



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

December 6, 2019

Nobert Rodriguez
Superintendent
Pearsall Independent School District
318 Berry Ranch Road
Pearsall, Texas 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 Morrow Lake Solar, LLC, Application 1406

Dear Superintendent Rodriguez:

On October 1, 2019, the Comptroller issued written notice that Morrow Lake Solar, LLC (applicant) submitted a completed application (Application 1406) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on July 24, 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 1406.

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 October 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 written in a cursive style with a large initial "L".

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Morrow Lake Solar, 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 Morrow Lake Solar, LLC.

Applicant	Morrow Lake Solar, LLC
Tax Code, 313.024 Eligibility Category	Electric Power Generation, Solar
School District	Pearsall ISD
2018-2019 Average Daily Attendance	1,961
County	Frio
Proposed Total Investment in District	\$234,000,000
Proposed Qualified Investment	\$234,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2021-2022
Number of new qualifying jobs committed to by applicant	2*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,034
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,034
Minimum annual wage committed to by applicant for qualified jobs	\$52,190
Minimum weekly wage required for non-qualifying jobs	\$1,004
Minimum annual wage required for non-qualifying jobs	\$52,222
Investment per Qualifying Job	\$117,000,000
Estimated M&O levy without any limit (15 years)	\$17,723,003
Estimated M&O levy with Limitation (15 years)	\$7,097,790
Estimated gross M&O tax benefit (15 years)	\$10,625,213

* 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 Morrow Lake Solar, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2020	200	230	430	\$7,600,000	\$21,400,000	\$29,000,000
2021	200	239	439	\$7,600,000	\$25,400,000	\$33,000,000
2022	2	33	35	\$104,342	\$6,895,658	\$7,000,000
2023	2	17	19	\$104,342	\$3,895,658	\$4,000,000
2024	2	2	4	\$104,342	\$2,895,658	\$3,000,000
2025	2	(5)	-3	\$104,342	\$1,895,658	\$2,000,000
2026	2	(7)	-5	\$104,342	\$895,658	\$1,000,000
2027	2	(6)	-4	\$104,342	\$895,658	\$1,000,000
2028	2	(4)	-2	\$104,342	\$895,658	\$1,000,000
2029	2	(1)	1	\$104,342	\$895,658	\$1,000,000
2030	2	1	3	\$104,342	\$895,658	\$1,000,000
2031	2	4	6	\$104,342	\$895,658	\$1,000,000
2032	2	5	7	\$104,342	\$895,658	\$1,000,000
2033	2	7	9	\$104,342	\$895,658	\$1,000,000
2034	2	7	9	\$104,342	\$1,895,658	\$2,000,000
2035	2	8	10	\$104,342	\$1,895,658	\$2,000,000

Source: CPA REMI, Morrow Lake Solar, 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	M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Lateral Road Tax Levy	Evergreen Water District Tax Levy	Emergency Service #1 Tax Levy	Estimated Total Property Taxes
			0.1475	1.0500			0.5535	0.2349	0.0433	0.0065	0.0300	
2022	\$234,000,000	\$234,000,000		\$345,103	\$2,457,000	\$2,802,103	\$1,295,190	\$549,619	\$101,322	\$15,210	\$70,200	\$4,833,644
2023	\$210,635,000	\$210,635,000		\$310,644	\$2,211,668	\$2,522,312	\$1,165,865	\$494,739	\$91,205	\$13,691	\$63,191	\$4,351,003
2024	\$187,270,000	\$187,270,000		\$276,186	\$1,966,335	\$2,242,521	\$1,036,539	\$439,860	\$81,088	\$12,173	\$56,181	\$3,868,361
2025	\$163,905,000	\$163,905,000		\$241,727	\$1,721,003	\$1,962,730	\$907,214	\$384,980	\$70,971	\$10,654	\$49,172	\$3,385,720
2026	\$140,540,000	\$140,540,000		\$207,268	\$1,475,670	\$1,682,938	\$777,889	\$330,100	\$60,854	\$9,135	\$42,162	\$2,903,079
2027	\$117,175,000	\$117,175,000		\$172,810	\$1,230,338	\$1,403,147	\$648,564	\$275,221	\$50,737	\$7,616	\$35,153	\$2,420,437
2028	\$93,810,000	\$93,810,000		\$138,351	\$985,005	\$1,123,356	\$519,238	\$220,341	\$40,620	\$6,098	\$28,143	\$1,937,796
2029	\$70,445,000	\$70,445,000		\$103,892	\$739,673	\$843,565	\$389,913	\$165,461	\$30,503	\$4,579	\$21,134	\$1,455,154
2030	\$47,080,000	\$47,080,000		\$69,434	\$494,340	\$563,774	\$260,588	\$110,582	\$20,386	\$3,060	\$14,124	\$972,513
2031	\$47,065,000	\$47,065,000		\$69,411	\$494,183	\$563,594	\$260,505	\$110,546	\$20,379	\$3,059	\$14,120	\$972,203
2032	\$47,050,000	\$47,050,000		\$69,389	\$494,025	\$563,414	\$260,422	\$110,511	\$20,373	\$3,058	\$14,115	\$971,893
2033	\$47,035,000	\$47,035,000		\$69,367	\$493,868	\$563,235	\$260,339	\$110,476	\$20,366	\$3,057	\$14,111	\$971,583
2034	\$47,020,000	\$47,020,000		\$69,345	\$493,710	\$563,055	\$260,256	\$110,441	\$20,360	\$3,056	\$14,106	\$971,273
2035	\$47,005,000	\$47,005,000		\$69,323	\$493,553	\$562,875	\$260,173	\$110,405	\$20,353	\$3,055	\$14,102	\$970,963
2036	\$46,990,000	\$46,990,000		\$69,301	\$493,395	\$562,696	\$260,090	\$110,370	\$20,347	\$3,054	\$14,097	\$970,654
2037	\$46,975,000	\$46,975,000		\$69,279	\$493,238	\$562,516	\$260,007	\$110,335	\$20,340	\$3,053	\$14,093	\$970,344
2038	\$46,960,000	\$46,960,000		\$69,257	\$493,080	\$562,337	\$259,924	\$110,300	\$20,334	\$3,052	\$14,088	\$970,034
2039	\$46,945,000	\$46,945,000		\$69,234	\$492,923	\$562,157	\$259,841	\$110,264	\$20,327	\$3,051	\$14,084	\$969,724
			Total	\$2,489,322	\$17,723,003	\$20,212,325	\$9,342,554	\$3,964,551	\$730,863	\$109,714	\$506,372	\$34,866,378

Source: CPA, Morrow Lake Solar, 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	M&O and I&S Tax Levies	Frio County Tax Levy	Frio County Hospital District Tax Levy	Lateral Road Tax Levy	Evergreen Water District Tax Levy	Emergency Service #1 Tax Levy	Estimated Total Property Taxes	
				0.1475	1.0500		0.5535	0.2349	0.0433	0.0065	0.0300		
2022	\$234,000,000	\$30,000,000		\$345,103	\$315,000	\$660,103	\$453,317	\$192,367	\$101,322	\$15,210	\$70,200	\$1,305,786	
2023	\$210,635,000	\$30,000,000		\$310,644	\$315,000	\$625,644	\$408,053	\$173,159	\$91,205	\$13,691	\$63,191	\$1,206,856	
2024	\$187,270,000	\$30,000,000		\$276,186	\$315,000	\$591,186	\$362,789	\$153,951	\$81,088	\$12,173	\$56,181	\$1,107,926	
2025	\$163,905,000	\$30,000,000		\$241,727	\$315,000	\$556,727	\$317,525	\$134,743	\$70,971	\$10,654	\$49,172	\$1,008,995	
2026	\$140,540,000	\$30,000,000		\$207,268	\$315,000	\$522,268	\$272,261	\$115,535	\$60,854	\$9,135	\$42,162	\$910,065	
2027	\$117,175,000	\$30,000,000		\$172,810	\$315,000	\$487,810	\$226,997	\$96,327	\$50,737	\$7,616	\$35,153	\$811,134	
2028	\$93,810,000	\$30,000,000		\$138,351	\$315,000	\$453,351	\$181,733	\$77,119	\$40,620	\$6,098	\$28,143	\$712,204	
2029	\$70,445,000	\$30,000,000		\$103,892	\$315,000	\$418,892	\$136,470	\$57,911	\$30,503	\$4,579	\$21,134	\$613,273	
2030	\$47,080,000	\$30,000,000		\$69,434	\$315,000	\$384,434	\$91,206	\$38,704	\$20,386	\$3,060	\$14,124	\$514,343	
2031	\$47,065,000	\$30,000,000		\$69,411	\$315,000	\$384,411	\$91,177	\$38,691	\$20,379	\$3,059	\$14,120	\$514,279	
2032	\$47,050,000	\$47,050,000		\$69,389	\$494,025	\$563,414	\$260,422	\$110,511	\$20,373	\$3,058	\$14,115	\$934,347	
2033	\$47,035,000	\$47,035,000		\$69,367	\$493,868	\$563,235	\$260,339	\$110,476	\$20,366	\$3,057	\$14,111	\$934,049	
2034	\$47,020,000	\$47,020,000		\$69,345	\$493,710	\$563,055	\$260,256	\$110,441	\$20,360	\$3,056	\$14,106	\$933,751	
2035	\$47,005,000	\$47,005,000		\$69,323	\$493,553	\$562,875	\$260,173	\$110,405	\$20,353	\$3,055	\$14,102	\$933,453	
2036	\$46,990,000	\$46,990,000		\$69,301	\$493,395	\$562,696	\$260,090	\$110,370	\$20,347	\$3,054	\$14,097	\$933,156	
2037	\$46,975,000	\$46,975,000		\$69,279	\$493,238	\$562,516	\$260,007	\$110,335	\$20,340	\$3,053	\$14,093	\$932,858	
2038	\$46,960,000	\$46,960,000		\$69,257	\$493,080	\$562,337	\$259,924	\$110,300	\$20,334	\$3,052	\$14,088	\$932,560	
2039	\$46,945,000	\$46,945,000		\$69,234	\$492,923	\$562,157	\$259,841	\$110,264	\$20,327	\$3,051	\$14,084	\$932,262	
				Total	\$2,489,322	\$7,097,790	\$9,587,112	\$4,622,576	\$1,961,609	\$730,863	\$109,714	\$506,372	\$16,171,297
				Diff	\$0	\$10,625,213	\$10,625,213	\$4,719,978	\$2,002,942	\$0	\$0	\$0	\$18,695,081

Source: CPA, Morrow Lake Solar, 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 Morrow Lake Solar, 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	\$498,750	\$498,750	\$0	\$0
Limitation Period (10 Years)	2022	\$315,000	\$813,750	\$2,142,000	\$2,142,000
	2023	\$315,000	\$1,128,750	\$1,896,668	\$4,038,668
	2024	\$315,000	\$1,443,750	\$1,651,335	\$5,690,003
	2025	\$315,000	\$1,758,750	\$1,406,003	\$7,096,005
	2026	\$315,000	\$2,073,750	\$1,160,670	\$8,256,675
	2027	\$315,000	\$2,388,750	\$915,338	\$9,172,013
	2028	\$315,000	\$2,703,750	\$670,005	\$9,842,018
	2029	\$315,000	\$3,018,750	\$424,673	\$10,266,690
	2030	\$315,000	\$3,333,750	\$179,340	\$10,446,030
	2031	\$315,000	\$3,648,750	\$179,183	\$10,625,213
Maintain Viable Presence (5 Years)	2032	\$494,025	\$4,142,775	\$0	\$10,625,213
	2033	\$493,868	\$4,636,643	\$0	\$10,625,213
	2034	\$493,710	\$5,130,353	\$0	\$10,625,213
	2035	\$493,553	\$5,623,905	\$0	\$10,625,213
	2036	\$493,395	\$6,117,300	\$0	\$10,625,213
Additional Years as Required by 313.026(c)(1) (10 Years)	2037	\$493,238	\$6,610,538	\$0	\$10,625,213
	2038	\$493,080	\$7,103,618	\$0	\$10,625,213
	2039	\$492,923	\$7,596,540	\$0	\$10,625,213
	2040	\$492,765	\$8,089,305	\$0	\$10,625,213
	2041	\$492,608	\$8,581,913	\$0	\$10,625,213
	2042	\$492,450	\$9,074,363	\$0	\$10,625,213
	2043	\$492,293	\$9,566,655	\$0	\$10,625,213
	2044	\$492,135	\$10,058,790	\$0	\$10,625,213
	2045	\$491,978	\$10,550,768	\$0	\$10,625,213
	2046	\$491,820	\$11,042,588	\$0	\$10,625,213

\$11,042,588

is greater than

\$10,625,213

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, Morrow Lake Solar, 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 Morrow Lake Solar, LLC’s (Morrow Lake Solar, LLC is a solar energy project managed by SunChase Power, LLC) 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 SunChase Power, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Sun Chase Power, LLC is a renewable energy company focused on developing utility-scale and large industrial behind-the-meter solar energy projects.”
 - B. “SunChase Power, LLC has a national footprint, and the ability to locate projects of this type in other states in the US with strong solar characteristics. Other states with favorable solar property tax climates are Oklahoma, Louisiana, Arkansas, Mississippi, Tennessee, and Florida. Property taxes are often the highest operating expenses for a solar generation facility, as solar plants do not have any associated fuel costs to produce electricity. Furthermore, with the Texas wholesale electricity price already below the international average, the necessity of limiting the property tax liability becomes paramount. The magnitude at which tax expenses affect the feasibility of a project is what causes agreements like the Ch. 313 to be so important to companies like this applicant. If the 313 is not granted, the rate of return drops too low for investors to tolerate, and the capital once allocated to the project must be reapportioned to out-of-state projects with better cash flows (due to tax incentives and higher wholesale electricity rates). Effectively, whether or not the project is built hinges heavily on the execution of a 313 agreement. SunChase Power, LLC is constantly evaluating various locations for development and where to commit substantial long-term investment based on economic rate of return with the proposed projects. The economic benefits provided by Chapter 313 Value Limitation is one of the most important components in their analysis.”

Supporting Information

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

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

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

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

SECTION 8: Limitation as Determining Factor

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

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

Supporting Information

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



Tab 5

Limitation as a Determining Factor

Currently, SunChase Power, LLC is considering a variety of other locations for Morrow Lake Solar, LLC but believes Pearsall ISD would be an ideal location for this solar facility. Currently, there are locations across the United States being evaluated for the establishment of this solar facility. In the event a 313 agreement is not permitted, SunChase Power, LLC would choose to use development capital in another area where it is more financially viable to develop, construct, and operate a project. Other sites being considered include locations in Oklahoma, Louisiana, Arkansas, Mississippi, Tennessee, and Florida. Unfortunately, this would also preclude Frio County and Pearsall Independent School District from receiving the economic benefits associated with the development of a solar facility within their jurisdiction.

SunChase Power, LLC is a renewable energy company focused on developing utility-scale and large industrial behind-the-meter solar energy projects. They work with landowners and large industrial electricity users to identify promising locations for profitable solar energy projects, and bring those projects to market. SunChase Power, LLC has a national footprint, and the ability to locate projects of this type in other states in the US with strong solar characteristics. Other states with favorable solar property tax climates are Oklahoma, Louisiana, Arkansas, Mississippi, Tennessee, and Florida. Property taxes are often the highest operating expense for a solar generation facility, as solar plants do not have any associated fuel costs to produce electricity. Furthermore, with the Texas wholesale electricity price already below the international average, the necessity of limiting the property tax liability becomes paramount. The magnitude at which tax expenses affect the feasibility of a project is what causes agreements like the Ch. 313 to be so important to companies like this applicant. If the 313 is not granted, the rate of return drops too low for investors to tolerate, and the capital once allocated to the project must be reapportioned to out-of-state projects with better cash flows (due to tax incentives and higher wholesale electricity rates). Effectively, whether or not the project is built hinges heavily on the execution of a 313 agreement. SunChase Power, LLC is constantly evaluating various locations for development and where to commit substantial long-term investment based on economic rate of return with 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 SunChase Power, LLC but all prudent energy developers, know tax incentives play an important role in attracting capital intensive facilities due to the high property tax burden in Texas. Ultimately, the decision to invest in Texas, or any other state, requires any capital investment by SunChase Power, LLC to be based on expected economic return on their investment.



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With property tax liabilities composing a substantial ongoing cost of operation that directly impacts the rate of return on the investment 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. SunChase Power, LLC evaluates the economic viability of proposed projects through comparing the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. Therefore, if receiving a value limitation agreement under a Chapter 313 agreement results in significant annual cost savings the limitation becomes "the determining factor" to invest in this project.

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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–Morrow Lake Solar, LLC App. #1406

Comptroller Questions (via email on August 23, 2019):

1. *Is the Morrow Lake Solar, 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 30, 2019):

1. *Morrow lake Solar is not currently known by any other project names.*
2. *The project's IGNR number is 19INR0155, assigned on 12/5/2017.*
3. *The project has not been known by any other project names previously.*