



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 24, 2019

Dr. Tory Hill
Superintendent
Sweeny Independent School District
1310 North Elm Street
Sweeny, Texas 77480

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Sweeny Independent School District and Phillips 66 Company, Application 1334

Dear Superintendent Hill:

On March 5, 2019, the Comptroller issued written notice that Phillips 66 Company (applicant) submitted a completed application (Application 1334) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on January 15, 2019, to the Sweeny Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a) Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b) Applicant is proposing to use the property for an eligible project.

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

Sec. 313.024(d) Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.

Sec. 313.024(d-2) Not applicable to Application 1334.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of March 5, 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 Phillips 66 Company (project) applying to Borger 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 Phillips 66 Company.

Applicant	Phillips 66 Company
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Sweeny ISD
Estimated 2017-2018 Average Daily Attendance	1,971
County	Brazoria
Proposed Total Investment in District	\$495,000,000
Proposed Qualified Investment	\$410,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2021-2022
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,274
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,274
Minimum annual wage committed to by applicant for qualified jobs	\$66,222
Minimum weekly wage required for non-qualifying jobs	\$1,135
Minimum annual wage required for non-qualifying jobs	\$59,021
Investment per Qualifying Job	\$49,500,000
Estimated M&O levy without any limit (15 years)	\$54,448,910
Estimated M&O levy with Limitation (15 years)	\$17,445,776
Estimated gross M&O tax benefit (15 years)	\$37,003,134

Table 2 is the estimated statewide economic impact of Phillips 66 Company (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	250	362	612	\$19,500,000	\$28,921,993	\$48,421,993
2020	1100	1,593	2693.28	\$85,800,000	\$134,695,790	\$220,495,790
2021	1110	1,769	2879	\$86,462,220	\$164,328,255	\$250,790,475
2022	10	333	343	\$662,220	\$50,137,434	\$50,799,654
2023	10	94	104	\$662,220	\$28,730,495	\$29,392,715
2024	10	(59)	-49	\$662,220	\$12,709,155	\$13,371,375
2025	10	(127)	-117	\$662,220	\$3,147,554	\$3,809,774
2026	10	(141)	-131	\$662,220	-\$1,584,520	-\$922,300
2027	10	(122)	-112	\$662,220	-\$2,824,791	-\$2,162,571
2028	10	(86)	-76	\$662,220	-\$1,782,837	-\$1,120,617
2029	10	(47)	-37	\$662,220	\$545,897	\$1,208,117
2030	10	(9)	1	\$662,220	\$3,490,587	\$4,152,807
2031	10	15	25	\$662,220	\$5,700,997	\$6,363,217
2032	10	37	47	\$662,220	\$8,101,518	\$8,763,738
2033	10	54	64	\$662,220	\$10,166,106	\$10,828,326
2034	10	64	74	\$662,220	\$11,822,476	\$12,484,696
2035	10	69	79	\$662,220	\$13,058,952	\$13,721,172

Source: CPA REMI, Phillips 66 Company

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*	Sweeny ISD I&S Tax Levy	Sweeny ISD M&O Tax Levy	Sweeny M&O and I&S Tax Levies	Brazoria County Tax Levy	Sweeny Hospital District Tax Levy	West Brazoria County Drainage District #11 Tax Levy	Port Freeport Tax Levy	Estimated Total Property Taxes
			0.1517	1.0600		0.4279	0.5482	0.0200	0.0401		
2021	\$308,750,000	\$308,750,000		\$468,374	\$3,272,750	\$3,741,124	\$1,321,184	\$1,692,601	\$61,750	\$123,809	\$6,940,468
2022	\$470,375,000	\$470,375,000		\$713,559	\$4,985,975	\$5,699,534	\$2,012,800	\$2,578,647	\$94,075	\$188,620	\$10,573,677
2023	\$446,978,100	\$446,978,100		\$678,066	\$4,737,968	\$5,416,034	\$1,912,682	\$2,450,383	\$89,396	\$179,238	\$10,047,732
2024	\$424,748,300	\$424,748,300		\$644,343	\$4,502,332	\$5,146,675	\$1,817,557	\$2,328,517	\$84,950	\$170,324	\$9,548,023
2025	\$403,626,400	\$403,626,400		\$612,301	\$4,278,440	\$4,890,741	\$1,727,174	\$2,212,724	\$80,725	\$161,854	\$9,073,219
2026	\$383,558,400	\$383,558,400		\$581,858	\$4,065,719	\$4,647,577	\$1,641,300	\$2,102,709	\$76,712	\$153,807	\$8,622,105
2027	\$364,490,300	\$364,490,300		\$552,932	\$3,863,597	\$4,416,529	\$1,559,705	\$1,998,176	\$72,898	\$146,161	\$8,193,469
2028	\$346,372,900	\$346,372,900		\$525,448	\$3,671,553	\$4,197,000	\$1,482,178	\$1,898,854	\$69,275	\$138,896	\$7,786,203
2029	\$329,159,200	\$329,159,200		\$499,335	\$3,489,088	\$3,988,422	\$1,408,518	\$1,804,487	\$65,832	\$131,993	\$7,399,252
2030	\$312,803,100	\$312,803,100		\$474,522	\$3,315,713	\$3,790,235	\$1,338,528	\$1,714,821	\$62,561	\$125,434	\$7,031,579
2031	\$297,262,600	\$297,262,600		\$450,947	\$3,150,984	\$3,601,931	\$1,272,028	\$1,629,626	\$59,453	\$119,202	\$6,682,240
2032	\$282,496,600	\$282,496,600		\$428,547	\$2,994,464	\$3,423,011	\$1,208,843	\$1,548,677	\$56,499	\$113,281	\$6,350,312
2033	\$268,466,000	\$268,466,000		\$407,263	\$2,845,740	\$3,253,003	\$1,148,804	\$1,471,760	\$53,693	\$107,655	\$6,034,914
2034	\$255,134,800	\$255,134,800		\$387,039	\$2,704,429	\$3,091,468	\$1,091,758	\$1,398,677	\$51,027	\$102,309	\$5,735,239
2035	\$242,467,900	\$242,467,900		\$367,824	\$2,570,160	\$2,937,984	\$1,037,554	\$1,329,236	\$48,494	\$97,230	\$5,450,497
			Total	\$7,792,358	\$54,448,910	\$62,241,268	\$21,980,614	\$28,159,897	\$1,027,338	\$2,059,813	\$115,468,930

Source: CPA, Phillips 66 Company

*Tax Rate per \$100 Valuation

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller’s determination that Phillips 66 Company (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	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$450,500	\$450,500	\$0	\$0
Limitation Period (10 Years)	2021	\$318,000	\$768,500	\$2,954,750	\$2,954,750
	2022	\$318,000	\$1,086,500	\$4,667,975	\$7,622,725
	2023	\$318,000	\$1,404,500	\$4,419,968	\$12,042,693
	2024	\$318,000	\$1,722,500	\$4,184,332	\$16,227,025
	2025	\$318,000	\$2,040,500	\$3,960,440	\$20,187,465
	2026	\$318,000	\$2,358,500	\$3,747,719	\$23,935,184
	2027	\$318,000	\$2,676,500	\$3,545,597	\$27,480,781
	2028	\$318,000	\$2,994,500	\$3,353,553	\$30,834,334
	2029	\$318,000	\$3,312,500	\$3,171,088	\$34,005,421
	2030	\$318,000	\$3,630,500	\$2,997,713	\$37,003,134
Maintain Viable Presence (5 Years)	2031	\$3,150,984	\$6,781,484	\$0	\$37,003,134
	2032	\$2,994,464	\$9,775,948	\$0	\$37,003,134
	2033	\$2,845,740	\$12,621,687	\$0	\$37,003,134
	2034	\$2,704,429	\$15,326,116	\$0	\$37,003,134
	2035	\$2,570,160	\$17,896,276	\$0	\$37,003,134
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	\$2,442,581	\$20,338,857	\$0	\$37,003,134
	2037	\$2,321,354	\$22,660,211	\$0	\$37,003,134
	2038	\$2,206,171	\$24,866,382	\$0	\$37,003,134
	2039	\$2,096,722	\$26,963,104	\$0	\$37,003,134
	2040	\$1,992,724	\$28,955,828	\$0	\$37,003,134
	2041	\$1,893,907	\$30,849,735	\$0	\$37,003,134
	2042	\$1,800,009	\$32,649,745	\$0	\$37,003,134
	2043	\$1,710,784	\$34,360,529	\$0	\$37,003,134
	2044	\$1,626,009	\$35,986,538	\$0	\$37,003,134
	2045	\$1,545,451	\$37,531,989	\$0	\$37,003,134

\$37,531,989

is greater than

\$37,003,134

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

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Phillips 66 Company

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

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Phillips 66 Company’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 Phillips 66 Company in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “All Phillips 66 major capital investments must go through a structured review by the project team and management. The final management decision of whether and/or where to build the proposed major project is based on technical feasibility, projected economics, and financial risk. This project is competing with opportunities for similar scale projects at the Company’s other refining locations in Louisiana, Washington, Oklahoma and Illinois.”
 - B. “The proposed fractionator in this application is also in intense competition with many unrelated projects in the Company. Because property taxes in Texas are a significantly large portion of annual operating cost versus other areas of the country where Phillips 66 operates, the project team is requesting approval of all available property tax abatements and incentives to help move the project through the next management decision “gate” and closer to final approval. Approval of Chapter 312 non-school abatements and a Chapter 313 school value limitation are determining factors in management’s decision to invest or not invest in this proposed project in Texas.”
- Confidential material submitted to the Comptroller’s office by the applicant indicates the project will be integrated with several other existing and planned nearby Phillips 66 projects.
- The project site is adjacent to Phillips 66’s facilities. Per Tab 4 of their Application for a Limitation on Appraised Value:
 - A. “Phillips 66 Company is currently evaluating projected economics for a project (Fractionator #4 Project) to construct a natural gas liquids (NGL) fractionator and related facilities.”
 - B. “The Fractionator #4 project would be constructed near Fractionators 2 and 3 which are under construction in approximately 20 acres of the area already designated as Brazoria County Reinvestment Zone 7.”

- C. "Similar to Fractionators 2 and 3, Fractionator #4 would be largely a standalone facility with some support and integration synergies with the Refinery. While specific design details involving integration with the Sweeny Refinery have not been fully defined, those synergies are primarily utilities (i.e. power) and connection to a flare stack that runs from the Refinery through Fractionators 2, 3 and this proposed Fractionator. Other assets that could be integrated with the proposed project include pipelines to the Clemens Storage Facility and to the Freeport Terminal."
- According to Brazoria County Commissioner Court Meeting Minutes dated December 11, 2018, "It is Ordered that the application for tax abatement of PHILLIPS 66 COMPANY ... be granted in accordance with the Guidelines and Criteria for Granting Tax Abatement in the existing PHILLIPS 66 COMPANY Reinvestment Zone No. 7 created in Brazoria County, by court order 7.M.4, dated February 28, 2017, for a term of seven (7) years, and at 100% abatement of eligible real and personal properties; Said Company will be investing \$500,000,000 dollars and creating 10 new jobs in Brazoria County. Said project will bring in 50 construction jobs at the start of construction, 500 construction jobs at the peak and finish with 300 construction jobs."
 - A. As noted Exhibit E of the tax abatement application, "Phillips 66 Company is currently evaluating projected economics to construct a natural gas liquids (NGL) fractionator and related facilities to meet market demand for purity products. The proposed site ... is near Fractionators 2 and 3 under construction in an existing reinvestment zone of approximately 237 acres."
- According to Port Freeport Commission Meeting Minutes dated January 10, 2019, the agenda included, "Adoption of a Resolution approving the application for tax abatement by Phillips 66 Company for property located in the Phillips 66 Company Reinvestment Zone No. 7, approving Tax Abatement Agreement on the same terms and conditions as granted to Phillips 66 Company by Brazoria County and authorizing Vice Chairman and Secretary to execute said agreement." The Commission conducted the following business:
 - A. "At this time, Commissioner Kresta turned over duties to Commissioner Hoss for further handling of this agenda item. Mr. Mannion stated the tax abatement is for a natural gas liquids fractionator. The application was previously reviewed by the Finance Committee November 29 and the County has since approved an agreement December 11. Mr. Mannion further stated the project conforms to the Port's guidelines and criteria and recommends approval of the agreement. Mr. Bob Adair with Phillips 66 Company gave a brief presentation and overview of the project."
 - B. "A motion was made by Commissioner Singhanian to approve the tax abatement agreement. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion, and Commissioner Kresta abstaining."
- A January 17, 2019 *Brazoria County News* article reported the following:
 - A. "Chris Cisneros from Phillips 66 gave a presentation on the company's application for a new Appraised Value Limitation on Qualified Property for a new project they plan on starting up if the application is approved by the district and State Comptroller."
 - B. "The new project for a fractionator would start construction by the third quarter of this year with estimated completion around the 2nd quarter of 2021. The project is estimated to be operational for at least 20 years and is thought to provide at least 10 permanent jobs."
- The company acknowledged the new fractionator project (Fractionator Four) at the Sweeny location in its presentation material – Phillips 66 Investor Update, February 2019
- A November 29, 2018 *Brazoria County News* article stated action taken by the Sweeny Hospital District Board of Directors:
 - A. "A tax abatement request from Phillips 66 for its new fractionator unit was tabled until the board's December meeting. Briner said Brazoria County Tax Abatement Review Committee recommended approval to the Brazoria County Commissioners Court. The court will consider approval of that abatement at their Dec. 11 meeting. Briner recommended the board look at the abatement request to the hospital district after commissioners' court looks at the matter. The next meeting of the hospital district board is set for Dec. 18."
- A January 31, 2019 *Brazoria County News* article reported the following:
 - A. "In other business, the hospital board approved moving the start of a seven-year tax abatement term for Phillips 66's new fractionator unit ahead one year. Bob Adair of Phillips 66 said the

project in the first year would be only 10-15 percent complete. "The tax, as if we had no abatement, would be less than the payment of the tax," Adair said. "So in other words, it would be of no benefit to us. So, we ask you shift it one year.' "

- According to the Phillips 66's *Transcript 4th Quarter 2018 Earnings Conference Call* held February 8, 2019, the chairman and CEO, Greg Garland indicated the expansion that includes the new NGL fractionator:
 - A. "At the Sweeny Hub, we're building two 150,000-barrels-per-day NGL fractionators and adding 6 million barrels of storage at Phillips 66 Partners' Clemens Caverns. The hub will have 400,000 barrels per day of fractionation capacity and 15 million barrels of storage when the expansion is completed in late 2020. We continue to have strong interest from customers in additional fractionation expansion projects."
- The Economic Development Alliance for Brazoria County lists Phillips 66's (Old Ocean) Natural Gas Liquids Fractionator 4 project as a serious prospect.
- Attached are Railroad Commission of Texas Public GIS Viewer maps depicting pipelines including those owned by Phillips 66 highlighted in turquoise and railroads on and near the project site.

Supporting Information

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

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

Supporting Information

Section 8 of the Application for
a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

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

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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



TAB 5

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

This Tab is intended to assist the Comptroller in compliance with Tax Code 313.026 to determine 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.” Phillips 66 management approves most capital investment in the following categories:

- **Unfunded Mandates** – As state and local government have unfunded mandates, businesses are also given unfunded mandates as a requirement to stay in business. A common example of this category is a requirement to install new facilities, which also generally increases operating cost, to comply with environmental law and regulations.
- **Sustaining Operations** – Significant capital investment is needed for periodic replacements of equipment and other property nearing the end of its ability to operate physically, efficiently, and safely. After a review of anticipated economic performance with current operations, company management will decide whether to fully sustain, downsize, or occasionally, close the facility. The amount of approved capital investment will align with the level of planned operations.
- **Growth** – Growth projects are often near existing operations but may be in a new area. Phillips 66’s existing facilities are:
 - **Refining** – 11 U.S. refineries in eight states and 2 in Europe;
 - **Midstream** – 21,000 miles of pipelines, 40 finished product terminals, 38 storage locations, 19 crude oil terminals, and 5 liquefied petroleum gas terminals in 21 states and 50% equity investment in DCP Midstream, LLC;
 - **Chemicals** – 50% equity investment in Chevron Phillips Chemical Company, LLC with 30 manufacturing facilities in seven states and five other countries; and
 - **Marketing and Specialties** – The Marketing segment includes sales through approximately 7,550 independently owned outlets in 48 states and company owned, leased or joint venture outlets in four European countries. The Specialties segment includes lubricants, petroleum coke, waxes, solvents, and polypropylene.

The following map of U.S. operations is intended as a quick reference indication that Phillips 66 has many options of where to place capital investment.

All Phillips 66 major capital investments must go through a structured review by the project team and management. The final management decision of whether and/or where to build the proposed



CUMMINGS WESTLAKE

PHILLIPS 66

Chapter 313 Application SWEENY ISD

major project is based on technical feasibility, projected economics, and financial risk. This project is competing with opportunities for similar scale projects at the Company's other refining locations in Louisiana, Washington, Oklahoma and Illinois.

The proposed fractionator in this application is also in intense competition with many unrelated projects in the Company. Because property taxes in Texas are a significantly large portion of annual operating cost versus other areas of the country where Phillips 66 operates, the project team is requesting approval of all available property tax abatements and incentives to help move the project through the next management decision "gate" and closer to final approval. Approval of Chapter 312 non-school abatements and a Chapter 313 school value limitation are determining factors in management's decision to invest or not invest in this proposed project in Texas.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller



TAB 4

Detailed Description of the Project

Provide 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.

Phillips 66 Company is currently evaluating projected economics for a project (Fractionator #4 Project) to construct a natural gas liquids (NGL) fractionator and related facilities. This proposed project is being evaluated to meet growing market demand for purity products. The proposed site is on the parcels indicated on the attached exhibits. The Fractionator #4 project would be constructed near Fractionators 2 and 3 which are under construction in approximately 20 acres of the area already designated as Brazoria County Reinvestment Zone 7. The proposed Fractionator #4 project, capable of producing up to 150,000 barrels per day, would include property and equipment necessary to process raw make (y-grade) natural gas liquids into marketable purity products. Such products include ethane, iso-butane, normal butane, propane and natural gasoline.

The source of the y-grade supply for the new fractionator would likely originate from field gas plants in Texas and/or Oklahoma. Product placement of the purity products would include domestic and international markets. These aspects hold true regardless of the final location decision.

The proposed site is within Brazoria County Reinvestment Zone 7 for Phillips 66, approved by the Brazoria County Commissioners' Court on February 28, 2017. Similar to Fractionators 2 and 3, Fractionator #4 would be largely a standalone facility with some support and integration synergies with the Refinery. While specific design details involving integration with the Sweeny Refinery have not been fully defined, those synergies are primarily utilities (i.e. power) and connection to a flare stack that runs from the Refinery through Fractionators 2, 3 and this proposed Fractionator. Other assets that could be integrated with the proposed project include pipelines to the Clemens Storage Facility and to the Freeport Terminal. A map showing that integration is attached.

Estimated Construction Schedule

Construction Start: Q3 2019
Construction Complete: Q2 2021

Improvements and Fixed Equipment for which Abatement is Requested

Air Cooling Exchangers
Amine System
Control Room and Building



CUMMINGS WESTLAKE

PHILLIPS 66

Chapter 313 Application SWEENY ISD

Control System
Control Valves
Electrical and Instrumentation
Fire Protection/Deluge System
Flare System
Fractionation Columns
Gasoline Treatment
Heat Exchanges
Heat Pump Compressors
Instrument Air Package and Supply System
Manifolds and Pipelines
Nitrogen Skid
Piping
Power Substation
Process Air Package and Supply System
Pumps
Refrigerant Compressor
Waste Water Treatment
Water Purification

December 11, 2018
THE COMMISSIONERS' COURT OF BRAZORIA COUNTY
REGULAR SESSION

ORDER NO. 8.T.1

RE: Phillips 66 Company Tax Abatement Application: Order Granting Tax Abatement

Granting of Tax Abatement

It is Ordered that the application for tax abatement of PHILLIPS 66 COMPANY, attached hereto as Exhibit A, be granted in accordance with the Guidelines and Criteria for Granting Tax Abatement in the existing PHILLIPS 66 COMPANY Reinvestment Zone No. 7 created in Brazoria County, by court order 7.M.4, dated February 28, 2017, for a term of seven (7) years, and at 100% abatement of eligible real and personal properties; Said Company will be investing \$500,000,000 dollars and creating 10 new jobs in Brazoria County. Said project will bring in 50 construction jobs at the start of construction, 500 construction jobs at the peak and finish with 300 construction jobs.

Further that the County Judge is authorized to execute a tax abatement agreement with PHILLIPS 66 COMPANY in accordance with the same guidelines and criteria.

Exhibit E

Project Description and Timeline

Project Description

Phillips 66 Company is currently evaluating projected economics to construct a natural gas liquids (NGL) fractionator and related facilities to meet market demand for purity products. The proposed site is on the parcels indicated on Exhibits B and C, which is near Fractionators 2 and 3 under construction in an existing reinvestment zone of approximately 237 acres. The proposed fractionator, capable of producing up to 150,000 barrels per day, would include property and equipment necessary to process raw make (y-grade) natural gas liquids into marketable purity products. Such products include ethane, propane, iso-butane, normal butane, and natural gasoline.

The proposed site is within Brazoria County Reinvestment Zone 7 for Phillips 66, approved by the Brazoria County Commissioners' Court on February 28, 2017.

Estimated Construction Schedule

Construction Start: 3rd Quarter 2019
Construction Complete: 2nd Quarter 2021

Improvements and Fixed Equipment for which Abatement is Requested

- | | |
|--|---------------------------------------|
| Air Cooling Exchangers | Amine System |
| Control Room and Building | Control System |
| Control Valves | Electrical and Instrumentation |
| Fire Protection/Deluge System | Flare System |
| Fractionation Columns | Gasoline Treatment |
| Heat Exchangers | Heat Pump Compressors |
| Instrument Air Package and Supply System | Manifolds and Pipelines |
| Nitrogen Skid | Piping |
| Power Substation | Process Air Package and Supply System |
| Pumps | Refrigerant Compressor |
| Waste Water Treatment | Water Purification |

Minutes of Meeting
January 10, 2019

A Regular Meeting of the Port Commission of Port Freeport was held January 10, 2019 beginning at 1:27 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Paul Kresta, Chairman
Mr. John Hoss, Vice Chairman
Mr. Shane Pirtle, Secretary
Mr. Rudy Santos, Commissioner
Mr. Ravi Singhanian, Commissioner

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
Mr. Mike Wilson, Director of Economic Development
Mr. Jason Miura, Director of Business & Economic Development
Ms. Mary Campus, Controller
Mr. John Mannion, Chief Financial Officer
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Mr. Nick Malambri, Engineering Specialist
Ms. Lauren McCormick, Public Affairs Manager
Mr. Scott Tafuri, Safety Coordinator
Mr. Austin Seth, Operation Specialist

Absent:

Mr. Bill Terry, Asst. Secretary

Also, present:

Mr. James Mathis, Carriage House Partners
Mr. Bruce Reed, Phillips 66
Mr. Bob Adair, Phillips 66
Mr. Bobby Wingate, Phillips 66
Ms. Ann Marie Poninski, Phillips 66
Mr. William Bonner, Tolunay-Wong
Mr. Bobby Fuller, Texas Port Ministry
Mr. Rick Stephanow, Gulf LNG Services
Mr. Bob Arroyave, Brown & Gay Engineers
Mr. Jason Foltyn, HDR Engineering
Mr. David Eby, Terracon
Mr. Dan Croft, 1st State Bank

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Invocation – Mr. Bobby Fuller, Texas Port Ministry
3. Pledge of Allegiance: U.S. Flag & Texas Flag
4. Roll Call – Commissioner Kresta noted that Commissioner Terry was absent. All other commissioners were present.
5. Safety Briefing – Mr. Scott Tafuri, Safety Coordinator
6. Approval of minutes from the Regular Meeting held December 13, 2018.

A motion was made by Commissioner Pirtle to approve the minutes as presented. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

7. Receive update from Carriage House Partners, LLC regarding 86th Legislative Session and related legislative affairs.

Mr. James Mathis with Carriage House Partners (CHP) gave a brief overview of how the legislature make-up since the election and highlighted priority topics for the session. Controller Hager announced the availability of funds for next biennium is \$119.1 billion. Priorities already set out include school finance and property tax reform. Another topic for consideration will be the renewal of Chapter 312 and 313 - Tax Abatement programs. Mr. Mathis noted two items CHP is tracking for Port Freeport including funding for the SB 28, ship channel improvement revolving loan fund created in the last session. Ms. Saathoff has tasked CHP with finding ways to fund the loan account. The Coastal Spine project is also expected to be an issue with finding funding for the local sponsor contribution for the project.

8. Receive report from Executive Director/CEO and/or Port staff on activities and matters related to administrative affairs. Port tenant updates, USCOE, rail issues, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative affairs.

Ms. Saathoff briefly went over the 2018 highlights summarized in her written report to the Board which included focusing on the strategic initiatives, passing the \$130 million bond initiative to fund the local sponsor share of the FHCIP, receive approval for the GRR from the Corps and receive permit for the expansion of Velasco Container Terminal that includes the engineering, design and construction component of Reach 3 which will begin after the Corps completes the levy-raise. The Memorandum of Agreement with the Corps was modified to dredge this area to the full authorized depth of the approved channel project and include Reach 2 on a work-in-kind basis. Staff continues to raise awareness of the project in Washington, meeting with key Corps officials and appropriations committees. Increased business within the Port in 2018 include the new global container carrier CMA-CGM, extended the lease with Dole Fresh Fruit and the addition of renewed Ro/Ro services with the Salluum Lines West Africa service and Hoegh's India and New Zealand services. The Finance Team implemented

the new tariff billing and accounting software, was awarded the GFOA Certificate of Excellence for the 29th year as well as successfully issued revenue bonds to support the rail project and maintain a stable 'A' rating by S&P. The Port ended the fiscal year with over \$26 million in revenues that did not include tax revenue, which is a 20% increase over the prior year. Additionally, the Port had record-level operating income and a 9% increase in total tonnage. Ms. Saathoff continues to work with the harbor community to bring more efficiencies in the channel system by working closely with the Pilots and working group to establish dispatch services to improve communications in the Port. Most of the work has been completed in the simulator program the Board authorized in 2018 and should be unveiled first quarter. The Port saw a full year of ships calling for Tenaris which was a significant increase in activity at the Port, and the use of the Heavy-Lift Corridor was implemented for the movement of steel to/from the Tenaris facility in Bay City, which has yielded a 40% reduction in the number of trucks that make the transit. The Rail District received \$600,000 feasibility study grant from the Texas Transportation Commission to further their project. Additionally, modifications were completed to the Emergency Operations Center for Customs' new office space, the Port's CTPAT certification was successfully renewed, significant upgrades were made to the computer network system and the Port celebrated the 30th Anniversary of its Foreign-Trade Zone. Mr. Durel was recognized for his outstanding service during Hurricane Harvey. Ms. Saathoff also reported that General Owen from USACE SWD will be in the area January 17 via an aerial tour of the Sabine to Galveston project. Ms. Saathoff gave a presentation to the Fulshear-Katy Area Chamber of Commerce January 9. Ms. McCormick reported the Take-A-Child Fishing Tournament logo contest flyers will be delivered to schools next week. A new aspect added to the tournament to increase community awareness is a social media video contest. Families are invited to submit short clips telling why they love TACFT, what they are looking forward to, etc. The community will get to vote on the videos with winners announced in March and April. Additionally, the next CAP Meeting has been moved to March 12. Ms. Saathoff noted the first day to file for a place on the ballot is January 16 for Port Commission Position 1, Precinct 1 - At Large and Position 2, Precinct 1 – Brazosport.

9. Receive report from Commissioners on matters related to meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Singhania reported attending a meeting with Freeport Plant managers. Upcoming events include the India/Texas Conference January 11 and the Rail District meeting January 18.

10. Public Comment – There were no public comments.

11. Approval of financial reports presented for the period ending November 30, 2018.

A motion was made by Commissioner Singhania to approve the reports as presented. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

12. Adoption of a Resolution approving the application for tax abatement by Phillips 66 Company for property located in the Phillips 66 Company Reinvestment Zone No. 7, approving Tax Abatement Agreement on the same terms and conditions as granted to Phillips 66 Company by Brazoria County and authorizing Vice Chairman and Secretary to execute said agreement.

At this time, Commissioner Kresta turned over duties to Commissioner Hoss for further handling of this agenda item. Mr. Mannion stated the tax abatement is for a natural gas liquids fractionator. The application was previously reviewed by the Finance Committee November 29 and the County has since approved an agreement December 11. Mr. Mannion further stated the project conforms to the Port's guidelines and criteria and recommends approval of the agreement. Mr. Bob Adair with Phillips 66 Company gave a brief presentation and overview of the project.

A motion was made by Commissioner Singhania to approve the tax abatement agreement. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion, and Commissioner Kresta abstaining.

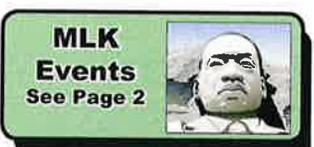
13. Approval of Executive Director/CEO & Commissioners travel for January-May 2019.

Ms. Saathoff anticipates upcoming hearings/meetings in Washington, DC with a trip needed in late January, early February for initial meetings with the local delegation, Houston delegation members, appropriations committee staff and Eddie Belk at the Corps. The AAPA Spring Conference will be held in March, Brazoria County Day in March, and the Texas Ports Association will hold their legislative conference in February. Additionally, Ms. Saathoff anticipates other hearings and meetings in Austin that will require attendance.

A motion was made by Commissioner Singhania to approve the travel. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

14. EXECUTIVE SESSION in accordance with Subchapter D of the Open Meetings Act, Texas Government Code Section 551.001, et. seq., to review and consider the following:

- A. Under authority of Section 551.071 (Consultation with Attorney) for discussion regarding:
 - 1. Consultation with attorney to discuss potential litigation.
 - 2. Consultation with attorney to discuss potential litigation.
 - 3. Consultation with attorney and discussion regarding Special District Local Laws Code Title 5 Transportation, Subtitle A Navigation District and Port Authorities, Chapter 5002 Subchapter A regarding Pilot Dispatch Services.
 - 4. Consultation with attorney and discussion regarding legal matters arising out of Texas Transportation Code, Title 4 Navigation, Subtitle A Waterways and Ports, Chapter 52 Texas Deepwater Port Procedures Act.
- B. Under authority of Section 551.071 (Consultation with Attorney) and Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:
 - 1. Consultation with attorney and discussion regarding the terms and conditions of a First Amendment to the Waterfront Lease Agreement between Port Freeport and Kirby Inland Marine, LP.



The County News

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THURSDAY, JANUARY 17, 2019

SISD OKs Phillips 66 abatement

By Art Chandler
 The Sweeny ISD Board of Trustees held their open meeting Tuesday night following a closed executive session beforehand. Chris Cisneros from Phillips 66 gave a presentation on the company's application for a new Appraised Value Limitation on Qualified Property for a new project they plan on starting up if the application is approved by the district and State Comptroller.

The new project for a fractionator would start construction by the third quarter of this year with estimated completion around the 2nd quarter of 2021. The project is estimated to be operational for at least 20 years and is thought to provide at least 10 permanent jobs.

The board started by approving an update amendment to their local policy CCG. Phillips 66 is asking for a \$30 Million limitation for 10 years on the Chapter 313 Agreement. The board agreed to authorize the superintendent to review the application and submit it to the comptroller. The superintendent will also have the power to enter into any agreement to extend the deadline for board action beyond 150 days, subject to board ratification. This was approved by a vote of 6-0 with board president Earl Mathis abstaining since he is employed by Chevron Phillips, which is associated with Phillips 66.

Board members also agreed to a Conflict of Interest Policy with Earl Mathis being the only
 See Page 10

WC CHAMBER HONOREES



THE WEST COLUMBIA CHAMBER OF COMMERCE handed out honors during the annual Membership Appreciation Banquet last Thursday at Heritage Hall in West Columbia. Those receiving awards included, from left, Gavy Vela, Ambassador of the Year; Christina DeWitt, Woman of the Year; Mike Venable, Man of the Year; and Jana Reid of Jana's School of Dance, which won Business of the Year.



AVERY PREWIT, left, and Megan Lazrine, right, dressed in their 1980's garb, sit on a couple of items up for bid during the auction portion of the West Columbia Chamber of Commerce's Membership Appreciation Banquet held at Heritage Hall in West Columbia last Thursday. The theme was Retro Rewind: Back to the 80's. The annual banquet also serves as a fundraiser for the chamber of commerce.

Sweeny to move forward with bond election

By Anthony Maenza
 Sweeny City Council voted during its regular meeting Tuesday night to move forward to place a \$4 million bond issue on the May 4 ballot to pay for infrastructure improvements. Council debated on the amount of the bond for some time, fluctuating between \$1 million and \$5 million. Council settled on the \$4 million figure at a term of 20 years to pay it off.

The measure won't come cheap for taxpayers. If the bond passes, it would raise the tax rate between 22 and 23 cents per \$100 of valuation to pay for it.

With the measure, council also passed an additional \$25,000 exemption on homesteads for those 65 and over or those who are disabled, if the bond passes. The
 See Page 10

WC Council OKs first reading of EDC agreement

By Anthony Maenza
 West Columbia City Council approved during its regular meeting Monday night the first reading of a West Columbia Economic Development Corporation 380 Agreement with Carta Valley Market in anticipation of building a new store on Brazos Avenue.

The agreement calls for \$125,000 forgivable loan from the EDC to Carta Valley that covers a 10-year period. There is an eight-year performance criteria the business must meet each year as part of the loan agreement. The money from the loan is generated through ½ cent sales tax that is dedicated to economic development.

There is a lien on the property as part of the loan agreement and personal guarantee from Josh and Sara Aulenrieth, owners of Carta Valley, that is also a part of the agreement, city manager Debbie Sutherland said.

Some of the criteria the business must meet is a payroll minimum of \$156,000 each year during the eight-year period. They must also bring in an average of \$13,500 in city sales tax each year during the eight-year period. They must supply reports each year to the EDC to make sure they are meeting each part of the agreement. If they fail to meet those requirements during any particular year, that year of the loan would not be forgiven.

If there are extenuating circumstances that lead to the criteria not being met, the owners would go before the EDC board to explain why.
 See Page 10

Meagher earns Girl Scout Gold Award

According to the Girl Scout Research Institute's (GSRI) report, The Power of the Girl Scout Gold Award: Excellence in Leadership and Life, Gold Award Girl Scouts receive greater lifetime benefits than their peers with regard to positive sense of self, life satisfaction, leadership, life success, community service and civic engagement thanks to their experience in Girl Scouting, including earning their Gold Award.



MEAGHER

Sophia Meagher, a senior at Sweeny High School, has become a Gold Award Girl Scout. The honor recognizes girls in grades 9 through 12 who demonstrate extraordinary lead-

ership through sustainable and measurable community service projects that require a minimum of 80 hours to complete. Fewer than five percent of Girl Scouts earn the award. Meagher power-washed and repainted handi-

capped parking spots and sidewalks at St. Joseph on the Brazos Catholic Church. She researched Texas traffic laws and made a brochure to spread information on these laws in her community. According to Meagher, the church needed visible parking lot lines and general awareness of traffic safety.

"I wanted to help my small parish with traffic safety and allow safer parking for our parishioners, especially the elderly," she said.

Meagher also held several workshops to further explain the safety information to teenagers in her church and local school.

She was able to finance the project through donations from parishioners.

"Earning the Gold Award was important to me because it symbolized the work I have put into my community throughout my life, not just with this one project," Meagher said.

She hopes to attend a four-year university and study biology and animal science.

SHS SENIOR SOPHIA MEAGHER works on a striping parking lot at St. Joseph's on the Brazos Catholic Church in Brazoria. The project earned her the Girl Scouts' Gold Award.



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Falyn Tupper, MSN, APRN, NP-C *Lisa Schaubroek, MSN, APRN, AGNP-C*

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FEBRUARY 2019

INVESTOR UPDATE

PROJECTS UNDER DEVELOPMENT

Pipelines in open season

Gray Oak Pipeline (PSXP)

West Texas to Texas Gulf Coast
Open season for new capacity beyond 900,000 BD

Liberty Pipeline (PSX)

Rockies and Bakken production areas to Corpus Christi
~ 350,000 BD

Red Oak Pipeline (PSX)

Cushing to Corpus Christi, Houston, and Beaumont
~400,000 BD

Ace Pipeline (PSXP)

St. James to Clovelly and connect to CAM Pipeline
~400,000 BD

Sweeny Fractionator 4

Beaumont Terminal expansion





BRAZORIA LIONS HONOR JAMES - At their regular meeting Nov. 12, Lion Bob Schwebel, left, presented Brazoria Lion and Past District Governor, Bill James, right, a plaque commemorating his years of outstanding service to the community and the club. A granite marker engraved with his name has also been placed at the Brazoria Lions Park. The Brazoria Lions Club meets the second and fourth Mondays of each month. For more information on the Brazoria Lions Club, call 979-798-4444.



THANKSGIVING THANK YOU TO ST. JOHN'S LODGE - St. John's Lodge No. 5 was presented with a Thanksgiving floral arrangement, which was handmade by the Columbia High School FFA Floral Design class, as a token of appreciation for a recent donation from the lodge. Presenting the arrangement on behalf of Columbia High FFA was Sydney Horak, granddaughter of our Lodge Secretary, PM Don Fountain.

Sweeny Hospital offers CPR training to groups

Do you need CPR or first aid training? Sweeny Community Hospital's EMS team will conduct the training at your location, tailored to your needs.

Whether at your church, day care, school or for any organization that wants or requires it.

For more information call Marcus Finney, EMS Chief, (979) 548-1597 or email: mfinney@sweenyhospital.org.

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'Tis the season to shop for a new car

(StatePoint) - 'Tis the season for shopping, and not just for presents to put under the tree. Many people shop for new cars this time of year, and for good reason.

Car dealerships generally save their best deals for the last months of the year, according to Kelley Blue Book. One reason is that new car models arrive at dealerships in September and October, so if last year's models are still sitting on the showroom floor, chances are buyers can snap them up at deep discounts. Dealers also tend to lower vehicle prices at year-end to reduce inventory before the start of the new calendar year.

But before taking the plunge, it's important to make sure that shiny new ride is fully covered

from an insurance standpoint. Why? Most people are familiar with that old adage that a new car drastically depreciates the minute it's driven off the lot. According to Carfax.com, it's true. The vehicle history information database says a new car loses 10 percent of its value the minute it's driven off the lot and another 10 percent by the end of the first year. And cars with lesser brand name appeal and fewer options can depreciate even more, some by as much as 50 percent in a single year. That means if your new ride gets totaled, your insurance payout could be much less than what you paid for the car (or what you owe on your loan, for that matter).

Fortunately, new car buyers can protect them-

selves from this situation with what's generally known as new car replacement coverage. For example, at Eric Insurance, this coverage comes in the form of an add-on called New Auto Security that can be tacked onto a policy for a modest cost. If an owner has had a car for less than two years and it gets totaled, Eric Insurance would pay the cost to replace it with a car in the newest model year, minus the deductible.

And, if the new car is in a crash but is not deemed a total loss, the company would pay to repair the vehicle to brand new condition, without any deduction for depreciation. While new car buyers would be smart to add this coverage before even driving the car off the

lot, New Auto Security coverage isn't restricted to when the car is purchased; it can be added later.

"This is a great time of year to get a good deal on a new car, but buyers should be aware of the risks associated with depreciation and take the necessary precautions to protect their investment," says Jon Bloom, vice president of personal auto, Eric Insurance. "We recommend that anyone buying a new car talk with their insurance agent to make sure they would be able to replace it in the event it's totaled, or at least be able to pay off their loan. Having the right coverage will provide peace of mind and make that new car ownership experience that much more enjoyable."

Things to think about when buying a home

(StatePoint) - Many millennials are buying their first homes in a marketplace that is more challenging than the one their parents encountered for their first purchase.

Interest rates are on the rise and home prices are, too. The good news is that there are still a lot of reasons that buying a home makes sense for many millennials.

If you are debating whether homeownership is right for you, consider the following:

- Do the math. Purchasing a home can be cheaper over the long-term than renting, even though there may be more upfront costs before closing on that new home. Consider the cost of rent, insurance and annual rent increases against your monthly loan payment, along with how long you plan to stay in the home.
- Know that a home is an asset that may appreciate in value. If market conditions are good, the longer you stay in the property and make payments, the more equity you build.

However, when you rent, monthly payments go to the landlord and there is no opportunity to build equity in the property.

- Don't let the down payment be a deterrent. Lenders like Wells Fargo offer a conventional fixed-rate loan for first-time homebuyers that allow loan customers to get into a home with a little as

3 percent down. In fact, Wells Fargo's yourFirst Mortgage just celebrated a milestone of 50,000 households served and \$11 billion in loans. The program also provides a \$750 closing credit for buyers who take advantage of a HUD-approved home buying education or counseling program. Options like these can make

the down payment more manageable.

- Consider the intangible benefits of owning. Are you someone who likes to plant flowers or choose paint colors and floor coverings? Do you have kids and pets who need a backyard? Do you like to get to know your neighbors? Owning a house can offer these benefits and more.

BASKETBALL From Page 7

Boys Basketball

The Columbia Roughnecks defeated Boling 65-49 before the Thanksgiving holidays.

Cameron Ward had 23 points while Kevin Cordero had 11 points. Sultan Abdullah added 10 points. Lane Johnson added seven points while Zade Stromman finished with six points. Jamarion Woodard (four points), Alan Reyna (two points) and Shamar Johnson (two points) also scored for Columbia.

The Columbia boy defeated Calhoun 77-44 on Nov. 13. Reyna had 21 points while Ward had 17 points. Shamar Johnson

and Cordero had nine points each. Abdullah had seven points while Woodard and Adrian Rubio had five points each. Stromman and Trent Ward had two points each.

The West Brazos Junior High eighth grade boys' basketball teams played Lake Jackson before the Thanksgiving holidays. The B team lost 23-8. Isaiah Hall led the team with five points.

The A team pulled off a 40-37 victory. Majestic Ford led the team with 14 points. Tate Thrasher added eight points. Jamarcus Higgins and Parker Kingrea both had six points.

HOSPITAL From Page 1

quote to provide that service for us and well below the budgeted amount we had set for that project," Briner said. "We'll sit down with the project management team and they will lay out a game chart. In that, one of the first steps is to hire a construction manager at-risk."

The hospital district received project estimates from three construction firms that have a desire to present a formal bid to renovate the Wellness Center, Briner said. He believes the bid process should move quickly and should have three formal bids to present to the board for approval.

One part of the Wellness Center project, the parking lot, will be done through an interlocal agreement with Brazoria County. They would repave the parking area once the renovation of the building

is complete.

The parking lot at the hospital itself is being repaved through at the interlocal agreement with county. That work is scheduled to start next week, weather permitting.

A tax abatement request from Phillips 66 for its new fractionator unit was tabled until the board's December meeting. Briner said Brazoria County Tax Abatement Review Committee recommended approval to the Brazoria County Commissioners Court. The court will consider approval of that abatement at their Dec. 11 meeting. Briner recommended the board look at the abatement request to the hospital district after commissioners' court looks at the matter. The next meeting of the hospital district board is set for Dec. 18.

POLICE From Page 1

WC Blue Santa Deadline Set
The West Columbia Police Department is taking donations for its Blue Santa Program.

The program provides Christmas presents as well as food items for families in need during the Christmas season. New and unwrapped toys or monetary donations can be brought to the police

station at 310 E. Clay St. in West Columbia.

Deadline for donations is Dec. 14. Distribution of presents will be held on Dec. 15.

Applications for families in need will also be taken as well. Contact Rhonda Groce at 979-345-5121 for more information.

SWEENY From Page 1

recognize the Paris Subdivision. This was due to a lawsuit the City of Sweeny was partially involved with over city services for the subdivision. It should be noted that the main street in the subdivision is not a public street.

The purchase of a mini excavator for Public Works was approved by city council but an amendment was added to also make sure it comes complete with a trailer and backhoe attachment. This was allowed since everything fell below the \$40,000 allowable budget for the purchase of the excavator.

Council also approved the purchase of a new Ford Explorer as a police vehicle. It will also be fitted out with police lighting and radio.

A vehicle tracking system for Public Works vehicles was also approved. The

system will cost \$21.95 per month per vehicle and will also help alert the manager when maintenance is due for such things as oil changes and tire rotation, etc.

Council also approved a \$100 sponsorship for a tree for 'Christmas in the Park'. The tree will be decorated by city employees and donated to a needy family after the Christmas in the Park. All trees at Christmas in the Park are donated to needy families. Last year an undecorated tree sponsorship was \$75.

A variance to allow fireworks at Sweeny Pride Day was also passed. This is done so the fireworks can be purchased ahead of time.

Councilman Tim Pettigrew commented about what a success the Sweeny Thanksgiving Feast was this year.

Property tax deadline here

Ro'Vin Garrett, Brazoria County Tax Assessor-Collector, wants to remind county taxpayers the last day to pay property taxes without addition of penalty and interest is fast approaching.

"Jan. 31 is the last day to pay without delinquent penalty and interest being added," said Garrett.

In addition, although Garrett is sympathetic, she noted there is no provision in the Texas property tax law that allows for an extension of the delinquency date or waiver of penalty and interest because of the current federal government shutdown.

"All tax payments received in person, online, or post marked no later than Jan. 31, 2019 will be accepted as a timely payment," Garrett said.

Garrett wants taxpayers to know all of the different ways to pay property taxes. "All Brazoria County Tax Office locations accept cash, money orders, over-the-counter credit cards, and debit cards, but I do encourage credit card and electronic check customers to 'Go Online and Avoid Standing in Line' by visiting the tax roll online at <https://brazoriacountytx.gov/departments/tax-office/propertytaxes>. There they will find a link to a searchable tax roll in order to locate their account and make an online payment. Customers can also find information as to the address of all eight tax office locations within the county on this site," Garrett stated.

Garrett points out there are fees for paying with debit and credit. Electronic check payments are accepted free of charge. Those without internet access

may pay using a credit card by calling Pay by Phone (toll free) 1-866-549-1010, using Bureau Code #5820032. Partial payments in any amount are accepted.

"I want taxpayers to know that no part of the convenience fee for paying by credit or debit is retained by the county. It is paid directly to the third party providing the credit and debit card services, as per state law," Garrett said.

Payments by check or money order (DO NOT mail cash) may be mailed but postmarks are critical. To avoid late penalties, obtain a postmark validation from the post office.

Garrett wants taxpayers to know regardless of when a mail in payment is received or when it is actually processed, it will be receipted using the date on the USPS cancellation stamp.

"Because of the volume of mail received in January it takes a bit longer than usual to process each day's work. Taxpayers should not worry about being considered late if we do not actually process their payment before Feb. 1 as long as the USPS postmark is Jan. 31 or earlier," Garrett noted.

In addition to the mail, payments may be dropped in the Tax Office drop box in Angleton and West Columbia. All payments left in the box are assumed received timely if in the box before start of business the next day.

"For those paying in person, we will do our best to get you in and out of the tax office with your receipt in hand in a timely and professional manner," concluded Garrett.

AARP offers tax help for seniors

Volunteers from the AARP Foundation Tax-Aide program will provide free income tax help and preparation to taxpayers at six libraries throughout Brazoria County from Feb. 4 to April 15. They provide their service to taxpayers with low and moderate-income, with special attention to those age 60 and older.

- Hours and locations are:
- Alvin: Tuesdays and Thursdays 10 a.m. to 2 p.m.
 - Angleton: Wednesdays 1 p.m. to 5 p.m.
 - Brazoria: Tuesdays 1 p.m. to 5 p.m.
 - Freeport: Mondays 10 a.m. to 2 p.m. (Closed Feb. 18)
 - Lake Jackson: Thursdays 10 a.m. to 2 p.m.
 - Pearland: Wednesdays and Fridays 10 a.m. to 2 p.m.

The service is provided on a first-come, first-served basis, and those seeking assistance are asked to bring all available tax paperwork with them, including a copy of last year's tax returns,

W2 forms from each employer, unemployment compensation statements, 1099 forms, all receipts or canceled checks if itemizing deductions, and Social Security cards or other official documentation for

the taxpayer and all dependents.

For a list of AARP Tax-Aide locations throughout the Houston area, visit www.aarp.org/taxaide or call 1-888-AARPNOW (1-888-227-7669).

Master Gardeners to have annual tree sale

Brazoria County Master Gardeners Association celebrates home orchard production with over 1,000 citrus and fruit tree varieties for sale at their 13th Annual Citrus and Fruit Tree Sale from 8 to 11 a.m. Feb. 9 at the Brazoria County Fairgrounds, located at 901 S. Downing in Angleton.

Citrus, both standard and dwarf varieties, will include varieties of oranges, grapefruits, tangerines, satsumas, limes and lemons. Additional species include different varieties of blackberry, blueberry, apple, avocado, fig, peach, pear, persimmon and plum. Experts will be on hand to assist with tree

variety selection and care.

Come early for this popular annual county event. For more information, tree varieties offered, and detailed catalog with growing information, visit online: <https://txmg.org/brazoria/2019-citrus-fruit-tree-sale/>

DAMON From Page 1

of hand wash and hand balm. The board also received Thank You Cards as well as medallions and decorations made by students with 3D printers with the guidance of Technology Director, Mr. Goodman.

HOSPITAL From Page 1

Wright believes that interest rates on USDA loans remained at 4 percent for the quarter.

In other business, the hospital board approved moving the start of a seven-year tax abatement term for Phillips 66's new fractionator unit ahead one year.

Bob Adair of Phillips 66 said the project in the first year would be only 10-15 percent complete.

"The tax, as if we had no abatement, would be less than the payment of the tax," Adair said. "So in other words, it would be of no benefit to us. So, we ask you shift it one year."

FIRE From Page 1

hose in an attempt to put the fire out.

The Brazoria Volunteer Fire Department arrived at the scene first and started to put water on the fire immediately to keep the fire from spreading to the home. Sweeney Fire and Rescue, Jones Creek Volunteer Fire Department, Old Ocean Volunteer Fire Department and Lake Jackson Volunteer Fire Department all responded to a request for help at the scene. West Brazos EMS and the Brazoria County Sheriff's Department were also on the scene.

Ladders were placed in the garage to

gain access as well as outside to remove the gable vent. All mutual aid departments arrived and provided assistance with fire suppression, ventilation, salvage and overhaul, water supply and rehab.

The Brazoria County Sheriff's Department was on scene to document the damage for the incident. After the fire was extinguished crews removed all contents that were involved in the attic from the garage and placed them outside. There were no injuries and the fire was contained to the garage.

PHILLIPS CAFE From Page 1

Phillips 66 states that the three vendors, R&R, 421 Cafe, and Jay Cafe were chosen because the company wanted them to be establishments that were already delivering to the plant or they served the type of food that was suggested by an employee survey.

The onsite vendors have been awarded three year contracts with Phillips 66 and are required to have the proper insurance. Currently there is a turnaround in progress at the plant and it is especially busy due to the extra work going on. It was pointed out that operators have to eat their lunch onsite during this time. It is expected that the turnaround could be ongoing until the end of February.

Phillips 66 stated that they interviewed multiple

local vendors and tried to answer their questions before the final three were chosen. Complaints varied. Some of those that were voiced were: vendors could not get proper and timely answers to questions; not being contacted at all; not enough space to set up there; having to re-warm food once it was transported there; insurance too expensive; not enough space for a pizza oven; not enough general information provided.

City council members said that their hands were tied, could not interfere, and suggested that local restaurants should be patient since the Phillips 66 'Cafeteria' has only been in operation for two weeks and that if local restaurants do not see lunchtime business returning to nor-

mal in upcoming weeks, they might have to think 'outside the box' in order to increase business. This may include new marketing techniques or staying open on Sundays, etc.

The only other discussion at the city council meeting was provided by City Manager Cindy King when she announced that the City of Sweeney has obtained a new 20KW generator for use at the Cedar Street Lift Station. After Hurricane Harvey, the Department of Emergency Management received three applications from the City of Sweeney for a grant that would supply a generator. In addition to the generator awarded to the Lift Station, two applications were denied, one for the Community Center and one for the Senior Center.

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TRANSCRIPT
4Q 2018 EARNINGS
CONFERENCE CALL



PHILLIPS 66 (NYSE: PSX)
February 8, 2019 at 12 p.m. ET

PHILLIPS 66 PARTICIPANTS

Jeff Dietert, *Vice President, Investor Relations*

Greg C. Garland, *Chairman and Chief Executive Officer*

Kevin J. Mitchell, *Executive Vice President, Finance and Chief Executive Officer*

MEETING PARTICIPANTS

Phil Gresh, *JP Morgan*

Doug Terreson, *Evercore ISI*

Neil Mehta, *Goldman Sachs*

Blake Fernandez, *Piper Jaffray*

Roger Read, *Wells Fargo Securities*

Paul Sankey, *Mizuho Securities*

Paul Cheng, *Barclays Capital*

Kalei Akamine, *Bank of America Merrill Lynch*

Prashant Rao, *Citigroup*

Manav Gupta, *Credit Suisse*

Chris Sighinolfi, *Jefferies*

Jason Gabelman, *Cowen & Company*

Matthew Blair, *Tudor, Pickering, Holt and Company*

TRANSCRIPT

Operator:

Welcome to the Fourth Quarter 2018 Phillips 66 Earnings Conference Call. My name is Julie and I will be your Operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded.

I will now turn the call over to Jeff Dietert, Vice President, Investor Relations. Jeff, you may begin.

Jeff Dietert:

Good morning, and welcome to Phillips 66's Fourth Quarter Earnings Conference Call. Participants on today's call will include Greg Garland, Chairman and CEO, and Kevin Mitchell, Executive Vice President and CFO. The presentation materials we will be using during the call can be found on the Investor Relations section of the Phillips 66 website, along with supplemental financial and operating information.

Slide 2 contains our Safe Harbor statement. It is a reminder that we will be making forward-looking statements during the presentation and our Q&A. Actual results may differ materially from today's comments. Factors that could cause actual results to differ are included here, as well as in our SEC filings.

In order to allow everyone the opportunity to ask a question, we ask that you limit yourself to one question and one follow-up. If you have additional questions, we ask that you rejoin the queue.

With that, I'll turn the call over to Greg Garland for opening remarks.

Greg C. Garland:

Thanks, Jeff. Good morning, everyone, and thank you for joining us today. Phillips 66 delivered another quarter of strong operating performance and record-setting financial results for 2018. Adjusted earnings for the fourth quarter were a record \$2.3 billion, or \$4.87 per share, and we generated \$4.1 billion of operating cash flow. We rewarded our shareholders with strong distributions during the quarter, returning \$864 million through dividends and share repurchases. Refining operated at 99% capacity utilization and we sourced heavy Canadian crude and other advantaged crudes throughout our refining system to capture strong margins. In Midstream, we benefited from increased pipeline and terminal throughput across our integrated network.

For the year, adjusted earnings were \$5.6 billion, or \$11.71 per share. We generated \$7.6 billion of operating cash flow. The record financial performance in 2018 demonstrates our Refining portfolio's ability to run well and capture market opportunities. Marketing provided pull-through of our refined products to achieve record adjusted earnings. Also contributing to our strong results were the Midstream and Chemicals growth projects which were placed into service during the past two years.

In 2018, we increased the quarterly dividend 14% and repurchased 10% of the shares outstanding, resulting in \$6.1 billion of capital being returned to our shareholders. Since 2012, we returned \$22.5 billion to shareholders through dividends, share repurchases and exchanges, reducing our initial shares outstanding by 30%. Disciplined capital allocation is a priority and we're committed to a secure, competitive and growing dividend. As we look to 2019, we expect to deliver another double-digit dividend increase. Through our ongoing share repurchase program, we continue to buy shares when they trade below intrinsic value, as demonstrated by our fourth quarter pace of repurchases.

Phillips 66 Partners achieved its five-year 30% CAGR target. It also delivered industry-leading distribution growth since its IPO in 2013. With its scale, financial strength and project opportunities, PSXP is well positioned to fund and sustain organic programs to continue to drive EBITDA growth.

PHILLIPS 66 FOURTH QUARTER 2018 EARNINGS CALL TRANSCRIPT

We're investing in a robust portfolio of projects across our businesses, with attractive returns, to create shareholder value. The Gray Oak Pipeline will provide 900,000 barrels a day of crude oil transportation from the Permian and Eagle Ford to Texas Gulf Coast destinations, including our Sweeny Refinery. The project is supported by shipper commitments and is on schedule to be in service by the end of this year. Phillips 66 Partners is the operator and the largest owner. Gray Oak will connect with multiple terminals in Corpus Christi, including the South Texas Gateway Terminal, in which PSXP has a 25% ownership. The marine terminal will have two deep water docks, planned storage capacity of 6.5 million to 7 million barrels, and is expected to start up in mid-2020.

At the Sweeny Hub, we're building two 150,000-barrels-per-day NGL fractionators and adding 6 million barrels of storage at Phillips 66 Partners' Clemens Caverns. The hub will have 400,000 barrels per day of fractionation capacity and 15 million barrels of storage when the expansion is completed in late 2020. We continue to have strong interest from customers in additional fractionation expansion projects.

The growth in domestic crude production is expected to result in increased need for Gulf Coast exports. We're making investments at our Beaumont Terminal to capitalize on this opportunity. During the fourth quarter, we placed 1.3 million barrels of fully contracted new crude oil storage into service. This brings the terminal's total capacity to 14.6 million barrels. Construction is underway to further increase crude storage by 2.2 million barrels, with completion anticipated in early 2020.

DCP Midstream has a 25% interest in the Gulf Coast Express Pipeline Project and will transport approximately 2 billion cubic feet per day of natural gas from the Permian to Gulf Coast markets. Completion is expected in the fourth quarter of 2019. In the high-growth DJ Basin, DCP's O'Connor 2 plant is expected to begin operations in the second quarter of 2019.

CPChem's new Gulf Coast petrochemical assets are running well and generating strong free cash flow. A second Gulf Coast project that is expected to include both ethylene and derivatives capacity is under development. CPChem is also evaluating additional capacity increases across multiple product lines through debottleneck opportunities.

In Refining, we continue to focus on high-return projects to improve margins. We have an FCC upgrade project underway at Sweeny Refinery that will increase production of higher-value petrochemical products and higher-octane gasoline. This project is planned to be complete in the second quarter of 2020. During the fourth quarter, we completed crude unit modifications at our Lake Charles Refinery to run additional advantaged domestic crudes. Also at Lake Charles, Phillips 66 Partners is constructing a 25,000-barrels-per-day isom unit to increase production of higher-octane gasoline blend components. This unit is expected to be completed in the third quarter of this year.

As we move into 2019, we remain focused on operating excellence and executing our strong portfolio of growth projects. We're optimistic about the future opportunities across our businesses and will invest in projects with attractive returns. Disciplined capital allocation is fundamental to our strategy and we'll continue to return capital to shareholders through dividends and share buybacks.

With that, I'll turn the call over to Kevin to review the financials.

Kevin J. Mitchell:

Thank you, Greg. Hello, everyone. Starting with an overview on Slide 4, we summarize our financial results for the year. 2018 adjusted earnings were \$5.6 billion, or \$11.71 per share. We generated \$7.6 billion of operating cash flow, including \$2.9 billion in distributions from equity affiliates, with approximately \$1 billion each from CPChem and WRB. This is the highest annual earnings and operating cash flow we have delivered since our Company's inception. At the end of the fourth quarter, the net debt to capital ratio was 23%. Our return on capital employed for the year was 17%.

Slide 5 shows the change in cash during the year. We began the year with \$3.1 billion in cash on our balance sheet. Cash from operations, excluding the impact of working capital, was \$7.9 billion. Working capital changes reduced cash flow by \$300 million. We received \$1 billion from the net issuance of debt. During the year, we funded \$2.6 billion of capital expenditures and investments, paid dividends of \$1.4 billion, and repurchased \$4.7 billion of our shares, representing 10% of shares outstanding. Our ending cash balance was \$3 billion.



Serious Prospects

Company & Location	Project Description	Projected Construction Start & Finish Dates	Estimated New Capital Investment	Construction Workers at Peak	New Direct Company Jobs	Total Direct & Indirect New Jobs*
The Dow Chemical Co. Freeport	Polyethylene Plant	2020 – 2022	\$715 Million	900	40	130
Project Gold	Chemical Plant	2019 – 2020	\$80.5 Million	90	21	68
Project Dean	Blending & Repackaging Plant	Unknown	\$100 Million	Unknown	10	32
Project Next**	Chemical Plant	Unknown	\$800 Million	Unknown	400	1,300
Phillips 66 Old Ocean	Natural Gas Liquids Fractionator 4	2019 – 2021	\$500 Million	500	10	23
Praxair Sweeny	Hydrogen Plant	2019 – 2021	\$232.3 Million	300	10	23
INEOS Alvin – Chocolate Bayou	Ethylene Oxide/Glycol plant and three Alkoxylation plants	Unknown	\$1 Billion	Unknown	60	211
Texas COLT Freeport	Onshore / Offshore Crude Oil Loading Terminal	Unknown	\$1.9 Billion	Unknown	47	Unknown
TOTALS			\$5.2 Billion	1,700	577	1,719

~~**Project Gold**~~ Project is being removed because the plant is being built in Nevada.

* - As per the economic impact analysis' NAICS multipliers.

** - Formerly Project Hector.



April 17, 2019

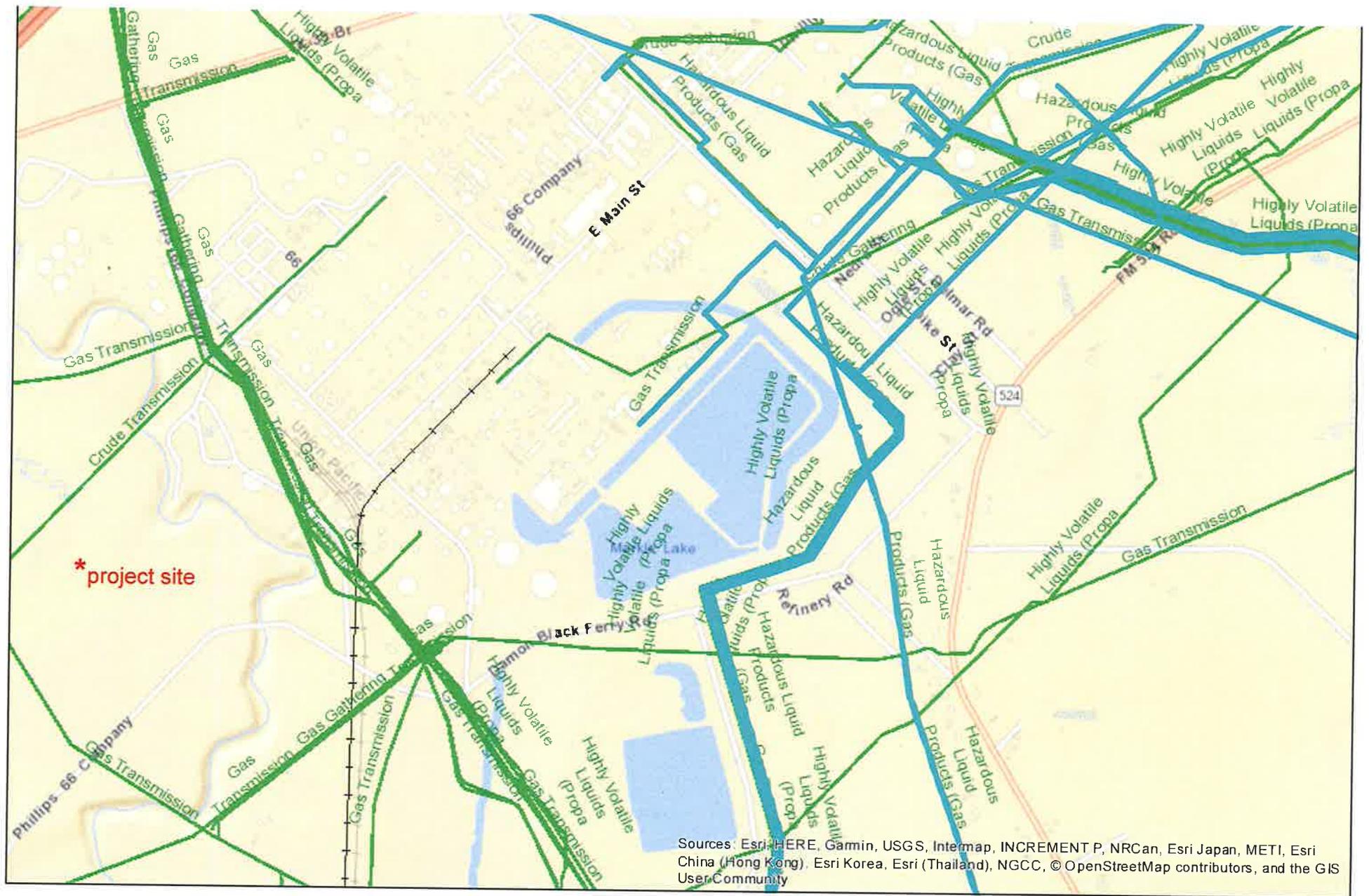
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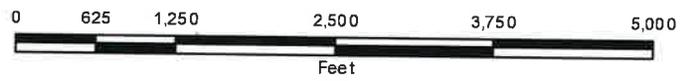


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