GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

September 18, 2020

Dr. Mark Porterie
Superintendent
Port Arthur Independent School District
4801 8th Avenue
Port Arthur, Texas 77642

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Port Arthur Independent School District and Diamond Green Diesel LLC, Application 1501

Dear Superintendent Porterie:

On August 14, 2020, the Comptroller issued written notice that Diamond Green Diesel LLC (applicant) submitted a completed application (Application 1501) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on June 21, 2020, to the Port Arthur 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 committed 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 1501.

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, 2020, 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,

DocuSigned by:

Lisa Craven

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Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Diamond Green Diesel LLC (project) applying to Port Arthur 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 Diamond Green Diesel LLC.

Applicant	Diamond Green Diesel LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Port Arthur ISD
2018-2019 Average Daily Attendance	7,309
County	Jefferson
Proposed Total Investment in District	$2,000,000,000
Proposed Qualified Investment	$1,000,000,000
Limitation Amount	$30,000,000
Qualifying Time Period (Full Years)	2022-2023
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	15
Average weekly wage of qualifying jobs committed to by applicant	$1,595.64
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,595.64
Minimum annual wage committed to by applicant for qualified jobs	$82,973.18
Minimum weekly wage required for non-qualifying jobs	$1,121.25
Minimum annual wage required for non-qualifying jobs	$58,305
Investment per Qualifying Job	$200,000,000
Estimated M&O levy without any limit (15 years)	$181,968,765
Estimated M&O levy with Limitation (15 years)	$55,921,499
Estimated gross M&O tax benefit (15 years)	$126,047,266

Table 2 is the estimated statewide economic impact of Diamond Green Diesel LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2021	0	402	402	$0	$41,000,000	$41,000,000
2022	200	304	504	$15,000,000	$36,000,000	$51,000,000
2023	400	530	930	$30,000,000	$61,000,000	$91,000,000
2024	225	372	597	$16,704,307	$48,295,693	$65,000,000
2025	425	615	1040	$31,704,307	$76,295,693	$108,000,000
2026	25	140	165	$1,704,307	$28,295,693	$30,000,000
2027	25	113	138	$1,704,307	$24,295,693	$26,000,000
2028	25	93	118	$1,704,307	$20,295,693	$22,000,000
2029	25	94	119	$1,704,307	$19,295,693	$21,000,000
2030	25	105	130	$1,704,307	$20,295,693	$22,000,000
2031	25	119	144	$1,704,307	$22,295,693	$24,000,000
2032	25	134	159	$1,704,307	$24,295,693	$26,000,000
2033	25	147	172	$1,704,307	$26,295,693	$28,000,000
2034	25	133	158	$1,704,307	$25,295,693	$27,000,000
2035	25	133	158	$1,704,307	$26,295,693	$28,000,000

Source: CPA REMI, Diamond Green Diesel 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		Port Arthur ISD I&S Tax Levy	Port Arthur ISD M&O Tax Levy	Port Arthur M&O and I&S Tax Levies	Jefferson County Tax Levy	Sabine-Neches Nav District Tax Levy	Drainage District #7 Tax Levy	Port of Port Arthur Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.4125**	**1.0684**		**0.3650**	**0.0921**	**0.3118**	**0.1997**	
2022	$25,000,000	$25,000,000		$103,135	$267,088	$370,223	$91,245	$23,018	$77,953	$49,913	$612,350
2023	$150,000,000	$150,000,000		$618,810	$1,602,525	$2,221,335	$547,470	$138,105	$467,715	$299,475	$3,674,100
2024	$810,000,000	$810,000,000		$3,341,574	$8,653,635	$11,995,209	$2,956,338	$745,767	$2,525,661	$1,617,165	$19,840,140
2025	$926,595,000	$926,595,000		$3,822,575	$9,899,278	$13,721,853	$3,381,886	$853,116	$2,889,216	$1,849,947	$22,696,018
2026	$1,540,276,000	$1,540,276,000		$6,354,255	$16,455,539	$22,809,793	$5,621,699	$1,418,132	$4,802,735	$3,075,161	$37,727,520
2027	$1,462,935,000	$1,462,935,000		$6,035,192	$15,629,266	$21,664,458	$5,339,420	$1,346,924	$4,561,578	$2,920,750	$35,833,130
2028	$1,389,493,000	$1,389,493,000		$5,732,214	$14,844,648	$20,576,863	$5,071,372	$1,279,306	$4,332,578	$2,774,123	$34,034,242
2029	$1,319,753,000	$1,319,753,000		$5,444,509	$14,099,581	$19,544,090	$4,816,834	$1,215,097	$4,115,122	$2,634,887	$32,326,030
2030	$1,253,526,000	$1,253,526,000		$5,171,296	$13,392,045	$18,563,341	$4,575,119	$1,154,121	$3,908,619	$2,502,665	$30,703,866
2031	$1,190,635,000	$1,190,635,000		$4,911,846	$12,720,149	$17,631,995	$4,345,580	$1,096,218	$3,712,519	$2,377,103	$29,163,414
2032	$1,130,909,000	$1,130,909,000		$4,665,452	$12,082,066	$16,747,518	$4,127,592	$1,041,228	$3,526,287	$2,257,860	$27,700,485
2033	$1,074,190,000	$1,074,190,000		$4,431,463	$11,476,109	$15,907,572	$3,920,579	$989,007	$3,349,432	$2,144,620	$26,311,210
2034	$1,031,191,000	$1,031,191,000		$4,254,075	$11,016,729	$15,270,804	$3,763,641	$949,418	$3,215,357	$2,058,773	$25,257,992
2035	$989,914,000	$989,914,000		$4,083,791	$10,575,746	$14,659,537	$3,612,988	$911,414	$3,086,651	$1,976,363	$24,246,954
2036	$950,289,000	$950,289,000		$3,920,322	$10,152,413	$14,072,735	$3,468,365	$874,931	$2,963,096	$1,897,252	$23,276,379
2037	$912,251,000	$912,251,000		$3,763,400	$9,746,034	$13,509,434	$3,329,534	$839,909	$2,844,490	$1,821,309	$22,344,676
2038	$875,735,000	$875,735,000		$3,612,757	$9,355,915	$12,968,672	$3,196,258	$806,289	$2,730,629	$1,748,405	$21,450,253
			Total	**$70,266,668**	**$181,968,765**	**$252,235,433**	**$62,165,919**	**$15,682,000**	**$53,109,637**	**$34,005,770**	**$417,198,758**

Source: CPA, Diamond Green Diesel LLC
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Jefferson 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 abatements with the county, navigation district, drainage district and port.

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		Port Arthur ISD I&S Tax Levy	Port Arthur ISD M&O Tax Levy	Port Arthur M&O and I&S Tax Levies	Jefferson County Tax Levy	Sabine-Neches Nav District Tax Levy	Drainage District #7 Tax Levy	Port of Port Arthur Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.4125**	**1.0684**		**0.3650**	**0.0921**	**0.3118**	**0.1997**	
2022	$25,000,000	$25,000,000		$103,135	$267,088	$370,223	$0	$0	$0	$0	$370,223
2023	$150,000,000	$150,000,000		$618,810	$1,602,525	$2,221,335	$0	$0	$0	$0	$2,221,335
2024	$810,000,000	$30,000,000		$3,341,574	$320,505	$3,662,079	$0	$0	$0	$0	$3,662,079
2025	$926,595,000	$30,000,000		$3,822,575	$320,505	$4,143,080	$0	$0	$0	$0	$4,143,080
2026	$1,540,276,000	$30,000,000		$6,354,255	$320,505	$6,674,760	$0	$0	$0	$0	$6,674,760
2027	$1,462,935,000	$30,000,000		$6,035,192	$320,505	$6,355,697	$0	$0	$0	$0	$6,355,697
2028	$1,389,493,000	$30,000,000		$5,732,214	$320,505	$6,052,719	$0	$0	$0	$0	$6,052,719
2029	$1,319,753,000	$30,000,000		$5,444,509	$320,505	$5,765,014	$0	$0	$0	$0	$5,765,014
2030	$1,253,526,000	$30,000,000		$5,171,296	$320,505	$5,491,801	$0	$0	$0	$0	$5,491,801
2031	$1,190,635,000	$30,000,000		$4,911,846	$320,505	$5,232,351	$0	$0	$0	$0	$5,232,351
2032	$1,130,909,000	$30,000,000		$4,665,452	$320,505	$4,985,957	$4,127,592	$1,041,228	$3,526,287	$2,257,860	$10,154,777
2033	$1,074,190,000	$30,000,000		$4,431,463	$320,505	$4,751,968	$3,920,579	$989,007	$3,349,432	$2,144,620	$9,661,554
2034	$1,031,191,000	$1,031,191,000		$4,254,075	$11,016,729	$15,270,804	$3,763,641	$949,418	$3,215,357	$2,058,773	$19,983,863
2035	$989,914,000	$989,914,000		$4,083,791	$10,575,746	$14,659,537	$3,612,988	$911,414	$3,086,651	$1,976,363	$19,183,939
2036	$950,289,000	$950,289,000		$3,920,322	$10,152,413	$14,072,735	$3,468,365	$874,931	$2,963,096	$1,897,252	$18,416,031
2037	$912,251,000	$912,251,000		$3,763,400	$9,746,034	$13,509,434	$3,329,534	$839,909	$2,844,490	$1,821,309	$17,678,877
2038	$875,735,000	$875,735,000		$3,612,757	$9,355,915	$12,968,672	$3,196,258	$806,289	$2,730,629	$1,748,405	$16,971,219
			Total	**$70,266,668**	**$55,921,499**	**$126,188,166**	**$25,418,955**	**$6,412,196**	**$21,715,942**	**$13,904,582**	**$158,019,318**
			Diff	**$0**	**$126,047,266**	**$126,047,266**	**$36,746,964**	**$9,269,804**	**$31,393,695**	**$20,101,187**	**$259,179,440**

Source: CPA, Diamond Green Diesel 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 Diamond Green Diesel 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	2021	$0	$0	$0	$0
	2022	$267,088	$267,088	$0	$0
	2023	$1,602,525	$1,869,613	$0	$0
Limitation Period (10 Years)	2024	$320,505	$2,190,118	$8,333,130	$8,333,130
	2025	$320,505	$2,510,623	$9,578,773	$17,911,903
	2026	$320,505	$2,831,128	$16,135,034	$34,046,936
	2027	$320,505	$3,151,633	$15,308,761	$49,355,697
	2028	$320,505	$3,472,138	$14,524,143	$63,879,841
	2029	$320,505	$3,792,643	$13,779,076	$77,658,917
	2030	$320,505	$4,113,148	$13,071,540	$90,730,457
	2031	$320,505	$4,433,653	$12,399,644	$103,130,101
	2032	$320,505	$4,754,158	$11,761,561	$114,891,662
	2033	$320,505	$5,074,663	$11,155,604	$126,047,266
Maintain Viable Presence (5 Years)	2034	$11,016,729	$16,091,392	$0	$126,047,266
	2035	$10,575,746	$26,667,138	$0	$126,047,266
	2036	$10,152,413	$36,819,550	$0	$126,047,266
	2037	$9,746,034	$46,565,584	$0	$126,047,266
	2038	$9,355,915	$55,921,499	$0	$126,047,266
Additional Years as Required by 313.026(c)(1) (10 Years)	2039	$8,981,415	$64,902,914	$0	$126,047,266
	2040	$8,621,916	$73,524,830	$0	$126,047,266
	2041	$8,276,796	$81,801,626	$0	$126,047,266
	2042	$7,945,501	$89,747,126	$0	$126,047,266
	2043	$7,627,463	$97,374,590	$0	$126,047,266
	2044	$7,322,172	$104,696,762	$0	$126,047,266
	2045	$7,029,091	$111,725,853	$0	$126,047,266
	2046	$6,747,752	$118,473,605	$0	$126,047,266
	2047	$6,477,662	$124,951,267	$0	$126,047,266
	2048	$6,218,385	$131,169,652	$0	$126,047,266
		$131,169,652	is greater than	**$126,047,266**	

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, Diamond Green Diesel LLC

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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 Diamond Green Diesel'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 Diamond Green Diesel in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "As with any project development and investigation activity, there are consulting, engineering services, access, and non-disclosure agreements to assist in scoping and evaluating the proposed project. There are no major commercial agreements, contracts, or letters of intent related to the proposed project."
  B. "DGD current business activities are based in St Charles Parish, Louisiana, where its existing renewable diesel plant is located."
  C. "Valero and Darling have made public statements concerning the proposed investment and they are included in this application. Please see Tab 18 for additional information."
  D. "DGD owns North America's largest renewable diesel plant in St. Charles, Louisiana. DGD is evaluating building the first renewable diesel plant in Texas that is adjacent to Valero's Port Arthur Refinery."
  E. "Texas has significantly higher property tax rates when compared to Louisiana. Including the City of Port Arthur, who would likely require an IDA for this project, the combined 2019 tax rate for this site in Jefferson County is over 3%, compared to just under 1.8% for all of the taxing jurisdictions in St Charles Parish, Louisiana. In addition, unlike Texas which taxes construction work in progress, new capital additions are not taxed in Louisiana until they are completed and operational."
  F. "The proposed Chapter 313 limitation agreement is considered a major economic factor when making the final determination on this site location in Port Arthur ISD. DGD's values a strong partnership with local government interested in expanding growth and job opportunities in Jefferson County, Texas. The applicant would like to pursue project development activities in Port Arthur to bring the first renewable diesel plant to Texas. This will enable Texas to become a leader in production of the next generation of liquid transportation fuels."

- Per Diamond Green Diesel in Tab 18 of their Application for a Limitation on Appraised Value:
  A. "SAN ANTONIO, September 9, 2019 – Valero Energy Corporation (NYSE: VLO, "Valero") and Darling Ingredients Inc. (NYSE: DAR, "Darling") are addressing the growing demand for renewable diesel in global, low-carbon markets by initiating an advanced engineering and development cost review for a new plant in Port Arthur, Texas. The proposed facility under review would be designed to produce 400 million gallons of renewable diesel annually as well as 40 million gallons of renewable naphtha. The new plant would be owned and operated by Diamond Green Diesel Holdings LLC ("DGD"), the 50/50 joint venture between Valero and Darling."
  B. "The proposed Port Arthur plant, the first renewable diesel facility in Texas, would be in a location to leverage Valero's existing refinery and optimize logistics management. The production from this new plant would increase DGD's annual renewable diesel production to approximately 1.1 billion gallons with nearly 100 million gallons of renewable naphtha production. The final investment decision on the project is expected in 2021, subject to further engineering, obtaining necessary permits, and approval by the boards of Valero and Darling. If the decision is made to move forward, new plant construction could begin in 2021, with expected operations commencing in 2024."
  C. "Extended Product Supply Chain in Central Texas and the U.S. Gulf Coats:
     a. Central Texas pipelines and terminals to supply high-growth refined products market:
     b. Pasadena refined products terminal joint venture with Magellan Midstream Partners, L.P."
  D. "As previously announced, Valero and its joint venture partner in DGD continue to make progress on the advanced engineering and development cost review for a potential new renewable diesel plant at Valero's Port Arthur, Texas facility. If the project is approved, operations are expected to commence in 2024, increasing DGD production capacity to over 1.1 billion gallons annually."
- A September 9, 2019 *12 News Now Beaumont, TX* article states the following:
  A. "Port Arthur may end up as the site for a new renewable diesel plant"
  B. "Valero Energy and Darling Ingredients are looking at engineering and development costs for a new plant in Port Arthur."

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) Attachments provided in Tab 18 of the Application for a Limitation on Appraised Value
d) 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 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? **See Tab 5 for additional information** ☐ 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.

SECTION 9: Projected Timeline

NOTE: Only construction beginning after the application review start date (the date the Texas Comptroller of Public Accounts deems the application complete) can be considered qualified property and/or qualified investment.

1. Estimated school board ratification of final agreement: 01/2021
2. Estimated commencement of construction: 04/2021
3. Beginning of qualifying time period (MM/DD/YYYY): 01/01/2022
4. First year of limitation (MM/DD/YYYY): 01/01/2024

   4a. For the beginning of the limitation period, notate which **one of the following** will apply according to provision of 313.027(a-1)(2):

   ☐ A. January 1 following the application date ☑ B. January 1 following the end of QTP

   ☐ C. January 1 following the commencement of commercial operations

5. Commencement of commercial operations: 01/01/2024

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located: Jefferson County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property: Jefferson County Appraisal District
3. Will this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☑ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:

M&O (ISD): Port Arthur ISD; 1.06835; 100%
(Name, tax rate and percent of project)

I&S (ISD): Port Arthur ISD; 0.41254; 100%
(Name, tax rate and percent of project)

County: Jefferson; 0.364977; 100%
(Name, tax rate and percent of project)

City:
(Name, tax rate and percent of project)

Hospital District:
(Name, tax rate and percent of project)

Water District: Sabine-Neches Nav District; 0.092067; 100%
(Name, tax rate and percent of project)

Other (describe): Drainage District #7; 0.311805; 100%
(Name, tax rate and percent of project)

Other (describe): Port of Port Arthur; 0.199645; 100%
(Name, tax rate and percent of project)

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

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

   NO.

   The applicant, Diamond Green Diesel LLC ("DGD"), is a 50/50 joint venture between subsidiaries of Valero Energy Corporation ("Valero") and Darling Ingredients Inc. ("Darling"). The land upon which the proposed project would occur is owned by The Premcor Refining Group Inc., an indirect subsidiary of Valero Energy Corporation. If the proposed project occurs, DGD will lease the land.

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

   YES.

   As with any project development and investigation activity, there are consulting, engineering services, access, and non-disclosure agreements to assist in scoping and evaluating the proposed project. There are no major commercial agreements, contracts, or letters of intent related to the proposed project.

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

   NO.

   DGD current business activities are based in St Charles Parish, Louisiana, where its existing renewable diesel plant is located.

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

   The answer to this question is technically NO. We would like to qualify our response to this question by pointing out that Valero and Darling have made public statements concerning the proposed investment and they are included in this application. Please see Tab 18 for additional information.

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.

   DGD owns North America's largest renewable diesel plant in St. Charles, Louisiana. DGD is evaluating building the first renewable diesel plant in Texas that is adjacent to Valero's Port Arthur Refinery.

   The proposed project requires an adjacent refinery with sufficient space, rail logistics for feed, and water access. Port Arthur, Texas and St. Charles, Louisiana are suitable sites.

   DGD's ability to finance 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 Port Arthur ISD is a significant factor in determining whether to allocate the limited amount of capital to this specific project and location. Louisiana offers a 10-year property tax exemption applicable to **all** taxing jurisdictions for new projects of this size and magnitude. DGD's facilities in St. Charles, Louisiana consists of two major investments, DGD 1 and DGD 2. DGD 1 was supported by a 10-year, 100% tax exemption, and DGD 2 was supported by a 10-year, 80% tax exemption. The Appraised Value Limitation would remove a significant financial disadvantage when internally competing for capital versus a project in Louisiana.

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

   a. Texas has significantly higher property tax rates when compared to Louisiana. Including the City of Port Arthur, who would likely require an IDA for this project, the combined 2019 tax rate for this site in Jefferson County is over 3%, compared to just under 1.8% for all of the taxing jurisdictions in St Charles Parish, Louisiana. In addition, unlike Texas which taxes construction work in progress, new capital additions are not taxed in Louisiana until they are completed and operational.

   b. This project is competing for internal capital with projects that are being considered in other low-property tax rate states. In addition, the COVID-19 pandemic has placed additional stresses on capital allocation decisions.

   c. St Charles, Louisiana already has DGD I and II renewable diesel units in operation. This facility provides an existing workforce with in-depth working knowledge of the Diamond Green Diesel manufacturing process gained from operating a similar system.

   d. St Charles, Louisiana offers easier permitting and lower installation costs due to existing utility infrastructure.

   e. Louisiana offers 10-year Industrial Tax Exemptions and other Job Training incentive programs.

f. 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.

The proposed Chapter 313 limitation agreement is considered a major economic factor when making the final determination on this site location in Port Arthur ISD. DGD's values a strong partnership with local government interested in expanding growth and job opportunities in Jefferson County, Texas. The applicant would like to pursue project development activities in Port Arthur to bring the first renewable diesel plant to Texas. This will enable Texas to become a leader in production of the next generation of liquid transportation fuels.

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.

    See response to Question 7.

Supporting Information

Attachments provided in Tab 18 of the Application for a Limitation on Appraised Value

TAB 18

Additional Applicant and Proposed Project Information

- Diamond Green Diesel Evaluating New Plant in Port Arthur, TX to Expand Production up to 1.1 Billion Gallons Annually
- Investor Presentation June 2020
- Valero Energy Reports First Quarter 2020 Results
- Valero Energy Reports 2019 Fourth Quarter and Full Year Results
- Valero Energy Reports Third Quarter 2019 Results

Diamond Green Diesel Evaluating New Plant in Port Arthur, Texas to Expand Production up to 1.1 Billion Gallons Annually

SAN ANTONIO, September 9, 2019 – Valero Energy Corporation (NYSE: VLO, "Valero") and Darling Ingredients Inc. (NYSE: DAR, "Darling") are addressing the growing demand for renewable diesel in global, low-carbon markets by initiating an advanced engineering and development cost review for a new plant in Port Arthur, Texas. The proposed facility under review would be designed to produce 400 million gallons of renewable diesel annually as well as 40 million gallons of renewable naphtha. The new plant would be owned and operated by Diamond Green Diesel Holdings LLC ("DGD"), the 50/50 joint venture between Valero and Darling.

The proposed Port Arthur plant, the first renewable diesel facility in Texas, would be in a location to leverage Valero's existing refinery and optimize logistics management. The production from this new plant would increase DGD's annual renewable diesel production to approximately 1.1 billion gallons with nearly 100 million gallons of renewable naphtha production. The final investment decision on the project is expected in 2021, subject to further engineering, obtaining necessary permits, and approval by the boards of Valero and Darling. If the decision is made to move forward, new plant construction could begin in 2021, with expected operations commencing in 2024.

"We expect low-carbon fuel mandates across the globe to continue to drive demand growth for renewable fuels," said Joe Gorder, Valero Chairman, President and Chief Executive Officer. "This project would meaningfully expand our renewable diesel segment, which continues to generate strong results, and demonstrates our commitment to environmentally responsible operations."

DGD's future total annual capacity of 1.1 billion gallons of renewable diesel and nearly 100 million gallons of renewable naphtha includes production from DGD's Louisiana plant, which is currently being expanded to produce 675 million gallons of renewable diesel and 60 million gallons of naphtha. The Louisiana expansion is targeted for completion at the end of 2021.

Investing to Improve Margins, Product Export Capability and Biofuels Blending


Pasadena terminal.

Extending Product Supply Chain in Central Texas and the U.S. Gulf Coast

- Central Texas pipelines and terminals to supply high-growth refined products market
  - Started up in September 2019
  - Approximately 205 miles of pipe[(1)], 960 thousand barrels of total storage capacity, and a truck rack
- Pasadena refined products terminal joint venture with Magellan Midstream Partners, L.P.
  - Completed in the first quarter of 2020 at a cost of approximately $410 MM
  - 5 MM barrels of storage capacity with butane blending, two ship docks and a three-bay truck rack
- Projects expected to improve product margins, reduce secondary costs, provide opportunity for third-party revenues, and increase capability for biofuels blending

[(1)] Valero owns ~70 mile pipeline from Hearne to Williamson County and 40% undivided interest in 135 mile pipeline from Houston to Hearne.

Valero Energy Reports First Quarter 2020 Results

- Reported net loss attributable to Valero stockholders of $1.9 billion, or $4.54 per share.
- Reported adjusted net income attributable to Valero stockholders of $140 million, or $0.34 per share.
- Returned $548 million in cash to stockholders through dividends and stock buybacks during the quarter and declared a quarterly common stock dividend of $0.98 per share on April 24.
- Deferred approximately $100 million in tax payments due in the first quarter of 2020 and deferring approximately $400 million in capital projects for 2020.
- Entered into a new 364-day $875 million revolving credit facility on April 13, which remains undrawn, and issued $850 million of 2.70% and $650 million of 2.85% senior notes on April 16.

SAN ANTONIO, April 29, 2020 – Valero Energy Corporation (NYSE: VLO, "Valero") today reported a net loss attributable to Valero stockholders of $1.9 billion, or $4.54 per share, for the first quarter of 2020 compared to net income of $141 million, or $0.34 per share, for the first quarter of 2019. Excluding the adjustments shown in the accompanying earnings release tables, adjusted net income attributable to Valero stockholders was $140 million, or $0.34 per share, for the first quarter of 2020 and $181 million, or $0.43 per share, for the first quarter of 2019. First quarter 2020 adjusted results exclude an after-tax lower of cost or market, or LCM, inventory valuation adjustment of approximately $2.0 billion.

"It's been a very challenging start to the year with significant impacts to families, communities and businesses world-wide brought on by the COVID-19 pandemic," said Joe Gorder, Valero Chairman and Chief Executive Officer. "Valero entered this economic downturn in a position of strength, and our team has been thorough, decisive and swift in our operational, financial and community support response."

Strategic Update

Valero expects to invest approximately $2.1 billion of capital in 2020, a reduction of $400 million from our prior guidance. The $2.1 billion includes capital expenditures for turnarounds, catalysts, and joint venture investments.

The Pasadena terminal project, which expands our product logistics portfolio, increases our capacity for biofuels blending and enhances export flexibility was completed in the first quarter of 2020. The new St. Charles Alkylation Unit remains on track to be completed in 2020, and the Diamond Pipeline expansion should be completed in 2021. The DGD plant expansion should also be completed in 2021, subject to COVID-19 related delays. The Port Arthur Coker and the Pembroke Cogen Unit projects have been slowed, pushing out mechanical completion by 6 to 9 months.

As previously announced, Valero and its joint venture partner in DGD continue to make progress on the advanced engineering and development cost review for a potential new renewable diesel plant at Valero's Port Arthur, Texas facility. If the project is approved, operations are expected to commence in 2024, increasing DGD production capacity to over 1.1 billion gallons annually.

"While a tremendous amount of uncertainty remains in the near term, our operational and financial flexibility allow us to navigate through today's challenging macro environment," said Gorder. "Our advantaged footprint and flexibility to process a wide range of feedstocks, coupled with a relentless focus on operational excellence and a demonstrated commitment to stockholders, positions our assets well as our country and the world return to a more normal way of life."

Conference Call

Valero's senior management will hold a conference call at 10 a.m. ET today to discuss this earnings release and to provide an update on operations and strategy.

Valero Energy Reports 2019 Fourth Quarter and Full Year Results

- Reported net income attributable to Valero stockholders of $1.1 billion, or $2.58 per share, for the fourth quarter and $2.4 billion, or $5.84 per share, for the year.
- Reported adjusted net income attributable to Valero stockholders of $873 million, or $2.13 per share, for the fourth quarter and $2.4 billion, or $5.70 per share, for the year.
- Returned $591 million in cash to stockholders through dividends and stock buybacks in the fourth quarter and $2.3 billion in the year.
- Increased quarterly common stock dividend by nine percent to $0.98 per share on January 23.

SAN ANTONIO, January 30, 2020 – Valero Energy Corporation (NYSE: VLO, "Valero") today reported net income attributable to Valero stockholders of $1.1 billion, or $2.58 per share, for the fourth quarter of 2019 compared to $952 million, or $2.24 per share, for the fourth quarter of 2018. Excluding adjustments shown in the accompanying earnings release tables, adjusted net income attributable to Valero stockholders was $873 million, or $2.13 per share, for the fourth quarter of 2019 and $932 million, or $2.19 per share, for the fourth quarter of 2018. The adjustment for the fourth quarter of 2019 is associated with the retroactive blender's tax credit.

For the year ended December 31, 2019, net income attributable to Valero stockholders was $2.4 billion, or $5.84 per share, compared to $3.1 billion, or $7.29 per share, for 2018. Excluding the adjustments shown in the accompanying earnings release tables, adjusted net income attributable to Valero stockholders was $2.4 billion, or $5.70 per share, for 2019 compared to $3.2 billion, or $7.55 per share, for 2018.

"We delivered another year of steady earnings despite a challenging environment for the refining business during 2019," said Joe Gorder, Valero Chairman and Chief Executive Officer. "We ran our business well by delivering the best year ever on employee safety performance along with the lowest number of environmental events in company history."

Strategic Update

In 2019, Valero successfully started up the Houston Alkylation Unit, which upgrades lower value natural gas liquids and refinery olefins to a premium, high octane alkylate product. Valero also completed the Central Texas Pipelines and Terminals project, which reduces secondary costs and extends the supply chain from the U.S. Gulf Coast to a growing inland market.

Several growth projects, including the Pasadena Terminal, St. Charles Alkylation Unit and Pembroke Cogeneration Unit, are on track to be completed in 2020. The Diamond Pipeline expansion should be completed in 2021. The company expects the DGD expansion and Port Arthur Coker to be completed in 2021 and 2022, respectively.

Valero, with its ethanol and renewable diesel businesses, is already the largest renewable fuels producer in North America and it continues to explore growth opportunities in renewable fuels. As previously announced, Valero and its joint venture partner in DGD have initiated an advanced engineering and development cost review for a new renewable diesel plant at Valero's Port Arthur, Texas facility. If the project is approved, operations would commence in 2024, resulting in DGD production capacity increasing to over 1.1 billion gallons annually.

Valero continues to expect to invest approximately $2.5 billion of capital in 2020, of which approximately 60 percent is for sustaining the business and approximately 40 percent is for growth projects.

Conference Call

Valero's senior management will hold a conference call at 10 a.m. ET today to discuss this earnings release and to provide an update on operations and strategy.

About Valero

Valero Energy Corporation, through its subsidiaries (collectively, "Valero"), is an international manufacturer and marketer of transportation fuels and petrochemical products. Valero is a Fortune 50 company based in San Antonio, Texas, and it operates 15 petroleum refineries with a combined throughput capacity of approximately 3.1 million barrels per day and 14 ethanol plants with a combined production capacity of approximately 1.73 billion gallons per year. The petroleum

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

POWER CITY

Valero looks at Port Arthur as site for first renewable diesel plant in Texas

Diamond Green Diesel would own and operate the new plant as a 50-50 joint venture between Valero and Darling.

Author: **Eleanor Skelton**
Published: **10:21 AM CDT September 9, 2019**
Updated: **6:23 PM CDT September 9, 2019**

PORT ARTHUR, Texas — Port Arthur may end up as the site for a new renewable diesel plant.

Valero Energy and Darling Ingredients are looking at engineering and development costs for a new plant in Port Arthur. The proposed facility that the companies are reviewing would be designed to produce 400 million gallons of renewable diesel each year and 40 million gallons of renewable naphtha, Valero announced Sept. 9.

"With each plant job that is created you have a multitude of other services thats like 6 or 7 other jobs that are created in the community," Pat Avery, president and CEO of the Port Arthur Chamber of Commerce said.

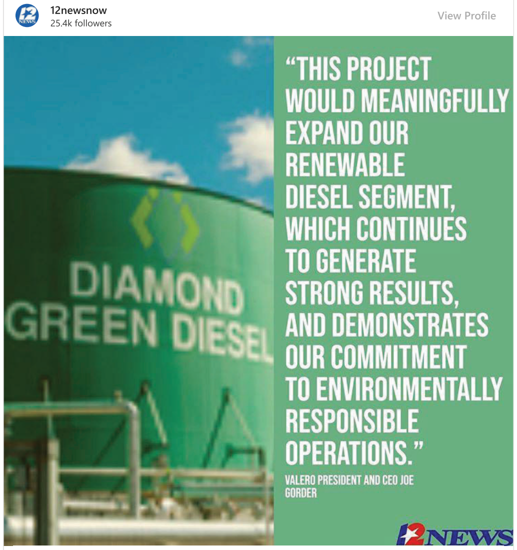
Diamond Green Diesel would own and operate the new plant, which would be the first renewable diesel facility in Texas, as a 50-50 joint venture between Valero and Darling.

"Projects are coming more and more everyday so that means more growth and development for our area," Avery said.

The proposed plant in Port Arthur would increase Diamond Green Diesel's annual production to about 1.1 billion gallons, along with almost 100 million gallons of renewable naphtha.

Investors are expected to make a final decision on the project in 2021, but the plant would have to undergo further engineering, obtain permits and be approved by the boards of both companies, the release said.

If Valero and Darling decide to move forward, the renewable diesel plant could start construction in 2021 and begin operating in 2024.



"We expect low-carbon fuel mandates across the globe to continue to drive demand growth for renewable fuels," Valero President and CEO Joe Gorder said. "This project would meaningfully expand our renewable diesel segment, which continues to generate strong results, and demonstrates our commitment to environmentally responsible operations."

"Any plant is good for business," Avery said.

Diamond Green's plant in Louisiana is currently being expanded to produce 675 million gallons