



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

October 31, 2019

Dr. Nobert Rodriquez
Superintendent
Pearsall Independent School District
318 Berry Ranch Rd.
Pearsall, TX 78061

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Pearsall Independent School District and Elara Energy Project, LLC, Application 1389

Dear Superintendent Rodriquez:

On August 14, 2019, the Comptroller issued written notice that Elara Energy Project, LLC (applicant) submitted a completed application (Application 1389) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on June 19, 2019, to the Pearsall Independent School District (school district) by the applicant.

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

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

Determination required by 313.025(h)

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

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

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

Sec. 313.024(d-2) Not applicable to Application 1389.

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 August 14, 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 cursive script that reads "Lisa Craven".

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Elara Energy Project, LLC (project) applying to Pearsall 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 Elara Energy Project, LLC.

Applicant	Elara Energy Project, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy - Solar
School District	Pearsall ISD
2017-2018 Average Daily Attendance	2,057
County	Frio
Proposed Total Investment in District	\$193,360,497
Proposed Qualified Investment	\$174,240,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2021-2022
Number of new qualifying jobs committed to by applicant	1*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,173
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,173
Minimum annual wage committed to by applicant for qualified jobs	\$61,000
Minimum weekly wage required for non-qualifying jobs	\$1,004
Minimum annual wage required for non-qualifying jobs	\$52,196
Investment per Qualifying Job	\$193,360,497
Estimated M&O levy without any limit (15 years)	\$12,006,325
Estimated M&O levy with Limitation (15 years)	\$5,353,751
Estimated gross M&O tax benefit (15 years)	\$6,652,574

* 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 Elara Energy Project, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2020	75	94	169	\$3,750,000	\$8,250,000	\$12,000,000
2021	150	189	339	\$7,500,000	\$18,500,000	\$26,000,000
2022	1	23	24	\$61,000	\$3,939,000	\$4,000,000
2023	1	13	14	\$61,000	\$2,939,000	\$3,000,000
2024	1	2	3	\$61,000	\$1,939,000	\$2,000,000
2025	1	(3)	-2	\$61,000	\$939,000	\$1,000,000
2026	1	(5)	-4	\$61,000	\$939,000	\$1,000,000
2027	1	(5)	-4	\$61,000	-\$61,000	\$0
2028	1	(4)	-3	\$61,000	-\$61,000	\$0
2029	1	(2)	-1	\$61,000	-\$61,000	\$0
2030	1	0	1	\$61,000	-\$61,000	\$0
2031	1	1	2	\$61,000	\$939,000	\$1,000,000
2032	1	3	4	\$61,000	\$939,000	\$1,000,000
2033	1	3	4	\$61,000	\$939,000	\$1,000,000
2034	1	4	5	\$61,000	\$939,000	\$1,000,000
2035	1	4	5	\$61,000	\$939,000	\$1,000,000

Source: CPA REMI, Elara Energy Project, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Pearsall ISD I&S Tax Levy	Pearsall ISD M&O Tax Levy	Persall ISD M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Evergreen Ground Water District Tax Levy	Frio County Emergency Sevices District #4 Tax Levy	Estimated Total Property Taxes
			0.1475	1.0500			0.5535	0.2348	0.0065	0.0321	
2022	\$174,240,000	\$174,240,000		\$256,969	\$1,829,520	\$2,086,489	\$964,418	\$409,116	\$11,326	\$55,914	\$3,527,262
2023	\$148,129,000	\$148,129,000		\$218,461	\$1,555,355	\$1,773,815	\$819,894	\$347,807	\$9,628	\$47,535	\$2,998,679
2024	\$125,933,400	\$125,933,400		\$185,727	\$1,322,301	\$1,508,027	\$697,041	\$295,692	\$8,186	\$40,412	\$2,549,358
2025	\$107,065,953	\$107,065,953		\$157,901	\$1,124,193	\$1,282,093	\$592,610	\$251,391	\$6,959	\$34,357	\$2,167,411
2026	\$91,027,494	\$91,027,494		\$134,247	\$955,789	\$1,090,036	\$503,837	\$213,733	\$5,917	\$29,211	\$1,842,733
2027	\$77,393,733	\$77,393,733		\$114,140	\$812,634	\$926,774	\$428,374	\$181,720	\$5,031	\$24,836	\$1,566,736
2028	\$65,804,017	\$65,804,017		\$97,048	\$690,942	\$787,990	\$364,225	\$154,508	\$4,277	\$21,117	\$1,332,117
2029	\$55,951,792	\$55,951,792		\$82,518	\$587,494	\$670,012	\$309,693	\$131,375	\$3,637	\$17,955	\$1,132,671
2030	\$47,576,482	\$47,576,482		\$70,166	\$499,553	\$569,719	\$263,336	\$111,710	\$3,092	\$15,267	\$963,124
2031	\$40,456,595	\$40,456,595		\$59,665	\$424,794	\$484,460	\$223,927	\$94,992	\$2,630	\$12,983	\$818,991
2032	\$34,997,684	\$34,997,684		\$51,615	\$367,476	\$419,090	\$193,712	\$82,175	\$2,275	\$11,231	\$708,483
2033	\$34,990,200	\$34,990,200		\$51,604	\$367,397	\$419,001	\$193,671	\$82,157	\$2,274	\$11,228	\$708,331
2034	\$34,983,090	\$34,983,090		\$51,593	\$367,322	\$418,916	\$193,631	\$82,140	\$2,274	\$11,226	\$708,187
2035	\$34,976,336	\$34,976,336		\$51,583	\$367,252	\$418,835	\$193,594	\$82,124	\$2,273	\$11,224	\$708,050
2036	\$34,969,919	\$34,969,919		\$51,574	\$367,184	\$418,758	\$193,559	\$82,109	\$2,273	\$11,222	\$707,921
2037	\$34,963,823	\$34,963,823		\$51,565	\$367,120	\$418,685	\$193,525	\$82,095	\$2,273	\$11,220	\$707,797
			Total	\$1,686,374	\$12,006,325	\$13,692,699	\$6,329,048	\$2,684,843	\$74,325	\$366,936	\$23,147,851

Source: CPA, Elara Energy Project, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Frio 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 and Frio County Hospital District.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Pearsall ISD I&S Tax Levy	Pearsall ISD M&O Tax Levy	Persall ISD M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Evergreen Ground Water District Tax Levy	Frio County Emergency Sevices District #4 Tax Levy	Estimated Total Property Taxes
				0.1475	1.0500		0.5535	0.2348	0.0065	0.0321	
2022	\$174,240,000	\$30,000,000		\$256,969	\$315,000	\$571,969	\$192,884	\$81,823	\$11,326	\$55,914	\$913,915
2023	\$148,129,000	\$30,000,000		\$218,461	\$315,000	\$533,461	\$163,979	\$69,561	\$9,628	\$47,535	\$824,164
2024	\$125,933,400	\$30,000,000		\$185,727	\$315,000	\$500,727	\$139,408	\$59,138	\$8,186	\$40,412	\$747,871
2025	\$107,065,953	\$30,000,000		\$157,901	\$315,000	\$472,901	\$118,522	\$50,278	\$6,959	\$34,357	\$683,018
2026	\$91,027,494	\$30,000,000		\$134,247	\$315,000	\$449,247	\$100,767	\$42,747	\$5,917	\$29,211	\$627,889
2027	\$77,393,733	\$30,000,000		\$114,140	\$315,000	\$429,140	\$85,675	\$36,344	\$5,031	\$24,836	\$581,025
2028	\$65,804,017	\$30,000,000		\$97,048	\$315,000	\$412,048	\$72,845	\$30,902	\$4,277	\$21,117	\$541,188
2029	\$55,951,792	\$30,000,000		\$82,518	\$315,000	\$397,518	\$61,939	\$26,275	\$3,637	\$17,955	\$507,323
2030	\$47,576,482	\$30,000,000		\$70,166	\$315,000	\$385,166	\$52,667	\$22,342	\$3,092	\$15,267	\$478,535
2031	\$40,456,595	\$30,000,000		\$59,665	\$315,000	\$374,665	\$44,785	\$18,998	\$2,630	\$12,983	\$454,061
2032	\$34,997,684	\$34,997,684		\$51,615	\$367,476	\$419,090	\$193,712	\$82,175	\$2,275	\$11,231	\$708,483
2033	\$34,990,200	\$34,990,200		\$51,604	\$367,397	\$419,001	\$193,671	\$82,157	\$2,274	\$11,228	\$708,331
2034	\$34,983,090	\$34,983,090		\$51,593	\$367,322	\$418,916	\$193,631	\$82,140	\$2,274	\$11,226	\$708,187
2035	\$34,976,336	\$34,976,336		\$51,583	\$367,252	\$418,835	\$193,594	\$82,124	\$2,273	\$11,224	\$708,050
2036	\$34,969,919	\$34,969,919		\$51,574	\$367,184	\$418,758	\$193,559	\$82,109	\$2,273	\$11,222	\$707,921
2037	\$34,963,823	\$34,963,823		\$51,565	\$367,120	\$418,685	\$193,525	\$82,095	\$2,273	\$11,220	\$707,797
								\$0			
			Total	\$1,686,374	\$5,353,751	\$7,040,125	\$2,195,163	\$931,209	\$74,325	\$366,936	\$10,607,758
			Diff	\$0	\$6,652,574	\$6,652,574	\$4,133,885	\$1,753,634	\$0	\$0	\$12,540,093

Assumes School Value Limitation and Tax Abatements with Frio County and Frio County Hospital District.

Source: CPA, Elara Energy Project, 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 Elara Energy Project, 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	2019	\$0	\$0	\$0	\$0
	2020	\$0	\$0	\$0	\$0
	2021	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2022	\$315,000	\$315,000	\$1,514,520	\$1,514,520
	2023	\$315,000	\$630,000	\$1,240,355	\$2,754,875
	2024	\$315,000	\$945,000	\$1,007,301	\$3,762,175
	2025	\$315,000	\$1,260,000	\$809,193	\$4,571,368
	2026	\$315,000	\$1,575,000	\$640,789	\$5,212,156
	2027	\$315,000	\$1,890,000	\$497,634	\$5,709,791
	2028	\$315,000	\$2,205,000	\$375,942	\$6,085,733
	2029	\$315,000	\$2,520,000	\$272,494	\$6,358,227
	2030	\$315,000	\$2,835,000	\$184,553	\$6,542,780
	2031	\$315,000	\$3,150,000	\$109,794	\$6,652,574
Maintain Viable Presence (5 Years)	2032	\$367,476	\$3,517,476	\$0	\$6,652,574
	2033	\$367,397	\$3,884,873	\$0	\$6,652,574
	2034	\$367,322	\$4,252,195	\$0	\$6,652,574
	2035	\$367,252	\$4,619,447	\$0	\$6,652,574
	2036	\$367,184	\$4,986,631	\$0	\$6,652,574
Additional Years as Required by 313.026(c)(1) (10 Years)	2037	\$367,120	\$5,353,751	\$0	\$6,652,574
	2038	\$367,059	\$5,720,810	\$0	\$6,652,574
	2039	\$367,002	\$6,087,812	\$0	\$6,652,574
	2040	\$366,947	\$6,454,759	\$0	\$6,652,574
	2041	\$366,895	\$6,821,653	\$0	\$6,652,574
	2042	\$366,845	\$7,188,498	\$0	\$6,652,574
	2043	\$366,798	\$7,555,296	\$0	\$6,652,574
	2044	\$366,753	\$7,922,049	\$0	\$6,652,574
	2045	\$366,711	\$8,288,760	\$0	\$6,652,574
	2046	\$366,670	\$8,655,431	\$0	\$6,652,574

\$8,655,431

is greater than

\$6,652,574

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, Elara Energy Project, 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 Elara Energy Project, 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:

- The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics.
- Elara Energy Project, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “7X Energy, Inc. is a national solar developer with the ability to locate projects of this type in other countries and states in the US with strong solar characteristics. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.”
 - B. “The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today’s contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.”

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 (complete Section 13)
<input type="checkbox"/> Expansion of existing operation on the land (complete Section 13)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

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

Chapter 313.026(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

The applicant's parent company, 7X Energy, Inc., is a national solar developer with the ability to locate projects of this type in other counties and states in the US with strong solar characteristics. The applicant is actively developing other projects throughout the US. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely. In fact, the applicant owns interests in greenfield solar projects in more than twenty (20) states other than Texas. The additional places where Applicant is considering investing and developing projects include states that offer market incentives for generation resources like property tax incentives, including North Carolina, Mississippi, Nevada, Georgia, Alabama, Utah, New Mexico, California, Arizona, and Virginia.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes non-financeable and the developer would have to abandon the project and go to a different market.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

COMPTROLLER QUERY RELATED TO TAX CODE CHAPTER 313.026(c)(2)
Pearsall ISD–Elara Energy Project, LLC App. #1389

Comptroller Questions (via email on August 14, 2018):

1. *Is the Elara Energy Project, LLC currently known by any other project names?*
2. *Has this project applied to ERCOT at this time? If so, please provide the project's IGNR number and when was it assigned.*
3. *Please also list any other names by which this project may have been known in the past-in media reports, investor presentations, or any listings with any federal or state agency*

Applicant Response (via email on August 15, 2018):

1. *No.*
2. *Yes, the IGNR number is 21INR0276 and was assigned on 3/15/19.*
3. *Elara Energy Project.*