



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 30, 2015

Wade Wesley
Superintendent
Happy Independent School District
400 NW 3rd St.
Happy, Texas 79042

Dear Superintendent Wesley:

On Aug. 5, 2015, the Comptroller issued written notice that Pacific Wind Development LLC (the applicant) submitted a completed application (Application #1071) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on May 11, 2015, to the Happy Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1071.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

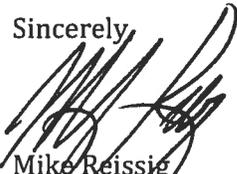
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of Aug. 5, 2015, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

This following tables summarize the Comptroller’s economic impact analysis of Pacific Wind Development LLC (the project) applying to Happy Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Pacific Wind Development LLC.

Applicant	Pacific Wind Development LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy – Wind
School District	Happy ISD
2013-14 Enrollment in School District	239
County	Swisher
Proposed Total Investment in District	\$316,000,000
Proposed Qualified Investment	\$316,000,000
Limitation Amount	\$20,000,000
Number of new qualifying jobs committed to by applicant*	7
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,000
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$927
Minimum annual wage committed to by applicant for qualified jobs	\$52,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	\$45,142,857
Estimated M&O levy without any limit (15 years)	\$25,011,064
Estimated M&O levy with Limitation (15 years)	\$7,605,760
Estimated gross M&O tax benefit (15 years)	\$17,405,304
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

Table 2 is the estimated statewide economic impact of Pacific Wind Development LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	50	58	108	\$3,250,000	\$3,830,078	\$7,080,078
2017	250	266	516	\$16,250,000	\$19,882,813	\$36,132,813
2018	7	24	31	\$364,000	\$4,274,672	\$4,638,672
2019	7	11	18	\$364,000	\$2,809,828	\$3,173,828
2020	7	1	8	\$364,000	\$1,955,336	\$2,319,336
2021	7	(1)	6	\$364,000	\$1,222,914	\$1,586,914
2022	7	(5)	2	\$364,000	\$734,633	\$1,098,633
2023	7	(3)	4	\$364,000	\$246,352	\$610,352
2024	7	(5)	2	\$364,000	\$246,352	\$610,352
2025	7	1	8	\$364,000	\$124,281	\$488,281
2026	7	(1)	6	\$364,000	\$246,352	\$610,352
2027	7	3	10	\$364,000	\$124,281	\$488,281
2028	7	1	8	\$364,000	-\$119,859	\$244,141
2029	7	(5)	2	\$364,000	-\$364,000	\$0
2030	7	(7)	0	\$364,000	-\$608,141	-\$244,141
2031	7	(7)	0	\$364,000	-\$852,281	-\$488,281
2032	7	(7)	0	\$364,000	-\$1,096,422	-\$732,422

Source: CPA, REMI, Pacific Wind Development LLC

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

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives										
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Happy ISD I&S Levy	Happy ISD M&O Levy	Happy ISD M&O and I&S Tax Levies	Swisher County	High Plains Water District	Swisher Memorial Hospital District	Estimated Total Property Taxes
				0.0000	1.0400		0.72	0.008026	0.303024	
2018	\$ 265,000,000	\$265,000,000		\$0	\$2,756,000	\$2,756,000	\$1,908,000	\$21,269	\$803,014	\$5,488,283
2019	\$ 243,800,000	\$243,800,000		\$0	\$2,535,520	\$2,535,520	\$1,755,360	\$19,567	\$738,773	\$5,049,220
2020	\$ 224,296,000	\$224,296,000		\$0	\$2,332,678	\$2,332,678	\$1,614,931	\$18,002	\$679,671	\$4,645,282
2021	\$ 206,352,000	\$206,352,000		\$0	\$2,146,061	\$2,146,061	\$1,485,734	\$16,562	\$625,296	\$4,273,653
2022	\$ 189,844,000	\$189,844,000		\$0	\$1,974,378	\$1,974,378	\$1,366,877	\$15,237	\$575,273	\$3,931,764
2023	\$ 174,656,000	\$174,656,000		\$0	\$1,816,422	\$1,816,422	\$1,257,523	\$14,018	\$529,250	\$3,617,213
2024	\$ 160,684,000	\$160,684,000		\$0	\$1,671,114	\$1,671,114	\$1,156,925	\$12,896	\$486,911	\$3,327,846
2025	\$ 147,829,000	\$147,829,000		\$0	\$1,537,422	\$1,537,422	\$1,064,369	\$11,865	\$447,957	\$3,061,613
2026	\$ 136,003,000	\$136,003,000		\$0	\$1,414,431	\$1,414,431	\$979,222	\$10,916	\$412,122	\$2,816,690
2027	\$ 125,123,000	\$125,123,000		\$0	\$1,301,279	\$1,301,279	\$900,886	\$10,042	\$379,153	\$2,591,360
2028	\$ 115,113,000	\$115,113,000		\$0	\$1,197,175	\$1,197,175	\$828,814	\$9,239	\$348,820	\$2,384,048
2029	\$ 110,508,000	\$110,508,000		\$0	\$1,149,283	\$1,149,283	\$795,658	\$8,869	\$334,866	\$2,288,676
2030	\$ 106,088,000	\$106,088,000		\$0	\$1,103,315	\$1,103,315	\$763,834	\$8,515	\$321,472	\$2,197,136
2031	\$ 101,844,000	\$101,844,000		\$0	\$1,059,178	\$1,059,178	\$733,277	\$8,174	\$308,612	\$2,109,240
2032	\$ 97,770,000	\$97,770,000		\$0	\$1,016,808	\$1,016,808	\$703,944	\$7,847	\$296,267	\$2,024,866
			Total	\$0	\$25,011,064	\$25,011,064	\$17,315,352	\$193,018	\$7,287,454	\$49,806,889

Source: CPA, Pacific Wind Development LLC

¹Tax Rate per \$100 Valuation

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller’s determination that Pacific Wind Development LLC (project) is not reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
	2017	\$145,600	\$145,600	\$0	\$0
Limitation Period (10 Years)	2018	\$208,000	\$353,600	\$2,548,000	\$2,548,000
	2019	\$208,000	\$561,600	\$2,327,520	\$4,875,520
	2020	\$208,000	\$769,600	\$2,124,678	\$7,000,198
	2021	\$208,000	\$977,600	\$1,938,061	\$8,938,259
	2022	\$208,000	\$1,185,600	\$1,766,378	\$10,704,637
	2023	\$208,000	\$1,393,600	\$1,608,422	\$12,313,059
	2024	\$208,000	\$1,601,600	\$1,463,114	\$13,776,173
	2025	\$208,000	\$1,809,600	\$1,329,422	\$15,105,594
	2026	\$208,000	\$2,017,600	\$1,206,431	\$16,312,026
	2027	\$208,000	\$2,225,600	\$1,093,279	\$17,405,305
Maintain Viable Presence (5 Years)	2028	\$1,197,175	\$3,422,775	\$0	\$17,405,305
	2029	\$1,149,283	\$4,572,058	\$0	\$17,405,305
	2030	\$1,103,315	\$5,675,374	\$0	\$17,405,305
	2031	\$1,059,178	\$6,734,551	\$0	\$17,405,305
	2032	\$1,016,808	\$7,751,359	\$0	\$17,405,305
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$976,134	\$8,727,493	\$0	\$17,405,305
	2034	\$937,092	\$9,664,585	\$0	\$17,405,305
	2035	\$899,610	\$10,564,195	\$0	\$17,405,305
	2036	\$863,626	\$11,427,822	\$0	\$17,405,305
	2037	\$829,078	\$12,256,899	\$0	\$17,405,305
	2038	\$795,912	\$13,052,811	\$0	\$17,405,305
	2039	\$764,078	\$13,816,889	\$0	\$17,405,305
	2040	\$733,512	\$14,550,401	\$0	\$17,405,305
	2041	\$704,174	\$15,254,574	\$0	\$17,405,305
	2042	\$676,010	\$15,930,585	\$0	\$17,405,305
		\$15,930,585	is less than	\$17,405,305	
Analysis Summary					
Is the project reasonably likely to generate M&O tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					No

Source: CPA, Pacific Wind Development LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller’s determination that Pacific Wind Development LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2016	50	58	108	\$3,250,000	\$3,830,078	\$7,080,078	\$373,840	-\$190,735	\$564,575
2017	250	266	516	\$16,250,000	\$19,882,813	\$36,132,813	\$1,838,684	-\$869,751	\$2,708,435
2018	7	24	31	\$364,000	\$4,274,672	\$4,638,672	\$213,623	\$396,729	-\$183,106
2019	7	11	18	\$364,000	\$2,809,828	\$3,173,828	\$160,217	\$381,470	-\$221,253
2020	7	1	8	\$364,000	\$1,955,336	\$2,319,336	\$106,812	\$328,064	-\$221,252
2021	7	(1)	6	\$364,000	\$1,222,914	\$1,586,914	\$61,035	\$251,770	-\$190,735
2022	7	(5)	2	\$364,000	\$734,633	\$1,098,633	\$22,888	\$190,735	-\$167,847
2023	7	(3)	4	\$364,000	\$246,352	\$610,352	-\$7,629	\$122,070	-\$129,699
2024	7	(5)	2	\$364,000	\$246,352	\$610,352	\$7,629	\$68,665	-\$61,036
2025	7	1	8	\$364,000	\$124,281	\$488,281	\$15,259	\$7,629	\$7,630
2026	7	(1)	6	\$364,000	\$246,352	\$610,352	\$15,259	-\$22,888	\$38,147
2027	7	3	10	\$364,000	\$124,281	\$488,281	-\$38,147	-\$99,182	\$61,035
2028	7	1	8	\$364,000	-\$119,859	\$244,141	-\$83,923	-\$144,958	\$61,035
2029	7	(5)	2	\$364,000	-\$364,000	\$0	-\$106,812	-\$167,847	\$61,035
2030	7	(7)	0	\$364,000	-\$608,141	-\$244,141	-\$167,847	-\$213,623	\$45,776
2031	7	(7)	0	\$364,000	-\$852,281	-\$488,281	-\$160,217	-\$282,288	\$122,071
2032	7	(7)	0	\$364,000	-\$1,096,422	-\$732,422	-\$183,105	-\$289,917	\$106,812
2033	7	(7)	0	\$364,000	-\$1,340,563	-\$976,563	-\$213,623	-\$366,211	\$152,588
2034	7	(9)	-2	\$364,000	-\$1,096,422	-\$732,422	-\$228,882	-\$373,840	\$144,958
2035	7	(13)	-6	\$364,000	-\$1,828,844	-\$1,464,844	-\$236,511	-\$419,617	\$183,106
2036	7	(11)	-4	\$364,000	-\$1,828,844	-\$1,464,844	-\$282,288	-\$495,911	\$213,623
2037	7	(15)	-8	\$364,000	-\$2,072,984	-\$1,708,984	-\$289,917	-\$541,687	\$251,770
2038	7	(19)	-12	\$364,000	-\$3,049,547	-\$2,685,547	-\$289,917	-\$541,687	\$251,770
2039	7	(15)	-8	\$364,000	-\$2,805,406	-\$2,441,406	-\$305,176	-\$633,240	\$328,064
2040	7	(13)	-6	\$364,000	-\$3,049,547	-\$2,685,547	-\$320,435	-\$679,016	\$358,581
2041	7	(17)	-10	\$364,000	-\$3,537,828	-\$3,173,828	-\$366,211	-\$709,534	\$343,323
2042	7	(15)	-8	\$364,000	-\$3,781,969	-\$3,417,969	-\$427,246	-\$717,163	\$289,917
						Total	-\$892,640	-\$6,011,963	\$5,119,323
							\$21,049,908	is greater than	\$17,405,305

Analysis Summary

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

Yes

Source: CPA, Pacific Wind Development LLC

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Pacific Wind Development LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, the applicant has made no investment to date on the project site.
- Per the applicant, no construction has commenced at the project site. Commencement of construction will not start until fourth quarter of 2016.
- The applicant has a number of similar projects in other states, and appears to have a clear ability to build in other locations. The applicant stated “Iberdrola (Pacific Wind Development’s parent) maintains a large portfolio of wind developments across the country, including in the nearby states of New Mexico, Oklahoma, Colorado and Kansas, all with similar wind resources and competitive regulatory environments. The potential economic return of this project will be compared to the potential returns from other locations within and outside of Texas. Iberdrola has limited capital, human and turbine resources, and must pick the best projects to advance as a company each year. The economic return is the primary input for this decision.”
- According to the applicant, it “has begun typical early stage due diligence work to explore the feasibility of constructing a wind facility at this site. As such, certain contracts have been executed including agreements to site and install meteorological monitoring equipment, lease and easement agreements with landowners, contracts with environmental contractors to explore environmental impacts of the proposed project and an interconnection agreement with the transmission provider. None of these contracts obligate Pacific Wind to construct the project.”
- Per the applicant, “A 313 Limitation of Appraised Value Agreement is a key tax incentive agreement necessary to ensure the Comanche Run Project is on a level playing field with other

wind projects which have already secured similar incentives. Without the requested limitation agreement, the Comanche Run Project will be unable to generate sufficient operating margins and net income to produce economically competitive energy and secure the necessary power offtake agreement to allow for the construction of the project.”

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? Yes No
2. The property will be used for one of the following activities:
 - (1) manufacturing Yes No
 - (2) research and development Yes No
 - (3) a clean coal project, as defined by Section 5.001, Water Code Yes No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code Yes No
 - (5) renewable energy electric generation Yes No
 - (6) electric power generation using integrated gasification combined cycle technology Yes No
 - (7) nuclear electric power generation Yes No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) Yes No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 Yes No
3. Are you requesting that any of the land be classified as qualified investment? Yes No
4. Will any of the proposed qualified investment be leased under a capitalized lease? Yes No
5. Will any of the proposed qualified investment be leased under an operating lease? Yes No
6. Are you including property that is owned by a person other than the applicant? Yes No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? Yes No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input checked="" type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? Yes No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? Yes No
3. Does the applicant have current business activities at the location where the proposed project will occur? Yes No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? Yes No
5. Has the applicant received any local or state permits for activities on the proposed project site? Yes No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? Yes No
7. Is the applicant evaluating other locations not in Texas for the proposed project? Yes No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? Yes No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? Yes No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? Yes No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

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

Pacific Wind Development LLC
Comanche Run Wind Project
Happy ISD Limitation of Value Application

Tab 5

Documentation to assist in determining if limitation is a determining factor

Section 8, #2: Has the applicant entered into any agreements, contracts, or letters of intent related to the proposed project?

Pacific Wind Development has begun typical early stage due diligence work to explore the feasibility of constructing a wind facility at this site. As such, certain contracts have been executed including agreements to site and install meteorological monitoring equipment, lease and easement agreements with landowners, contracts with environmental contractors to explore environmental impacts of the proposed project and an interconnection agreement with the transmission provider (Sharyland Utilities). None of these contracts obligate Pacific Wind to construct the project.

Section 8, #7: Is the applicant evaluating other locations not in Texas for the proposed project?

Iberdrola (Pacific Wind Development's parent) maintains a large portfolio of wind developments across the country, including in the nearby states of New Mexico, Oklahoma, Colorado and Kansas, all with similar wind resources and competitive regulatory environments. The potential economic return of this project will be compared to the potential returns from other locations within and outside of Texas. Iberdrola has limited capital, human and turbine resources, and must pick the best projects to advance as a company each year. The economic return is the primary input for this decision.

A 313 Limitation of Appraised Value Agreement is a key tax incentive agreement necessary to ensure the Comanche Run Project is on a level playing field with other wind projects which have already secured similar incentives. Without the requested limitation agreement, the Comanche Run Project will be unable to generate sufficient operating margins and net income to produce economically competitive energy and secure the necessary power offtake agreement to allow for the construction of the project.