

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 7, 2014

Scott Harrell
Superintendent
Sudan Independent School District
P.O. Box 249 (Hwy 303)
Sudan, Texas 79371

Dear Superintendent Harrell:

On Sep. 23, 2014, the Comptroller issued written notice that Blue Cloud Renewable Energy Project, LLC (the applicant) submitted a completed application (Application #1026) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on August 18, 2014, to the Sudan 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 will 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 #1026.

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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

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

Determination required by 313.026(c)(2)

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

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

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

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application.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

Note that any building or improvement existing as of the application review start date of Sep. 23, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller’s economic impact analysis of Blue Cloud Renewable Energy Project, LLC (the project) applying to Sudan 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 Blue Cloud Renewable Energy Project, LLC.

Applicant	Blue Cloud Renewable Energy Project, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy
School District	Sudan ISD
2011-12 Enrollment in School District	448
County	Lamb
Proposed Total Investment in District	\$200,000,000
Proposed Qualified Investment	\$200,000,000
Limitation Amount	\$20,000,000
Number of new qualifying jobs committed to by applicant	4
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$727
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$727
Minimum annual wage committed to by applicant for qualified jobs	\$37,818
Minimum weekly wage required for non-qualifying jobs	NA
Minimum annual wage required for non-qualifying jobs	NA
Investment per Qualifying Job	\$50,000,000
Estimated M&O levy without any limit (15 years)	\$19,460,250
Estimated M&O levy with Limitation (15 years)	\$6,606,875
Estimated gross M&O tax benefit (15 years)	\$12,853,375
* 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 Blue Cloud Renewable Energy Project, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	0	0	0	\$0	\$0	\$0
2016	175	154	329	\$6,618,150	\$12,058,608	\$18,676,758
2017	4	16	20	\$151,272	\$2,534,275	\$2,685,547
2018	4	10	14	\$151,272	\$1,801,853	\$1,953,125
2019	4	8	12	\$151,272	\$1,313,572	\$1,464,844
2020	4	6	10	\$151,272	\$1,435,642	\$1,586,914
2021	4	6	10	\$151,272	\$1,191,501	\$1,342,773
2022	4	8	12	\$151,272	\$1,191,501	\$1,342,773
2023	4	10	14	\$151,272	\$1,191,501	\$1,342,773
2024	4	6	10	\$151,272	\$1,191,501	\$1,342,773
2025	4	14	18	\$151,272	\$1,313,572	\$1,464,844
2026	4	10	14	\$151,272	\$1,191,501	\$1,342,773
2027	4	10	14	\$151,272	\$1,313,572	\$1,464,844
2028	4	12	16	\$151,272	\$1,557,712	\$1,708,984
2029	4	6	10	\$151,272	\$1,313,572	\$1,464,844
2030	4	6	10	\$151,272	\$1,069,431	\$1,220,703

Source: CPA, REMI, Blue Cloud Renewable Energy Project, 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	Sudan ISD I&S Tax Levy	Sudan ISD M&O Tax Levy	Sudan ISD M&O and I&S Tax Levies	Bailey County Tax Levy	Lamb County Tax Levy	High Plains Underground Water Conservation District #1 Tax Levy	Estimated Total Property Taxes
			0.1485	0.1485	0.9610		0.8995	0.7943	0.0081	
2017	\$187,500,000	\$187,500,000		\$278,438	\$1,801,875	\$2,080,313	\$1,349,250	\$297,863	\$15,188	\$3,742,613
2018	\$180,000,000	\$180,000,000		\$267,300	\$1,729,800	\$1,997,100	\$1,295,280	\$285,948	\$14,580	\$3,592,908
2019	\$172,500,000	\$172,500,000		\$256,163	\$1,657,725	\$1,913,888	\$1,241,310	\$274,034	\$13,973	\$3,443,204
2020	\$165,000,000	\$165,000,000		\$245,025	\$1,585,650	\$1,830,675	\$1,187,340	\$262,119	\$13,365	\$3,293,499
2021	\$157,500,000	\$157,500,000		\$233,888	\$1,513,575	\$1,747,463	\$1,133,370	\$250,205	\$12,758	\$3,143,795
2022	\$150,000,000	\$150,000,000		\$222,750	\$1,441,500	\$1,664,250	\$1,079,400	\$238,290	\$12,150	\$2,994,090
2023	\$142,500,000	\$142,500,000		\$211,613	\$1,369,425	\$1,581,038	\$1,025,430	\$226,376	\$11,543	\$2,844,386
2024	\$135,000,000	\$135,000,000		\$200,475	\$1,297,350	\$1,497,825	\$971,460	\$214,461	\$10,935	\$2,694,681
2025	\$127,500,000	\$127,500,000		\$189,338	\$1,225,275	\$1,414,613	\$917,490	\$202,547	\$10,328	\$2,544,977
2026	\$120,000,000	\$120,000,000		\$178,200	\$1,153,200	\$1,331,400	\$863,520	\$190,632	\$9,720	\$2,395,272
2027	\$112,500,000	\$112,500,000		\$167,063	\$1,081,125	\$1,248,188	\$809,550	\$178,718	\$9,113	\$2,245,568
2028	\$105,000,000	\$105,000,000		\$155,925	\$1,009,050	\$1,164,975	\$755,580	\$166,803	\$8,505	\$2,095,863
2029	\$97,500,000	\$97,500,000		\$144,788	\$936,975	\$1,081,763	\$701,610	\$154,889	\$7,898	\$1,946,159
2030	\$90,000,000	\$90,000,000		\$133,650	\$864,900	\$998,550	\$647,640	\$142,974	\$7,290	\$1,796,454
2031	\$82,500,000	\$82,500,000		\$122,513	\$792,825	\$915,338	\$593,670	\$131,060	\$6,683	\$1,646,750
					Total	\$22,467,375	\$14,571,900	\$3,216,915	\$164,025	\$40,420,215

Source: CPA, Blue Cloud Renewable Energy Project, LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district. Bailey and Lamb Counties, with all property tax incentives sought being granted using estimated market value from the application.

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

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Sudan ISD I&S Tax Levy	Sudan ISD M&O Tax Levy	Sudan ISD M&O and I&S Tax Levies	Bailey County Tax Levy	Lamb County Tax Levy	High Plains Underground Water Conservation District #1 Tax Levy	Estimated Total Property Taxes	
2017	\$187,500,000	\$20,000,000		0.1485	0.9610		0.8995	0.7943	0.0081		
				\$278,438	\$192,200	\$470,638	\$1,349,250	\$297,863	\$15,188	\$2,132,938	
2018	\$180,000,000	\$20,000,000		\$267,300	\$192,200	\$459,500	\$1,295,280	\$285,948	\$14,580	\$2,055,308	
2019	\$172,500,000	\$20,000,000		\$256,163	\$192,200	\$448,363	\$1,241,310	\$274,034	\$13,973	\$1,977,679	
2020	\$165,000,000	\$20,000,000		\$245,025	\$192,200	\$437,225	\$1,187,340	\$262,119	\$13,365	\$1,900,049	
2021	\$157,500,000	\$20,000,000		\$233,888	\$192,200	\$426,088	\$1,133,370	\$250,205	\$12,758	\$1,822,420	
2022	\$150,000,000	\$20,000,000		\$222,750	\$192,200	\$414,950	\$1,079,400	\$238,290	\$12,150	\$1,744,790	
2023	\$142,500,000	\$20,000,000		\$211,613	\$192,200	\$403,813	\$1,025,430	\$226,376	\$11,543	\$1,667,161	
2024	\$135,000,000	\$20,000,000		\$200,475	\$192,200	\$392,675	\$971,460	\$214,461	\$10,935	\$1,589,531	
2025	\$127,500,000	\$20,000,000		\$189,338	\$192,200	\$381,538	\$917,490	\$202,547	\$10,328	\$1,511,902	
2026	\$120,000,000	\$20,000,000		\$178,200	\$192,200	\$370,400	\$863,520	\$190,632	\$9,720	\$1,434,272	
2027	\$112,500,000	\$112,500,000		\$167,063	\$1,081,125	\$1,248,188	\$809,550	\$178,718	\$9,113	\$2,245,568	
2028	\$105,000,000	\$105,000,000		\$155,925	\$1,009,050	\$1,164,975	\$755,580	\$166,803	\$8,505	\$2,095,863	
2029	\$97,500,000	\$97,500,000		\$144,788	\$936,975	\$1,081,763	\$701,610	\$154,889	\$7,898	\$1,946,159	
2030	\$90,000,000	\$90,000,000		\$133,650	\$864,900	\$998,550	\$647,640	\$142,974	\$7,290	\$1,796,454	
2031	\$82,500,000	\$82,500,000		\$122,513	\$792,825	\$915,338	\$593,670	\$131,060	\$6,683	\$1,646,750	
						Total	\$9,614,000	\$14,571,900	\$3,216,915	\$164,025	\$27,566,840
						Diff	\$12,853,375	\$0	\$0	\$0	\$12,853,375

Assumes School Value Limitation.

Source: CPA, Blue Cloud Renewable Energy Project, LLC

¹Tax 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 Blue Cloud Renewable Energy Project, 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, as well as indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2014	\$0	\$0	\$0	\$0
	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2017	\$192,200	\$192,200	\$1,609,675	\$1,609,675
	2018	\$192,200	\$384,400	\$1,537,600	\$3,147,275
	2019	\$192,200	\$576,600	\$1,465,525	\$4,612,800
	2020	\$192,200	\$768,800	\$1,393,450	\$6,006,250
	2021	\$192,200	\$961,000	\$1,321,375	\$7,327,625
	2022	\$192,200	\$1,153,200	\$1,249,300	\$8,576,925
	2023	\$192,200	\$1,345,400	\$1,177,225	\$9,754,150
	2024	\$192,200	\$1,537,600	\$1,105,150	\$10,859,300
	2025	\$192,200	\$1,729,800	\$1,033,075	\$11,892,375
	2026	\$192,200	\$1,922,000	\$961,000	\$12,853,375
Maintain Viable Presence (5 Years)	2027	\$1,081,125	\$3,003,125	\$0	\$12,853,375
	2028	\$1,009,050	\$4,012,175	\$0	\$12,853,375
	2029	\$936,975	\$4,949,150	\$0	\$12,853,375
	2030	\$864,900	\$5,814,050	\$0	\$12,853,375
	2031	\$792,825	\$6,606,875	\$0	\$12,853,375
Additional Years as Required by 313.026(c)(1) (10 Years)	2032	\$720,750	\$7,327,625	\$0	\$12,853,375
	2033	\$648,675	\$7,976,300	\$0	\$12,853,375
	2034	\$576,600	\$8,552,900	\$0	\$12,853,375
	2035	\$504,525	\$9,057,425	\$0	\$12,853,375
	2036	\$450,469	\$9,507,894	\$0	\$12,853,375
	2037	\$450,469	\$9,958,363	\$0	\$12,853,375
	2038	\$450,469	\$10,408,831	\$0	\$12,853,375
	2039	\$450,469	\$10,859,300	\$0	\$12,853,375
	2040	\$450,469	\$11,309,769	\$0	\$12,853,375
	2041	\$450,469	\$11,760,238	\$0	\$12,853,375
		\$11,760,238	is less than	\$12,853,375	

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

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, Blue Cloud Renewable Energy Project, LLC

Employment Indirect and Induced Tax Effects

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2015	0	0	0	\$0	\$0	\$0		#REF!	#REF!
2016	175	154	329	\$6,618,150	\$12,058,608	\$18,676,758	\$ 1,052,856	\$ (564,575)	\$ 1,617,431
2017	4	16	20	\$151,272	\$2,534,275	\$2,685,547	\$ 175,476	\$ 236,511	\$ (61,035)
2018	4	10	14	\$151,272	\$1,801,853	\$1,953,125	\$ 152,588	\$ 236,511	\$ (83,923)
2019	4	8	12	\$151,272	\$1,313,572	\$1,464,844	\$ 152,588	\$ 228,882	\$ (76,294)
2020	4	6	10	\$151,272	\$1,435,642	\$1,586,914	\$ 160,217	\$ 228,882	\$ (68,665)
2021	4	6	10	\$151,272	\$1,191,501	\$1,342,773	\$ 167,847	\$ 190,735	\$ (22,888)
2022	4	8	12	\$151,272	\$1,191,501	\$1,342,773	\$ 144,958	\$ 167,847	\$ (22,889)
2023	4	10	14	\$151,272	\$1,191,501	\$1,342,773	\$ 160,217	\$ 160,217	\$ -
2024	4	6	10	\$151,272	\$1,191,501	\$1,342,773	\$ 183,105	\$ 167,847	\$ 15,258
2025	4	14	18	\$151,272	\$1,313,572	\$1,464,844	\$ 175,476	\$ 167,847	\$ 7,629
2026	4	10	14	\$151,272	\$1,191,501	\$1,342,773	\$ 205,994	\$ 167,847	\$ 38,147
2027	4	10	14	\$151,272	\$1,313,572	\$1,464,844	\$ 167,847	\$ 137,329	\$ 30,518
2028	4	12	16	\$151,272	\$1,557,712	\$1,708,984	\$ 190,735	\$ 152,588	\$ 38,147
2029	4	6	10	\$151,272	\$1,313,572	\$1,464,844	\$ 183,105	\$ 144,958	\$ 38,147
2030	4	6	10	\$151,272	\$1,069,431	\$1,220,703	\$ 144,958	\$ 129,700	\$ 15,258
2031	4	2	6	\$151,272	\$825,291	\$976,563	\$ 137,329	\$ 122,070	\$ 15,259
2032	4	6	10	\$151,272	\$581,150	\$732,422	\$ 137,329	\$ 122,070	\$ 15,259
2033	4	8	12	\$151,272	\$825,291	\$976,563	\$ 137,329	\$ 76,294	\$ 61,035
2034	4	8	12	\$151,272	\$1,069,431	\$1,220,703	\$ 122,070	\$ 76,294	\$ 45,776
2035	4	6	10	\$151,272	\$1,069,431	\$1,220,703	\$ 106,812	\$ 68,665	\$ 38,147
2036	4	4	8	\$151,272	\$337,009	\$488,281	\$ 22,888	\$ 22,888	\$ -
2037	4	4	8	\$151,272	\$581,150	\$732,422	\$ 38,147	\$ -	\$ 38,147
2038	4	2	6	\$151,272	\$581,150	\$732,422	\$ 45,776	\$ 7,629	\$ 38,147
2039	4	8	12	\$151,272	\$1,313,572	\$1,464,844	\$ 61,035	\$ (22,888)	\$ 83,923
2040	4	4	8	\$151,272	\$581,150	\$732,422	\$ 15,259	\$ (38,147)	\$ 53,406
2041	4	8	12	\$151,272	\$581,150	\$732,422	\$ -	\$ (61,035)	
						TOTAL	\$ 4,241,941	\$ 2,326,966	\$ 1,914,975

\$13,675,213 is greater than **\$12,853,375**

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, Blue Cloud Renewable Energy Project, 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 **able to determine** that the limitation on appraised value is a determining factor in the Blue Cloud Renewable Energy Project, LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant.

Specifically, the comptroller notes the following:

- According to the application, the applicant has determined that the limitation agreement is essential to provide the necessary return on investment.
- Per the applicant, the management team has developed projects throughout the U.S. and is responsible for the development, construction and operation of approximately 5% of the U.S.’ installed wind capacity.
- According to the applicant, without the tax limitation, the project will be unable to provide net income and associated returns necessary to attract tax and sponsor equity investment. This third-party investment is mandatory to cover infrastructure and closing costs of the facility.

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 type="checkbox"/> Land has no existing improvements	<input checked="" 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**

Attachment 5

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

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.

Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

Blue Cloud Renewable Energy Project, LLC was formed in September 2013. In support of its creation the participating members, including Tri Global Energy, LLC, executed documents necessary to form the entity including, but not limited to, an Operating Agreement, a Development Agreement, and Share Issuance Agreements. Since its formation Blue Cloud has entered into the following representative agreements and contracts:

- Consulting Agreement with Pike Energy Solutions to conduct a Critical Issues Study and Transmission Screening Study
- Consulting Agreement with SWCA Environmental Consultants to conduct ongoing environmental studies
- Consulting Agreement with UC Synergetic to prepare Southwest Power Pool interconnection applications
- Wind and Easement Lease Agreements of a finite development term to determine project feasibility
- Contractor Agreement with WT Energy Resources, LLC for purchase and installation of temporary meteorological towers

Does the applicant have current business activities at the location where the proposed project will occur?

The business activities these agreements and contracts listed above represent will determine with greater certainty and granularity the feasibility of completing development of an economic renewable energy project in the Sudan ISD.

These contracts and initial investments are preliminary in nature as Tri Global Energy and Blue Cloud have determined that a value limitation agreement with Sudan ISD is an essential economic driver to allow for the return on investment necessary to finance and construct the wind energy project.

Is the applicant evaluating other locations not in Texas for the proposed project?

Tri Global's management team is uniquely qualified to develop and construct wind and other energy projects throughout the United States. It has been responsible for the development, construction, and operations of approximately 3,100 MWs, or approximately 5%, of the U.S.' installed wind energy capacity. Based on this experience the management

team evaluates all potential projects for feasibility, financeability, and the economic returns they represent in comparison to other project opportunities across the country.

The Blue Cloud Project is currently in such a period of assessment to determine whether the identified site in Sudan ISD represents the best location or whether redeployment of its development resources and capital to other power markets in the United States is more advisable.

Individual wind projects compete against both similar wind farms as well as other forms of electric generation, particularly low-cost fossil fuel based forms of generation such as natural gas. To successfully develop and finance the Blue Cloud project its cost of produced energy must be competitive in the marketplace. A 313 appraised value limitation agreement is a key tax incentive agreement necessary to ensure the Project is on a level playing field with other wind projects with similar incentives and with alternative forms of generation that receive their own forms of economic support.

Without the requested limitation the Project will be unable to generate sufficient operating margins and net income to produce economically competitive energy and associated returns necessary to attract tax and sponsor equity investment. Such third-party investment is mandatory to finance the projected capital costs in excess of \$200M needed to purchase wind turbines and other infrastructure and to fund the construction and closing costs of the facility.

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?

The information provided in this Attachment and throughout the application has been assembled to provide the reviewer with the best possible data on which to make an assessment and determination of the critical nature of the limitation on appraised value to the feasibility of the Blue Cloud Project.