822
L10	2029-30	\$105,795	\$37,444	\$1,821,093	\$147,944	\$0	\$595,318	\$0	\$0	\$2,112,276
MVP1	2030-31	\$92,300	\$70,208	\$1,667,825	\$141,753	\$0	\$647,468	\$0	\$0	\$1,972,085
MVP2	2031-32	\$103,542	\$37,444	\$1,709,056	\$136,035	\$0	\$512,843	\$0	\$0	\$1,986,077
MVP3	2032-33	\$114,368	\$70,208	\$1,750,546	\$130,753	\$0	\$385,088	\$0	\$0	\$2,065,875
MVP4	2033-34	\$98,818	\$88,001	\$1,590,486	\$125,874	\$0	\$465,462	\$0	\$0	\$1,903,178
MVP5	2034-35	\$109,301	\$37,444	\$1,641,872	\$122,095	\$0	\$352,349	\$0	\$0	\$1,910,713

M&O Impact on Taxpayer - Blue Summit III Wind LLC

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the Blue Summit III Wind LLC project to be limited to \$25 million starting in tax year 2020 and remain limited through tax year 2029. The potential gross and net tax savings to Blue Summit III Wind LLC are shown in Table 5. The focus of this table is on the M&O tax rate only. As stated earlier, an M&O tax rate of \$1.04 and a collection rate of 100% are used throughout the calculations in this report. Table 5 shows gross tax savings due to the limitation of \$6.34 million over the length of the contract. The estimated net benefit to Blue Summit III Wind LLC after the payment of the revenue protection payment and the supplemental payments is \$4.54 million. This analysis is based on timelines and value estimates provided by the Blue Summit III Wind LLC application and uses current school funding formulas adopted in the 85th Texas Legislative session.

The Blue Summit III Wind LLC is not eligible for a tax credit(s) on taxes paid on value in excess of the value limitation in the years prior to the value limitation becoming effective. House Bill (HB) 3390 as passed by the 83rd Texas Legislature repealed the provision for tax credits. Correspondingly, the provision for the school district to make such payments to Blue Summit III Wind LLC and the reimbursement by the state for such tax credit payments were eliminated.

Facilities (I&S) Funding Impact on School District

The value of the Blue Summit III Wind LLC, project is expected to depreciate over the life of the agreement and beyond but full access to the additional value is expected to increase the district's projected taxable I&S property tax base. The full value of the project will be available to the district and will enhance the district's ability to service current and future debt obligations. Texas funding laws provide assistance to school districts for debt service purposes in the form of the Instructional Facilities Allotment and the Existing Debt Allotment. The formulas provide a guarantee of \$35 per ADA per penny of tax effort. Chillicothe ISD property wealth per ADA that exceeds this amount and is thus is not eligible for this state assistance.

Conclusion

While some uncertainty exists concerning school finance legislation over the future of this project, the following points appear to apply to the Blue Summit III Wind LLC project and to the Chillicothe ISD. The proposed project enhances the tax base of Chillicothe ISD and reflects continued capital investment and job creation by Blue Summit III Wind LLC in keeping with the goals of Chapter 313 of the Tax Code. Under the assumptions outlined above, the potential benefit for Blue Summit III Wind LLC under a Chapter 313 agreement

could reach an estimated \$4.54 million. This amount is the net after the anticipated revenue loss payment and supplemental payments are made to Chillicothe ISD as permitted by law and the agreement. The project brings large-scale capital investment to the area and Chillicothe ISD will benefit from a growing tax base that can be leveraged to meet possible future debt service obligations and provide first class facilities for the district's students and faculty. The contractual agreement with Blue Summit III Wind LLC will enhance the tax base of Chillicothe ISD without creating an overall financial loss to M&O earnings for the district over the term of the project per the contractual agreement to offset the loss that is indicated in the Table 5 and to the payment of annual supplemental payments.

It is important to note that HB 3, passed by the 86th Session of the Texas Legislature will have a significant impact on school finance formulas and the revenue generated by local Texas school districts beginning with the 2019-2020 school year. Additionally, these changes may impact payments due from companies engaged in Tax Code Chapter 313 agreements with Texas school districts.



**Table 5 Estimated Financial Impact
Chillicothe ISD, Blue Summit III Wind LLC, Project #1322**

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Parents Revenue Projection	School District Revenue Losses	Estimated Net Tax Benefit	School District Benefit \$100 per ADA	Company Tax Benefit
0	2018-19	\$0	\$0	\$0	1.0400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	2019-20	\$0	\$0	\$0	1.0400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	2020-21	\$121,454,000	\$25,000,000	\$96,454,000	1.0400	\$1,263,122	\$260,000	\$1,003,122	\$1,003,122	\$1,001,217	\$1,985,095	\$50,000	\$50,000
0	2021-22	\$111,775,410	\$25,000,000	\$86,775,410	1.0400	\$1,182,464	\$260,000	\$902,464	\$902,464	\$899,484	\$1,802,484	\$50,000	\$138,095
0	2022-23	\$102,870,164	\$25,000,000	\$77,870,164	1.0400	\$1,090,850	\$260,000	\$830,850	\$830,850	\$827,369	\$1,651,369	\$50,000	\$62,484
0	2023-24	\$94,878,418	\$25,000,000	\$69,878,418	1.0400	\$998,635	\$260,000	\$738,635	\$738,635	\$734,658	\$1,464,658	\$50,000	\$71,369
0	2024-25	\$87,197,275	\$25,000,000	\$62,197,275	1.0400	\$906,228	\$260,000	\$646,228	\$646,228	\$641,228	\$1,281,228	\$50,000	\$67,635
0	2025-26	\$80,200,389	\$25,000,000	\$55,200,389	1.0400	\$814,084	\$260,000	\$554,084	\$554,084	\$549,084	\$1,098,084	\$50,000	\$62,228
0	2026-27	\$73,817,602	\$25,000,000	\$48,817,602	1.0400	\$721,703	\$260,000	\$461,703	\$461,703	\$456,703	\$916,703	\$50,000	\$57,703
0	2027-28	\$67,944,608	\$25,000,000	\$42,944,608	1.0400	\$629,324	\$260,000	\$369,324	\$369,324	\$364,324	\$729,324	\$50,000	\$52,624
0	2028-29	\$62,540,640	\$25,000,000	\$37,540,640	1.0400	\$536,945	\$260,000	\$276,945	\$276,945	\$271,945	\$546,945	\$50,000	\$47,545
0	2029-30	\$57,568,201	\$25,000,000	\$32,568,201	1.0400	\$444,566	\$260,000	\$184,566	\$184,566	\$179,566	\$364,566	\$50,000	\$42,466
0	2030-31	\$52,962,787	\$25,000,000	\$27,962,787	1.0400	\$352,187	\$260,000	\$92,187	\$92,187	\$87,187	\$272,187	\$50,000	\$37,387
0	2031-32	\$48,782,658	\$25,000,000	\$23,782,658	1.0400	\$260,000	\$260,000	\$0	\$0	\$0	\$172,658	\$50,000	\$32,308
0	2032-33	\$44,968,801	\$24,000,000	\$20,968,801	1.0400	\$168,000	\$260,000	\$92,000	\$92,000	\$87,000	\$105,658	\$50,000	\$27,229
0	2033-34	\$41,343,758	\$21,000,000	\$20,343,758	1.0400	\$76,000	\$260,000	\$184,000	\$184,000	\$179,000	\$56,758	\$50,000	\$22,150
0	2034-35	\$38,063,008	\$20,000,000	\$18,063,008	1.0400	\$0	\$260,000	\$0	\$0	\$0	\$18,063,008	\$50,000	\$17,063,008
TOTALS						\$11,295,189	\$1,351,349	\$9,943,841	\$9,943,841	\$1,099,689	\$8,844,152	\$700,000	\$1,544,152

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

**Findings and Order of the Chillicothe Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Blue Summit III Wind, LLC (Tax ID 32065707211) (Application #1322)**

EXHIBIT C

**Proposed Agreement between
Chillicothe Independent School District
and Blue Summit III Wind, LLC**