SUSAN COMBS

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. BOX 13528 • AUSTIN, TX 78711-3528

April 21, 2011

Terry Pittman
Superintendent
Sweetwater Independent School District
207 Musgrove
Sweetwater, Texas 79556

Dear Superintendent Pittman:

On Mar. 25, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Sweetwater Independent School District (Sweetwater ISD) by Tenaska Trailblazer Partners, LLC (Tenaska) on Feb. 2, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Tenaska's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Sweetwater ISD is currently classified as a rural school district in Category 1. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment ($4,219,438,638) is consistent with the proposed appraised value limitation sought ($30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

Tenaska is proposing the construction of an advanced clean energy project in Nolan County. Tenaska is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by Tenaska, the Comptroller's recommendation is that Tenaska's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

WWW.WINDOW.STATE.TX.US | 512-463-4000 • TOLL FREE: 1-800-531-5441 • FAX: 512-463-4965

The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

Should you have any questions, please contact Robert Wood, director of Local Government Assistance and Economic Development, by e-mail at robert.wood@cpa.state.tx.us or by phone at (800) 531-5441, ext. 3-3973, or direct in Austin at (512) 463-3973.

Sincerely,

Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	Tenaska Trailblazer Partners, LLC
Tax Code, 313.024 Eligibility Category	Advanced Clean Energy Project - Coal
School District	Sweetwater ISD
2009-2010 Enrollment in School District	2,278
County	Nolan
Total Investment in District	$4,229,438,638
Qualified Investment	$4,219,438,638
Limitation Amount	$30,000,000
Number of total jobs committed to by applicant	105
Number of qualifying jobs committed to by applicant	100
Average Weekly Wage of Qualifying Jobs committed to by applicant	$769
Minimum Weekly Wage Required Tax Code, 313.051(b)	$760
Minimum Annual Wage committed to by applicant for qualified jobs	$40,000
Investment per Qualifying Job	$42,294,386
Estimated 15 year M&O levy without any limit or credit:	$228,245,788
Estimated gross 15 year M&O tax benefit	$179,566,122
Estimated 15 year M&O tax benefit *(after* deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	$176,653,545
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	$49,995,604
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	$51,592,243
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	77.4%
Percentage of tax benefit due to the limitation	72.2%
Percentage of tax benefit due to the credit.	27.8%

This presents the Comptroller's economic impact evaluation of the Tenaska Trailblazer Energy Center (the project) applying to Sweetwater Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

(1) the recommendations of the comptroller;
(2) the name of the school district;
(3) the name of the applicant;
(4) the general nature of the applicant's investment;
(5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
(6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
(7) the number of qualifying jobs to be created by the applicant;
(8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
(9) the ability of the applicant to locate or relocate in another state or another region of this state;
(10) the impact the project will have on this state and individual local units of government, including:
    (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
    (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
(11) the economic condition of the region of the state at the time the person's application is being considered;
(12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
(13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
(14) the projected market value of the qualified property of the applicant as determined by the comptroller;
(15) the proposed limitation on appraised value for the qualified property of the applicant;
(16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
(17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
(18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
(19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
(20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create 105 new jobs when fully operational. 100 of these jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the West Central Texas Council of Governments Region, where Nolan County is located was $35,916 in 2009. The annual average manufacturing wage for 2009-2010 for Nolan County was $39,403. That same period, the county annual average wage for all industries was $30,394. In addition to a salary of $40,000, each qualifying position will receive benefits such as 401K, Medical, Dental, Vision, and voluntary life insurance. The company will also pay for 100% of the following benefits: Life and Accidental Death and Dismemberment Insurance, Short and Long Term Disability Insurance, and an Employee Assistance Program. The project's total investment is $4.23 billion, resulting in a relative level of investment per qualifying job of $42.3 million.

Ability of applicant to locate to another state and [313.026(9)]

According to Tenaska Trailblazer's application, "Many states around the country and many countries around the world are seeking the development of clean coal projects such Tenaska is proposing to develop with its Trailblazer project near Sweetwater. Tenaska has designed the project to take advantage of the unique attributes of the particular site they have secured. In particular, the site's location between two railroad lines and its proximity to existing C02 pipeline infrastructure are critical to the economics of the project. The design of the project is also partly based on the altitude and other factors specific to the site. That having been said, there are multiple locations throughout the country seeking the deployment of capital by companies like Tenaska to build the next generation of cutting-edge technology that will produce electricity with significantly lower air emissions and that will capture C02 that would otherwise be emitted into the atmosphere. Tenaska has chosen Texas because of its willingness to support the development of projects such as Trailblazer with financial incentives, and because we believe that it has a regulatory framework in place that will maximize our chances to bring a high-risk project like this to financial close and successful completion."

Number of new facilities in region [313.026(12)]

During the past two years, no projects in the West Central Texas Council of Governments Region have applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Tenaska Trailblazer project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Tenaska Trailblazer's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 19 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Tenaska Trailblazer

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	105	115	220	5,460,000	6,540,000	12,000,000
2013	708	745	1453	36,816,000	47,184,000	84,000,000
2014	1424	1504	2928	74,048,000	104,952,000	179,000,000
2015	1393	1480	2873	72,712,000	120,288,000	193,000,000
2016	258	555	813	15,831,000	68,169,000	84,000,000
2017	105	50	155	7,875,000	32,125,000	40,000,000
2018	105	12	117	7,875,000	25,125,000	33,000,000
2019	105	-16	89	7,875,000	20,125,000	28,000,000
2020	105	-28	77	7,875,000	16,125,000	24,000,000
2021	105	-25	80	7,875,000	14,125,000	22,000,000
2022	105	-15	90	7,875,000	14,125,000	22,000,000
2023	105	-6	99	7,875,000	14,125,000	22,000,000
2024	105	0	105	7,875,000	14,125,000	22,000,000
2025	105	14	119	7,875,000	15,125,000	23,000,000
2026	105	24	129	7,875,000	16,125,000	24,000,000
2027	105	34	139	7,875,000	18,125,000	26,000,000
2028	105	43	148	7,875,000	20,125,000	28,000,000
2029	105	27	132	7,875,000	18,125,000	26,000,000
2030	105	30	135	7,875,000	20,125,000	28,000,000

Source: CPA, REMI, Tenaska Trailblazer Partners, LLC

The statewide average ad valorem tax base for school districts in Texas was $1.6 billion in 2010. Sweetwater ISD's ad valorem tax base in 2010 was $483 million. The statewide average wealth per WADA was estimated at $345,067 for fiscal 2010-2011. During that same year, Sweetwater ISD's estimated wealth per WADA was $162,477. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Nolan County, Nolan County Hospital District, Nolan Farm to Market Road District, with all property tax incentives sought being granted using estimated market value from Tenaska Trailblazer's application. Tenaska Trailblazer has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county, hospital district, and road district. Table 3 illustrates the estimated tax impact of the Tenaska Trailblazer project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought											
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Sweetwater ISD I&S Levy	Sweetwater ISD M&O Levy	Sweetwater ISD M&O and I&S Tax Levies (Before Credit Credited)	Sweetwater ISD M&O and I&S Tax Levies (After Credit Credited)	Nolan County	Nolan County Hospital District	Nolan County Farm to Market Road District	Estimated Total Property Taxes
			Tax Rate[1]	0.1650	1.0600			0.3754	0.2524	0.0514	
2012	$2,290,361	$2,290,361		$3,779	$24,278	$28,057	$28,057	$8,597	$5,780	$1,176	$43,611
2013	$147,310,917	$147,310,917		$243,063	$1,561,496	$1,804,559	$1,804,559	$552,946	$371,769	$75,659	$2,804,932
2014	$544,469,486	$544,469,486		$898,375	$5,771,377	$6,669,751	$6,669,751	$2,043,721	$1,374,078	$279,640	$10,367,189
2015	$1,028,998,040	$1,028,998,040		$1,697,847	$10,907,379	$12,605,226	$12,605,226	$3,862,447	$2,596,882	$528,493	$19,593,049
2016	$1,424,536,707	$1,424,536,707		$2,350,486	$15,100,089	$17,450,575	$17,450,575	$5,347,141	$3,595,103	$731,642	$27,124,461
2017	$1,721,251,229	$1,721,251,229		$2,840,065	$18,245,263	$21,085,328	$21,085,328	$1,615,222	$1,085,980	$221,009	$24,007,539
2018	$1,686,892,011	$30,000,000		$2,783,372	$318,000	$3,101,372	$3,101,372	$1,582,979	$1,064,302	$216,597	$5,965,251
2019	$1,652,532,794	$30,000,000		$2,726,679	$318,000	$3,044,679	$2,542,779	$1,550,737	$1,042,624	$212,185	$5,348,325
2020	$1,618,173,577	$30,000,000		$2,669,986	$318,000	$2,987,986	$2,485,125	$1,518,494	$1,020,946	$207,773	$5,232,338
2021	$1,583,814,359	$30,000,000		$2,613,294	$318,000	$2,931,294	$2,431,774	$1,486,251	$999,268	$203,362	$5,120,655
2022	$1,549,455,142	$30,000,000		$2,556,601	$318,000	$2,874,601	$2,377,820	$1,454,009	$977,590	$198,950	$5,008,368
2023	$1,515,095,925	$30,000,000		$2,499,908	$318,000	$2,817,908	$2,318,012	$1,421,766	$955,912	$194,538	$4,890,228
2024	$1,480,736,707	$30,000,000		$2,443,216	$318,000	$2,761,216	$2,265,348	$1,389,523	$934,234	$190,127	$4,779,232
2025	$1,446,377,490	$30,000,000		$2,386,523	$318,000	$2,704,523	$2,212,856	$1,357,281	$912,556	$185,715	$4,668,407
2026	$1,412,018,272	$1,412,018,272		$2,329,830	$14,967,394	$17,297,224	$1,669,006	$1,325,038	$890,878	$181,303	$4,066,224
2027	$1,377,659,055	$1,377,659,055		$2,273,137	$14,603,186	$16,876,323	$1,614,616	$5,171,181	$3,476,798	$707,566	$10,970,161
2028	$1,343,299,838	$1,343,299,838		$2,216,445	$14,238,978	$16,455,423	$1,574,347	$5,042,210	$3,390,086	$689,919	$10,696,562
2029	$1,308,940,620	$1,308,940,620		$2,159,752	$13,874,771	$16,034,523	$16,034,523	$4,913,240	$3,303,373	$672,272	$24,923,407
2030	$1,274,581,403	$1,274,581,403		$2,103,059	$13,510,563	$15,613,622	$15,613,622	$4,784,269	$3,216,661	$654,625	$24,269,177
						Total	$115,884,693	$46,427,052	$31,214,821	$6,352,551	$199,879,117
Assumes School Value Limitation and Tax Abatement with the county, hospital district, and road district.											

Source: CPA, Tenaska Trailblazer Partners, LLC
[1]Tax Rate per $100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives											
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Sweetwater ISD I&S Levy	Sweetwater ISD M&O Levy		Sweetwater ISD M&O and I&S Tax Levies	Nolan County	Nolan County Hospital District	Nolan County Farm to Market Road District	Estimated Total Property Taxes
			Tax Rate[1]	0.1650	1.0600			0.3754	0.2524	0.0514	
2012	$2,290,361	$2,290,361		$3,779	$24,278		$28,057	$8,597	$5,780	$1,176	$43,611
2013	$147,310,917	$147,310,917		$243,063	$1,561,496		$1,804,559	$552,946	$371,769	$75,659	$2,804,932
2014	$544,469,486	$544,469,486		$898,375	$5,771,377		$6,669,751	$2,043,721	$1,374,078	$279,640	$10,367,189
2015	$1,028,998,040	$1,028,998,040		$1,697,847	$10,907,379		$12,605,226	$3,862,447	$2,596,882	$528,493	$19,593,049
2016	$1,424,536,707	$1,424,536,707		$2,350,486	$15,100,089		$17,450,575	$5,347,141	$3,595,103	$731,642	$27,124,461
2017	$1,721,251,229	$1,721,251,229		$2,840,065	$18,245,263		$21,085,328	$6,460,889	$4,343,922	$884,035	$32,774,173
2018	$1,686,892,011	$1,686,892,011		$2,783,372	$17,881,055		$20,664,427	$6,331,918	$4,257,209	$866,388	$32,119,942
2019	$1,652,532,794	$1,652,532,794		$2,726,679	$17,516,848		$20,243,527	$6,202,947	$4,170,497	$848,741	$31,465,712
2020	$1,618,173,577	$1,618,173,577		$2,669,986	$17,152,640		$19,822,626	$6,073,976	$4,083,785	$831,094	$30,811,481
2021	$1,583,814,359	$1,583,814,359		$2,613,294	$16,788,432		$19,401,726	$5,945,006	$3,997,072	$813,447	$30,157,251
2022	$1,549,455,142	$1,549,455,142		$2,556,601	$16,424,225		$18,980,825	$5,816,035	$3,910,360	$795,800	$29,503,020
2023	$1,515,095,925	$1,515,095,925		$2,499,908	$16,060,017		$18,559,925	$5,687,064	$3,823,648	$778,153	$28,848,790
2024	$1,480,736,707	$1,480,736,707		$2,443,216	$15,695,809		$18,139,025	$5,558,093	$3,736,935	$760,506	$28,194,560
2025	$1,446,377,490	$1,446,377,490		$2,386,523	$15,331,601		$17,718,124	$5,429,123	$3,650,223	$742,859	$27,540,329
2026	$1,412,018,272	$1,412,018,272		$2,329,830	$14,967,394		$17,297,224	$5,300,152	$3,563,511	$725,213	$26,886,099
2027	$1,377,659,055	$1,377,659,055		$2,273,137	$14,603,186		$16,876,323	$5,171,181	$3,476,798	$707,566	$26,231,868
2028	$1,343,299,838	$1,343,299,838		$2,216,445	$14,238,978		$16,455,423	$5,042,210	$3,390,086	$689,919	$25,577,638
2029	$1,308,940,620	$1,308,940,620		$2,159,752	$13,874,771		$16,034,523	$4,913,240	$3,303,373	$672,272	$24,923,407
2030	$1,274,581,403	$1,274,581,403		$2,103,059	$13,510,563		$15,613,622	$4,784,269	$3,216,661	$654,625	$24,269,177
						Total	$295,450,816	$90,530,954	$60,867,692	$12,387,228	$459,236,689

Source: CPA, Tenaska Trailblazer Partners, LLC
[1]Tax Rate per $100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 16 year M&O tax levy without the value limitation agreement would be $228,245,788. The estimated gross 16 year M&O tax benefit, or levy loss, is $179,566,122.

Attachment 3 is an economic overview of Nolan County.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

Schedule A : Property Investment Amounts

Applicant Name Tenaska Trailblazer Partners, LLC
ISD Name Sweetwater ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)
	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)		2010-2011 and prior years	2010	$ -	$ -		$ 16,291,361	$ 16,291,361
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)		2011-2012	2011	$ -	$ -		$ 10,000,000	$ 10,000,000
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)		2012-13	2012		$ 365,062,600	$ 365,062,600	$ -	$ 365,062,600
Qualifying Time Period	Complete tax years of qualifying time period	1	2013-2014	2013		$ 999,773,712	$ 999,773,712		$ 999,773,712
		2	2014-2015	2014	$ 2,500,000	$ 1,213,418,302	$1,215,918,302		$ 1,215,918,302
		3	2015-2016	2015	$ 2,500,000	$ 989,402,615	$ 991,902,615		$ 991,902,615
		4	2016-2017	2016	$ 66,000,000	$ 580,781,409	$ 646,781,409		$ 646,781,409
		5	2017-2018	2017			$ -		$ -
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	6	2018-2019	2018					
		7	2019-2020	2019					
		8	2020-2021	2020					
		9	2021-2022	2021					
		10	2022-2023	2022					
		11	2023-2024	2023					
		12	2024-2025	2024					
		13	2025-2026	2025					
Credit Settle-Up Period	Continue to Maintain Viable Presence	14	2026-2027	2026					
		15	2027-2028	2027					
		16	2028-2029	2028					
Post- Settle-Up Period		17	2029-2030	2029					
Post- Settle-Up Period		18	2030-2031	2030					

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D)
For the purposes of investment, please list amount invested each year, not cumulative totals.
[For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property].
Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

$ 4,219,438,638
$ 4,229,438,638

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E)
For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings

Column D: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility
The most significant example for many projects would be land. Other examples may be items such as professional services, etc
Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

[signature] Feb. 2, 2011

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE **DATE**

Applicant Name
ISD Name

Schedule B: Estimated Market And Taxable Value

Tenaska Trailblazer Partners, LLC
Sweetwater ISD

Form 50-296

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property: Estimated Market Value of Land	Qualified Property: Estimated Total Market Value of new buildings or other new improvements	Qualified Property: Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Reductions from Market Value: Exempted Value	Estimated Taxable Value: Final taxable value for I&S - after all reductions	Estimated Taxable Value: Final taxable value for M&O--after all reductions
		pre- year	2011-12	2011	$ 2,290,361	$ -	$ -	$ -	$ 2,290,361	$ 2,290,361
	partial qualifying year		2012-13	2012	$ 2,290,361	$ -	$ -	$ -	$ 2,290,361	$ 2,290,361
	Complete tax years of qualifying time period	1	2013-2014	2013	$ 2,290,361	$ 264,983,576	$ -	$ 119,963,020	$ 147,310,917	$ 147,310,917
		2	2014-2015	2014	$ 2,290,361	$ 990,677,233	$ -	$ 448,498,108	$ 544,469,486	$ 544,469,486
		3	2015-2016	2015	$ 2,290,361	$ 1,871,446,505	$ 2,500,000	$ 847,238,826	$ 1,028,998,040	$ 1,028,998,040
		4	2016-2017	2016	$ 2,290,361	$ 2,589,612,220	$ 5,000,000	$1,172,365,874	$ 1,424,536,707	$ 1,424,536,707
		5	2017-2018	2017	$ 2,290,361	$ 3,011,177,000	$ 71,000,000	$1,363,216,132	$ 1,721,251,229	$ 1,721,251,229
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	6	2018-2019	2018	$ 2,290,361	$ 2,950,953,460	$ 69,600,000	$1,335,951,810	$ 1,686,892,011	$ 30,000,000
		7	2019-2020	2019	$ 2,290,361	$ 2,890,729,920	$ 68,200,000	$1,308,687,487	$ 1,652,532,794	$ 30,000,000
		8	2020-2021	2020	$ 2,290,361	$ 2,830,506,380	$ 66,800,000	$1,281,423,164	$ 1,618,173,577	$ 30,000,000
		9	2021-2022	2021	$ 2,290,361	$ 2,770,282,840	$ 65,400,000	$1,254,158,842	$ 1,583,814,359	$ 30,000,000
		10	2022-2023	2022	$ 2,290,361	$ 2,710,059,300	$ 64,000,000	$1,226,894,519	$ 1,549,455,142	$ 30,000,000
		11	2023-2024	2023	$ 2,290,361	$ 2,649,835,760	$ 62,600,000	$1,199,630,196	$ 1,515,095,925	$ 30,000,000
		12	2024-2025	2024	$ 2,290,361	$ 2,589,612,220	$ 61,200,000	$1,172,365,874	$ 1,480,736,707	$ 30,000,000
		13	2025-2026	2025	$ 2,290,361	$ 2,529,388,680	$ 59,800,000	$1,145,101,551	$ 1,446,377,490	$ 30,000,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	14	2026-2027	2026	$ 2,290,361	$ 2,469,165,140	$ 58,400,000	$1,117,837,229	$ 1,412,018,272	$ 1,412,018,272
		15	2027-2028	2027	$ 2,290,361	$ 2,408,941,600	$ 57,000,000	$1,090,572,906	$ 1,377,659,055	$ 1,377,659,055
		16	2028-2029	2028	$ 2,290,361	$ 2,348,718,060	$ 55,600,000	$1,063,308,583	$ 1,343,299,838	$ 1,343,299,838
Post- Settle-Up Period		17	2029-2030	2029	$ 2,290,361	$ 2,288,494,520	$ 54,200,000	$1,036,044,261	$ 1,308,940,620	$ 1,308,940,620
Post- Settle-Up Period		18	2030-2031	2030	$ 2,290,361	$ 2,228,270,980	$ 52,800,000	$1,008,779,938	$ 1,274,581,403	$ 1,274,581,403

Notes: Market value shown above on this Schedule B and on the previous Schedule A represent the applicant's good faith estimate of the future fair market value and may not reflect the actual fair market values for this project. Fair market value and the final taxable value can be affected by economic and other market conditions, obsolescence, federal and state legislation, EPA regulations, production costs, as well as other factors.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed enter those amounts for future years.

Paul Fiorelli

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Feb. 2, 2011

DATE

Schedule C- Application: Employment Information

Applicant Name Tenaska Trailblazer Partners, LLC
ISD Name Sweetwater ISD

Form 50-296

		Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction: Column A: Number of Construction FTE's or man-hours (specify)	Construction: Column B: Average annual wage rates for construction workers	New Jobs: Column C: Number of new jobs applicant commits to create (cumulative)	New Jobs: Column D: Average annual wage rate for all new jobs	Qualifying Jobs: Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313 021(3) (cumulative)	Qualifying Jobs: Column F: Average annual wage of qualifying jobs
		pre- year	2011-2012	2011	0	$ -	0	$ -	0	$ -
	partial qualifying year		2012-2013	2012	105	$ 52,000	0	$ -	0	$ -
	Complete tax years of qualifying time period	1	2013-2014	2013	708	$ 52,000	0	$ -	0	$ -
		2	2014-2015	2014	1424	$ 52,000	0	$ -	0	$ -
		3	2015-2016	2015	1381	$ 52,000	12	$ 75,000	12	$ 75,000
		4	2016-2017	2016	153	$ 52,000	105	$ 75,000	100	$ 75,000
		5	2017-2018	2017	0		105	$ 75,000	100	$ 75,000
	Value Limitation Period	6	2018-2019	2018	0		105	$ 75,000	100	$ 75,000
Tax Credit Period (with 50% cap on credit)		7	2019-2020	2019	0		105	$ 75,000	100	$ 75,000
		8	2020-2021	2020	0		105	$ 75,000	100	$ 75,000
		9	2021-2022	2021	0		105	$ 75,000	100	$ 75,000
		10	2022-2023	2022	0		105	$ 75,000	100	$ 75,000
		11	2023-2024	2023	0		105	$ 75,000	100	$ 75,000
		12	2024-2025	2024	0		105	$ 75,000	100	$ 75,000
		13	2025-2026	2025	0		105	$ 75,000	100	$ 75,000
Credit Settle-Up Period	Continue to Maintain Viable Presence	14	2026-2027	2026	0		105	$ 75,000	100	$ 75,000
		15	2027-2028	2027	0		105	$ 75,000	100	$ 75,000
		16	2028-2029	2028	0		105	$ 75,000	100	$ 75,000
Post- Settle-Up Period		17	2029-2030	2029	0		105	$ 75,000	100	$ 75,000
Post- Settle-Up Period		18	2030-2031	2030	0		105	$ 75,000	100	$ 75,000

Notes. For job definitions see TAC §9.1051(14) and Tax Code §313 021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years

David Fiorelli

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Feb. 2, 2011

DATE

Schedule D: Other Tax Information

Applicant Name **Tenaska Trailblazer Partners, LLC** ISD Name **Sweetwater ISD** Form 50-296

					Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought			
					Sales Taxable Expenditures		Franchise Tax	County	City (Industrial District Agreement	Drainage	College
		Year	School Year (YYYY-YYYY)	Tax/ Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
		Pre Year 1	2011-2012	2011	0	0	$ -	0%	0%	0%	0%
The year preceding the first complete tax year of the qualifying time period (assuming no		partial	2012-2013	2012	$ 7,576,423	$ 357,486,177	$ -	0%	0%	0%	0%
	Complete tax years of qualifying time period	1	2013-2014	2013	$ 20,749,067	$ 979,024,645	$ -	0%	0%	0%	0%
		2	2014-2015	2014	$ 25,234,881	$ 1,190,683,421	$ -	0%	0%	0%	0%
		3	2015-2016	2015	$ 20,585,712	$ 971,316,903	$ -	0%	0%	0%	0%
		4	2016-2017	2016	$ 13,423,148	$ 633,358,261	$ -	0%	0%	0%	0%
		5	2017-2018	2017			$ -	75%	0%	75%	0%
	Value Limitation Period	3	2018-2019	2018			$ -	75%	0%	75%	0%
Tax Credit Period (with 50% cap on credit)		4	2019-2020	2019			$ -	75%	0%	75%	0%
		5	2020-2021	2020			$ -	75%	0%	75%	0%
		6	2021-2022	2021			$ -	75%	0%	75%	0%
		7	2022-2023	2022			$ -	75%	0%	75%	0%
		8	2023-2024	2023			$ -	75%	0%	75%	0%
		9	2024-2025	2024			$ -	75%	0%	75%	0%
		10	2025-2026	2025			$ -	75%	0%	75%	0%
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2026-2027	2026			$ -	75%	0%	75%	0%
		12	2027-2028	2027			$ -	0%	0%	0%	0%
		13	2028-2029	2028			$ -	0%	0%	0%	0%
Post- Settle-Up Period		14	2029-2030	2029			$ -	0%	0%	0%	0%
Post- Settle-Up Period		15	2030-2031	2030			$ -	0%	0%	0%	0%

*For planning, construction and operation of the facility.

David Fiorelli

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Feb. 2, 2011

DATE

Attachment 2

TEA™
TEXAS EDUCATION AGENCY
1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

April 18, 2011

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Tenaska Trailblazer Partners, LLC, project for the Sweetwater Independent School District (SISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Tenaska Trailblazer Partners, LLC, project on SISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniel

Helen Daniels
Director of State Funding

HD/hd

TEA™
TEXAS EDUCATION AGENCY
1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

April 18, 2011

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Tenaska Trailblazer Partners, LLC, project on the number and size of school facilities in Sweetwater Independent School District (SISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the SISD superintendent, Mr. Terry Pittman, the TEA has found that the Tenaska Trailblazer Partners, LLC, project would not have a significant impact on the number or size of school facilities in SISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels

Helen Daniels
Director of State Funding

HD/hd

SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED TENASKA TRAILBLAZER PARTNERS, LLC PROJECT ON THE FINANCES OF THE SWEETWATER INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION

April 19, 2011	Final Report

PREPARED BY

MOAK, CASEY & ASSOCIATES

TEXAS SCHOOL FINANCE EXPERTS

Estimated Impact of the Proposed Tenaska Trailblazer Partners, LLC Project on the Finances of the Sweetwater Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Tenaska Trailblazer Partners, LLC (Tenaska) has requested that the Sweetwater Independent School District (SISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new advanced clean coal energy project that incorporates carbon dioxide capture for use in enhanced oil recovery. An application was submitted to SISD on February 2, 2011. Tenaska proposes to make a qualifying investment of $4.2 billion for the project, of which $1.7 billion would appear on SISD's tax base at its peak value in the 2017-18 school year.

The Tenaska project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects (under which Tenaska intends to qualify the Trailblazer project), nuclear power generation and data centers, among others.

School Finance Mechanics

Under the provisions of Chapter 313, SISD may offer a minimum value limitation of $30 million. Based on the application, the qualifying time period would begin with the 2013-14 school year. The full taxable value of the investment is projected to reach $1.7 billion in the 2017-18 school year—the year before the value limitation takes effect—with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement and beyond.

The provisions of Chapter 313 call for a five-year qualifying time period for an advanced clean energy project. For the purposes of this analysis, it is assumed that the qualifying time period will be that requested in the application—the 2013-14 through 2017-18 school years. Beginning in the 2018-19 school year, the project would go on the local tax roll at $30 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project is be assessed for debt service taxes on voter-approved bond issues, with SISD currently levying a $0.165 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in the eight years the value limitation is in effect and receives a tax bill for I&S taxes based on the full project value throughout the qualifying time period and the eight years the value limitation is in effect (and thereafter).

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the initial year the value limitation took effect was typically problematical for a school district that approved a Chapter 313 value limitation. Based on the data provided in the application, Tenaska indicates that $i.7 billion in taxable value would be in place in the fifth year of the qualifying time period. In year six (2018-19) of the agreement, the project is expected to go on the tax roll at $30 million or, if applicable, a higher value limitation amount approved by the SISD Board of Trustees.

This difference would result in a revenue loss to the school district in the first year the limitation takes effect that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In the remaining seven years of the value limitation period, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the initial revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The additional six cents of tax effort that a district may levy (after voter approval of the last two cents for districts with a compressed tax rate of $1.00) are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed-plus-six-cents rate, equalization and recapture occur at the level of $319,500 per weighted student in average daily attendance (WADA).

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional $120 per WADA guarantee.

Under the provisions of HB 3646, school districts do have the potential to earn revenue above the $120 per WADA level, up to a maximum of $350 per WADA above current law. Initial estimates for the 2009-10 school year indicated that about 750 school districts are funded at the minimum $120 per WADA level, while approximately 275 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system. While the number of formula districts decreased in the 2010-11 school year, SISD is classified as a formula district in most years for the scenarios detailed below.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Tenaska project, the agreement calls for a calculation of the revenue impact of the value limitation in the eight years that it operates under the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires a minimum of 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and underlying property values in order to isolate the effects of the value limitation under the school finance system. While the new target revenue system appears to limit the impact of property value changes for a majority of school districts, changes in underlying property value growth have the potential to influence the revenue stream of formula school districts, which appears to be the case for SISD.

Student enrollment counts are held constant at 2,129 students in average daily attendance (ADA) in analyzing the effects of the Tenaska project on the finances of SISD. The District's local tax base reached $549.7 million for the 2010 tax year. The District's tax base has been relatively stable in recent years, so the underlying $549.7 million taxable value for 2010-11 is maintained for the forecast period in order to isolate the effects of the property value limitation. (The impact of the current Sweetwater Wind Chapter 313 value limitation agreement is incorporated into these baseline estimates, which is scheduled to expire after the 2014-15 school year.) SISD is a relatively low-wealth school district, with wealth per WADA of approximately $186,514 for the current 2010-11 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for SISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2010-11 school year, no attempt is made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Tenaska facility to the model, but without assuming that a value limitation is approved. The results of this model are shown in Table 2.

A third model is developed which adds the Tenaska value but imposes the proposed property value limitation effective in the 2018-19 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of $1.06 is used throughout this analysis. (Voters authorized a two-cent increase in the M&O tax rate last year.)

A summary of the differences between these models is shown in Table 4. The model results show approximately $17-18 million a year in net General Fund revenue, after recapture and other adjustments have been made. Due to its classification as a formula district, there are instances where M&O state and local revenue reaches $20 million under current law.

Under these assumptions, SISD would experience a revenue loss as a result of the implementation of the value limitation in the 2018-19 school year (-$1,044,416). The revenue reduction results largely from the mechanics of the six cents of tax effort known as "golden pennies," which are not subject to recapture and are equalized to the 88th percentile yield. Smaller differences persist during the rest of the value limitation period, due in part to the one-year lag in the state property value study. Another factor is the impact of the Comptroller's methodology for computing the Chapter 313 deduction from the state value study.

At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer in school districts that levy M&O taxes, as is the case with SISD.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on M&O revenues only. As noted previously, the property is fully taxable in the first two years under the agreement. The current $1.06 per $100 of taxable value M&O rate is assumed throughout this analysis.

Under the assumptions used here, the potential tax savings from the value limitation total $130.3 million over the life of the agreement. In addition, Tenaska would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the five qualifying years. The credit amount is paid out slowly through the last seven years of the value limitation period due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13 under the agreement. The tax credits are expected to total approximately $49.3 million over the life of the agreement, with $736,108 in unpaid tax credits anticipated.

The key SISD revenue losses are associated with the additional six-cent levy not subject to recapture and equalized to the 88th percentile yield. These revenue losses are expected to total approximately $2,912,577 over the course of the agreement. Under current law, the school district to be reimbursed by the state for the tax credit payments. In total, the potential net tax benefits are estimated to reach $176.7 million over the life of the agreement, based on the project projections included in the application.

Facilities Funding Impact

The Tenaska project remains fully taxable for debt services taxes, with SISD currently levying a $0.165 I&S rate. The value of the Tenaska project is expected to depreciate over the life of the agreement after reaching its peak taxable value in the 2017-18 school year and beyond, but full access to the additional value will add to the District's projected wealth per ADA, boosting it well above what is provided for through the state's facilities programs. The additional value is expected to help reduce the District's current I&S tax rate to $0.040 per $100 in the peak 2017-18 school year— a reduction of $0.125 cents of tax effort from the current I&S rate—with the rate reduction diminishing as the project value depreciates. (Changes in underlying taxable values could affect these estimates.)

The Tenaska project is expected to require a substantial workforce during its construction phase. Based on the application, Tenaska anticipates a construction workforce of 708 FTEs in 2012, 1424 FTEs in 2014 and 1381 FTEs in 2015. Once the plant begins operations, 105 employees are expected to be needed to run the new facility.

In terms of the impact on school facilities at SISD, it is unknown how many workers will relocate to the Sweetwater area during the construction period and bring with them school-age children who will enroll in SISD schools. Casual observation suggests that the growth in wind-energy services in the Nolan County area has crimped in recent years what is a fairly limited housing stock. The fact that Abilene is 40 miles from Sweetwater and accessible by interstate highway would suggest it is likely that a number of workers would commute to Sweetwater from the Abilene area, where there are substantially more housing options.

This pattern would be consistent with what happened during the construction of the South Texas nuclear project near Palacios ISD in the late 1970s and early 1980s. While Palacios ISD experienced an increase in enrollment, the largest student increases in the area were in Bay City ISD, where there was greater availability of housing.

SISD provided the following information in the table below showing current enrollment and capacity for each of its campuses. Regardless of whatever pattern emerges with regard to local residence of construction workers, SISD could accommodate approximately 800 additional students across all grades. This should be a sufficient cushion to address regular enrollment growth and new students associated with the construction phase of the Tenaska project. The impact of additional students will have to be monitored as the Tenaska project progresses to ensure that any extraordinary education-related expenses are compensated, to the extent that these arise during the course of the agreement.

Campus	Grade Level	Current Enrollment	Capacity
JP Cowen	Early Head Start, Head Start & Pre-K	168	200
East Ridge*	K thru 3	408	440
Southeast*	K thru 3	337	480
SIS	4 & 5	343	460
SMS	6, 7 & 8	466	675
SHS	9 thru 12	536	800
		2,258	3,055

* For the 2011-12 school year East Ridge and Southeast will be grade-leveled. Southeast will be K&1 and East Ridge will be 2 & 3. Enrollment will likely be about 375 at each campus.

Conclusion

The proposed Tenaska wind energy project enhances the tax base of SISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated $176.7 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of SISD in meeting its future debt service obligations.

Table 1 – Base District Information with Tenaska Trailblazer Partners, LLC Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2013-14	2,129.00	3,027.50	$1.0600	$0.1250	$706,969,195	$706,969,195	$540,228,645	$540,228,645	$178,441	$178,441
2	2014-15	2,129.00	3,027.50	$1.0600	$0.0750	$1,104,127,764	$1,104,127,764	$686,059,021	$686,059,021	$226,609	$226,609
3	2015-16	2,129.00	3,027.50	$1.0600	$0.0570	$1,615,742,902	$1,615,742,902	$1,081,638,170	$1,081,638,170	$357,271	$357,271
4	2016-17	2,129.00	3,027.50	$1.0600	$0.0470	$2,008,236,112	$2,008,236,112	$1,591,244,200	$1,591,244,200	$525,597	$525,597
5	2017-18	2,129.00	3,027.50	$1.0600	$0.0400	$2,302,155,263	$2,302,155,263	$1,983,737,410	$1,983,737,410	$655,240	$655,240
6	2018-19	2,129.00	3,027.50	$1.0600	$0.0410	$2,265,230,222	$608,338,211	$2,277,656,561	$2,277,656,561	$752,323	$752,323
7	2019-20	2,129.00	3,027.50	$1.0600	$0.0415	$2,228,515,881	$605,983,087	$2,240,731,520	$645,540,301	$740,127	$213,226
8	2020-21	2,129.00	3,027.50	$1.0600	$0.0425	$2,191,994,937	$603,821,360	$2,204,017,179	$642,614,763	$728,000	$212,259
9	2021-22	2,129.00	3,027.50	$1.0600	$0.0430	$2,155,651,507	$601,837,148	$2,167,496,235	$640,544,769	$715,937	$211,576
10	2022-23	2,129.00	3,027.50	$1.0600	$0.0436	$2,119,471,017	$600,015,875	$2,131,152,805	$637,913,258	$703,932	$210,706
11	2023-24	2,129.00	3,027.50	$1.0600	$0.0450	$2,083,440,086	$598,344,161	$2,094,972,315	$635,546,391	$691,982	$209,925
12	2024-25	2,129.00	3,027.50	$1.0600	$0.0455	$2,047,546,430	$596,809,723	$2,058,941,384	$634,324,478	$680,080	$209,521
13	2025-26	2,129.00	3,027.50	$1.0600	$0.0460	$2,011,778,780	$595,401,290	$2,023,047,728	$632,020,221	$668,224	$208,760
14	2026-27	2,129.00	3,027.50	$1.0600	$0.0468	$1,976,126,785	$1,976,126,785	$1,987,280,078	$629,811,597	$656,410	$208,030
15	2027-28	2,129.00	3,027.50	$1.0600	$0.0478	$1,940,580,951	$1,940,580,951	$1,951,628,083	$1,951,628,083	$644,634	$644,634
16	2028-29	2,129.00	3,027.50	$1.0600	$0.0478	$1,905,132,559	$1,905,132,559	$1,916,082,249	$1,916,082,249	$632,893	$632,893

***Tier II Yield: $47.65; AISD Yield: $59.97; Equalized Wealth: $476,500 per WADA**

Table 2– "Baseline Revenue Model"--Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2013-14	$6,958,666	$9,619,717	$0	-$81,337	$0	$417,151	$984,802	$0	$17,898,999
2	2014-15	$10,912,725	$8,161,341	$0	-$1,517,396	$0	$654,185	$1,077,054	$0	$19,287,909
3	2015-16	$15,999,722	$4,205,351	$0	-$1,588,779	$0	$959,135	$650,827	$0	$20,226,256
4	2016-17	$19,901,740	$902,042	$0	$0	-$1,677,220	$1,193,050	$168,205	$0	$20,487,817
5	2017-18	$22,823,712	$753,012	$0	$0	-$5,978,236	$1,368,213	$0	$0	$18,966,701
6	2018-19	$22,560,828	$902,042	$0	$0	-$7,974,356	$1,352,454	$0	$0	$16,840,968
7	2019-20	$22,193,735	$753,012	$104,983	$0	-$7,614,325	$1,330,448	$0	$0	$16,767,853
8	2020-21	$21,828,482	$902,042	$0	$0	-$7,256,289	$1,308,552	$0	$0	$16,782,787
9	2021-22	$21,465,074	$753,012	$119,468	$0	-$6,900,148	$1,286,767	$0	$0	$16,724,172
10	2022-23	$21,103,269	$902,042	$0	$0	-$6,545,724	$1,265,078	$0	$0	$16,724,665
11	2023-24	$20,742,823	$753,012	$134,422	$0	-$6,192,852	$1,243,470	$0	$0	$16,680,875
12	2024-25	$20,383,886	$902,042	$0	$0	-$5,841,495	$1,221,953	$0	$0	$16,666,385
13	2025-26	$20,026,200	$902,042	$662	$0	-$5,491,499	$1,200,511	$0	$0	$16,637,916
14	2026-27	$19,582,682	$902,042	$71,603	$0	-$5,118,922	$1,173,923	$0	$0	$16,611,328
15	2027-28	$19,229,283	$902,042	$79,129	$0	-$4,773,049	$1,152,738	$0	$0	$16,590,143
16	2028-29	$18,884,958	$902,042	$80,650	$0	-$4,430,245	$1,132,097	$0	$0	$16,569,502

Table 3– "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2013-14	$6,958,666	$9,619,717	$0	-$81,337	$0	$417,151	$984,802	$0	$17,898,999
2	2014-15	$10,912,725	$8,161,341	$0	-$1,517,396	$0	$654,185	$1,077,054	$0	$19,287,909
3	2015-16	$15,999,722	$4,205,351	$0	-$1,588,779	$0	$959,135	$650,827	$0	$20,226,256
4	2016-17	$19,901,740	$902,042	$0	$0	-$1,677,220	$1,193,050	$168,205	$0	$20,487,817
5	2017-18	$22,823,712	$753,012	$0	$0	-$5,978,236	$1,368,213	$0	$0	$18,966,701
6	2018-19	$5,991,080	$902,042	$10,496,033	$0	-$1,951,749	$359,147	$0	$0	$15,796,553
7	2019-20	$5,967,595	$8,566,548	$903,262	$0	$0	$357,739	$648,407	$0	$16,443,552
8	2020-21	$5,945,952	$8,595,805	$895,648	$0	$0	$356,442	$650,619	$0	$16,444,467
9	2021-22	$5,926,153	$8,616,506	$894,746	$0	$0	$355,255	$651,697	$0	$16,444,357
10	2022-23	$5,907,958	$8,642,822	$886,625	$0	$0	$354,164	$653,837	$0	$16,445,407
11	2023-24	$5,891,121	$8,666,492	$879,792	$0	$0	$353,155	$655,717	$0	$16,446,277
12	2024-25	$5,875,793	$8,678,712	$882,901	$0	$0	$352,236	$655,949	$0	$16,445,590
13	2025-26	$5,861,716	$8,701,756	$873,933	$0	$0	$351,392	$658,044	$0	$16,446,842
14	2026-27	$19,582,682	$8,723,843	$0	-$11,809,496	$0	$1,173,923	$2,210,205	$0	$19,881,157
15	2027-28	$19,229,283	$902,042	$79,129	$0	-$4,773,049	$1,152,738	$0	$0	$16,590,143
16	2028-29	$18,884,958	$902,042	$80,650	$0	-$4,430,245	$1,132,097	$0	$0	$16,569,502

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2013-14	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	2014-15	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	2015-16	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	2016-17	$0	$0	$0	$0	$0	$0	$0	$0	$0
5	2017-18	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	2018-19	-$16,569,748	$0	$10,496,033	$0	$6,022,606	-$993,307	$0	$0	-$1,044,416
7	2019-20	-$16,226,139	$7,813,536	$798,279	$0	$7,614,325	-$972,708	$648,407	$0	-$324,301
8	2020-21	-$15,882,530	$7,693,763	$895,648	$0	$7,256,289	-$952,110	$650,619	$0	-$338,320
9	2021-22	-$15,538,920	$7,863,494	$775,278	$0	$6,900,148	-$931,512	$651,697	$0	-$279,815
10	2022-23	-$15,195,311	$7,740,780	$886,625	$0	$6,545,724	-$910,913	$653,837	$0	-$279,258
11	2023-24	-$14,851,702	$7,913,480	$745,370	$0	$6,192,852	-$890,315	$655,717	$0	-$234,598
12	2024-25	-$14,508,093	$7,776,670	$882,901	$0	$5,841,495	-$869,717	$655,949	$0	-$220,795
13	2025-26	-$14,164,484	$7,799,714	$873,271	$0	$5,491,499	-$849,118	$658,044	$0	-$191,074
14	2026-27	$0	$7,821,801	-$71,603	-$11,809,496	$5,118,922	$0	$2,210,205	$0	$3,269,829
15	2027-28	$0	$0	$0	$0	$0	$0	$0	$0	$0
16	2028-29	$0	$0	$0	$0	$0	$0	$0	$0	$0

Table 5 - Estimated Financial impact of the Tenaska Trailblazer Partners, LLC Project Property Value Limitation Request Submitted to SISD at $1.06 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2013-14	$147,310,917	$147,310,917	$0	$1,561,496	$1,561,496	$0	$0	$0	$0	$0
2	2014-15	$544,469,486	$544,469,486	$0	$5,771,377	$5,771,377	$0	$0	$0	$0	$0
3	2015-16	$1,028,998,040	$1,028,998,040	$0	$10,907,379	$10,907,379	$0	$0	$0	$0	$0
4	2016-17	$1,424,536,707	$1,424,536,707	$0	$15,100,089	$15,100,089	$0	$0	$0	$0	$0
5	2017-18	$1,721,251,229	$1,721,251,229	$0	$18,245,263	$18,245,263	$0	$0	$0	$0	$0
6	2018-19	$1,686,892,011	$30,000,000	$1,656,892,011	$17,881,055	$318,000	$17,563,055	$0	$17,563,055	-$1,044,416	$16,518,640
7	2019-20	$1,652,532,794	$30,000,000	$1,622,532,794	$17,516,848	$318,000	$17,198,848	$501,901	$17,700,748	-$324,301	$17,376,447
8	2020-21	$1,618,173,577	$30,000,000	$1,588,173,577	$17,152,640	$318,000	$16,834,640	$502,862	$17,337,502	-$338,320	$16,999,182
9	2021-22	$1,583,814,359	$30,000,000	$1,553,814,359	$16,788,432	$318,000	$16,470,432	$499,520	$16,969,952	-$279,815	$16,690,137
10	2022-23	$1,549,455,142	$30,000,000	$1,519,455,142	$16,424,225	$318,000	$16,106,225	$496,781	$16,603,006	-$279,258	$16,323,748
11	2023-24	$1,515,095,925	$30,000,000	$1,485,095,925	$16,060,017	$318,000	$15,742,017	$499,897	$16,241,913	-$234,598	$16,007,315
12	2024-25	$1,480,736,707	$30,000,000	$1,450,736,707	$15,695,809	$318,000	$15,377,809	$495,868	$15,873,677	-$220,795	$15,652,882
13	2025-26	$1,446,377,490	$30,000,000	$1,416,377,490	$15,331,601	$318,000	$15,013,601	$491,667	$15,505,268	-$191,074	$15,314,194
14	2026-27	$1,412,018,272	$1,412,018,272	$0	$14,967,394	$14,967,394	$0	$15,628,218	$15,628,218	$0	$15,628,218
15	2027-28	$1,377,659,055	$1,377,659,055	$0	$14,603,186	$14,603,186	$0	$15,261,707	$15,261,707	$0	$15,261,707
16	2028-29	$1,343,299,838	$1,343,299,838	$0	$14,238,978	$14,238,978	$0	$14,881,076	$14,881,076	$0	$14,881,076
					$228,245,788	**$97,939,162**	**$130,306,627**	**$49,259,496**	**$179,566,122**	**-$2,912,577**	**$176,653,545**

Year 1	Year 2	Year 3	Year 4	Year 5	Max Credits
$1,243,496	$5,453,377	$10,589,379	$14,782,089	$17,927,263	$49,995,604
Credits Earned					$49,995,604
Credits Paid					$49,259,496
Excess Credits Unpaid					$736,108

Attachment 3

Nolan County

Population

Total county population in 2009 for Nolan County: 14,917, up 0.1 percent from 2008. State population increased 2.0 percent in the same time period. Nolan County was the state's 139th largest county in population in 2009 and the 165th fastest growing county from 2008 to 2009. Nolan County's population in 2009 was 59.9 percent Anglo (above the state average of 46.7 percent), 5.0 percent African-American (below the state average of 11.3 percent) and 33.4 percent Hispanic (below the state average of 36.9 percent).

2009 population of the largest cities and places in Nolan County:

Sweetwater:	10,704	**Roscoe:**	1,246
Blackwell:	354		

Economy and Income

Employment

February 2011 total employment in Nolan County: 7,277, up 0.3 percent from February 2010. State total employment increased 1.0 percent during the same period.

February 2011 Nolan County unemployment rate: 6.7 percent, down from 7.5 percent in February 2010. The statewide unemployment rate for February 2011 was 8.2 percent, unchanged from 8.2 percent in February 2010.

February 2011 unemployment rate in the city of: NA

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

Nolan County's ranking in per capita personal income in 2008: 160th with an average per capita income of $29,609, up 2.9 percent from 2007. Statewide average per capita personal income was $37,809 in 2008, up 2.6 percent from 2007.

Industry

Agricultural cash values in Nolan County averaged $45.00 million annually from 2006 to 2009. County total agricultural values in 2009 were down 22.3 percent from 2008. Major agriculture related commodities in Nolan County during 2009 included:

Hunting	Cottonseed	Fed Beef	Cotton	Other Beef

2010 oil and gas production in Nolan County: 1.0 million barrels of oil and 1.9 million Mcf of gas. In February 2011, there were 459 producing oil wells and 42 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Quarterly (June 2010 through September 2010)

Taxable sales in Nolan County during the third quarter 2010: $33.09 million, down 0.6 percent from the same quarter in 2009.

Taxable sales during the third quarter 2010 in the city of:

Sweetwater:	$28.42 million, up 3.3 percent from the same quarter in 2009.
Roscoe:	$809,642.00, up 21.3 percent from the same quarter in 2009.
Blackwell:	$46,486.00, up 28.2 percent from the same quarter in 2009.

Annual (2009)

Taxable sales in Nolan County during 2009: $136.38 million, down 5.9 percent from 2008.

Nolan County sent an estimated $8.52 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2009.

Taxable sales during 2009 in the city of:

Sweetwater:	$113.83 million, down 5.5 percent from 2008.
Roscoe:	$2.93 million, up 11.2 percent from 2008.
Blackwell:	$181,321.00, down 17.5 percent from 2008.

Sales Tax – Local Sales Tax Allocations

Monthly

Statewide payments based on the sales activity month of February 2011: $417.63 million, up 6.0 percent from February 2010.

Payments to all cities in Nolan County based on the sales activity month of February 2011: $237,043.78, up 18.9 percent from February 2010. Payment based on the sales activity month of February 2011 to the city of:

Sweetwater:	$224,952.67, up 18.4 percent from February 2010.
Roscoe:	$11,784.04, up 30.3 percent from February 2010.
Blackwell:	$307.07, up 28.5 percent from February 2010.

Annual (2010)

Statewide payments based on sales activity months in 2010: $5.77 billion, up 3.3 percent from 2009.

Payments to all cities in Nolan County based on sales activity months in 2010: $3.22 million, up 8.1 percent from 2009.

Payment based on sales activity months in 2010 to the city of:

Sweetwater:	$3.07 million, up 8.3 percent from 2009.
Roscoe:	$148,895.01, up 2.5 percent from 2009.
Blackwell:	$8,721.13, up 30.1 percent from 2009.

Property Tax

As of January 2009, property values in Nolan County: $3.21 billion, up 28.0 percent from January 2008 values. The property tax base per person in Nolan County is $215,318, above the statewide average of $85,809. About 7.4 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Nolan County's ranking in state expenditures by county in fiscal year 2009: 109th. State expenditures in the county for FY2009: $90.07 million, up 12.1 percent from FY2008.

In Nolan County, 12 state agencies provide a total of 352 jobs and $11.35 million in annualized wages (as of 3rd quarter 2010). Major state agencies in the county (as of third quarter 2010):

Texas State Technical College

Department of Transportation

Department of Public Safety

Health & Human Services Commission

Department of Family and Protective Services

Higher Education

Community colleges in Nolan County fall 2010 enrollment:

None.

Nolan County is in the service area of the following:

Western Texas College with a fall 2010 enrollment of 2,307. Counties in the service area include:
Borden County
Dickens County
Fisher County
Jones County
Kent County
Mitchell County
Nolan County
Runnels County
Scurry County
Stonewall County

Institutions of higher education in Nolan County fall 2010 enrollment:

Texas State Technical College-West Texas, a Public Technical College (part of Texas State Technical College), had 1,320 students.

School Districts

Nolan County had 4 school districts with 12 schools and 3,033 students in the 2009-10 school year.

(Statewide, the average teacher salary in school year 2009-10 was $48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)

Blackwell CISD had 163 students in the 2009-10 school year. The average teacher salary was $43,355. The percentage of students meeting the 2010 TAKS passing standard for all tests was 75 percent.

Highland ISD had 227 students in the 2009-10 school year. The average teacher salary was $40,785. The percentage of students meeting the 2010 TAKS passing standard for all tests was 91 percent.

Roscoe ISD had 365 students in the 2009-10 school year. The average teacher salary was $44,077. The percentage of students meeting the 2010 TAKS passing standard for all tests was 73 percent.

Sweetwater ISD had 2,278 students in the 2009-10 school year. The average teacher salary was $39,925. The percentage of students meeting the 2010 TAKS passing standard for all tests was 79 percent.