Tab 5

Limitation as a Determining Factor

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

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

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

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

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

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

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

ETC Texas Pipeline, LTD is always evaluating various manufacturing projects for development and where to commit substantial long-term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 Value Limitation is one of the most important components in their analysis.

Not only ETC Texas Pipeline, LTD but all prudent manufacturing developers, know tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas because of the direct impact on any proposed project's economic viability, so the decision to invest in Texas, or any other state, requires any capital investment by ETC Texas Pipeline, LTD to be based on expected economic return on their investment.

With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Panther II project. So, without the 313 Value Limitation tax incentive, the economics of this project could be less competitive with other capital-intensive projects and the viability of the proposed project becomes uncertain. ETC Texas Pipeline, LTD compares the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. To move forward, the rate of return, with the valuation limitation agreement, must exceed the minimum rate of return required to proceed with the proposed investment. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize ETC Texas Pipeline, LTD to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district "the determining factor" to invest in this project.