SUSAN COMBS

TEXAS COMPTROLLER of PUBLIC ACCOUNTS

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

August 28, 2014

Ralph Traynham
Superintendent
Fort Stockton Independent School District
101 West Division
Fort Stockton, Texas 79735

Dear Superintendent Traynham:

On Jul. 2, 2014, the Comptroller issued written notice that RE Monument, LLC (the applicant) submitted a completed application (Application #1013) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on May 27, 2014, to the Fort Stockton Independent School District (the 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.
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 #1013.

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 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.

[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

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 50-286) 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 Jul. 2, 2014, 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 Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,

Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller's economic impact analysis of RE Monument, LLC (the project) applying to Fort Stockton Independent School District (the 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 RE Monument, LLC.

Applicant	RE Monument, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy
School District	Fort Stockton ISD
2012-13 Enrollment in School District	2,425
County	Pecos
Proposed Total Investment in District	$285,000,000
Proposed Qualified Investment	$285,000,000
Limitation Amount	$30,000,000
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	$711.53
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	$709.50
Minimum annual wage committed to by applicant for qualified jobs	$37,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	$142,500,000
Estimated M&O levy without any limit (15 years)	$19,130,162
Estimated M&O levy with Limitation (15 years)	$5,584,913
Estimated gross M&O tax benefit (15 years)	$13,545,249
** 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 RE Monument, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	200	181	381	$7,506,800	$13,367,223	$20,874,023
2016	2	13	15	$74,000	$2,367,406	$2,441,406
2017	2	14	16	$74,000	$2,367,406	$2,441,406
2018	2	12	14	$74,000	$1,634,984	$1,708,984
2019	2	10	12	$74,000	$1,390,844	$1,464,844
2020	2	8	10	$74,000	$1,390,844	$1,464,844
2021	2	8	10	$74,000	$1,024,633	$1,098,633
2022	2	6	8	$74,000	$1,146,703	$1,220,703
2023	2	6	8	$74,000	$780,492	$854,492
2024	2	8	10	$74,000	$1,024,633	$1,098,633
2025	2	10	12	$74,000	$780,492	$854,492
2026	2	4	6	$74,000	$536,352	$610,352
2027	2	8	10	$74,000	$902,563	$976,563
2028	2	8	10	$74,000	$658,422	$732,422
2029	2	2	4	$74,000	$902,563	$976,563
2030	2	4	6	$74,000	$414,281	$488,281
2031	2	4	6	$74,000	$658,422	$732,422

Source: CPA, REMI, RE Monument, LLC

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

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Fort Stockton ISD I&S Tax Levy	Fort Stockton ISD M&O Tax Levy	Fort Stockton ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Midland College Tax Levy	Middle Pecos Groundwater District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.1660	1.0400		0.6999	0.0255	0.0250	
2015	$0	$0		$0	$0	$0	$0	$0	$0	$0
2016	$142,500,000	$142,500,000		$236,550	$1,482,000	$1,718,550	$997,358	$36,338	$35,625	$2,787,870
2017	$285,000,000	$285,000,000		$473,100	$2,964,000	$3,437,100	$1,994,715	$72,675	$71,250	$5,575,740
2018	$242,250,000	$242,250,000		$402,135	$2,519,400	$2,921,535	$1,695,508	$61,774	$60,563	$4,739,379
2019	$205,912,500	$205,912,500		$341,815	$2,141,490	$2,483,305	$1,441,182	$52,508	$51,478	$4,028,472
2020	$175,025,625	$175,025,625		$290,543	$1,820,267	$2,110,809	$1,225,004	$44,632	$43,756	$3,424,201
2021	$148,771,781	$148,771,781		$246,961	$1,547,227	$1,794,188	$1,041,254	$37,937	$37,193	$2,910,571
2022	$126,456,014	$126,456,014		$209,917	$1,315,143	$1,525,060	$885,066	$32,246	$31,614	$2,473,985
2023	$107,487,612	$107,487,612		$178,429	$1,117,871	$1,296,301	$752,306	$27,409	$26,872	$2,102,888
2024	$91,364,470	$91,364,470		$151,665	$950,190	$1,101,856	$639,460	$23,298	$22,841	$1,787,454
2025	$77,659,800	$77,659,800		$128,915	$807,662	$936,577	$543,541	$19,803	$19,415	$1,519,336
2026	$66,010,830	$66,010,830		$109,578	$686,513	$796,091	$462,010	$16,833	$16,503	$1,291,436
2027	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2028	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2029	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
					Total	$22,183,630	$12,874,231	$469,057	$459,860	$35,986,777

Source: CPA, RE Monument, LLC
[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Pecos County, Midland College District and the Middle Pecos Groundwater District, 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, college and groundwater districts.
The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought										
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Fort Stockton ISD I&S Tax Levy	Fort Stockton ISD M&O Tax Levy	Fort Stockton ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Midland College Tax Levy	Middle Pecos Groundwater District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.1660	1.0400		0.6999	0.0255	0.0250	
2015	$0	$0		$0	$0	$0	$0	$0	$0	$0
2016	$142,500,000	$30,000,000		$236,550	$312,000	$548,550	$488,705	$17,805	$17,456	$1,072,517
2017	$285,000,000	$30,000,000		$473,100	$312,000	$785,100	$977,410	$35,611	$34,913	$1,833,034
2018	$242,250,000	$30,000,000		$402,135	$312,000	$714,135	$830,799	$30,269	$29,676	$1,604,879
2019	$205,912,500	$30,000,000		$341,815	$312,000	$653,815	$706,179	$25,729	$25,224	$1,410,947
2020	$175,025,625	$30,000,000		$290,543	$312,000	$602,543	$600,252	$21,869	$21,441	$1,246,105
2021	$148,771,781	$30,000,000		$246,961	$312,000	$558,961	$510,214	$18,589	$18,225	$1,105,989
2022	$126,456,014	$30,000,000		$209,917	$312,000	$521,917	$433,682	$15,801	$15,491	$986,891
2023	$107,487,612	$30,000,000		$178,429	$312,000	$490,429	$368,630	$13,431	$13,167	$885,657
2024	$91,364,470	$30,000,000		$151,665	$312,000	$463,665	$313,335	$11,416	$11,192	$799,609
2025	$77,659,800	$30,000,000		$128,915	$312,000	$440,915	$266,335	$9,704	$9,513	$726,467
2026	$66,010,830	$66,010,830		$109,578	$686,513	$796,091	$462,010	$16,833	$16,503	$1,291,436
2027	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2028	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
2029	$57,000,000	$57,000,000		$94,620	$592,800	$687,420	$398,943	$14,535	$14,250	$1,115,148
					Total	$8,638,381	$7,154,381	$260,661	$255,550	$16,308,973
					Diff	$13,545,249	$5,719,850	$208,396	$204,310	$19,677,804
Assumes School Value Limitation and Tax Abatements with the County, Midland College, and the Middle Pecos Groundwater District.										

Source: CPA, RE Monument, LLC
[1]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 over 25 Years

This represents the Comptroller's determination that RE Monument, 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 and direct, indirect and induced tax effects from project employment 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	2014	$0	$0	$0	$0
	2015	$0	$0	$0	$0
Limitation Period (10 Years)	2016	$312,000	$312,000	$1,170,000	$1,170,000
	2017	$312,000	$624,000	$2,652,000	$3,822,000
	2018	$312,000	$936,000	$2,207,400	$6,029,400
	2019	$312,000	$1,248,000	$1,829,490	$7,858,890
	2020	$312,000	$1,560,000	$1,508,267	$9,367,157
	2021	$312,000	$1,872,000	$1,235,227	$10,602,383
	2022	$312,000	$2,184,000	$1,003,143	$11,605,526
	2023	$312,000	$2,496,000	$805,871	$12,411,397
	2024	$312,000	$2,808,000	$638,190	$13,049,587
	2025	$312,000	$3,120,000	$495,662	$13,545,249
Maintain Viable Presence (5 Years)	2026	$686,513	$3,806,513	$0	$13,545,249
	2027	$592,800	$4,399,313	$0	$13,545,249
	2028	$592,800	$4,992,113	$0	$13,545,249
	2029	$592,800	$5,584,913	$0	$13,545,249
	2030	$592,800	$6,177,713	$0	$13,545,249
Additional Years as Required by 313.026(c)(1) (10 Years)	2031	$592,800	$6,770,513	$0	$13,545,249
	2032	$592,800	$7,363,313	$0	$13,545,249
	2033	$592,800	$7,956,113	$0	$13,545,249
	2034	$592,800	$8,548,913	$0	$13,545,249
	2035	$592,800	$9,141,713	$0	$13,545,249
	2036	$592,800	$9,734,513	$0	$13,545,249
	2037	$592,800	$10,327,313	$0	$13,545,249
	2038	$592,800	$10,920,113	$0	$13,545,249
	2039	$592,800	$11,512,913	$0	$13,545,249
	2040	$592,800	$12,105,713	$0	$13,545,249
		$12,105,713	is less than	**$13,545,249**	

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?	No

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, RE Monument, LLC

Employment Indirect and Induced Tax Effects

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2015	200	181	381	$7,506,800	$13,367,223	$20,874,023	$1,190,186	-$625,610	$1,815,796
2016	2	13	15	$74,000	$2,367,406	$2,441,406	$167,847	$267,029	-$99,182
2017	2	14	16	$74,000	$2,367,406	$2,441,406	$267,029	$244,141	$22,888
2018	2	12	14	$74,000	$1,634,984	$1,708,984	$228,882	$251,770	-$22,888
2019	2	10	12	$74,000	$1,390,844	$1,464,844	$228,882	$236,511	-$7,629
2020	2	8	10	$74,000	$1,390,844	$1,464,844	$190,735	$228,882	-$38,147
2021	2	8	10	$74,000	$1,024,633	$1,098,633	$183,105	$183,105	$0
2022	2	6	8	$74,000	$1,146,703	$1,220,703	$160,217	$167,847	-$7,630
2023	2	6	8	$74,000	$780,492	$854,492	$152,588	$144,958	$7,630
2024	2	8	10	$74,000	$1,024,633	$1,098,633	$190,735	$114,441	$76,294
2025	2	10	12	$74,000	$780,492	$854,492	$175,476	$91,553	$83,923
2026	2	4	6	$74,000	$536,352	$610,352	$175,476	$83,923	$91,553
2027	2	8	10	$74,000	$902,563	$976,563	$190,735	$45,776	$144,959
2028	2	8	10	$74,000	$658,422	$732,422	$183,105	$22,888	$160,217
2029	2	2	4	$74,000	$902,563	$976,563	$198,364	$30,518	$167,846
2030	2	4	6	$74,000	$414,281	$488,281	$190,735	-$30,518	$221,253
2031	2	4	6	$74,000	$658,422	$732,422	$190,735	-$38,147	$228,882
2032	2	6	8	$74,000	$170,141	$244,141	$167,847	-$45,776	$213,623
2033	2	2	4	$74,000	$170,141	$244,141	$175,476	-$83,923	$259,399
2034	2	2	4	$74,000	$170,141	$244,141	$160,217	-$68,665	$228,882
2035	2	(2)	0	$74,000	-$74,000	$0	$137,329	-$91,553	$228,882
2036	2	(2)	0	$74,000	-$318,141	-$244,141	$76,294	-$114,441	$190,735
2037	2	(2)	0	$74,000	-$318,141	-$244,141	$53,406	-$144,958	$198,364
2038	2	(2)	0	$74,000	-$562,281	-$488,281	$76,294	-$144,958	$221,252
2039	2	(2)	0	$74,000	-$318,141	-$244,141	$76,294	-$152,588	$228,882
2040	2	(2)	0	$74,000	-$562,281	-$488,281	$45,776	-$198,364	$244,140
						TOTAL	**$5,233,765**	**$373,841**	**$4,859,924**
							$16,965,637	is greater than	**$13,545,249**

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

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 **determines** that the limitation on appraised value is a determining factor in the RE Monument, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- According to the company website, the applicant has several projects located throughout the United States and Canada.
- According to the application, property taxes are the highest operating expense for a solar generation facility. Without the tax incentive in Texas, a project with a power purchase agreement becomes un-financeable.

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:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ 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 or contracts for work to be performed 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 official 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. 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
8. Has the applicant considered or is the applicant considering other locations not in Texas for the proposed project? ☑ Yes ☐ No
9. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
10. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No

If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

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

TAB 5

Documentation to assist in determining if limitation is a determining factor

The applicant for this project is a national solar developer with the ability to locate projects of this type in other states in the US with strong solar characteristics. The applicant is actively developing and constructing other projects throughout the US and internationally. The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely.

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

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

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