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March 4, 2016

Via e-mail to: ***desiree.caufield@cpa.texas.gov***

Ms. Desiree Caufield
Research Analyst
Economic Development & Local Government
Data Analysis & Transparency Division
Texas Comptroller of Public Accounts
111 East 17th Street, Room 311
Austin, Texas 78774

Re: Chapter 313 Applicant: ExxonMobil Oil Corporation ("ExxonMobil")
Beaumont Independent School District Chapter 313 Application No. 1118 (the "Application")

Dear Ms. Caufield:

We are writing in response to the requests for additional information contained in your e-mail of January 27, 2016, and an additional question from Gary Price.

1. **Tab 13. Qualifying Job Waiver.** Please provide more detail regarding the industry standard cited in the waiver request letter.

ExxonMobil has determined that five (5) new permanent jobs are required to operate and sustain the proposed SCANFiner processing unit facility and that this number of new jobs is within the industry standard range of required new positions necessary for the operation of the facility.

ExxonMobil and its affiliates operate 37 refineries in 21 countries and is the largest refiner in the world. The proposed SCANFiner processing unit facility project utilizes a proprietary process that ExxonMobil owns. In the United States, ExxonMobil currently has SCANFiner processing unit facilities at its Baton Rouge, Louisiana, and Baytown, Texas, refineries that utilize this proprietary process, while its Beaumont, Texas, Joliet, Illinois, and Billings, Montana, refineries do not have such facilities. In addition, ExxonMobil has licensed the technology to third parties for SCANFiner processing units.

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No two refineries are the same, and the number of new qualifying jobs for sustainment staffing of a SCANFiner processing unit facility is very site specific and depends heavily on the configuration of the refinery, current staffing levels, efficiencies available, and other factors.

ExxonMobil conferred with its global resourcing subject matter expert on the level of sustainment staffing required for a SCANFiner processing unit facility. The expert confirmed that there is not one fixed number that is an industry standard. Rather, the industry standard is a range, and the staffing requirements for a particular SCANFiner processing unit facility are heavily dependent on the site specifics (such as refinery configuration), current staffing levels, efficiencies available, and other factors. Accordingly, looking at SCANFiner processing unit facilities constructed at various locations around the world would yield a range of required new positions.

ExxonMobil reviewed the data for the existing SCANFiner processing unit facility at ExxonMobil's Baton Rouge, Louisiana, refinery (the "Baton Rouge Refinery"), which has a capacity of 45 thousand barrels per day ("kbd"), and determined that when the unit began operation, seven (7) new process positions were required after taking into account the configuration of the refinery, current staffing levels, efficiencies available, and other factors.

ExxonMobil also reviewed the data for the existing SCANFiner processing unit facility at ExxonMobil's Baytown, Texas, refinery (the "Baytown Refinery"), which was constructed in 2003 and has a capacity of 80 kbd, and determined that when the unit began operation, five (5) new process positions were required after taking into account the configuration of the refinery, current staffing levels, efficiencies available, and other factors. No data was found concerning any new hires for the mechanical and engineering functions, although it is at least possible that one new hire occurred for one or both of these functions. Thus, ExxonMobil concluded that five (5) new positions and possibly as many as seven (7) new positions were required for the Baytown Refinery SCANFiner processing unit facility – a range of 5 to 7. We note that the SCANFiner processing unit facility at the Baytown Refinery has a capacity that is 1.73 times that of the proposed facility at the Beaumont Refinery.

Looking at just the Baton Rouge Refinery and Baytown Refinery SCANFiner processing unit facilities, there is a range of 5 to 7 new positions. Accordingly, the creation of five (5) new jobs at the proposed Beaumont Refinery SCANFiner processing unit facility is within the industry standard range of required new positions necessary for the operation of the facility.

Finally, we note that Section 313.025(f-1) of the Texas Tax Code provides:

> (f-1) Notwithstanding any other provision of this chapter to the contrary, including Section 313.003(2) or 313.004(3)(A) or (B)(iii), the governing body of a school district may waive the new jobs creation requirement in Section 313.021(2)(A)(iv)(b) or 313.051(b) and approve an application if the governing

body makes a finding that **the jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility of the property owner that is described in the application**.

Thus, the "industry standard" under this provision is determined in relation to the number of employees necessary for the operation of the specific facility that is the subject of the Application. Accordingly, for the reasons discussed above, the creation of five (5) new jobs at the proposed Beaumont Refinery SCANFiner processing unit facility satisfies the statute.

2. **Tab 11. Map Clarifications.** Applications must include a map depicting both b) "Qualified investment ,including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the time period." and c) "Qualified property, including location of new buildings and new improvements." Please provide a map or site plan indicating the location of tangible personal properties inside the "SCANfiner Plot" area. Additionally, please clearly specify that the border around the "Project Site" is the "Project Boundary".

   Please see the attached revised Tab 11 and maps and picture included in Tab 11.

   The fourth revised map included in the attached revised Tab 11 has been revised to specify that the "Project Site" is the "Project Boundary."

   In addition, a fifth page has been added in the attached revised Tab 11 which indicates that the location of all new tangible personal property, buildings and improvements constituting the elements of the SCANFiner processing unit facility project are inside the Project Boundary.

   Finally, a sixth page has been added in the attached revised Tab 11 which provides an illustrative picture of a SCANFiner processing unit facility upon completion of construction.

3. **Tab 4. Description of Proposed Project.** Please provide more detail regarding the proposed output capacity, interconnections with adjacent facilities, the final product produced, and feedstock sources.

   Proposed Output Capacity:

   The proposed SCANFiner processing unit facility is designed for a feed rate of 46 kbd and output of approximately:

   - 25 kbd of Scanfinate which is primarily a low Reid vapor pressure motor gasoline ("mogas") blendstock; and
   - 20 kbd of ultra-low-sulfur diesel ("ULSD").

Interconnections with Adjacent Facilities:

On the input side, the proposed SCANFiner processing unit facility would be interconnected with an existing fluid catalytic cracker unit/naphtha splitting unit which produces naphtha and splits the naphtha into light, intermediate and heavy grades according to process needs.

On the output side, the proposed SCANFiner processing unit facility would be interconnected with an existing catalytic hydro desulfurization unit which would allow the Scanfinate produced by the proposed SCANFiner processing unit facility to be further processed into motor gasoline ("mogas") blendstock or ULSD, depending upon economics.

Final Product Produced:

The proposed SCANFiner processing unit facility is designed to produce approximately:

- 25 kbd of Scanfinate which is primarily a low Reid vapor pressure motor gasoline ("mogas") blendstock; and
- 20 kbd of ultra-low-sulfur diesel ("ULSD").

Feedstock Sources:

The feedstock for the proposed SCANFiner processing unit facility is comprised of light, intermediate and heavy grades of naphtha produced by an existing fluid catalytic cracker unit/naphtha splitting unit.

4. **On Page 7, Section 14, Question 9 and 10** indicates that $66,289.40 is the regional wage target. This appears to be a transposition error that needs correcting.

Please see the attached revised Page 7 of the Application on which Questions 9 and 10 in Section 14 have been revised to fix the transposition and reflect $66,829.40 as the correct amount.

5. **Tab 13 and Page 7, Section 14 Question 7.** There is a new quarter (3rd Qtr 2015) available from Texas Workforce Commission. Please recalculate the wages for TAB 13 and using the four most recent quarters.

Please see:

- the attached revised Page 7 of the Application on which the information in Question 7, a. and b., of Section 14 has been revised to reflect the wage information for the third quarter of 2015 recently available from the Texas Workforce Commission; and

- the attached revised Tab 13 of the Application reflecting the current four most recent quarters of data for each of the three wage calculations, including documentation from the Texas Workforce Commission website.

6. **Additional Question.** Gary Price has asked whether ExxonMobil is required to construct the proposed SCANFiner processing unit facility project in order to satisfy the Environmental Protection Agency ("EPA") Tier 3 gasoline sulfur content rule.

ExxonMobil is not required to construct the proposed SCANFiner processing unit facility project in order to satisfy the EPA Tier 3 gasoline sulfur content rule.

The EPA Tier 3 gasoline sulfur content rule generally requires a reduction in annual average gasoline sulfur content from 30 parts per million ("ppm") to 10 ppm and retains the current maximum per-gallon sulfur content of 80 ppm refinery gate and 95 ppm downstream.

The gasoline pool is composed of gasoline boiling range hydrocarbons from several sources in the refinery. Typical gasoline pool blending components include butanes, ethanol, light straight run naphtha, isomerate, reformate, alkylate, fluid catalytic cracker ("FCC") gasoline and hydrocracker gasoline. In addition, purchased blending components may also be present. Most of these components are very low in sulfur (typically less than 1 ppm), except for the FCC gasoline. FCC gasoline has the highest sulfur content, and is typically the largest volume component of the gasoline pool. As a result, FCC gasoline sulfur would typically have to be reduced to meet the EPA Tier 3 gasoline sulfur content rule.

ExxonMobil has several options for meeting the EPA Tier 3 gasoline sulfur content rule at the Beaumont Refinery without constructing the proposed SCANFiner processing unit facility project. These options include augmenting and revamping existing units to:

- increase pretreatment severity in the existing fluid catalytic cracker unit ("FCC"),
- expand FCC pretreatment,
- use gasoline sulfur reduction additives in FCC,
- increase FCC gasoline post-treatment severity in existing units,
- expand FCC post-treatment, or
- a combination of two or more of the above.

The pretreatment options reduce the sulfur content of the FCC feed, which in turn lowers the sulfur content of the FCC products including FCC gasoline. The post-treatment options directly reduce the sulfur content of FCC gasoline. By utilizing the pretreatment of FCC feed options, the post-treatment of FCC gasoline options, or a combination of FCC feed pretreatment and FCC gasoline post-treatment options,

ExxonMobil could satisfy the EPA Tier 3 gasoline sulfur content rule without constructing the proposed SCANFiner processing unit facility project.

In addition, as an alternative to the above options, ExxonMobil could make no changes at the Beaumont Refinery to meet the EPA Tier 3 gasoline sulfur content rule, and could instead ship gasoline produced at the Beaumont Refinery to other refineries for further processing to a gasoline product that satisfies the EPA Tier 3 gasoline sulfur content rule.

Moreover, and separate and apart from the EPA Tier 3 gasoline sulfur content rule, the proposed SCANFiner processing unit facility project would enhance capacity and margins, enable the production of an additional 20 thousand barrels per day of ultra-low-sulfur diesel production, and optimize barrel placements and dispositions within the Beaumont Refinery to maximize the value of the Beaumont Refinery's product slate.

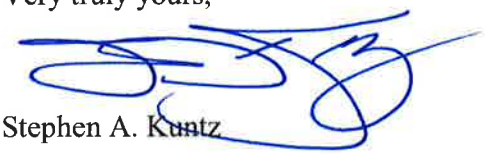
Thus, while the proposed SCANFiner processing unit facility project is expected to provide operating and other efficiencies at the Beaumont Refinery, ExxonMobil is not required to construct the proposed SCANFiner processing unit facility project in order to satisfy the EPA Tier 3 gasoline sulfur content rule.

* * * * * * * * * * * * * * *

Please do not hesitate to contact me if you have any questions or need any additional information.

Thank you for your consideration.

Very truly yours,



Stephen A. Kuntz

Attachments

cc: Ms. Stephanie Jones, Texas Comptroller of Public Accounts (w/attachments)
Via e-mail to: *stephanie.jones@cpa.state.tx.us*

Mr. Gary Price, Texas Comptroller of Public Accounts (w/attachments)
Via e-mail to: *Gary.Price@cpa.texas.gov*

Mr. Kevin T. O'Hanlon, O'Hanlon, McCollom & Demerath (w/attachments)
Via e-mail to: *kohanlon@808west.com*

Mr. William F. Rogers, ExxonMobil Oil Corporation (w/attachments)
Via e-mail to: *william.f.rogers@exxonmobil.com*

Mr. Craig E. Mann, ExxonMobil Oil Corporation (w/attachments)
Via e-mail to: *craig.e.mann@exxonmobil.com*

TAB 11

Maps that show:

a) Project vicinity

b) Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period

c) Qualified property including location of new buildings or new improvements

d) Existing property

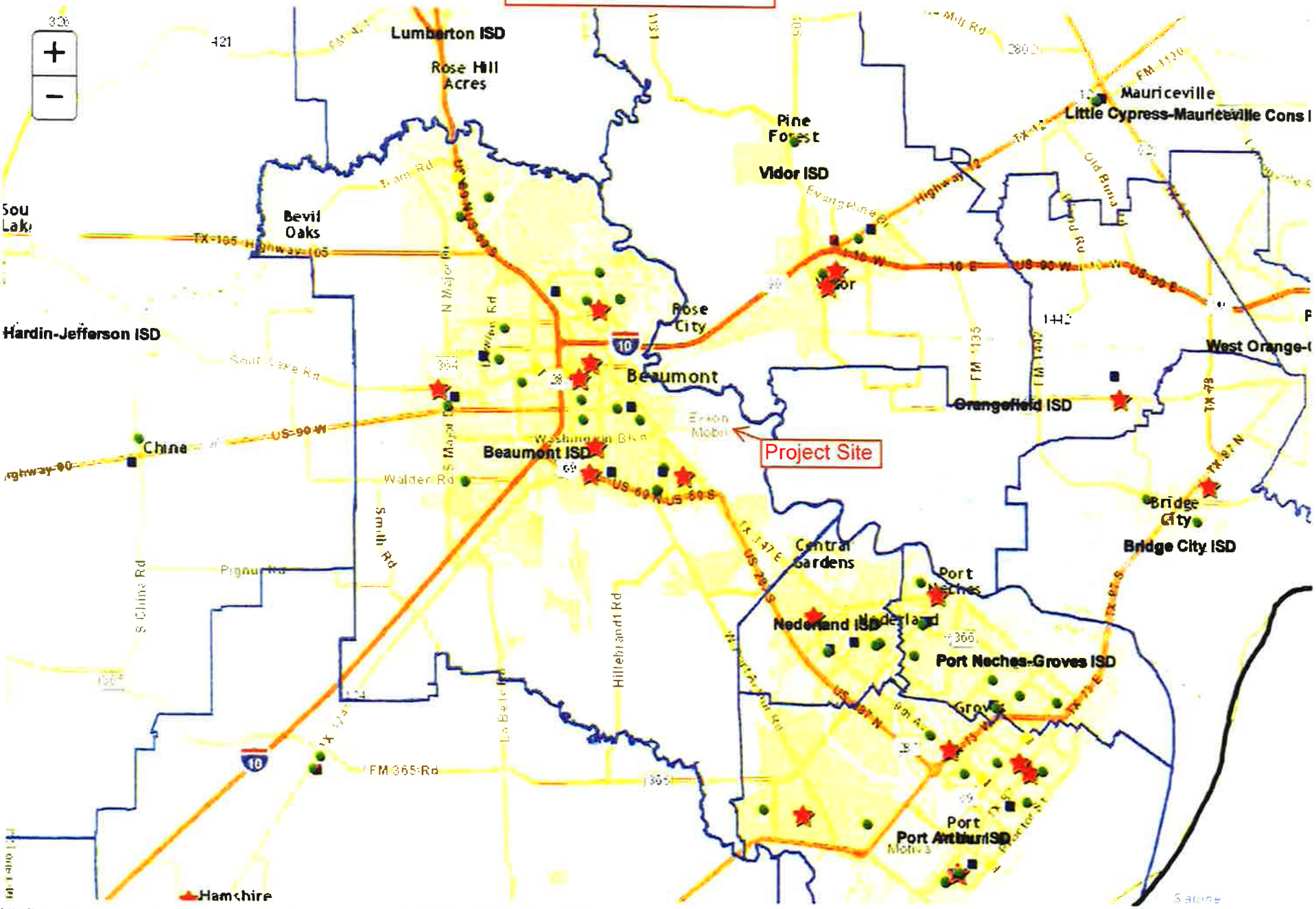
e) Land location within vicinity map

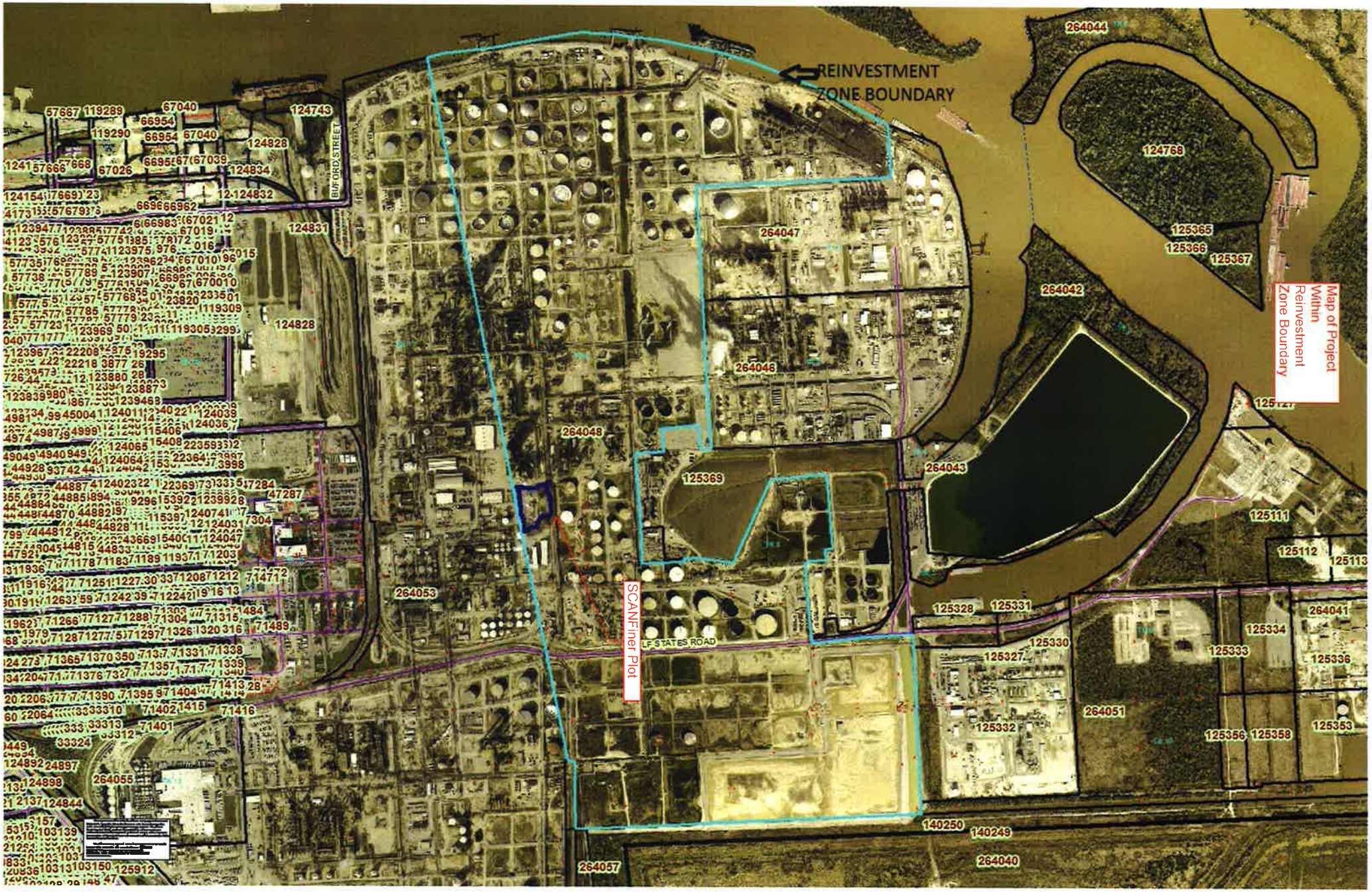
f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size

See attached maps

Morgan Park
Parkdale Mall
Vidor
10
Rose City
10
Beaumont
ExxonMobil Beaumont
Refinery Complex
Lamar University
Tyrrell Park

Beaumont ISD Vicinity Map




REINVESTMENT ZONE BOUNDARY
Map of Project Within Reinvestment Zone Boundary
SCANFiner Plot
BUFORD STREET
GULF STATES ROAD
264044
124768
125365
125366
125367
264042
264047
264046
264048
264043
125369
125111
125112
125113
264041
125334
125333
125336
125328
125331
125330
125327
264053
264051
125332
125356
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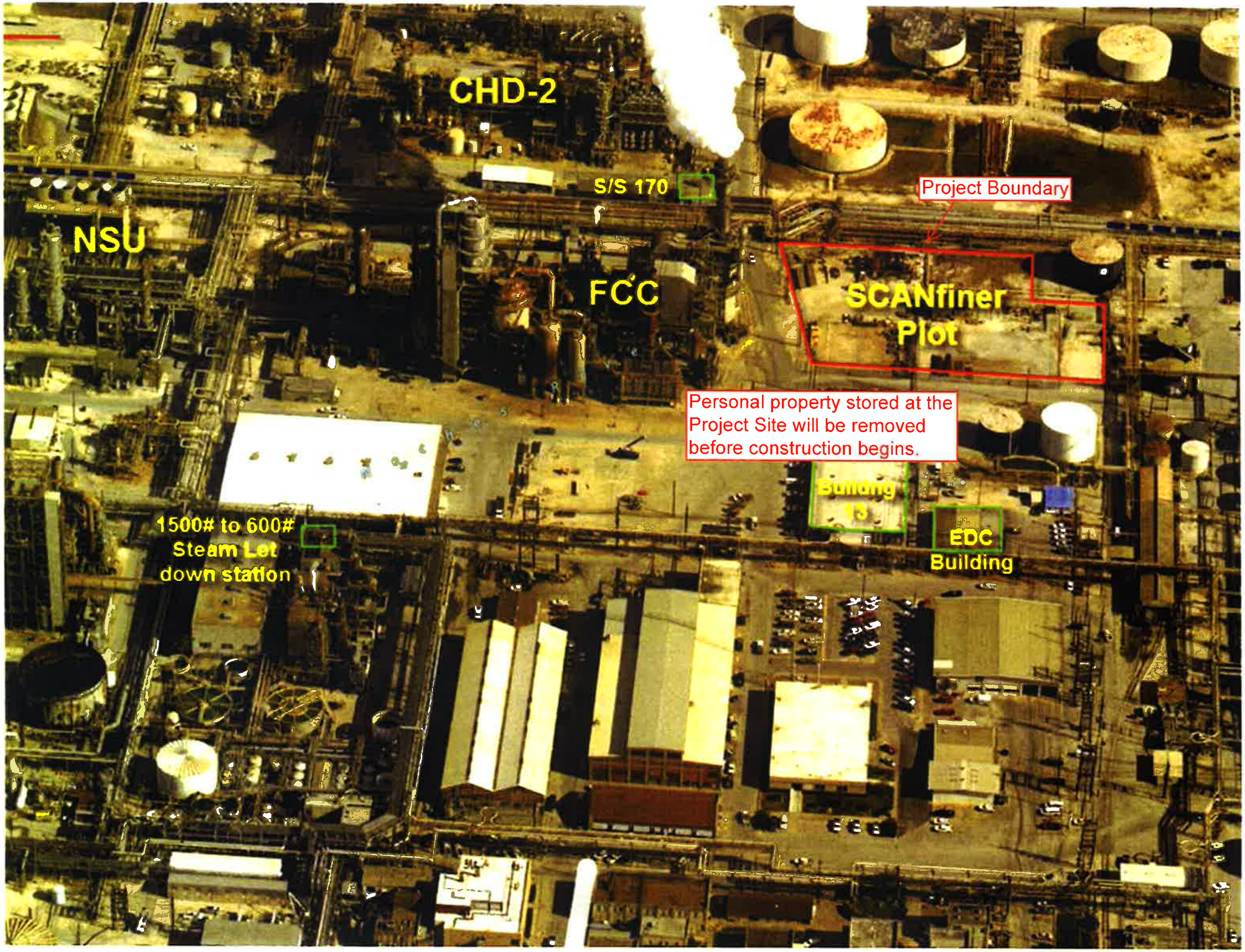
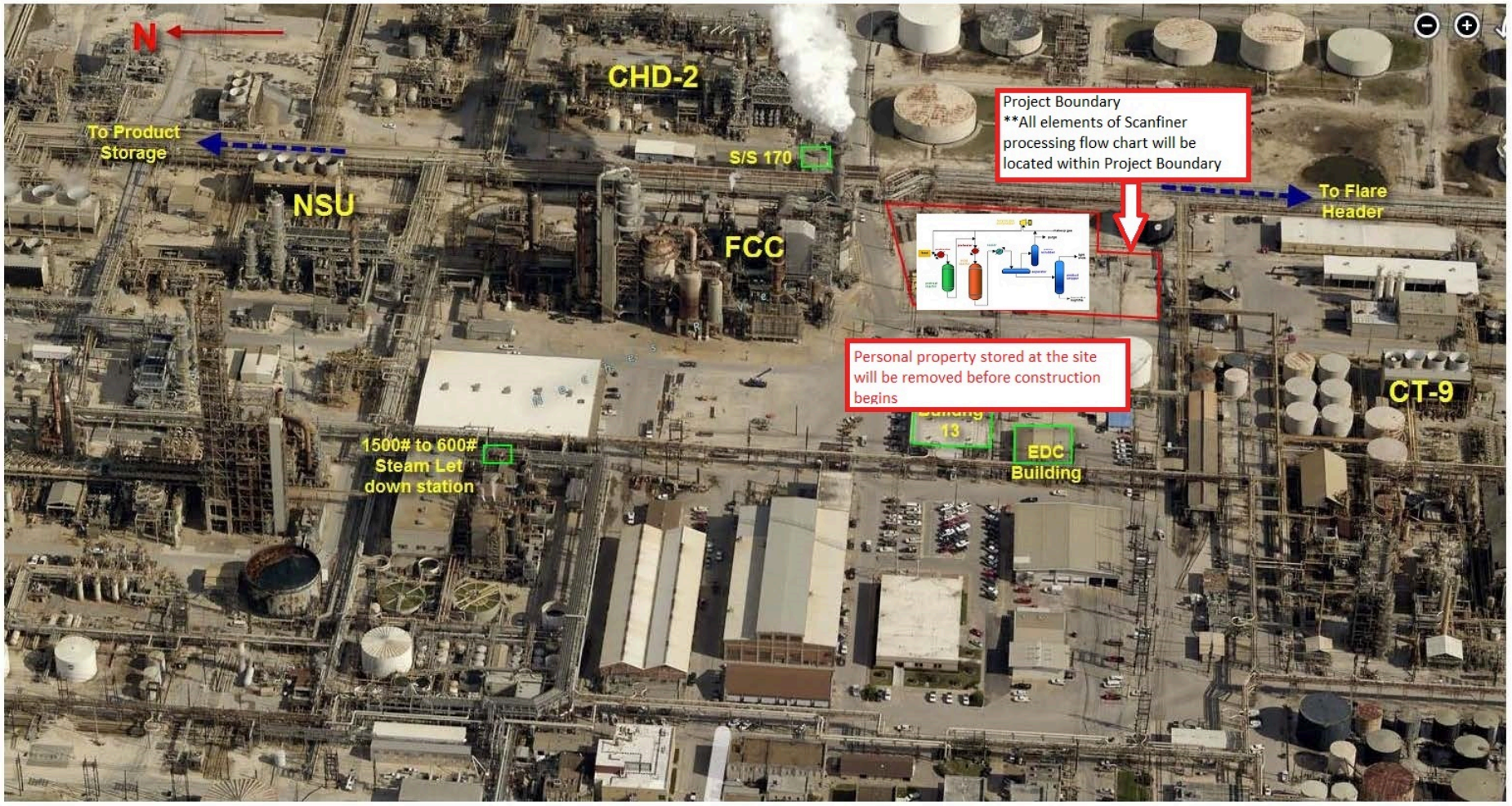

CHD-2
S/S 170
Project Boundary
NSU
FCC
SCANfiner
Plot
Personal property stored at the
Project Site will be removed
before construction begins.
Building
13
EDC
Building
1500# to 600#
Steam Let
down station



Illustrative picture of a fully contructed Scanfiner unit is on the following page

Illustrativie picture of
fully constructed
Scanfing Unit

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

2. What is the last complete calendar quarter before application review start date:
   ☐ First Quarter ☐ Second Quarter ☐ Third Quarter ☑ Fourth Quarter of 2015 *(year)*

3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 1,549

   Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).

4. What is the number of new qualifying jobs you are committing to create? 5

5. What is the number of new non-qualifying jobs you are estimating you will create? 0

6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ..... ☑ Yes ☐ No

   6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.

7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).

   a. Average weekly wage for all jobs (all industries) in the county is 1,038.50

   b. 110% of the average weekly wage for manufacturing jobs in the county is 2,090.28

   c. 110% of the average weekly wage for manufacturing jobs in the region is 1,285.18

8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ..... ☐ §313.021(5)(A) or ☑ §313.021(5)(B)

9. What is the minimum required annual wage for each qualifying job based on the qualified property? 66,829.40

10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 66,829.40

11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ..... ☑ Yes ☐ No

12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ..... ☐ Yes ☑ No

    12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).

13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ..... ☐ Yes ☑ No

    13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.

2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15.** *(not required)*

3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

TAB 13

Calculation of three possible wage requirements with TWC documentation

A. The average weekly wage for all jobs (all industries) in Jefferson County

$1,038.50

B. 110% of the average weekly wage for manufacturing jobs in Jefferson County

$2,090.28

C. 110% of the average manufacturing wage for the South East Texas Regional Planning Commission Council of Government region

$1,285.18

See attachments

Tab 13

Calculation of Wage Requirements

Jefferson Co., S. E. TX, Gulf Coast

Year	Period Quarter	Area	Industry	Avg. Weekly Wages
2014	4	Jefferson County	Total-All	$1,079
2015	1	Jefferson County	Total-All	$1,078
2015	2	Jefferson County	Total-All	$1,000
2015	3	Jefferson County	Total-All	$997
		Chapter 313 calculation: Average of most recent 4 Qtrs.		**$1,038.50**

Year	Period Quarter	Area	Industry	Avg. Weekly Wages
2014	4	Jefferson County	Manufacturing	$1,873
2015	1	Jefferson County	Manufacturing	$2,176
2015	2	Jefferson County	Manufacturing	$1,810
2015	3	Jefferson County	Manufacturing	$1,742
			Average of most recent 4 Qtrs.	$1,900.25
			Chapter 313 calculation: 110% of weekly avg.	**$2,090.28**

Year	Month	Region	Annual Wage
2014	July	South East Texas Regional Planning Commission	$60,754
		Chapter 313 calculation: 110% of annual wage	**$66,829.40**
		Weekly Wage	**$1,285.18**

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2014	4th Qtr	Jefferson County	Total All	00	0	10	Total, All Industries	$1,079
2015	1st Qtr	Jefferson County	Total All	00	0	10	Total, All Industries	$1,078
2015	2nd Qtr	Jefferson County	Total All	00	0	10	Total, All Industries	$1,000
2015	3rd Qtr	Jefferson County	Total All	00	0	10	Total, All Industries	$997

$ 4,154.00
÷ 4
$ 1,038.50

x 52 weeks
$54,002.00

Quarterly Employment and Wages (QCEW)

Back

Page 1 of 1 (40 results/page)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2014	4th Qtr	Jefferson County	Total All	31	2	31-33	Manufacturing	$1,873
2015	1st Qtr	Jefferson County	Total All	31	2	31-33	Manufacturing	$2,176
2015	2nd Qtr	Jefferson County	Total All	31	2	31-33	Manufacturing	$1,810
2015	3rd Qtr	Jefferson County	Total All	31	2	31-33	Manufacturing	$1,742

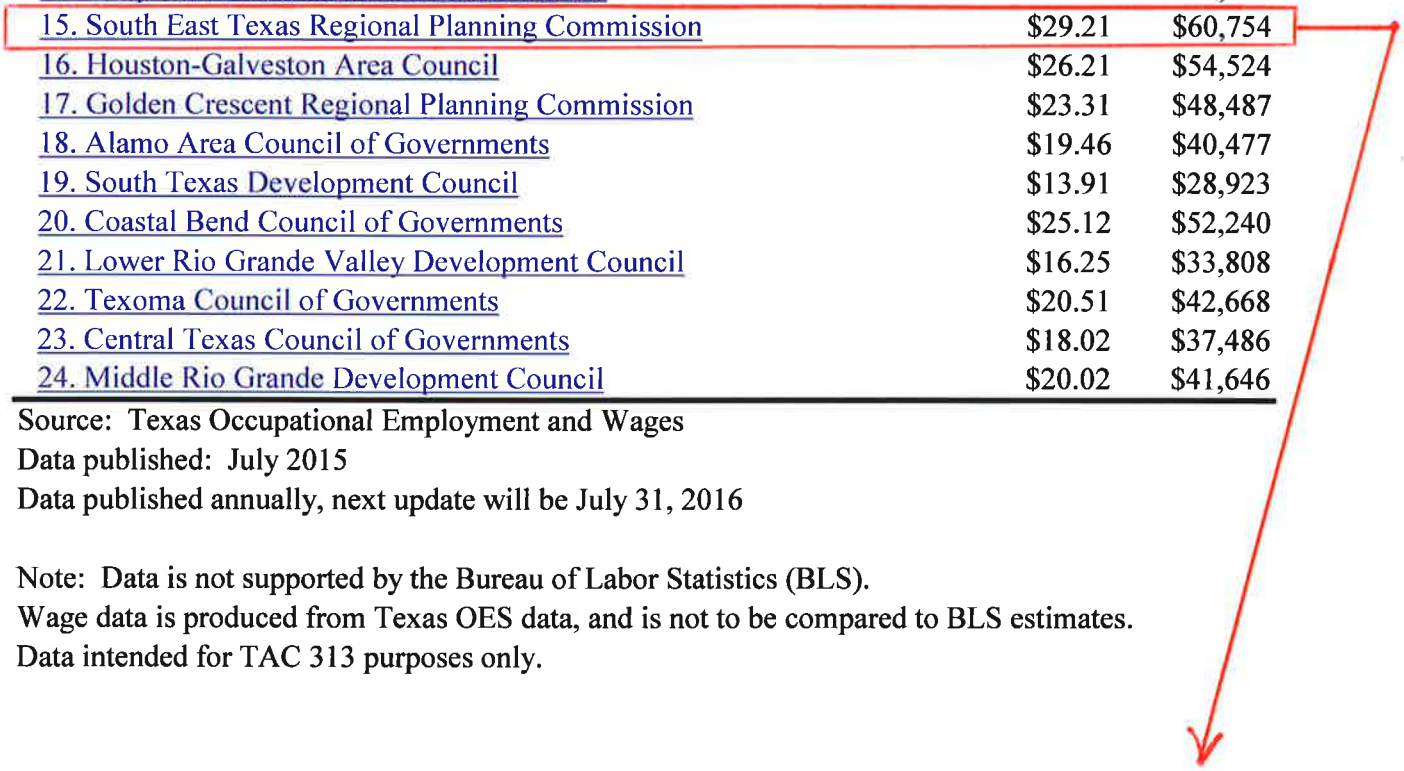
$	7,601.00
÷	4
$	1,900.25
x	110%
$	2,090.28
x	52 weeks
	$108,694.56

2014 Manufacturing Average Wages by Council of Government Region
Wages for All Occupations

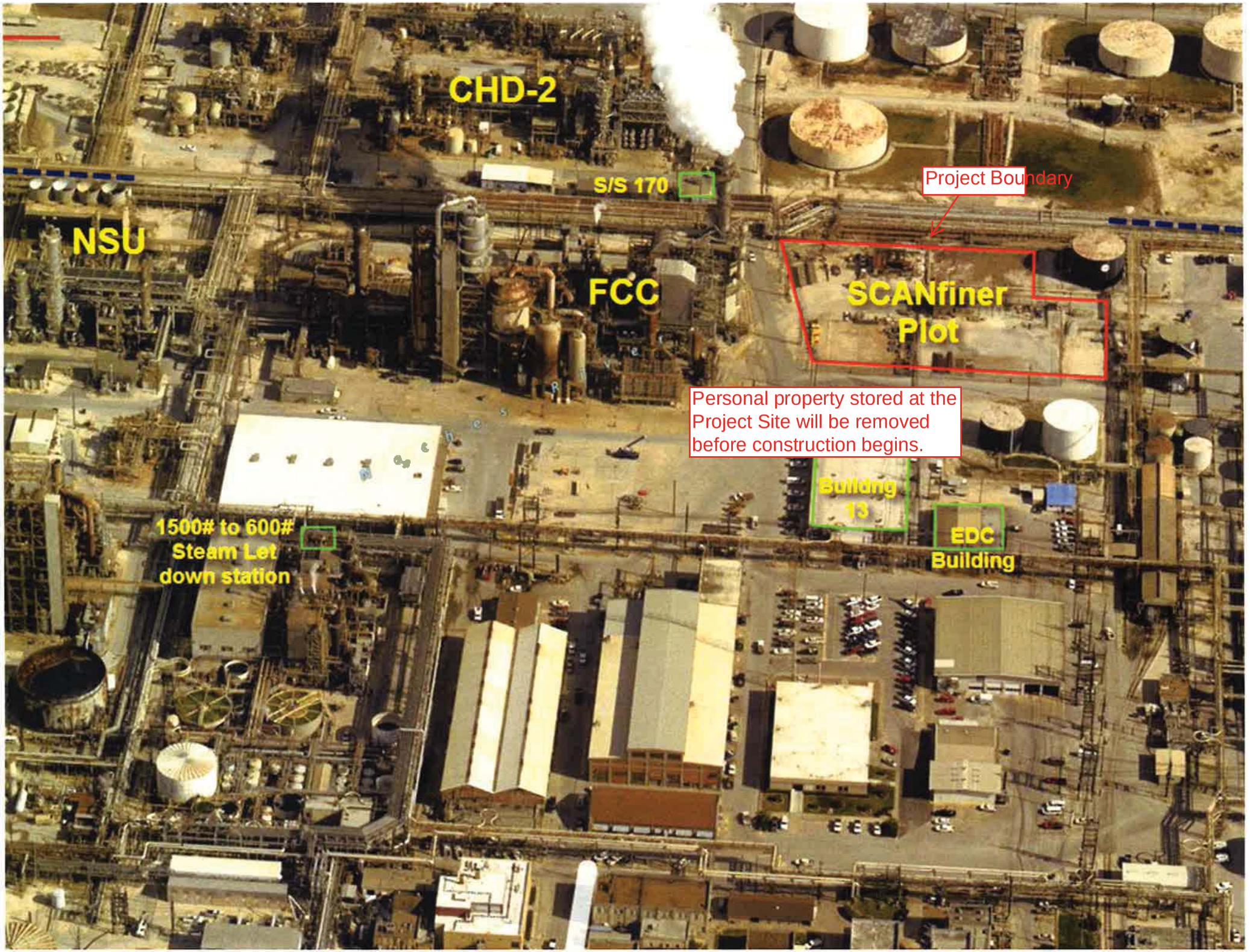
COG	Wages	
	Hourly	Annual
Texas	**$24.18**	**$50,305**
1. Panhandle Regional Planning Commission	$21.07	$43,821
2. South Plains Association of Governments	$16.75	$34,834
3. NORTEX Regional Planning Commission	$20.23	$42,077
4. North Central Texas Council of Governments	$25.32	$52,672
5. Ark-Tex Council of Governments	$17.80	$37,017
6. East Texas Council of Governments	$19.87	$41,332
7. West Central Texas Council of Governments	$19.41	$40,365
8. Rio Grande Council of Governments	$17.82	$37,063
9. Permian Basin Regional Planning Commission	$23.65	$49,196
10. Concho Valley Council of Governments	$18.70	$38,886
11. Heart of Texas Council of Governments	$20.98	$43,636
12. Capital Area Council of Governments	$28.34	$58,937
13. Brazos Valley Council of Governments	$17.57	$36,547
14. Deep East Texas Council of Governments	$17.76	$36,939
15. South East Texas Regional Planning Commission	$29.21	$60,754
16. Houston-Galveston Area Council	$26.21	$54,524
17. Golden Crescent Regional Planning Commission	$23.31	$48,487
18. Alamo Area Council of Governments	$19.46	$40,477
19. South Texas Development Council	$13.91	$28,923
20. Coastal Bend Council of Governments	$25.12	$52,240
21. Lower Rio Grande Valley Development Council	$16.25	$33,808
22. Texoma Council of Governments	$20.51	$42,668
23. Central Texas Council of Governments	$18.02	$37,486
24. Middle Rio Grande Development Council	$20.02	$41,646

Source: Texas Occupational Employment and Wages
Data published: July 2015
Data published annually, next update will be July 31, 2016

Note: Data is not supported by the Bureau of Labor Statistics (BLS).
Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.
Data intended for TAC 313 purposes only.



$60,754.00
x 110%
$66,829.40
÷ 52 weeks
$ 1,285.18


CHD-2
S/S 170
Project Boundary
NSU
FCC
SCANfiner
Plot
Personal property stored at the
Project Site will be removed
before construction begins.
Building
13
EDC
Building
1500# to 600#
Steam Let
down station

Form 50-296-A

Application for Appraised Value Limitation on Qualified Property

SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here ▶ JOHN FROSSARD
Print Name *(Authorized School District Representative)*

Superintendent
Title

sign here ▶
Signature *(Authorized School District Representative)*

2/16/16
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here ▶ Darren D. Owen
Print Name *(Authorized Company Representative (Applicant))*

Property Tax Division Manager
Title

sign here ▶
Signature *(Authorized Company Representative (Applicant))*

2/8/2016
Date

Linda R. Araiza
Commission Expires
10-30-2016

(Notary Seal)

GIVEN under my hand and seal of office this, the
8 day of February, 2016

Linda R Araiza
Notary Public in and for the State of Texas

My Commission expires: 10-30-2016

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.