



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

January 23, 2020

Scotty Carman
Superintendent
Wink-Loving Independent School District
P.O. Box 637
Wink, Texas 79789

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Wink-Loving Independent School District and MarkWest Tornado GP, L.L.C., Application 1433

Dear Superintendent Carman:

On November 21, 2019, the Comptroller issued written notice that MarkWest Tornado GP, L.L.C. (applicant) submitted a completed application (Application 1433) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on September 16, 2019, to the Wink-Loving 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 1433.

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 by December 31, 2020.

Note that any building or improvement existing as of the application review start date of November 21, 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 MarkWest Tornado GP, L.L.C. (project) applying to Wink-Loving 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 MarkWest Tornado GP, L.L.C.

Applicant	MarkWest Tornado GP, L.L.C.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Wink-Loving ISD
2018-2019 Average Daily Attendance	412
County	Loving
Proposed Total Investment in District	\$110,000,000
Proposed Qualified Investment	\$110,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2021-2022
Number of new qualifying jobs committed to by applicant	3*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,139.81
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,139.81
Minimum annual wage committed to by applicant for qualified jobs	\$59,270.20
Minimum weekly wage required for non-qualifying jobs	\$1,015.50
Minimum annual wage required for non-qualifying jobs	\$52,806
Investment per Qualifying Job	\$36,666,667
Estimated M&O levy without any limit (15 years)	\$9,396,972
Estimated M&O levy with Limitation (15 years)	\$5,281,446
Estimated gross M&O tax benefit (15 years)	\$4,115,526

* 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 MarkWest Tornado GP, L.L.C. (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2020	128	165	293	\$7,586,586	\$14,358,706	\$21,945,291
2021	28	63	90.5955	\$1,659,566	\$6,527,308	\$8,186,874
2022	3	26	29	\$177,811	\$3,467,896	\$3,645,707
2023	3	13	16	\$177,811	\$2,424,372	\$2,602,182
2024	3	6	9	\$177,811	\$1,694,256	\$1,872,066
2025	3	3	6	\$177,811	\$1,276,766	\$1,454,576
2026	3	2	5	\$177,811	\$1,089,047	\$1,266,858
2027	3	3	6	\$177,811	\$1,073,600	\$1,251,410
2028	3	5	8	\$177,811	\$1,168,971	\$1,346,782
2029	3	7	10	\$177,811	\$1,331,261	\$1,509,072
2030	3	9	12	\$177,811	\$1,527,757	\$1,705,567
2031	3	10	13	\$177,811	\$1,729,438	\$1,907,249
2032	3	11	14	\$177,811	\$1,863,089	\$2,040,900
2033	3	12	15	\$177,811	\$2,015,638	\$2,193,448
2034	3	12	15	\$177,811	\$2,156,749	\$2,334,559
2035	3	12	15	\$177,811	\$2,288,021	\$2,465,831
2036	3	13	16	\$177,811	\$2,397,735	\$2,575,545

Source: CPA REMI, MarkWest Tornado GP, L.L.C.

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*	Wink-Loving ISD I&S Tax Levy	Wink-Loving ISD M&O Tax Levy	Wink-Loving ISD M&O and I&S Tax Levies	Loving County Tax Levy	Loving County Water Improvement District #1 Tax Levy	Estimated Total Property Taxes
				0.3500	0.9700		0.4700	0.4900	
2022	\$90,250,000	\$90,250,000		\$315,875	\$875,425	\$1,191,300	\$424,175	\$442,225	\$2,057,700
2023	\$85,738,000	\$85,738,000		\$300,083	\$831,659	\$1,131,742	\$402,969	\$420,116	\$1,954,826
2024	\$81,451,000	\$81,451,000		\$285,079	\$790,075	\$1,075,153	\$382,820	\$399,110	\$1,857,083
2025	\$77,378,000	\$77,378,000		\$270,823	\$750,567	\$1,021,390	\$363,677	\$379,152	\$1,764,218
2026	\$73,509,000	\$73,509,000		\$257,282	\$713,037	\$970,319	\$345,492	\$360,194	\$1,676,005
2027	\$69,834,000	\$69,834,000		\$244,419	\$677,390	\$921,809	\$328,220	\$342,187	\$1,592,215
2028	\$66,342,000	\$66,342,000		\$232,197	\$643,517	\$875,714	\$311,807	\$325,076	\$1,512,598
2029	\$63,025,000	\$63,025,000		\$220,588	\$611,343	\$831,930	\$296,218	\$308,823	\$1,436,970
2030	\$59,874,000	\$59,874,000		\$209,559	\$580,778	\$790,337	\$281,408	\$293,383	\$1,365,127
2031	\$56,880,000	\$56,880,000		\$199,080	\$551,736	\$750,816	\$267,336	\$278,712	\$1,296,864
2032	\$54,036,000	\$54,036,000		\$189,126	\$524,149	\$713,275	\$253,969	\$264,776	\$1,232,021
2033	\$51,334,000	\$51,334,000		\$179,669	\$497,940	\$677,609	\$241,270	\$251,537	\$1,170,415
2034	\$48,767,000	\$48,767,000		\$170,685	\$473,040	\$643,724	\$229,205	\$238,958	\$1,111,888
2035	\$46,329,000	\$46,329,000		\$162,152	\$449,391	\$611,543	\$217,746	\$227,012	\$1,056,301
2036	\$44,013,000	\$44,013,000		\$154,046	\$426,926	\$580,972	\$206,861	\$215,664	\$1,003,496
			Total	\$3,390,660	\$9,396,972	\$12,787,632	\$4,553,172	\$4,746,924	\$22,087,728

Source: CPA, MarkWest Tornado GP, L.L.C.

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Loving County and Loving County Water Improvement District #1, 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	Tax Rate*	Wink-Loving ISD I&S Tax Levy	Wink-Loving ISD M&O Tax Levy	Wink-Loving ISD M&O and I&S Tax Levies	Loving County Tax Levy	Loving County Water Improvement District #1 Tax Levy	Estimated Total Property Taxes
				0.3500	0.9700		0.4700	0.4900	
2022	\$90,250,000	\$30,000,000		\$315,875	\$291,000	\$606,875	\$212,088	\$442,225	\$1,261,188
2023	\$85,738,000	\$30,000,000		\$300,083	\$291,000	\$591,083	\$201,484	\$420,116	\$1,212,684
2024	\$81,451,000	\$30,000,000		\$285,079	\$291,000	\$576,079	\$191,410	\$399,110	\$1,166,598
2025	\$77,378,000	\$30,000,000		\$270,823	\$291,000	\$561,823	\$181,838	\$379,152	\$1,122,814
2026	\$73,509,000	\$30,000,000		\$257,282	\$291,000	\$548,282	\$172,746	\$360,194	\$1,081,222
2027	\$69,834,000	\$30,000,000		\$244,419	\$291,000	\$535,419	\$328,220	\$342,187	\$1,205,825
2028	\$66,342,000	\$30,000,000		\$232,197	\$291,000	\$523,197	\$311,807	\$325,076	\$1,160,080
2029	\$63,025,000	\$30,000,000		\$220,588	\$291,000	\$511,588	\$296,218	\$308,823	\$1,116,628
2030	\$59,874,000	\$30,000,000		\$209,559	\$291,000	\$500,559	\$281,408	\$293,383	\$1,075,349
2031	\$56,880,000	\$30,000,000		\$199,080	\$291,000	\$490,080	\$267,336	\$278,712	\$1,036,128
2032	\$54,036,000	\$54,036,000		\$189,126	\$524,149	\$713,275	\$253,969	\$264,776	\$1,232,021
2033	\$51,334,000	\$51,334,000		\$179,669	\$497,940	\$677,609	\$241,270	\$251,537	\$1,170,415
2034	\$48,767,000	\$48,767,000		\$170,685	\$473,040	\$643,724	\$229,205	\$238,958	\$1,111,888
2035	\$46,329,000	\$46,329,000		\$162,152	\$449,391	\$611,543	\$217,746	\$227,012	\$1,056,301
2036	\$44,013,000	\$44,013,000		\$154,046	\$426,926	\$580,972	\$206,861	\$215,664	\$1,003,496
			Total	\$3,390,660	\$5,281,446	\$8,672,106	\$3,593,606	\$4,746,924	\$17,012,636
			Diff	\$0	\$4,115,526	\$4,115,526	\$959,566	\$0	\$5,075,092

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, MarkWest Tornado GP, L.L.C.

*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 MarkWest Torndado GP, L.L.C. (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	\$485,000	\$485,000	\$0	\$0
Limitation Period (10 Years)	2022	\$291,000	\$776,000	\$584,425	\$584,425
	2023	\$291,000	\$1,067,000	\$540,659	\$1,125,084
	2024	\$291,000	\$1,358,000	\$499,075	\$1,624,158
	2025	\$291,000	\$1,649,000	\$459,567	\$2,083,725
	2026	\$291,000	\$1,940,000	\$422,037	\$2,505,762
	2027	\$291,000	\$2,231,000	\$386,390	\$2,892,152
	2028	\$291,000	\$2,522,000	\$352,517	\$3,244,669
	2029	\$291,000	\$2,813,000	\$320,343	\$3,565,012
	2030	\$291,000	\$3,104,000	\$289,778	\$3,854,790
	2031	\$291,000	\$3,395,000	\$260,736	\$4,115,526
Maintain Viable Presence (5 Years)	2032	\$524,149	\$3,919,149	\$0	\$4,115,526
	2033	\$497,940	\$4,417,089	\$0	\$4,115,526
	2034	\$473,040	\$4,890,129	\$0	\$4,115,526
	2035	\$449,391	\$5,339,520	\$0	\$4,115,526
	2036	\$426,926	\$5,766,446	\$0	\$4,115,526
Additional Years as Required by 313.026(c)(1) (10 Years)	2037	\$405,576	\$6,172,023	\$0	\$4,115,526
	2038	\$385,294	\$6,557,316	\$0	\$4,115,526
	2039	\$366,030	\$6,923,346	\$0	\$4,115,526
	2040	\$347,726	\$7,271,072	\$0	\$4,115,526
	2041	\$330,343	\$7,601,415	\$0	\$4,115,526
	2042	\$313,824	\$7,915,239	\$0	\$4,115,526
	2043	\$298,130	\$8,213,368	\$0	\$4,115,526
	2044	\$283,221	\$8,496,589	\$0	\$4,115,526
	2045	\$269,059	\$8,765,648	\$0	\$4,115,526
	2046	\$255,605	\$9,021,252	\$0	\$4,115,526

\$9,021,252

is greater than

\$4,115,526

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

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

Source: CPA, MarkWest Torndado GP, L.L.C.

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 MarkWest Tornado GP, L.L.C.’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 MarkWest Tornado GP, L.L.C., in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “MPLX LP, the parent company of MarkWest Tornado GP, L.L.C., is currently evaluating certain discretionary projects in multiple state-wide and out-of-state locations. The projects under review could all generate attractive returns on capital. However, MPLX’s ability to finance these competing projects is limited and therefore dependent on a thorough and comprehensive financial analysis for each of the prospective projects and locations.”
 - B. “The Appraised Value Limitation from Wink-Loving ISD will be a significant factor in determining whether to allocate the limited amount of capital to this specific project and location. As an example, Louisiana offers up to a 10-year 100% exemption for new projects of this size and magnitude. Without the Appraised Value Limitation, this project would have a significant financial disadvantage when internally competing for capital versus a project in Louisiana.”
 - C. “The project will receive natural gas via pipeline from multiple Domestic gas producers including production from West Texas and New Mexico. The plant will produce products which are used as raw materials for other downstream products. The products will have the ability to be shipped via pipelines directly to downstream users as well as central marketing hubs. Due to the extensive existing pipeline and storage infrastructure in both Texas and New Mexico, this project could be located in either state and still have the necessary pipeline access.”
 - D. “The value limitation is a determining factor for several reasons, including but not limited to the following
 - i. Texas has high property tax rates when compared to New Mexico.
 - ii. New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.
 - iii. This project is competing for internal capital with projects that are being considered in other low-property tax rate states.

- iv. There are several direct competitors who have recently applied for and/or received limitation agreements for similar projects in Texas. For this project to be economically competitive with those other projects, a value limitation agreement is necessary.”
- E. “Due to the significant existing infrastructure in both Texas and New Mexico as well as multiple site leases or purchases in both States, and as a result of the proximity of New Mexico to this potential site location, the proposed Chapter 313 limitation agreement is considered a major economic factor when making the final determination on this site location in Wink-Loving ISD.”

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

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 type="checkbox"/> Land has no existing improvements	<input checked="" type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input checked="" 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

MARKWEST

MarkWest Tornado GP, L.L.C.

CHAPTER 313 APPLICATION TO WINK-LOVING ISD

TAB 5

Documentation to Assist in Determining if Limitation is a Determining Factor

1. Does the applicant currently own land on which the proposed project will occur?

NO

2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

NO

3. Does the applicant have current business activities at the location where the proposed project will occur?

YES

The applicant is currently constructing a gas plant named Tornado on the same leased land identified in this application. See Tab 10 for additional details.

4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?

NO

5. Has the applicant received any local or state permits for activities on the proposed project site?

NO

6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?

NO

7. Is the applicant evaluating other locations not in Texas for the proposed project?

YES

MPLX LP, the parent company of MarkWest Tornado GP, L.L.C., is currently evaluating certain discretionary projects in multiple state-wide and out-of-state locations. The projects under review could all generate attractive returns on capital. However, MPLX's ability to finance these competing projects is limited and therefore dependent on a thorough and comprehensive financial analysis for each of the prospective projects and locations.

The Appraised Value Limitation from Wink-Loving ISD will be a significant factor in determining whether to allocate the limited amount of capital to this specific project and location. As an

TAB 5 Continued

example, Louisiana offers up to a 10-year 100% exemption for new projects of this size and magnitude. Without the Appraised Value Limitation, this project would have a significant financial disadvantage when internally competing for capital versus a project in Louisiana.

The project will receive natural gas via pipeline from multiple Domestic gas producers including production from West Texas and New Mexico. The plant will produce products which are used as raw materials for other downstream products. The products will have the ability to be shipped via pipelines directly to downstream users as well as central marketing hubs. Due to the extensive existing pipeline and storage infrastructure in both Texas and New Mexico, this project could be located in either state and still have the necessary pipeline access.

The value limitation is a determining factor for several reasons, including but not limited to the following:

- a. Texas has high property tax rates when compared to New Mexico.
- b. New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.
- c. This project is competing for internal capital with projects that are being considered in other low-property tax rate states.
- d. There are several direct competitors who have recently applied for and/or received limitation agreements for similar projects in Texas. For this project to be economically competitive with those other projects, a value limitation agreement is necessary.

Due to the significant existing infrastructure in both Texas and New Mexico as well as multiple site leases or purchases in both States, and as a result of the proximity of New Mexico to this potential site location, the proposed Chapter 313 limitation agreement is considered a major economic factor when making the final determination on this site location in Wink-Loving ISD.

MarkWest is currently completing the Tornado I gas plant project which is located at the same location that Tornado II will be located. The applicant was recently acquired by MPLX which majority is owned by Marathon Petroleum. During the integration phase of the companies, the MarkWest property tax manager left the company. Due to the change in the property tax team, the Tornado I plant was started prior to the company doing a full analysis of available tax incentives. All current and future projects will have an incentives component included in the financial analysis of the project and will be used as one of the metrics for choosing the best location.

In addition, new pipeline loops in the Permian Basin, including in New Mexico, have been, or are currently being constructed which allow for additional flexibility when choosing a site to build future plants.

TAB 5 Continued

8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?

NO

9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?

YES

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

The Appraised Value Limitation from Wink-Loving ISD will be a significant factor in determining whether to allocate the limited amount of capital to this specific project location in Texas in comparison to a project location in New Mexico. Due to the extensive existing pipeline and storage infrastructure in both Texas and New Mexico, this project could be located in either state and still have the necessary pipeline access.

The value limitation is a determining factor for several reasons, including but not limited to the following:

- a. Texas has high property tax rates when compared to New Mexico.
- b. New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.
- c. This project is competing for internal capital with projects that are being considered in other low-property tax rate states.
- d. There are several direct competitors who have recently applied for and/or received limitation agreements for similar projects in Texas. For this project to be economically competitive with those other projects, a value limitation agreement is necessary.

Due to the significant existing infrastructure in both Texas and New Mexico as well as multiple site leases or purchases in both States, and as a result of the proximity of New Mexico to this potential site location, the proposed Chapter 313 limitation agreement is considered a major economic factor when making the final determination on this site location in Wink-Loving ISD.