
SARA LEON

& ASSOCIATES, LLC

October 17, 2019

Via Electronic Mail: Tabita.Collazo@cpa.texas.gov

Tabita Collazo
Research Analyst
Economic Development & Local Government
Texas Comptroller of Public Accounts
111 E. 17th St.
Austin, Texas 78774

Re: Application #1336 – Barbers Hill Independent School District – Lone Star NGL Asset Holdings II LLC

Ms. Collazo:

The Barbers Hill Independent School District Board of Trustees approved the enclosed executed documents:

- Findings of the Barbers Hill Independent School District Board of Trustees; and
- Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes between Barbers Hill Independent School District and Lone Star NGL Asset Holdings II LLC.

A true and correct electronic copy of these documents are enclosed, and a physical copy with original signatures will be overnighted to your office. A copy is being provided to the Chambers County Appraisal District by copy of this correspondence.

Thank you so much for your attention to this matter.

Respectfully submitted,



Sara Hardner Leon

Enclosures

Austin • Houston • Corpus Christi

2901 Via Fortuna • Suite 475 • Austin, Texas 78746 • 512.637.4244 • saraleonlaw.com

cc: *Via Electronic Mail: mmccullough@chamberscad.org
Mr. Mitch McCullough, Chief Appraiser, Chambers County Appraisal District*

*Via Electronic Mail: megan.mckavanagh@energytransfer.com
Ms. Megan McKavanagh, Property Tax Manager, Energy Transfer Partners, LP*

*Via Electronic Mail: Mike@keatax.com
Mr. Mike Fry, Director of Energy Services, K.E. Andrews & Company*

*Via Electronic Mail: gpoole@bhisd.net
Dr. Greg Poole, Superintendent of Schools, Barbers Hill ISD*

*Via Electronic Mail: bmcmanus@bhisd.net
Ms. Rebecca McManus, Assistant Superintendent of Finance, Barbers Hill ISD*

FINDINGS
OF THE
BARBERS HILL INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
LONE STAR NGL ASSET HOLDINGS II LLC
TEXAS TAXPAYER ID #32044534082
APPLICATION #1336

September 23, 2019

FINDINGS OF THE BARBERS HILL INDEPENDENT SCHOOL DISTRICT BOARD OF
TRUSTEES UNDER THE TEXAS ECONOMIC DEVELOPMENT ACT ON THE
APPLICATION SUBMITTED BY LONE STAR NGL ASSET HOLDINGS II LLC

STATE OF TEXAS §
 §
COUNTY OF CHAMBERS §

On the 23rd day of September, 2019, a public meeting of the Board of Trustees of the Barbers Hill 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 Lone Star NGL Asset Holdings II LLC (Application #1336) 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 Barbers Hill Independent School District makes the following findings with respect to the Application of Lone Star NGL Asset Holdings II LLC #1336, and the economic impact of that Application:

On January 21, 2019, the Superintendent of Schools of the Barbers Hill Independent School District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts received an Application from Lone Star NGL Asset Holdings II LLC #1336 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://assets.comptroller.texas.gov/ch313/1336/barbers-1336-lone-app.pdf>

The Applicant, Lone Star NGL Asset Holdings II LLC (Taxpayer ID 32044534082) ("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 Chambers 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 March 1, 2019.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation on 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**.

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 Barbers Hill Independent School District. A copy of a report prepared by Education Service Center, Region 12 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 Barbers Hill 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/2018p/0360369021D.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 manufacturing.

Board Finding Number 2.

The Applicant's entire proposed investment in the Barbers Hill Independent School District is \$265,000,000—\$265,000,000 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 \$66,222 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 \$22,083,333 on the basis of the 12 new qualifying positions committed to by the Applicant for this project. The project's total investment is \$265,000,000, resulting in a relative level of investment per qualifying job of \$22,083,333.

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 (12 jobs) is consistent with industry standards in the manufacturing 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 Lone Star NGL Asset Holdings II LLC (modeled)						
Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	300	431	731	\$19,866,660	\$36,133,340	\$56,000,000
2020	312	496	808	\$20,661,326	\$45,338,674	\$66,000,000
2021	12	104	116	\$794,666	\$14,205,334	\$15,000,000
2022	12	66	78	\$794,666	\$10,205,334	\$11,000,000
2023	12	33	45	\$794,666	\$7,205,334	\$8,000,000
2024	12	19	31	\$794,666	\$5,205,334	\$6,000,000
2025	12	16	28	\$794,666	\$4,205,334	\$5,000,000
2026	12	20	32	\$794,666	\$4,205,334	\$5,000,000
2027	12	26	38	\$794,666	\$5,205,334	\$6,000,000
2028	12	34	46	\$794,666	\$6,205,334	\$7,000,000
2029	12	41	53	\$794,666	\$6,205,334	\$7,000,000
2030	12	48	60	\$794,666	\$7,205,334	\$8,000,000
2031	12	50	62	\$794,666	\$8,205,334	\$9,000,000
2032	12	52	64	\$794,666	\$8,205,334	\$9,000,000
2033	12	54	66	\$794,666	\$9,205,334	\$10,000,000
2034	12	55	67	\$794,666	\$9,205,334	\$10,000,000

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers 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:

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Estimated Total Property Taxes
			Tax Rate ¹				
			0.2698	1.0600		0.5425	
2020	\$20,000,000	\$20,000,000	\$53,960	\$212,000	\$265,960	\$108,510	\$374,470
2021	\$265,000,000	\$80,000,000	\$714,970	\$848,000	\$1,562,970	\$718,876	\$2,281,846
2022	\$257,050,000	\$80,000,000	\$693,521	\$848,000	\$1,541,521	\$697,310	\$2,238,831
2023	\$249,100,000	\$80,000,000	\$672,072	\$848,000	\$1,520,072	\$675,744	\$2,195,815
2024	\$241,150,000	\$80,000,000	\$650,623	\$848,000	\$1,498,623	\$654,177	\$2,152,800
2025	\$233,200,000	\$80,000,000	\$629,174	\$848,000	\$1,477,174	\$632,611	\$2,109,785
2026	\$225,250,000	\$80,000,000	\$607,725	\$848,000	\$1,455,725	\$611,045	\$2,066,769

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	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$212,000	\$212,000	\$0	\$0
Limitation Period (10 Years)	2021	\$848,000	\$1,060,000	\$1,961,000	\$1,961,000
	2022	\$848,000	\$1,908,000	\$1,876,730	\$3,837,730
	2023	\$848,000	\$2,756,000	\$1,792,460	\$5,630,190
	2024	\$848,000	\$3,604,000	\$1,708,190	\$7,338,380
	2025	\$848,000	\$4,452,000	\$1,623,920	\$8,962,300
	2026	\$848,000	\$5,300,000	\$1,539,650	\$10,501,950
	2027	\$848,000	\$6,148,000	\$1,455,380	\$11,957,330
	2028	\$848,000	\$6,996,000	\$1,371,110	\$13,328,440
	2029	\$848,000	\$7,844,000	\$1,286,840	\$14,615,280
	2030	\$848,000	\$8,692,000	\$1,202,570	\$15,817,850
Maintain Viable Presence (5 Years)	2031	\$1,966,300	\$10,658,300	\$0	\$15,817,850
	2032	\$1,882,030	\$12,540,330	\$0	\$15,817,850
	2033	\$1,797,760	\$14,338,090	\$0	\$15,817,850
	2034	\$1,713,490	\$16,051,580	\$0	\$15,817,850
	2035	\$1,629,220	\$17,680,800	\$0	\$15,817,850
Additional Years as Required by § 313.026(c)(1) (10 Years)	2036	\$1,544,950	\$19,225,750	\$0	\$15,817,850
	2037	\$1,460,680	\$20,686,430	\$0	\$15,817,850
	2038	\$1,376,410	\$22,062,840	\$0	\$15,817,850
	2039	\$1,292,140	\$23,354,980	\$0	\$15,817,850
	2040	\$1,207,870	\$24,562,850	\$0	\$15,817,850
	2041	\$1,123,600	\$25,686,450	\$0	\$15,817,850
	2042	\$1,039,330	\$26,725,780	\$0	\$15,817,850
	2043	\$955,060	\$27,680,840	\$0	\$15,817,850
	2044	\$870,790	\$28,551,630	\$0	\$15,817,850
	2045	\$786,520	\$29,338,150	\$0	\$15,817,850

\$29,338,150	is greater than	\$15,817,850
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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 Lone Star NGL Asset Holdings II 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 Lone Star NGL Asset Holdings II LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Frac VIII Plant economics. Approval of such agreement will be an influential factor in determining the establishment of the plant, especially since there are multiple other potential projects presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.”
 - B. “The vast footprint of ETC provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. In the event a 313 agreement is not permitted, Energy Transfer will relocate Frac VIII to another area more financially viable for the continuation of this project. Unfortunately, this would also dismiss Chambers County from receiving the economic benefits associated with the development of an additional natural gas processing plant within their county. It is our goal to reach a 313 value limitation agreement for Frac VIII for the benefit of both Chambers County, Texas, and Energy Transfer.”
- On November 13, 2018 in the 2018 ET RBC Conference Presentation Energy Transfer stated “Lone Star is the fastest growing NGLs business in Mont Belvieu. Fracs I through V in-service. Fracs VI and VII expected in-service Q1 2019 and Q1 2020, respectively. Plot plan in place for additional Frac on existing footprint (7 fractionators in Total) ... ET’s Lone Star presence in Mont Belvieu combined with its Nederland terminal provide opportunities for multiple growth projects.”
- On November 7, 2018 in a press release Energy Transfer stated “The company maintains a leading position for NGL fractionation, and with the completion of Fractionators VI and VII, Lone Star will be capable of fractionating over 900,000 barrels per day at Mont Belvieu supported by long-term fee-based agreements. In addition, Lone Star announced today that it will expand the Lone Star Express Pipeline ... This new pipeline will provide capacity for the significant transportation commitments Lone Star has secured from the Delaware and Permian Basins.”
- On November 8, 2018 Pipeline & Gas Journal reported that “Energy Transfer’s Lone Star NGL subsidiary will expand the Lone Star Express Pipeline ... the projects will connect constrained production from the Delaware and Permian Basins to Lone Star’s rapidly expanding Mont Belvieu complex, where the seventh fractionator will add 150,000 bpd of

capacity.”

- The qualified property for the Fractionator VIII (Application #1336) will be placed next to the qualified property of Fractionator IV (Application #1034) and adjacent to the qualified property of Fractionator VII (Application #1298). The qualified property of Fractionator V (Application #1035) was placed to the right of Fractionator IV and adjacent to both the qualified property of Fractionator III (Application #1016) and Fractionator VII. Fractionators III-V are in service. Commercial operations for Fractionators VI-VIII are estimated to begin on Q1 2019, Q1 2020, and Q4 2020, respectively. (See attached map provided by the Comptroller)

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 Barbers Hill Independent School District hired consultants to review and verify the information in Application #1336. 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 \$80 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 32044534082) 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.

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 Barbers Hill 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 Barbers Hill Independent School District.

Dated the 23rd day of September, 2019.

BARBERS HILL INDEPENDENT SCHOOL DISTRICT

By:



George Barrera
President, Board of Trustees

ATTEST:

By:



Cynthia Erwin
Secretary, Board of Trustees

Findings and Order of the Barbers Hill Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Lone Star NGL Asset Holdings II LLC (Tax ID 32044534082) (Application #1336)

EXHIBIT A

Comptroller's Economic Impact Analysis



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

April 10, 2019

Dr. Greg Poole
Superintendent
Barbers Hill Independent School District
P.O. Box 1108
Mont Belvieu, Texas 77580-1108

Re: Certificate for Limitation on Appraised Value of Property for School District
Maintenance and Operations taxes by and between Barbers Hill Independent School
District and Lone Star NGL Asset Holdings II, LLC, Application 1336

Dear Superintendent Poole:

On March 1, 2019, the Comptroller issued written notice that Lone Star NGL Asset Holdings II, LLC (applicant) submitted a completed application (Application 1336) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on January 21, 2019, to the Barbers Hill 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 B; 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 1336.

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 B.

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 March 1, 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,

A handwritten signature in blue ink that reads "Lisa Craven". The signature is fluid and cursive, with the first name "Lisa" and last name "Craven" clearly distinguishable.

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Lone Star NGL Asset Holdings II, LLC (project) applying to Barbers Hill 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 Lone Star NGL Asset Holdings II, LLC.

Applicant	Lone Star NGL Asset Holdings II, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2017-2018 Average Daily Attendance	5,117
County	Chambers
Proposed Total Investment in District	\$265,000,000
Proposed Qualified Investment	\$265,000,000
Limitation Amount	\$80,000,000
Qualifying Time Period (Full Years)	2020-2021
Number of new qualifying jobs committed to by applicant	12*
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	\$1,214
Minimum annual wage required for non-qualifying jobs	\$63,103
Investment per Qualifying Job	\$22,083,333
Estimated M&O levy without any limit (15 years)	\$31,869,430
Estimated M&O levy with Limitation (15 years)	\$16,051,580
Estimated gross M&O tax benefit (15 years)	\$15,817,850

* 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 Lone Star NGL Asset Holdings II, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	300	431	731	\$19,866,660	\$36,133,340	\$56,000,000
2020	312	496	808	\$20,661,326	\$45,338,674	\$66,000,000
2021	12	104	116	\$794,666	\$14,205,334	\$15,000,000
2022	12	66	78	\$794,666	\$10,205,334	\$11,000,000
2023	12	33	45	\$794,666	\$7,205,334	\$8,000,000
2024	12	19	31	\$794,666	\$5,205,334	\$6,000,000
2025	12	16	28	\$794,666	\$4,205,334	\$5,000,000
2026	12	20	32	\$794,666	\$4,205,334	\$5,000,000
2027	12	26	38	\$794,666	\$5,205,334	\$6,000,000
2028	12	34	46	\$794,666	\$6,205,334	\$7,000,000
2029	12	41	53	\$794,666	\$6,205,334	\$7,000,000
2030	12	48	60	\$794,666	\$7,205,334	\$8,000,000
2031	12	50	62	\$794,666	\$8,205,334	\$9,000,000
2032	12	52	64	\$794,666	\$8,205,334	\$9,000,000
2033	12	54	66	\$794,666	\$9,205,334	\$10,000,000
2034	12	55	67	\$794,666	\$9,205,334	\$10,000,000

Source: CPA REMI, Lone Star NGL Asset Holdings II, 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		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.2698	1.0600		0.5425	
2020	\$20,000,000	\$20,000,000		\$53,960	\$212,000	\$265,960	\$108,510	\$374,470
2021	\$265,000,000	\$265,000,000		\$714,970	\$2,809,000	\$3,523,970	\$1,437,752	\$4,961,722
2022	\$257,050,000	\$257,050,000		\$693,521	\$2,724,730	\$3,418,251	\$1,394,620	\$4,812,871
2023	\$249,100,000	\$249,100,000		\$672,072	\$2,640,460	\$3,312,532	\$1,351,487	\$4,664,019
2024	\$241,150,000	\$241,150,000		\$650,623	\$2,556,190	\$3,206,813	\$1,308,355	\$4,515,167
2025	\$233,200,000	\$233,200,000		\$629,174	\$2,471,920	\$3,101,094	\$1,265,222	\$4,366,316
2026	\$225,250,000	\$225,250,000		\$607,725	\$2,387,650	\$2,995,375	\$1,222,089	\$4,217,464
2027	\$217,300,000	\$217,300,000		\$586,275	\$2,303,380	\$2,889,655	\$1,178,957	\$4,068,612
2028	\$209,350,000	\$209,350,000		\$564,826	\$2,219,110	\$2,783,936	\$1,135,824	\$3,919,761
2029	\$201,400,000	\$201,400,000		\$543,377	\$2,134,840	\$2,678,217	\$1,092,692	\$3,770,909
2030	\$193,450,000	\$193,450,000		\$521,928	\$2,050,570	\$2,572,498	\$1,049,559	\$3,622,057
2031	\$185,500,000	\$185,500,000		\$500,479	\$1,966,300	\$2,466,779	\$1,006,427	\$3,473,206
2032	\$177,550,000	\$177,550,000		\$479,030	\$1,882,030	\$2,361,060	\$963,294	\$3,324,354
2033	\$169,600,000	\$169,600,000		\$457,581	\$1,797,760	\$2,255,341	\$920,161	\$3,175,502
2034	\$161,650,000	\$161,650,000		\$436,132	\$1,713,490	\$2,149,622	\$877,029	\$3,026,651
			Total	\$8,111,672	\$31,869,430	\$39,981,102	\$16,311,977	\$56,293,079

Source: CPA, Lone Star NGL Asset Holdings II, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers 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		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill ISD M&O and I&S Tax Levies	Chambers County Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.2698	1.0600		0.5425	
2020	\$20,000,000	\$20,000,000		\$53,960	\$212,000	\$265,960	\$108,510	\$374,470
2021	\$265,000,000	\$80,000,000		\$714,970	\$848,000	\$1,562,970	\$718,876	\$2,281,846
2022	\$257,050,000	\$80,000,000		\$693,521	\$848,000	\$1,541,521	\$697,310	\$2,238,831
2023	\$249,100,000	\$80,000,000		\$672,072	\$848,000	\$1,520,072	\$675,744	\$2,195,815
2024	\$241,150,000	\$80,000,000		\$650,623	\$848,000	\$1,498,623	\$654,177	\$2,152,800
2025	\$233,200,000	\$80,000,000		\$629,174	\$848,000	\$1,477,174	\$632,611	\$2,109,785
2026	\$225,250,000	\$80,000,000		\$607,725	\$848,000	\$1,455,725	\$611,045	\$2,066,769
2027	\$217,300,000	\$80,000,000		\$586,275	\$848,000	\$1,434,275	\$589,478	\$2,023,754
2028	\$209,350,000	\$80,000,000		\$564,826	\$848,000	\$1,412,826	\$567,912	\$1,980,738
2029	\$201,400,000	\$80,000,000		\$543,377	\$848,000	\$1,391,377	\$546,346	\$1,937,723
2030	\$193,450,000	\$80,000,000		\$521,928	\$848,000	\$1,369,928	\$524,780	\$1,894,708
2031	\$185,500,000	\$185,500,000		\$500,479	\$1,966,300	\$2,466,779	\$1,006,427	\$3,473,206
2032	\$177,550,000	\$177,550,000		\$479,030	\$1,882,030	\$2,361,060	\$963,294	\$3,324,354
2033	\$169,600,000	\$169,600,000		\$457,581	\$1,797,760	\$2,255,341	\$920,161	\$3,175,502
2034	\$161,650,000	\$161,650,000		\$436,132	\$1,713,490	\$2,149,622	\$877,029	\$3,026,651
			Total	\$8,111,672	\$16,051,580	\$24,163,252	\$10,093,699	\$34,256,951
			Diff	\$0	\$15,817,850	\$15,817,850	\$6,218,278	\$22,036,128
Assumes School Value Limitation and Tax Abatements with the County.								

Source: CPA, Lone Star NGL Asset Holdings II, 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 Lone Star NGL Asset Holdings II, 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	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$212,000	\$212,000	\$0	\$0
Limitation Period (10 Years)	2021	\$848,000	\$1,060,000	\$1,961,000	\$1,961,000
	2022	\$848,000	\$1,908,000	\$1,876,730	\$3,837,730
	2023	\$848,000	\$2,756,000	\$1,792,460	\$5,630,190
	2024	\$848,000	\$3,604,000	\$1,708,190	\$7,338,380
	2025	\$848,000	\$4,452,000	\$1,623,920	\$8,962,300
	2026	\$848,000	\$5,300,000	\$1,539,650	\$10,501,950
	2027	\$848,000	\$6,148,000	\$1,455,380	\$11,957,330
	2028	\$848,000	\$6,996,000	\$1,371,110	\$13,328,440
	2029	\$848,000	\$7,844,000	\$1,286,840	\$14,615,280
	2030	\$848,000	\$8,692,000	\$1,202,570	\$15,817,850
Maintain Viable Presence (5 Years)	2031	\$1,966,300	\$10,658,300	\$0	\$15,817,850
	2032	\$1,882,030	\$12,540,330	\$0	\$15,817,850
	2033	\$1,797,760	\$14,338,090	\$0	\$15,817,850
	2034	\$1,713,490	\$16,051,580	\$0	\$15,817,850
	2035	\$1,629,220	\$17,680,800	\$0	\$15,817,850
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	\$1,544,950	\$19,225,750	\$0	\$15,817,850
	2037	\$1,460,680	\$20,686,430	\$0	\$15,817,850
	2038	\$1,376,410	\$22,062,840	\$0	\$15,817,850
	2039	\$1,292,140	\$23,354,980	\$0	\$15,817,850
	2040	\$1,207,870	\$24,562,850	\$0	\$15,817,850
	2041	\$1,123,600	\$25,686,450	\$0	\$15,817,850
	2042	\$1,039,330	\$26,725,780	\$0	\$15,817,850
	2043	\$955,060	\$27,680,840	\$0	\$15,817,850
	2044	\$870,790	\$28,551,630	\$0	\$15,817,850
	2045	\$786,520	\$29,338,150	\$0	\$15,817,850

\$29,338,150

is greater than

\$15,817,850

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, Lone Star NGL Asset Holdings II, LLC

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

Attachment C – Limitation as a Determining Factor

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

Methodology

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

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

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Lone Star NGL Asset Holdings II 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 Lone Star NGL Asset Holdings II LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Frac VIII Plant economics. Approval of such agreement will be an influential factor in determining the establishment of the plant, especially since there are multiple other potential projects presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.”
 - B. “The vast footprint of ETC provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. In the event a 313 agreement is not permitted, Energy Transfer will relocate Frac VIII to another area more financially viable for the continuation of this project. Unfortunately, this would also dismiss Chambers County from receiving the economic benefits associated with the development of an additional natural gas processing plant within their county. It is our goal to reach a 313 value limitation agreement for Frac VIII for the benefit of both Chambers County, Texas, and Energy Transfer.”
- On November 13, 2018 in the *2018 ET RBC Conference Presentation* Energy Transfer stated “Lone Star is the fastest growing NGLs business in Mont Belvieu. Fracs I through V in-service. Fracs VI and VII expected in-service Q1 2019 and Q1 2020, respectively. Plot plan in place for additional Frac on existing footprint (7 fractionators in Total)... ET’s Lone Star presence in Mont Belvieu combined with its Nederland terminal provide opportunities for multiple growth projects.”
- On November 7, 2018 in a press release Energy Transfer stated “The company maintains a leading position for NGL fractionation, and with the completion of Fractionators VI and VII, Lone Star will be

capable of fractionating over 900,000 barrels per day at Mont Belvieu supported by long-term fee-based agreements. In addition, Lone Star announced today that it will expand the Lone Star Express Pipeline... This new pipeline will provide capacity for the significant transportation commitments Lone Star has secured from the Delaware and Permian Basins."

- On November 8, 2018 Pipeline & Gas Journal reported that "Energy Transfer's Lone Star NGL subsidiary will expand the Lone Star Express Pipeline... the projects will connect constrained production from the Delaware and Permian Basins to Lone Star's rapidly expanding Mont Belvieu complex, where the seventh fractionator will add 150,000 bpd of capacity."
- The qualified property for the Fractionator VIII (Application #1336) will be placed next to the qualified property of Fractionator IV (Application #1034) and adjacent to the qualified property of Fractionator VII (Application #1298). The qualified property of Fractionator V (Application #1035) was placed to the right of Fractionator IV and adjacent to both the qualified property of Fractionator III (Application #1016) and Fractionator VII. Fractionators III-V are in service. Commercial operations for Fractionators VI-VIII are estimated to begin on Q1 2019, Q1 2020, and Q4 2020, respectively. (See attached map provided by the Comptroller)

Supporting Information

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

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

Supporting Information

Section 8 of the Application for
a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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



Tab 5

Limitation as a Determining Factor

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

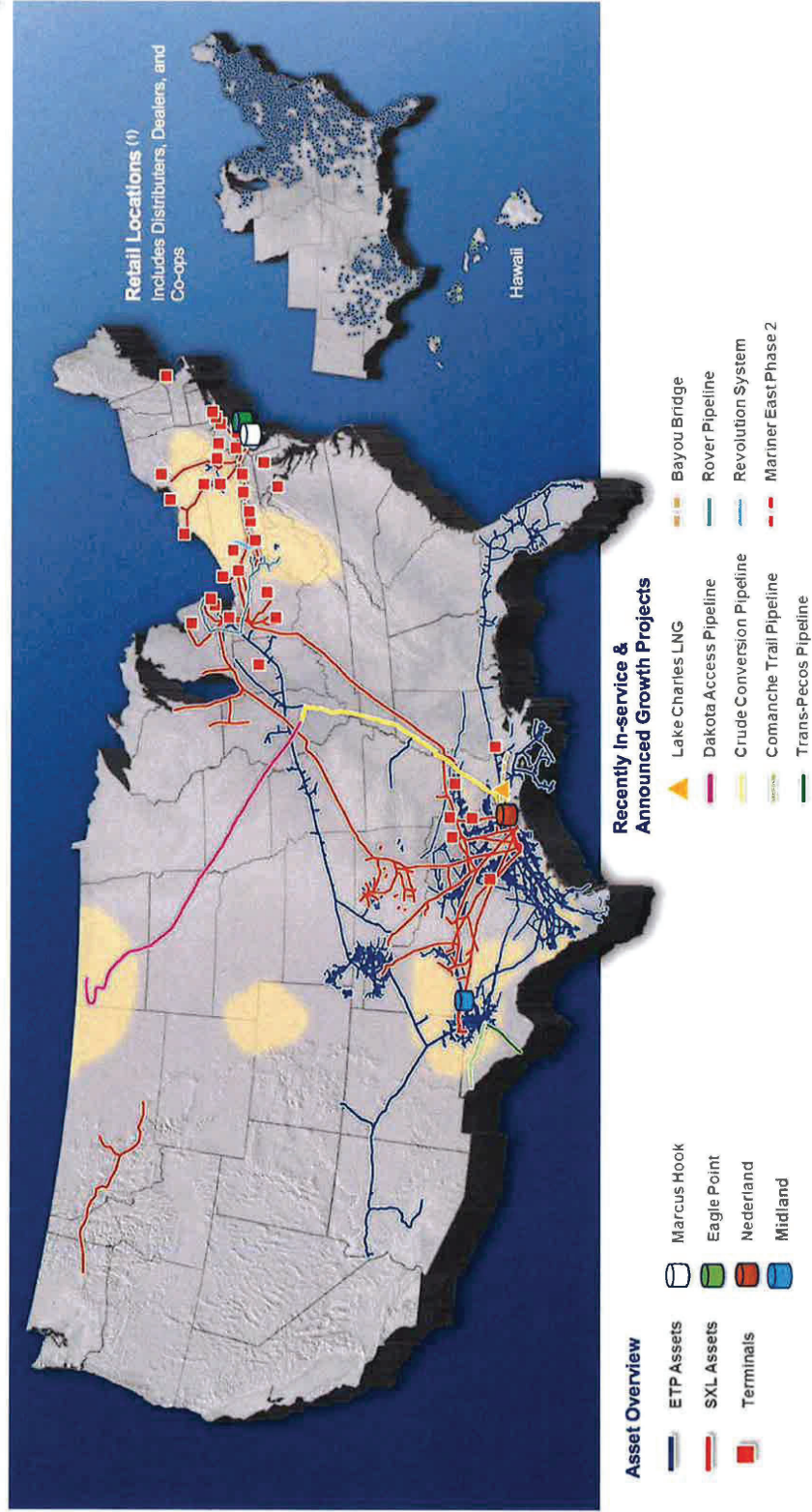
As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Frac VIII Plant economics. Approval of such agreement will be an influential factor in determining the establishment of the plant, especially since there are multiple other potential projects presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico where similar property tax incentives such as the following are also offered:

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

The vast footprint of ETC provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation. In the event a 313 agreement is not permitted, Energy Transfer will relocate Frac VIII to another area more financially viable for the continuation of this project. Unfortunately, this would also dismiss Chambers County from receiving the economic benefits associated with the development of an additional natural gas processing plant within their county. It is our goal to reach a 313 value limitation agreement for Frac VIII for the benefit of both Chambers County, Texas, and Energy Transfer.



SIGNIFICANT GEOGRAPHIC FOOTPRINT ACROSS THE FAMILY



(1) Represents Sunoco LP retail locations. On April 6, 2017, Sunoco LP announced the partnership will be divesting approximately 1,100 convenience stores to 7-Eleven. Sunoco LP is currently marketing another 207 convenience stores in North and West Texas, New Mexico and Oklahoma. SUN plans to exit the company-operated convenience store business in the Continental United States during 2017.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

**Press Release****Energy Transfer to Construct Seventh Fractionation Facility and Expand Lone Star Express Pipeline, Connecting the Constrained Delaware and Permian Basins to Mont Belvieu**

Fractionator VII is fully supported by long-term demand fee-based contracts

24-inch Lone Star Express Expansion will provide the necessary capacity for both current and future transportation commitments out of the Delaware and Permian Basins

DALLAS--(BUSINESS WIRE)--Nov. 7, 2018-- **Energy Transfer LP (NYSE: ET)** today announced that its subsidiary, Lone Star NGL LLC ("Lone Star"), will construct a seventh natural gas liquids (NGL) fractionation facility at Mont Belvieu, Texas. Fractionator VII is scheduled to be operational in the first quarter of 2020. The 150,000 barrel per day fractionator is fully subscribed by multiple long-term contracts and will provide the much needed capacity required to supplement incremental fractionation demand in excess of volumes feeding Fractionators I through VI.

Lone Star's Fractionator V, which was placed in service in July 2018, is fully contracted with long-term commitments and is operating at full capacity. Lone Star's Fractionator VI is currently under construction and is now expected to be in service during the first quarter of 2019, ahead of schedule. Fractionator VI is also fully contracted with long-term commitments and will have a capacity of 150,000 barrels per day. The company maintains a leading position for NGL fractionation, and with the completion of Fractionators VI and VII, Lone Star will be capable of fractionating over 900,000 barrels per day at Mont Belvieu supported by long-term fee-based agreements.

In addition, Lone Star announced today that it will expand the Lone Star Express Pipeline by adding a new 352-mile, 24-inch pipeline extending from Lone Star's pipeline system near Wink, Texas to Lone Star Express' 30-inch pipeline south of Fort Worth, Texas. This new pipeline will provide capacity for the significant transportation commitments Lone Star has secured from the Delaware and Permian Basins. This new pipeline is expected to be in service by early in the fourth quarter of 2020.

About Energy Transfer

Energy Transfer LP (NYSE: ET) owns and operates one of the largest and most diversified portfolios of energy assets in the United States, with a strategic footprint in all of the major domestic production basins. ET is a publicly traded limited partnership with core operations that include complementary natural gas midstream, intrastate and interstate transportation and storage assets; crude oil, natural gas liquids (NGL) and refined product transportation and terminalling assets; NGL fractionation; and various acquisition and marketing assets. ET, through its ownership of Energy Transfer Operating, L.P., formerly known as Energy Transfer Partners, L.P., also owns Lake Charles LNG Company, as well as the general partner interests, the incentive distribution rights and 28.5 million common units of Sunoco LP (NYSE: SUN), and the general partner interests and 39.7 million common units of USA Compression Partners, LP (NYSE: USAC). For more information, visit the Energy Transfer website at www.energytransfer.com.

Forward-Looking Statements

This press release may include certain statements concerning expectations for the future that are forward-looking statements as defined by federal law. Such forward-looking statements are subject to a variety of known and unknown risks, uncertainties, and other factors that are difficult to predict and many of which are beyond management's control. An extensive list of factors that can affect future results are discussed in the Partnership's Annual Report on Form 10-K and other documents filed from time to time with the Securities and Exchange Commission. The Partnership undertakes no obligation to update or revise any forward-looking statement to reflect new information or events.

The information contained in this press release is available on our website at energytransfer.com.

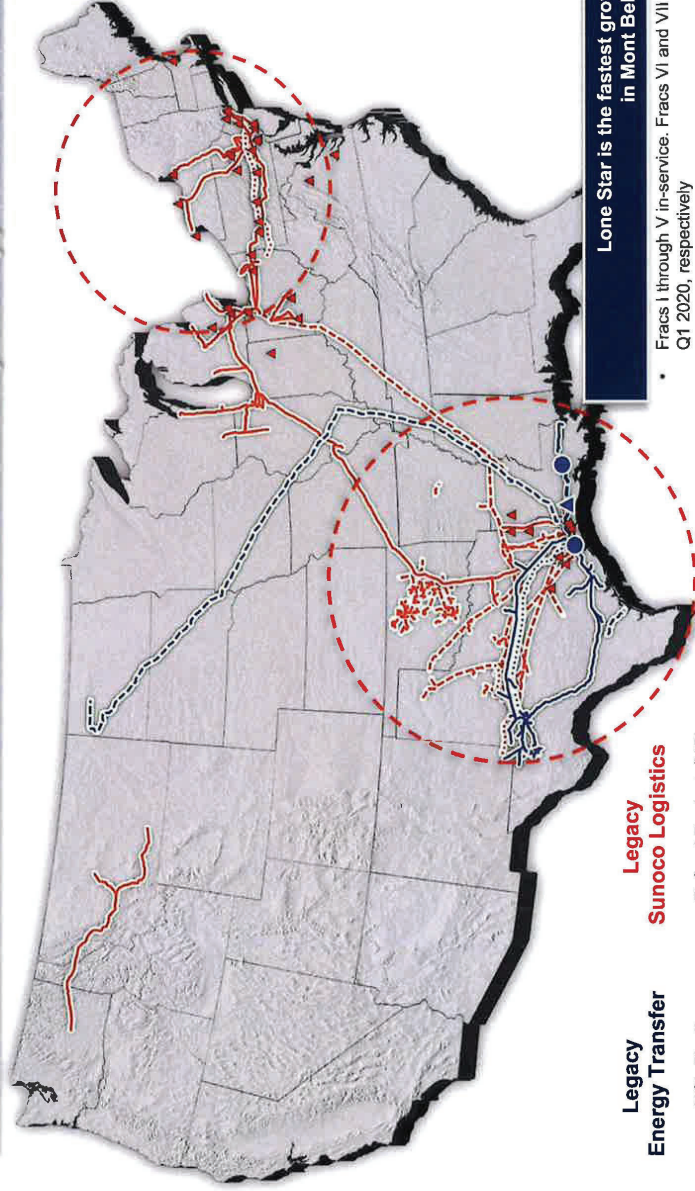
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Source: Energy Transfer LP

Energy Transfer
Investor Relations:
William Baerg, Brent Ratliff, Lyndsay Hannah, 214-981-0795
or
Media Relations:
Vicki Granado, 214-840-5820

FULLY INTEGRATED MIDSTREAM/LIQUIDS PLATFORM ACROSS NORTH AMERICA

The ability to integrate an end-to-end liquids solution will better serve customers and alleviate bottlenecks currently faced by producers



Marcus Hook: The future Mont Belvieu of the North

- 800 acre site: inbound and outbound pipeline along with infrastructure connectivity
- Logistically and financially advantaged for exports being 1,500 miles closer to Europe, significantly reducing shipping cost.
- Advantaged to local and regional markets
- No ship channel restriction, compared to the Houston Ship Channel
- 4 seaborne export docks can accommodate VLGC sized vessels
- ET's Rover, Revolution and Mariner East systems provide long-term growth potential

Lone Star is the fastest growing NGLs business in Mont Belvieu

- Fracs I through V in-service. Fracs VI and VII expected in-service Q1 2019 and Q1 2020, respectively
- Plot plan in place for an additional Frac on existing footprint (7 fractionators in total)
- Total Frac capacity potentially 800,000 bpd
- ~2,000 miles of NGL pipelines with fully-expanded capacity of ~1,300,000 bpd
- Storage capacity of 53 millions barrels
- ~200,000 bpd LPG export terminal
- ET's Lone Star presence in Mont Belvieu combined with its Nederland terminal provide opportunities for multiple growth projects
- Potential ethane and ethylene projects delivering Lone Star fractionated products to Nederland for export

(1) Via joint ventures

Pipeline & Gas Journal

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Energy Transfer to Expand Lone Star Express Pipeline, Add Fractionator

11/8/2018

Energy Transfer's Lone Star NGL subsidiary will expand the Lone Star Express Pipeline with a new 352-mile pipeline from West Texas and construct another Gulf Coast fractionation facility to meet growing demand, the company said.



**ENERGY
TRANSFER**

The projects will connect constrained production from the Delaware and Permian Basins to Lone Star's rapidly expanding Mont Belvieu complex, where its seventh fractionator will add 150,000 bpd of capacity.

The Lone Star Express Pipeline expansion will be a 24-inch pipeline that connects Lone Star's pipeline system with its 30-inch pipeline south of Fort Worth. Energy Transfer said the expansion will provide capacity for "significant transportation commitments Lone Star has secured from the Delaware and Permian Basins." It is expected to be in service by the fourth quarter of 2020.

Lone Star Express Pipeline is a 532-mile interstate system consisting of 24-inch and 30-inch long-haul, mixed NGLs transportation pipeline that can deliver up to 507,000 Bbls/d of capacity from processing plants in the Permian Basin and Barnett Shale to Mont Belvieu NGL storage and fractionation facilities.

Lone Star's announced Fractionator VII is scheduled to be operational in the first quarter of 2020. Energy Transfer said its 150,000 bpd of capacity has already been fully subscribed by multiple long-term contracts and will provide "the much needed capacity required to supplement incremental fractionation demand in excess of volumes feeding Fractionators I through VI."

Lone Star's fifth fractionator was placed in service in July 2018 and is operating at full capacity. Its sixth Mont Belvieu fractionator is currently under construction and is expected to be in service during the first quarter of 2019, ahead of schedule. Fractionator VI is also fully contracted with long-term commitments and will have a capacity of 150,000 barrels per day, the company said.

With the completion of Fractionators VI and VII, Lone Star said it will be capable of fractionating over 900,000 bd at Mont Belvieu supported by long-term fee-based agreements.

Related News

- Mass. Budgets Statewide Review of Natural Gas Systems (</news/2019/04-apr/mass-budgets-statewide-review-of-natural-gas-systems>)

4/2/2019

Energy Transfer to Expand Lone Star Express Pipeline, Add Fractionator | Pipeline & Gas Journal

- Trump Signs New Permission for Keystone XL Pipeline (</news/2019/04-apr/trump-signs-new-permission-for-keystone-xl-pipeline>)
- Denmark Asks Nord Stream 2 to Assess Third Route Option for Gas Pipeline (</news/2019/03-mar/denmark-asks-nord-stream-2-to-assess-third-route-option-for-gas-pipeline>)
- NextDecade to Make Major Announcement at LNG2019 (</news/2019/03-mar/nextdecade-to-make-major-announcement-at-lng2019>)
- Michigan Governor Halts Great Lakes Oil Pipeline Tunnel (</news/2019/03-mar/michigan-governor-halts-great-lakes-oil-pipeline-tunnel>)
- ACLU Challenges South Dakota Pipeline Protest Legislation (</news/2019/03-mar/aclu-challenges-south-dakota-pipeline-protest-legislation>)



Findings and Order of the Barbers Hill Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Lone Star NGL Asset Holdings II LLC (Tax ID 32044534082) (Application #1336)

EXHIBIT B

**Summary of Financial Impact on
Barbers Hill Prepared by
Education Service Center, Region 12**

**SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED
LONE STAR NGL ASSET HOLDINGS II, LLC. PROJECT
(APPLICATION #1336)
ON THE FINANCES OF
BARBERS HILL INDEPENDENT SCHOOL DISTRICT
UNDER A REQUESTED
CHAPTER 313 APPRAISED VALUE LIMITATION**

**PREPARED BY
EDUCATION SERVICE CENTER, REGION 12
AUGUST 22, 2019**

Introduction

Lone Star Asset Holdings II, LLC (“Lone Star” or “Company”) has submitted an application to the Barbers Hill Independent School District (“BHISD” or “District”) requesting a property value limitation on a proposed project, located within the school district boundaries, under Chapter 313 of the Texas Tax Code. The proposed project is a new natural gas liquid (NGL) fractionator Chambers County, TX. The company estimates that the total investment in this project will be in excess of \$260 million.

Local government entities in Texas, including school districts, rely heavily on the ad valorem property tax to fund operations and building projects. Thus, the property tax burden that Texas imposes on individuals and business entities is higher compared to most other states. Seeking to encourage economic development and to attract large scale capital investment, the 77th Texas Legislature in 2001 enacted House Bill 1200 creating Tax Code Chapter 313, the Texas Economic Development Act. The act as amended by the legislature in 2007, 2009, and 2013 now grants eligibility to companies engaging in manufacturing, advanced clean energy projects, research and development, clean coal projects, renewable electric energy generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation and a computer center used primarily in connection to one of the other categories, or a Texas Priority Project. Under the provisions of this law, the Barbers Hill Independent School District may grant a value limitation for maintenance and operation taxes in the amount of \$80 million dollars for a period of ten years.

The application calls for the project to be fully taxable for both M&O (maintenance and operation) and I&S (interest and sinking) during the 2019-20 and 2020-21 school years. Beginning with the 2021-22 school year, the value of the project would be limited to \$80 million for M&O tax purposes and remain limited through the 2030-31 school year. The full value of the project will be taxable for debt service purposes using the I&S tax rate in all years of the agreement.

Revenue Protection Payment to Barbers Hill ISD -	\$1,831,500
Supplemental Payments to Barbers Hill ISD -	\$7,403,987
Total Revenue to Barbers Hill ISD	<u>\$9,235,487</u>
 Total Tax Savings to Company after all Payments -	 <u>\$5,537,788</u>

School Finance Mechanics

The Texas system of public-school funding 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. As a result of House Bill 3, as passed by the 86th Texas Legislature, signed into law, and effective in relevant part, on September 1, 2019, State funding is calculated using current year property value, which is a significant change from prior law which has relied on prior year values as certified by the Comptroller's Property Tax Division (CPTD), since 1993. However, for the purposes of districts with Tax Code Chapter 313 agreements and in accordance with Sec. 48.256 – LOCAL SHARE OF PROGRAM COST (TIER I), Subsection d - *A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district's taxable value of property for the preceding tax year.*

Texas school districts are funded by some 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. Local M&O collections at the compressed tax rate generate Tier I funding. In 2019-20, a school district's Tier I revenue is the greater of the adjusted minimum target revenue amount or the state share of Tier 1 plus local M&O collections at the compressed rate. The Tier 1 formulas start with a Basic Allotment per student of \$6,160. Funding calculations use the number of students in average daily attendance, the number of students who participate in categorical/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 current year 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.

Barbers Hill ISD is a relatively property wealthy district per student and so most of its M&O revenue is generated from local ad valorem property taxes. In attempting to provide some degree of funding equity among school districts, the formulas provide guaranteed yields for both Tier I (formula funding) and for Tier II (enrichment). For those districts that generate local revenue in excess of entitlement amounts, the excess revenue is recaptured. Under prior law, recapture was a function of excess property wealth per weighted student. The system continues to rely on both golden (greater of 96th percentile of wealth up to 160% of basic allotment) and copper (equalized up to \$49.28/WADA) enrichment pennies (Tier II tax rate). Under HB 3, districts can access up to 8 golden pennies. Copper pennies will be compressed in manner that generates the same revenue for the compressed number of pennies as were taxed under old law.

BHISD currently has property wealth per weighted ADA that is more than the second equalized wealth level at \$825,449 per weighted ADA. Under prior law, BHISD was considered a Chapter 41 district and would have paid recapture. The implementation of

HB 3, is not expected to alter Barbers Hill's status in terms of being required to pay recapture. Lone Star is requesting that the value of the natural gas liquid (NGL) fractionator facility be limited to \$80,000,000 in years one through ten of the agreement, corresponding to the 2021-22 school year through the 2030-31 school year. The full value of the project would be subject to interest and sinking (I&S) taxes levied by Barbers Hill ISD in all years of the agreement.

Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on BHISD's future revenue is critical information that will be very useful to the district when making the decision to grant the limitation and for the district's long range financial planning process. Analysis for this application covers the 2019-20 through the 2035-36 school years.

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against any potential 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 in years one through ten of the agreement. This stipulation is a statutory requirement under Section 313.027 of the Tax Code.

The approach used in this report was to predict 17 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. For the purposes of this analysis, final 2018 CPTD values were used as well as 2018 CAD values from Chambers County CAD (Central Appraisal District). These values have been included in the base data illustrated in **Table 1**.

To isolate the impact of the value limitation on the District's finances over this 17 year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that were projected to exist in the 2019-20 school year. An ADA of 5,702.4, a WADA of 6,778.3 and a 2019 M&O tax rate of \$1.06, compressed to \$0.99 under HB 3, were used for each year of the forecast. A tax collection rate of 100% is assumed in all of the calculations used in this analysis. The Chambers CAD certified value for 2019 was used as the 2019 CAD value. This value was used as the basis for subsequent current year (CAD) values in this report. The final 2018 T1, T2, T3 and T4 Comptroller Property Tax Division (CPTD) values, certified to school districts in late July, 2019, were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

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
0	2019-20	5,702	6,778	\$0.9900	\$0.2698	\$5,594,898,193	\$5,594,898,193
QTP1	2020-21	5,873	6,981	\$0.9900	\$0.2698	\$5,875,685,617	\$5,875,685,617
QTP2/L1	2021-22	6,049	7,191	\$0.9900	\$0.2698	\$6,040,613,661	\$5,855,613,661
L2	2022-23	6,231	7,407	\$0.9900	\$0.2698	\$6,660,129,380	\$6,483,079,380
L3	2023-24	6,418	7,629	\$0.9900	\$0.2698	\$7,323,029,398	\$7,153,929,398
L4	2024-25	6,610	7,858	\$0.9900	\$0.2698	\$9,015,832,318	\$8,854,682,318
L5	2025-26	6,808	8,093	\$0.9900	\$0.2698	\$9,218,215,414	\$9,065,015,414
L6	2026-27	7,013	8,336	\$0.9900	\$0.2698	\$9,079,607,002	\$8,934,357,002
L7	2027-28	7,223	8,586	\$0.9900	\$0.2698	\$9,785,202,306	\$9,647,902,306
L8	2028-29	7,440	8,844	\$0.9900	\$0.2698	\$9,909,699,827	\$9,780,349,827
L9	2029-30	7,663	9,109	\$0.9900	\$0.2698	\$9,722,650,625	\$9,601,250,625
L10	2030-31	7,893	9,382	\$0.9900	\$0.2698	\$9,771,999,197	\$9,658,549,197
MVP1	2031-32	8,130	9,664	\$0.9900	\$0.2698	\$10,659,676,234	\$10,659,676,234
MVP2	2032-33	8,374	9,954	\$0.9900	\$0.2698	\$10,555,645,152	\$10,555,645,152
MVP3	2033-34	8,625	10,252	\$0.9900	\$0.2698	\$10,343,911,313	\$10,343,911,313
MVP4	2034-35	8,884	10,560	\$0.9900	\$0.2698	\$10,133,381,128	\$10,133,381,128
MVP5	2035-36	9,150	10,877	\$0.9900	\$0.2698	\$9,926,292,616	\$9,926,292,616

The proposed agreement calls for Barbers Hill ISD to be held harmless against potential 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, a state and local revenue projection for the 2019-2020 school year was completed to serve as base line data and is displayed in **Table 2**. In any year of the limitation period where total state and or 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 3.

Financial Impact on the School District

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was estimated for each year of the agreement. **Table 3**, which summarizes the difference between the two models, indicates that there will be a total revenue loss of \$1.831 million over the course of the agreement. The revenue loss by the district, due to the agreement, is estimated to be mostly in the first year of the value limitation period.

Table 2
Barbers Hill ISD **2019-2020 Projected Summary of Finances**

Funding Elements

Students	
Refined Average Daily Attendance (ADA)	5,702.400
Weighted ADA (WADA)	6,778.300
Property Values	
2019 (current tax year) Locally Certified Property Value	\$5,594,898,193
2018 (prior tax year) Adjusted State Certified Property Value	\$4,949,165,659
Tax Rates and Collections	
2005 Adopted M&O Tax Rate	1.5000
2019 (current tax year) Compressed M&O Tax Rate	1.0000
Average Tax Collection Rate	98.0%
2019 (current tax year) M&O Tax Rate	0.9900
2019-2020 (current school year) M&O Tax Collections	\$55,389,492
2019 (current tax year) I&S Tax Rate	0.2698
2019-2020 (current school year) I&S Tax Collections	\$31,264,575
2019-2020 (current school year) Total Tax Collections	\$86,654,067
2019-2020 (current school year) Total Tax Levy	\$87,624,587
Funding Components	
Adjusted Allotment	\$5,578
Revenue at Compressed Rate (RACR) per WADA	\$6,675
Cost of Education (CEI) Index	1.120
Adjusted CEI	1.120
Per Capita Rate	\$247.587
Tier I Allotments	
Total Cost of Tier I	\$37,166,553
Less Local Fund Assignment	(\$49,491,657)
State Share of Tier I	\$0
Per Capita Distribution from Available School Fund (ASF)	\$1,340,062
Foundation School Program (FSP) State Funding	
Greater of State Share of Tier I or (ASF+NIFA+HS)	\$1,794,651
Tier II	\$2,219,894
Other Programs	\$121,707
Less Total Available School Fund (\$247.587 * Prior Yr ADA)	(\$1,340,062)
Foundation School Fund	\$2,796,190
Available School Fund	\$1,340,062
EDA	\$0
TOTAL FSP/ASF STATE AID	\$4,238,291

Financial Impact on the Taxpayer

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the project to be limited to \$80 million starting in school year 2021-22 and remaining limited through school year 2030-31. The potential gross and net tax savings to Lone Star are shown in **Table 3**. As stated earlier, an M&O tax rate of \$.99 and a collection rate of 100% is used throughout the calculations in this report. **Table 3** shows gross tax savings due to the limitation of \$14.77 million over the length of the contract. Net tax savings are estimated to be \$5.54 million. To estimate supplemental payments to the school district of \$100 per ADA, a growth model was applied to the base ADA of 5,702, which was the projected ADA for BHISD for the 2019-20 school year. BHISD's growth rate for the last 10 years has averaged 3% which is also reflected by demographic studies.

Facilities Funding Impact on the District

Reports submitted by Lone Star show the full value of the property being depreciated over time. Even so, the full value of the project will be available to the district for I&S taxes and will enhance the district's ability to service current and future debt obligations. While the project is expected to provide additional employment opportunities in the area, the impact on student enrollment is predicted to be minimal.

Conclusion

The Lone Star project proposed in this application will benefit the community, the district, BHISD, and the taxpayer, Lone Star. The community will receive economic development, the taxpayer will enjoy savings on property taxes and the district will be held harmless from revenue loss due to the provisions of the agreement. The district will also enjoy an increased value available for I&S tax collections dedicated to debt service that can be leveraged to provide first class facilities for faculty and students.

Remember that the Texas Legislature could take additional action that could potentially change the impact of this agreement on the finances of Barbers Hill ISD and result in estimates that differ significantly from the estimates presented in this analysis. Some of the factors that could significantly change these estimates are legislative or administrative changes by the Texas Legislature, the Texas Education Agency or the Comptroller of Public Accounts. Those changes could contain changes to the school finance formulas, property value appraisals and tax exemptions. Other factors which could change, and will impact the estimates of this agreement, include changes to property values, district tax rates and student enrollment.

**Table 3 Estimated Financial Impact
Barbers Hill ISD with Lone Star NGL Asset Holdings II LLC. Agreement # 1336**

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 Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit \$100 per ADA	Company Tax Benefit
0	2019-20	\$0	\$0	\$0	0.9900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2020-21	\$20,000,000	\$20,000,000	\$0	0.9900	\$198,000	\$198,000	\$0	\$0	\$0	\$0	\$578,084	-\$578,084
QTP2/L1	2021-22	\$265,000,000	\$80,000,000	\$185,000,000	0.9900	\$2,623,500	\$792,000	\$1,831,500	\$1,831,500	-\$1,831,500	\$0	\$595,427	-\$595,427
L2	2022-23	\$257,050,000	\$80,000,000	\$177,050,000	0.9900	\$2,544,795	\$792,000	\$1,752,795	\$1,752,795	\$0	\$1,752,795	\$613,290	\$1,139,505
L3	2023-24	\$249,100,000	\$80,000,000	\$169,100,000	0.9900	\$2,466,090	\$792,000	\$1,674,090	\$1,674,090	\$0	\$1,674,090	\$631,688	\$1,042,402
L4	2024-25	\$241,150,000	\$80,000,000	\$161,150,000	0.9900	\$2,387,385	\$792,000	\$1,595,385	\$1,595,385	\$0	\$1,595,385	\$650,639	\$944,746
L5	2025-26	\$233,200,000	\$80,000,000	\$153,200,000	0.9900	\$2,308,680	\$792,000	\$1,516,680	\$1,516,680	\$0	\$1,516,680	\$670,158	\$846,522
L6	2026-27	\$225,250,000	\$80,000,000	\$145,250,000	0.9900	\$2,229,975	\$792,000	\$1,437,975	\$1,437,975	\$0	\$1,437,975	\$690,263	\$747,712
L7	2027-28	\$217,300,000	\$80,000,000	\$137,300,000	0.9900	\$2,151,270	\$792,000	\$1,359,270	\$1,359,270	\$0	\$1,359,270	\$710,971	\$648,299
L8	2028-29	\$209,350,000	\$80,000,000	\$129,350,000	0.9900	\$2,072,565	\$792,000	\$1,280,565	\$1,280,565	\$0	\$1,280,565	\$732,300	\$548,265
L9	2029-30	\$201,400,000	\$80,000,000	\$121,400,000	0.9900	\$1,993,860	\$792,000	\$1,201,860	\$1,201,860	\$0	\$1,201,860	\$754,269	\$447,591
L10	2030-31	\$193,450,000	\$80,000,000	\$113,450,000	0.9900	\$1,915,155	\$792,000	\$1,123,155	\$1,123,155	\$0	\$1,123,155	\$776,897	\$346,258
MVP1	2031-32	\$185,500,000	\$185,500,000	\$0	0.9900	\$1,836,450	\$1,836,450	\$0	\$0	\$0	\$0	\$0	\$0
MVP2	2032-33	\$177,550,000	\$177,550,000	\$0	0.9900	\$1,757,745	\$1,757,745	\$0	\$0	\$0	\$0	\$0	\$0
MVP3	2033-34	\$169,600,000	\$169,600,000	\$0	0.9900	\$1,679,040	\$1,679,040	\$0	\$0	\$0	\$0	\$0	\$0
MVP4	2034-35	\$161,650,000	\$161,650,000	\$0	0.9900	\$1,600,335	\$1,600,335	\$0	\$0	\$0	\$0	\$0	\$0
MVP5	2035-36	\$153,700,000	\$153,700,000	\$0	0.9900	\$1,521,630	\$1,521,630	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS						\$31,286,475	\$16,513,200	\$14,773,275	\$14,773,275	-\$1,831,500	\$12,941,775	\$7,403,986	\$5,537,789

*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 Barbers Hill Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Lone Star NGL Asset Holdings II LLC (Tax ID 32044534082) (Application #1336)

EXHIBIT C

**Proposed Agreement between
Barbers Hill Independent School District
and Lone Star NGL Asset Holdings II LLC**