



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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P.O.Box 13528 • Austin, TX 78711-3528

October 14, 2015

Dr. Nugget Cunningham  
Interim Superintendent  
Taft Independent School District  
400 College Street  
Taft, Texas 78390

Dear Superintendent Cunningham:

On July 16, 2015, the Comptroller issued written notice that Cheniere San Patricio Processing Hub, LLC (the applicant) submitted a completed application (Application #1067) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on April 21, 2015, to the Taft 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 committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located. |
| Sec. 313.024(d-2) | Not applicable to Application #1067.   |

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.

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<sup>1</sup> 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 July 16, 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](mailto: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 summarizes the Comptroller’s economic impact analysis of Cheniere San Patricio Processing Hub, LLC (the project) applying to Taft 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 Cheniere San Patricio Processing Hub, LLC.

Applicant	Cheniere San Patricio Processing Hub, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Taft ISD
2011-12 Enrollment in School District	1107
County	San Patricio
Proposed Total Investment in District	\$326,000,000
Proposed Qualified Investment	\$326,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	15
Average weekly wage of qualifying jobs committed to by applicant	\$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,046
Minimum annual wage committed to by applicant for qualified jobs	\$65,000
Minimum weekly wage required for non-qualifying jobs	\$837
Minimum annual wage required for non-qualifying jobs	\$43,537
Investment per Qualifying Job	\$32,600,000
Estimated M&O levy without any limit (15 years)	\$38,890,959
Estimated M&O levy with Limitation (15 years)	\$12,957,896
Estimated gross M&O tax benefit (15 years)	\$25,933,063
<i>* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).</i>	

**Table 2** is the estimated statewide economic impact of Cheniere San Patricio Processing Hub, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	250	321	571	\$17,500,000	\$23,500,000	\$41,000,000
2016	435	665	1100	\$30,228,300	\$55,771,700	\$86,000,000
2017	25	351	376	\$1,303,050	\$37,696,950	\$39,000,000
2018	25	368	393	\$1,303,050	\$40,696,950	\$42,000,000
2019	25	373	398	\$1,303,050	\$42,696,950	\$44,000,000
2020	25	379	404	\$1,303,050	\$45,696,950	\$47,000,000
2021	25	387	412	\$1,303,050	\$48,696,950	\$50,000,000
2022	25	398	423	\$1,303,050	\$51,696,950	\$53,000,000
2023	25	406	431	\$1,303,050	\$55,696,950	\$57,000,000
2024	25	415	440	\$1,303,050	\$58,696,950	\$60,000,000
2025	25	422	447	\$1,303,050	\$62,696,950	\$64,000,000
2026	25	429	454	\$1,303,050	\$65,696,950	\$67,000,000
2027	25	432	457	\$1,303,050	\$69,696,950	\$71,000,000
2028	25	437	462	\$1,303,050	\$72,696,950	\$74,000,000
2029	25	442	467	\$1,303,050	\$76,696,950	\$78,000,000
2030	25	449	474	\$1,303,050	\$80,696,950	\$82,000,000

Source: CPA, REMI, Cheniere San Patricio Processing Hub, LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Taft ISD I&S Tax Levy	Taft ISD M&O Tax Levy	Taft ISD M&O and I&S Tax Levies	San Patricio County Tax Levy	San Patricio County Drainage District	Estimated Total Property Taxes	
				0.3865	1.1102	0.0000	0.5200	0.0600		
2016	\$ 16,664,694	\$ 16,664,694		\$64,409	\$185,011	\$249,420	\$86,656	\$9,999	\$346,076	
2017	\$ 300,895,394	\$ 300,895,394		\$1,162,961	\$3,340,541	\$4,503,501	\$1,564,656	\$180,537	\$6,248,695	
2018	\$ 291,924,944	\$ 291,924,944		\$1,128,290	\$3,240,951	\$4,369,241	\$1,518,010	\$175,155	\$6,062,405	
2019	\$ 283,223,394	\$ 283,223,394		\$1,094,658	\$3,144,346	\$4,239,005	\$1,472,762	\$169,934	\$5,881,700	
2020	\$ 274,782,194	\$ 274,782,194		\$1,062,033	\$3,050,632	\$4,112,665	\$1,428,867	\$164,869	\$5,706,402	
2021	\$ 266,594,694	\$ 266,594,694		\$1,030,388	\$2,959,734	\$3,990,123	\$1,386,292	\$159,957	\$5,536,372	
2022	\$ 258,651,344	\$ 258,651,344		\$999,687	\$2,871,547	\$3,871,235	\$1,344,987	\$155,191	\$5,371,412	
2023	\$ 250,945,544	\$ 250,945,544		\$969,905	\$2,785,997	\$3,755,902	\$1,304,917	\$150,567	\$5,211,386	
2024	\$ 243,470,644	\$ 243,470,644		\$941,014	\$2,703,011	\$3,644,025	\$1,266,047	\$146,082	\$5,056,155	
2025	\$ 236,218,994	\$ 236,218,994		\$912,986	\$2,622,503	\$3,535,490	\$1,228,339	\$141,731	\$4,905,560	
2026	\$ 229,183,994	\$ 229,183,994		\$885,796	\$2,544,401	\$3,430,197	\$1,191,757	\$137,510	\$4,759,464	
2027	\$ 222,359,944	\$ 222,359,944		\$859,421	\$2,468,640	\$3,328,061	\$1,156,272	\$133,416	\$4,617,749	
2028	\$ 215,739,194	\$ 215,739,194		\$833,832	\$2,395,137	\$3,228,969	\$1,121,844	\$129,444	\$4,480,256	
2029	\$ 209,317,044	\$ 209,317,044		\$809,010	\$2,323,838	\$3,132,848	\$1,088,449	\$125,590	\$4,346,887	
2030	\$ 203,086,844	\$ 203,086,844		\$784,931	\$2,254,670	\$3,039,601	\$1,056,052	\$121,852	\$4,217,504	
						<b>Total</b>	<b>\$52,430,282</b>	<b>\$18,215,906</b>	<b>\$2,101,835</b>	<b>\$72,748,023</b>

Source: CPA, Cheniere San Patricio Processing Hub, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

**Table 4** examines the estimated direct impact on ad valorem taxes to the school district and San Patricio County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with San Patricio County.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Taft ISD I&S Tax Levy	Taft ISD M&O Tax Levy	Taft ISD M&O and I&S Tax Levies	San Patricio County Tax Levy	San Patricio County Drainage District	Estimated Total Property Taxes	
			0.3865	1.1102	0.0000	0.52	0.06		
2016	\$ 16,664,694	\$16,664,694	\$64,409	\$185,011	\$249,420	\$86,656	\$9,999	\$346,076	
2017	\$ 300,895,394	\$30,000,000	\$1,162,961	\$333,060	\$1,496,021	\$1,564,656	\$180,537	\$3,241,214	
2018	\$ 291,924,944	\$30,000,000	\$1,128,290	\$333,060	\$1,461,350	\$1,518,010	\$175,155	\$3,154,515	
2019	\$ 283,223,394	\$30,000,000	\$1,094,658	\$333,060	\$1,427,718	\$1,472,762	\$169,934	\$3,070,414	
2020	\$ 274,782,194	\$30,000,000	\$1,062,033	\$333,060	\$1,395,093	\$1,428,867	\$164,869	\$2,988,830	
2021	\$ 266,594,694	\$30,000,000	\$1,030,388	\$333,060	\$1,363,448	\$1,386,292	\$159,957	\$2,909,698	
2022	\$ 258,651,344	\$30,000,000	\$999,687	\$333,060	\$1,332,747	\$1,344,987	\$155,191	\$2,832,925	
2023	\$ 250,945,544	\$30,000,000	\$969,905	\$333,060	\$1,302,965	\$1,304,917	\$150,567	\$2,758,449	
2024	\$ 243,470,644	\$30,000,000	\$941,014	\$333,060	\$1,274,074	\$1,266,047	\$146,082	\$2,686,204	
2025	\$ 236,218,994	\$30,000,000	\$912,986	\$333,060	\$1,246,046	\$1,228,339	\$141,731	\$2,616,117	
2026	\$ 229,183,994	\$30,000,000	\$885,796	\$333,060	\$1,218,856	\$1,191,757	\$137,510	\$2,548,123	
2027	\$ 222,359,944	\$222,359,944	\$859,421	\$2,468,640	\$3,328,061	\$1,156,272	\$133,416	\$4,617,749	
2028	\$ 215,739,194	\$215,739,194	\$833,832	\$2,395,137	\$3,228,969	\$1,121,844	\$129,444	\$4,480,256	
2029	\$ 209,317,044	\$209,317,044	\$809,010	\$2,323,838	\$3,132,848	\$1,088,449	\$125,590	\$4,346,887	
2030	\$ 203,086,844	\$203,086,844	\$784,931	\$2,254,670	\$3,039,601	\$1,056,052	\$121,852	\$4,217,504	
					<b>Total</b>	<b>\$26,497,219</b>	<b>\$18,215,906</b>	<b>\$2,101,835</b>	<b>\$46,814,960</b>
					<b>Diff</b>	<b>\$25,933,063</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,933,063</b>

Source: CPA, Cheniere San Patricio Processing Hub, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

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

## Attachment B – Tax Revenue over 25 Years

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
<b>Limitation Pre-Years</b>	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
<b>Limitation Period (10 Years)</b>	2017	\$333,060	\$333,060	\$3,007,481	\$3,007,481
	2018	\$333,060	\$666,120	\$2,907,891	\$5,915,371
	2019	\$333,060	\$999,180	\$2,811,286	\$8,726,658
	2020	\$333,060	\$1,332,240	\$2,717,572	\$11,444,229
	2021	\$333,060	\$1,665,300	\$2,626,674	\$14,070,904
	2022	\$333,060	\$1,998,360	\$2,538,487	\$16,609,391
	2023	\$333,060	\$2,331,420	\$2,452,937	\$19,062,328
	2024	\$333,060	\$2,664,480	\$2,369,951	\$21,432,279
	2025	\$333,060	\$2,997,540	\$2,289,443	\$23,721,723
	2026	\$333,060	\$3,330,600	\$2,211,341	\$25,933,063
<b>Maintain Viable Presence (5 Years)</b>	2027	\$2,468,640	\$5,799,240	\$0	\$25,933,063
	2028	\$2,395,137	\$8,194,377	\$0	\$25,933,063
	2029	\$2,323,838	\$10,518,214	\$0	\$25,933,063
	2030	\$2,254,670	\$12,772,885	\$0	\$25,933,063
	2031	\$2,187,570	\$14,960,454	\$0	\$25,933,063
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2032	\$2,122,484	\$17,082,938	\$0	\$25,933,063
	2033	\$2,059,329	\$19,142,267	\$0	\$25,933,063
	2034	\$1,998,072	\$21,140,340	\$0	\$25,933,063
	2035	\$1,938,641	\$23,078,980	\$0	\$25,933,063
	2036	\$1,880,992	\$24,959,972	\$0	\$25,933,063
	2037	\$1,825,073	\$26,785,045	\$0	\$25,933,063
	2038	\$1,770,811	\$28,555,856	\$0	\$25,933,063
	2039	\$1,718,183	\$30,274,039	\$0	\$25,933,063
	2040	\$1,667,117	\$31,941,156	\$0	\$25,933,063
	2041	\$1,667,117	\$33,608,273	\$0	\$25,933,063

**\$33,608,273**

is greater than

**\$25,933,063**

### 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?

Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, CHENIERE SAN PATRICIO PROCESSING HUB, 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 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 is has determined that the limitation on appraised value is a determining factor in the Cheniere San Patricio Processing Hub, LLC 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 company, they applied for air emission permits for the proposed project from Texas Commission on Environmental Quality (TCEQ) on December 12, 2014.
- Per the company, no construction contracts have been signed to construct the proposed project however agreements pertaining to preliminary design and engineering work and the development of other technical studies and estimates have been entered into. The preliminary work is necessary for purposed of making a final investment decision regarding the project.
- Per the applicant, the decision to invest in a particular jurisdiction depends on the economics of the investment in the particular jurisdiction. Their decision to proceed with the investment in the proposed project in Texas will be based on a number of commercial, regulatory and financial considerations, including the ability to obtain relief regarding ad valorem taxes.
- Per the applicant, without the Chapter 313 appraised value limitation, the economics of this project becomes less competitive with other capital intensive projects and the likelihood of raising the required capital to construct this project becomes uncertain.
- Per the applicants submitted media information dated October 21, 2014, officials of the Houston – based company unveiled details of the concept to members of the Corpus Christi Rotary Club. Describing the plan as “a proposal,” a Cheniere spokesman said the idea would complement a larger liquefied natural gas project the company announced last summer.
- Per Comptroller research, an online article posted December 31, 2014 refers to an October 2014 announcement by Cheniere officials that the company was considering building a \$500 million, 552 acre marine terminal and condensate facility in Ingleside.

- Per Comptroller research, Argus Media April 27, 2015 news story reference the Houston based company acknowledging plans to start exporting 200,000 b/d of condensate in 2017 from a location near its planned greenfield LNG export terminal in Corpus Christi, Texas.
- Per Comptroller research, Reuters June 29th, 2015 online article notes Cheniere Energy Inc. is moving ahead with a \$550 million export terminal in Texas that will ship processed condensate to international markets per a top executive. “The reason why we’re going ahead with that project is we think that we will have unfettered crude oil exports in U.S. at some point, and there aren’t the sort of logistics for the crude to exit the United States, “Lee said at an energy conference in Houston.
- Per Comptroller research, the Corpus Christie Caller-Times June 30, 2015 article references Cheniere officials announcing they were considering building a \$500 million, 552-acre marine terminal and condensate facility in Ingleside to complement the liquefied gas project. Company officials say climbing global demand is driving the need to expand.

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

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

# **Supporting Information**

Section 8 of the Application for  
a Limitation on Appraised Value

**SECTION 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

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# Cheniere San Patricio Processing Hub, LLC

Chapter 313 Application to Taft ISD

Cummings Westlake, LLC

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## TAB 5

### Documentation to assist in determining if limitation is a determining factor.

Applicant's parent company for this project is an international energy company with a significant presence in another Gulf State where it receives an abatement of 100% of all ad valorem taxes (including school district taxes) for a period of 10 years.

Applicant applied for air emissions permits for the proposed project from Texas Commission on Environmental Quality ("TCEQ") on December 12, 2014. The permit application is under agency review; no permit has been issued to Applicant.

No construction contracts have been signed to construct the proposed project; however agreements pertaining to preliminary design and engineering work and the development of other technical studies and estimates have been entered into. This preliminary work is necessary for purposes of making a final investment decision regarding the project. Additionally, no commercial contracts have been signed regarding the commercial services and/or products of the Project. Lastly, Applicant does not own the land for the proposed project but has an option to purchase the land that is presented in this application. Enclosed under this Tab 5 are articles that relate to the proposed Cheniere Ingleside Marine Terminal. Please note that these articles relate to Cheniere Ingleside Marine Terminal exclusively and not the Project covered under this application. Additionally, no commercial contracts have been signed regarding the provision of commercial services or sale of products to third parties by the Project.

The decision to invest in a particular jurisdiction depends on the economics of the investment in the particular jurisdiction. Applicant's decision to proceed with the investment in the proposed project in Texas will be based on a number of commercial, regulatory and financial considerations, including the ability to obtain relief regarding ad valorem taxes. Without the Chapter 313 appraised value limitation, the economics of this project become less competitive with other capital intensive projects and the likelihood of raising the required capital to construct this project becomes uncertain. The projected ad valorem tax liabilities of this project without a Chapter 313 appraised value limitation will lower the economic return to investors and financiers to an unacceptable level at today's condensate commodity prices. Specifically, ad valorem taxes are projected to be the highest operating expense for this project and the ability to secure a Chapter 313 appraised value limitation is a significant factor regarding our final investment decision to construct and operate this project in Texas.

*TAB TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED  
PROPERTY BY CHENIERE SAN PATRICIO PROCESSING HUB, LLC TO TAFT ISD*

# Cheniere San Patricio Processing Hub, LLC

## Chapter 313 Application to Taft ISD

### Cummings Westlake, LLC

The 25-year comparison of Taft ISD ad valorem taxes both with and without the Chapter 313 value limitation agreement is shown on the following page.

YEAR	TAFT ISD TAXES	TAFT ISD TAXES
	WITHOUT 313	WITH 313
2015	\$ -	\$ 104,100
2016	\$ 1,409,751	\$ 1,513,851
2017	\$ 4,503,652	\$ 4,592,714
2018	\$ 4,369,387	\$ 1,565,596
2019	\$ 4,239,146	\$ 1,531,960
2020	\$ 4,112,802	\$ 1,499,331
2021	\$ 3,990,256	\$ 1,467,682
2022	\$ 3,871,364	\$ 1,436,977
2023	\$ 3,756,027	\$ 1,407,190
2024	\$ 3,644,147	\$ 1,378,296
2025	\$ 3,535,608	\$ 1,350,265
2026	\$ 3,430,311	\$ 1,323,071
2027	\$ 3,328,172	\$ 3,432,272
2028	\$ 3,229,076	\$ 3,333,176
2029	\$ 3,132,953	\$ 3,132,953
2030	\$ 3,039,591	\$ 3,039,591
2031	\$ 2,949,011	\$ 2,949,011
2032	\$ 2,861,131	\$ 2,861,131
2033	\$ 2,775,869	\$ 2,775,869
2034	\$ 2,693,148	\$ 2,693,148
2035	\$ 2,612,892	\$ 2,612,892
2036	\$ 2,535,028	\$ 2,535,028
2037	\$ 2,459,484	\$ 2,459,484
2038	\$ 2,386,191	\$ 2,386,191
2039	\$ 2,315,083	\$ 2,315,083
<b>TOTAL</b>	<b>\$ 77,180,082</b>	<b>\$ 55,696,861</b>
<b>DIFFERENCE</b>		<b>\$ (21,483,220)</b>

As can be seen, the Chapter 313 incentive results in \$21.48 million of tax savings to Applicant. This tax savings is equivalent to 6.59% of Applicant's total investment which is a significant and determining factor in Applicant's decision to invest in Texas.

*TAB TO APPLICATION FOR APPRAISED VALUE LIMITATION ON QUALIFIED PROPERTY BY CHENIERE SAN PATRICIO PROCESSING HUB, LLC TO TAFT ISD*

# Cheniere weighing 2nd plant in San Patricio County

**BY:** Chris Ramirez

**POSTED:** 7:48 PM, Oct 2, 2014

**UPDATED:** 10:27 PM, Oct 2, 2014

**TAG:** eagle ford shale (/topic/eagle+ford+shale) | our oil (/topic/our+oil)

Ingleside - With its efforts to bring an \$11 billion natural gas plant to Gregory still in limbo, Cheniere Energy Inc. is considering building a \$500 million marine terminal and condensate facility in Ingleside.

Officials for the Houston-based company Thursday unveiled details of the concept to members of the Corpus Christi Rotary Club. Describing the plan as “a proposal,” a Cheniere spokesman said the idea would complement a larger liquefied natural gas project the company announced last summer.

“This is a ... project that’s not directly tied to our LNG project, but both of them come out of the energy revolution that is certainly reshaping South Texas,” said Jason French, public affairs director for Cheniere.

The 552-acre condensate plant would be located next to Kiewit Offshore Services, along the LaQuinta Channel, according to company documents. It also would feature two ship berths and nine tanks, giving it 2.7 million barrels of storage capacity.

French said the facility would ideally receive product from the Eagle Ford Shale and Permian Basin energy plays via pipeline and trucks, and make them available to ship out on tankers and barges.

Company officials expect it to create 300 construction jobs, and 30 permanent jobs once the plant is operational.

Construction could begin as early as the second half of 2015, though the company must get several local, state and federal permits before ground can be broken.

While much of the excitement from the Eagle Ford Shale formation has centered on oil, companies also have clamored to harvest condensate, a light, low-density mixture of hydrocarbon liquids that typically are present in the production of natural gas. The 3,000-square-mile formation is estimated to have about 20 trillion cubic feet of natural gas and more than 3 billion barrels of oil.

Cheniere Energy in September 2013 filed for permits to build an liquefied natural gas plant near Gregory, but has not gotten them. The project is being designed and permitted to produce 13.5 million tons of natural gas annually.

“The abundant supply of both condensate and natural gas are certainly appealing,” French said. “If we go forward with it ... it’s a new project with new commodity that we’d be excited about working with.”

Judy Hawley, who represents San Patricio County on the port authority commission, was confident Cheniere would be cleared for its venture in Gregory. She was pleased with the company’s plans for Ingleside.

“They’re trying to diversify their presence here,” said Hawley, the commission chair. “They’re a great model of a major company wanting to come into a community and coexist in a very responsible way.

“All of the business growth we’ve been experiencing bode well for the economy of this area.”

Cheniere company officials have spent the last week pitching the idea to government officials and civic groups from Ingleside and the local school district. French met with Ingleside schools superintendent Troy Mircovich on Thursday to discuss the plan. More public meetings are in the works.

French said Cheniere may eventually put a condensate splitter on the site, so it can refine materials it makes into higher-value products.

Cheniere has been lining up international investors while awaiting its permits.

In April, Cheniere inked a contract to provide Endesa S.A., a Spanish utility company, with 1.5 million tons of natural gas each year once the plant's operations commence. That agreement is for 20 years. Cheniere, through its subsidiary, Corpus Christi Liquefaction, also brokered several agreements to provide liquefied natural gas to other utilities in Indonesia, Australia, Italy and Singapore.

Twitter: @Caller\_ChrisRam

#### Potential Timeline

Second half 2014 — Commence regulatory process

Second half 2015 — Begin construction

Second half 2016 — Start operations

Source: Cheniere Energy Inc.

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# Cheniere considers condensate export facility near Corpus Christi

Posted on October 3, 2014 at 5:37 pm by [Rhiannon Meyers](#) in [Crude oil](#) [General](#)

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Hoping to capitalize on the flood of oil coming out of Texas, Cheniere Energy is considering building a marine and storage terminal in Ingleside to export condensate, an ultralight oil not subject to the U.S. ban on crude exports.

The Houston-based company is negotiating to buy 552 acres in an industrial site along the La Quinta Ship Channel for a condensate storage and shipping project which could cost between \$400 and \$600 million, said Jason French, public affairs director for Cheniere.

CEO Charif Souki said in an interview with Fuel Fix on Friday that although the company had yet to complete the purchase and finalize some key details of its plans, Cheniere has taken some necessary first steps to expand its footprint into the condensate market.

Condensate, which exists as a gas underground but flows as a liquid at normal temperatures and pressures, accounts for half of the daily production from wells in the Eagle Ford Shale in South Texas. U.S. law has banned most crude exports for almost 40 years, but the federal government recently ruled that condensate can be shipped overseas with minimal processing. Two companies, Pioneer Natural Resources and Enterprise Products Partners, have received permission to export condensate.

Related: [Wannabe condensate exporters might not wait for green light](#)

French said while the proposal remains in its earliest stages, the project is expected to have the capability to store and ship out condensate and condensate products, such as naphtha, kerosene and diesel, to domestic markets and buyers overseas. Cheniere may also consider installing a condensate splitter, a distillation unit operated outside of a refinery.

Preliminary plans call for the facility to include two marine berths capable of docking mid-sized crude oil tankers for overseas shipping and barges for domestic shipping, as well as nine tanks with the capacity to store 2.7 million barrels, French said.

"The type of products will be flexible and the type of ships will be flexible," he said.



Cheniere Energy is considering building a terminal in Ingleside to store and ship condensate. (Courtesy Cheniere Energy)



An artist rendering illustrates Cheniere's plans to build a condensate storage and marine terminal in Ingleside on the La Quinta Ship Channel. (Courtesy Cheniere Energy)

Cheniere plans to source the condensate from Texas shale plays and pump in the oil through pipelines. Those routes are being discussed, French said.

He has been meeting with local officials and residents since last month to make the community comfortable with the project and clear the way for necessary local permits.

The company expects to submit applications for the necessary state and federal permits by the end of the month and close on the property by the end of the year. Pending approvals, construction could begin late next year and finish in the second half of 2016, French said. The construction could generate up to 350 jobs while the plant would employ about 30 to 35 people.

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**Tags:** [Charif Souki](#), [Cheniere Energy](#), [condensate](#), [export](#), [exports](#), [Ingleside](#), [Jason French](#), [splitter](#)

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# **Supporting Information**

**Additional information  
provided by the Applicant or  
located by the Comptroller**

# Cheniere approved for second export terminal

**BY:** Chris Ramirez

**POSTED:** 11:26 AM, Dec 31, 2014

**UPDATED:** 12:15 PM, Dec 31, 2014

**TAG:** eagle ford shale (/topic/eagle+ford+shale) | energy (/topic/energy)

GREGORY - Cheniere Energy Inc., which plans to build an \$11 billion liquefied natural gas plant with three processing facilities near Gregory, has earned federal approval to build a second LNG export terminal.

In a filing Tuesday, the Federal Energy Regulatory Commission authorized Cheniere, developer of the first U.S. liquefied natural gas export terminal in years, to build an LNG plant and pipeline in the Coastal Bend.

The commission's approval now clears the way for the U.S. Department of Energy to weigh whether the project should be permitted to ship LNG to countries with which the U.S. doesn't have a free-trade agreement.

The project is being designed and permitted for up to three trains, or processing facilities, to produce 13.5 million tons of natural gas annually.

Cheniere Energy in September 2013 filed for permits to build the plant but has not gotten them. Company officials said the second terminal requires a separate permit.

Liquefied natural gas is viewed as a strong export alternative as crude prices worldwide have fallen more than 50 percent since June. Economists blame a glut of crude in the market caused by huge U.S. stockpiles and members of the Organization of Petroleum Exporting Countries refusing to cut their production.

Customers have been lining up for Cheniere in anticipation of its other permits getting approved.

Two weeks ago, EDP Energias de Portugal S.A. became the 13th company to ink a sale and purchase agreement with Cheniere. Under the arrangement, the Lisbon, Portugal-based utility provider will buy 770,000 tons of LNG each year once Cheniere's third train of fuel is operational.

Cheniere officials announced in October the company also was considering building a \$500 million, 552-acre marine terminal and condensate facility in Ingleside.

Company officials say the idea, still in the planning stages, would feature two ship berths and nine tanks, giving it 2.7 million barrels of storage capacity to complement the liquefied natural gas project.

Twitter: @Caller\_ChrisRam

#### POTENTIAL TIMELINE

Second half 2014 — Commence regulatory process

Second half 2015 — Begin construction

Second half 2016 — Start operations

Source: Cheniere Energy Inc.

[Cheniere Order \(https://www.scribd.com/doc/251395463/Cheniere-Order\)](https://www.scribd.com/doc/251395463/Cheniere-Order)

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## Cheniere eyes US condensate exports

27 Apr 2015 17:17 (+01:00 GMT)

Houston, 27 April (Argus) — Cheniere Energy, which will become the first major LNG exporter in the contiguous US, plans to also export US condensates, it told *Argus*.

The Houston-based company plans to start exporting 200,000 b/d of condensates in 2017 from a location near its planned greenfield LNG export terminal in Corpus Christi, Texas. The initial project has an estimated cost of \$1bn, but could be expanded to a capacity of 1mn b/d at a total cost of \$2bn.

The project would primarily export condensates from the nearby Eagle Ford shale formation and target Asian markets by arbitraging the WTI-Brent spread. Cheniere plans to make a final investment decision this year, after completing commercial agreements and getting all necessary permits.

Interest in exporting US condensates has surged since the US Department of Commerce ruled in December that distilled condensates can be exported as freely as other refined products. The US strictly limits the export of most crude oil and can restrict the export of natural gas.

Cheniere likely will sell processing capacity and for now is the only company that will provide producers the ability to both export condensates and associated gas in the form of LNG, company officials told *Argus*. A number of other companies, such as Enterprise Products Partners, Shell, BP, BHP Billiton and Trifigura have started to export US condensates or are developing plans to do so.

The Cheniere project would involve construction of three elements. The San Patricio hub would process and store condensates from the raw crude stream in pipelines. A roughly 20-mile (32km) pipeline would deliver the processed condensates west to east from the hub to the Ingleside terminal, which would store and load condensates on ships.

The San Patricio hub would have a splitter with initial capacity of 100,000 b/d that could produce distillates such as heavy and light naphtha and jet fuel, Cheniere said. It also would have straight-run capacity of 100,000 b/d, including 60,000 b/d of stabilization capacity. The stabilizer would produce condensates that can be shipped by removing lighter and more volatile natural gas liquids.

The San Patricio hub would have initial storage capacity of 1.5mn bl and a five-bay truck rack. It would be near the Double Eagle, Harvest and NuStar pipelines that deliver raw crude and condensates to Corpus Christi. The Ingleside export terminal would have initial storage capacity of 3mn bl, throughput of up to 1mn b/d, up to two Aframax-capable docks and a 5-bay truck rack.

Cheniere has secured a 160-acre site for the San Patricio hub and a 550-acre site for the terminal. Cheniere has applied for key permits it needs from the US Army Corps of Engineers and the Texas Commission on Environmental Quality. Cheniere completed preliminary engineering and design in December and has begun detailed design.

Cheniere plans to export its first LNG cargo late this year from its Sabine Pass project in Louisiana, which is scheduled to start commercial operations in February 2016.

m/tdf

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# Cheniere moving ahead with condensate export terminal in Texas

HOUSTON | BY KRISTEN HAYS

Cheniere Energy Inc is moving ahead with a \$550 million export terminal in Texas that will ship processed condensate to international markets, a top executive said on Monday.

In addition, the terminal will be able to export any type of domestic oil if the decades-old U.S. crude export ban is ever lifted, said Nelson Lee, director of crude trading and origination at Cheniere.

"The reason why we're going ahead with that project is we think that we will have unfettered crude oil exports in U.S at some point, and there aren't the sort of logistics for the crude to exit the United States," Lee said at an energy conference in Houston.

Lee recently joined Cheniere from BHP Billiton Ltd, where he headed condensate exports. BHP was the first company to export condensate without waiting for approval from U.S. regulators.

Speaking at American Business Conferences' North American Crude Markets and Storage Summit, Lee said that the terminal, slated to start up in 2017, will have 2

million barrels of oil storage and dock infrastructure that can accommodate Aframax-sized tankers.

Cheniere also is building liquefied natural gas (LNG) export terminals in Corpus Christi, Texas, and Cameron, Louisiana.

The oil terminal will have storage and stabilization at a hub in San Patricio near Corpus Christi, which will be connected via pipeline to Cheniere's operations in Ingleside, Texas, on the Corpus Christi Bay. There, processed condensate will ship out.

ADVERTISING

Cheniere axed plans to build a condensate splitter at the terminal, focusing instead on stabilization capacity, he said.

Splitters "split" condensate into various components including jet fuel, diesel and naphtha, a building block for gasoline.

Stabilizers provide less sophisticated processing that removes natural gas liquids. In 2013, U.S. regulators started telling companies that such minimal processing is enough to qualify super-light oil, prevalent in the nearby Eagle Ford shale in Texas, as an exportable refined product that does not violate the crude export ban.

(Reporting By Kristen Hays; Editing by Peter Galloway)

## Cheniere forum to view expansion

Hide Details

Corpus Christi Caller-Times (TX) - June 30, 2015 [Browse Issues](#)

- **Author/Byline:** Chris Ramirez [chris.ramirez@caller.com](mailto:chris.ramirez@caller.com) 361-886-3667
- **Edition:** Corpus Christi
- **Section:** Local
- **Page:** 5B
- **Readability:** >12 grade level (Lexile: 1490)

PORTLAND — The public will get a chance to hear details on a Houston company's plans to build an \$11 billion liquefied natural gas terminal near Gregory.

Cheniere Energy Inc. will host an open house Wednesday at the Portland Community Center about its proposed **Corpus Christi Liquefaction Expansion Project**.

Cheniere's long-discussed facility initially was designed and permitted for up to three trains of LNG and will be able to produce 13.5 million tons of natural gas annually. This month, **Cheniere** announced it would add two trains that would bring the plant's annual capacity to 22.5 million tons.

Company officials say climbing global demand is driving the need to expand.

"This is a facility that will continue to grow," Portland Chamber of Commerce CEO Colette Walls said. "The long-term economic impacts to Portland and the surrounding area are tremendous and will be felt for years."

An LNG train refers to the compressors train used in the industrial process to convert natural gas into liquefied natural gas.

Global demand for natural gas — particularly from China and India — is projected to grow at least 2 percent each a year until 2020, according to the latest report from Paris-based International Energy Agency.

Technological advancements in hydraulic fracturing and shale gas production have made the United States a major player in LNG trade and perhaps the most likely nation to meet the world's need.

The shift also comes at a time when energy companies have begun searching for alternatives to their yearslong reliance on the volatile oil market.

U.S. Rep. Blake Farenthold plans to attend the open house.

In an interview Monday, Farenthold, a Republican, told the Caller-Times that

See **CHENIERE**, 6B

**Cheniere's** investment in the area demonstrates the company's confidence in both the Coastal Bend and in LNG's potential. Farenthold has long supported the project and helped form the House Liquefied Natural Gas Exports Caucus, which promotes the development and timely exportation of LNG.

"It'll help develop a market for natural gas, of which we have a ton," he said. "I grew up in **Corpus Christi** that has long had potential. We're now poised to realize that potential."

**Cheniere** received permission from federal authorities to begin construction in May, nearly two years after it filed for permits.

Since then it has lined up customers for sale-and-purchase agreements, including dozens of utility providers in Europe.

In October, **Cheniere** officials announced they also were considering building a \$500 million, 552-acre marine terminal and condensate facility in Ingleside to complement the liquefied natural gas project.

Twitter: @Caller\_ChrisRam

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