

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
H. S. Buddy Garcia, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution
May 22, 2007

DUFF & PHELPS LLC
GREG MAXIM
111 CONGRESS 4TH FLOOR
AUSTIN TX 78701

This letter is to inform you that on 05/21/07 the technical review of Use Determination Application, 06-11021, for:

ENERGY TRANSFER FUEL
ENERGY TRANSFER FUEL
FREESTONE COUNTY

was completed. The use determination is included with this letter. In order to request an exemption, a copy of this Use Determination, along with a completed exemption request form #50-248 (can be found at www.cpa.state.tx.us), must be provided to the Chief Appraiser of the appropriate appraisal district. This request must be made by May 1.

House Bill 3121, enacted during the 77th Legislative Session, established a process for appealing a use determination. The Texas Commission on Environmental Quality (TCEQ) rules that implement the appeals process are at 30 TAC 17.25. Pursuant to 17.25(a)(1), an appeal must be filed within 20 days of receipt of the use determination. Should you choose to appeal the use determination, please submit a copy of your appeal to the TCEQ Tax Relief for Pollution Control Property program at the time of filing the appeal with the Chief Clerk of the commission.

If you have any questions or require any additional information please contact the Tax Relief for Pollution Control Property Program at (512) 239-6348.

Sincerely,

A handwritten signature in cursive script that reads "Ronald L. Hatlett".

Ronald L. Hatlett
Tax Relief for Pollution Control Property Program

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
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Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

5/24/2007

CHIEF APPRAISER
FREESTONE COUNTY APPRAISAL DISTRICT
218 N MOUNT
FAIRFIELD TX 75840

This letter is to inform you that on 5/24/2007 a final determination was issued with regard to Use Determination application 06-11021 filed by:

ENERGY TRANSFER FUEL
ENERGY TRANSFER FUEL
FREESTONE COUNTY

A copy of the use determination is included with this letter. House Bill 3121, enacted during the 77th Legislature Session, established a process for appealing a use determination. The Texas Commission on Environmental Quality (TCEQ) rules that implement the appeals process are at 30 TAC 17.25. Pursuant to 17.25(a)(1), an appeal must be filed within 20 days of receipt of the use determination. Should you choose to appeal the use determination, please submit a copy of your appeal to the TCEQ Tax Relief for Pollution Control Property program at the time of filing the appeal with the Chief Clerk of the commission.

In order to qualify for a tax exemption the applicant must file an exemption request with your appraisal district. This exemption request must be accompanied by a copy of the positive use determination issued by the TCEQ. If you have any questions regarding this Use Determination or the appeals process please call me at 512/239-6348.

Sincerely;

A handwritten signature in cursive script that reads "Ronald Hatlett".

Ronald Hatlett
Tax Relief for Pollution Control Property

Kathleen Hartnett White, *Chairman*
Larry R. Soward, *Commissioner*
H. S. Buddy Garcia, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

USE DETERMINATION

The Texas Commission on Environmental Quality has reviewed Use Determination Application, 06-11021, filed by:

ENERGY TRANSFER FUEL
ENERGY TRANSFER FUEL
FREESTONE COUNTY

The pollution control property/project listed in the Use Determination Application is:

The newly constructed compressor station uses state-of-the-art electric drive compressor technology, employing advanced mechanical design and electrical combustion controls within state non-attainment areas for NOx. Electric driver construction/installation costs, as well as life cycle operating costs, are generally cost indifferent in comparison to Lean Burn Gas-Fired Compressor Engine Technologies.

The outcome of the review is:

A positive use determination of 100% for the four Electric Drives in the compressors.

This equipment is considered to be pollution control equipment and was installed to meet or exceed federal or state regulations.

A handwritten signature in black ink, appearing to read "G. Shankle".

Executive Director

5/21/2007

Date

CHIEF CLERK'S OFFICE

2007 JUN 12 PM 2:44

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
APPLICATION FOR USE DETERMINATION
FOR POLLUTION CONTROL PROPERTY**

The Texas Commission on Environmental Quality (TCEQ) has the responsibility to determine whether a property is a pollution control property. A person or political subdivision seeking a use determination for pollution control property must complete the attached application or use a copy or similar reproduction. For assistance in completing this form refer to the TCEQ guidelines document, *Property Tax Exemptions for Pollution Control Property*, as well as 30 TAC §17, rules governing this program. For additional assistance please contact the TCEQ Tax Relief for Pollution Control Property Program at 512/239-6348. The application should be completed and mailed, with the appropriate fee, to: TCEQ MC-214, Cashiers Office, P.O. Box 13088, Austin, Texas, 78711-3088.

1. GENERAL INFORMATION

A. What is the type of ownership of this facility?

- Corporation Sole Proprietor
 Partnership Utility
 Limited Partnership Other _____

B. Size of company: Number of Employees

- 1 to 99
 100 to 499
 500 to 999
 1,000 to 1,999
 2,000 or more

C. Business Description: Natural Gas Transmission

2. TYPE OF APPLICATION

A. Tier I \$150 Application Fee

If all property listed in Section 8 of this application is on the predetermined equipment list (PEL) or is necessary for the installation or operation of equipment on the list, then check this box.

~~B. Tier II \$1,000 Application Fee~~

~~If any property listed in Section 8 is not on the PEL, and all of this property is used 100% for pollution control, then check this box.~~

C. Tier III \$2,500 Application Fee

If any property listed in Section 8 is not on the PEL and if a partial use determination is being requested for ANY of the property included in the application, then check this box.

NOTE: Enclose a check or money order to the TCEQ along with the application to cover the required fee.

3. NAME OF APPLICANT

- A. Company Name: Energy Transfer Fuel
B. Mailing Address (Street or P.O. Box): 800 E Sonterra Blvd Suite 400
C. City, State, ZIP: San Antonio, Texas 78258

**4. PHYSICAL LOCATION OF PROPERTY REQUESTING A TAX EXEMPTION
(SEE ATTACHED SCHEDULE 11)**

- A. Name of Facility or Unit: _____
B. Type of Mfg. Process or Service: Natural Gas Transmission SIC 4922
C. Street Address: _____
D. City, State, ZIP: _____
E. Tracking Number Assigned by Applicant (Optional): _____

06-1102J

5. APPRAISAL DISTRICT WITH TAXING AUTHORITY OVER PROPERTY

A. Name of Appraisal District: See Attached Schedule 11

6. CONTACT NAME (must be provided)

A. Company/Organization Name: Duff & Phelps LLC

B. Name of Individual to Contact: Greg Maxim

C. Mailing Address: 111 Congress, 4th Floor, Austin, Texas 78701

D. City, State, ZIP: Austin, Texas 78701

E. Telephone number and fax number: 512-391-4984 512-391-6814

F. E-Mail address (if available): gregory.maxim@duffandphelps.com

7. RELEVANT RULE, REGULATION, OR STATUTORY PROVISION

Rule, regulation, or law that requires the installation or construction of the property.

MEDIUM	RULE/REGULATION/LAW
Air	<ul style="list-style-type: none"> Title 30 Texas Administrative Code Chapter 117, Control of Air Pollution from Nitrogen Compounds, Rule 117.105

8. DESCRIPTION OF PROPERTY (Complete for all applications)

The following property descriptions outline the environmental purpose, including the anticipated environmental benefit of pollution control additions constructed and placed into use as of January 1st, or currently in Construction Work In Progress and anticipated to be in-service in the future:

Property Descriptions

1. Electric Driver/Compressor Engines - Tier II

Pertinent Rule(s), Regulation(s) or Law(s):

Title 30 Texas Administrative Code Chapter 117, Control of Air Pollution from Nitrogen Compounds.

The newly constructed compressor station utilizes state-of-the-art electric drive compressor technology within State non-attainment areas for NOx. This installation eliminates NOx emissions from compressor station operation for natural gas pipeline transmission and storage activities.

Electric driver construction/installation costs, as well as life cycle operating costs, are generally cost indifferent in comparison to Lean Burn Gas-Fired Compressor Engine technologies (e.g., Caterpillar G3600 series engines.) The primary project benefit of electric driver installations on natural gas pipeline compressor station installations is derived from the reduction or prevention of NOx emissions generated at the compressor station with implementation of the electric drive technology. The use of electric drivers on compressor station locations as a NOx emissions reduction/prevention strategy for pipeline operations is limited to transmission power line access for facility power load needs. Areas of non-attainment within well-developed geographies generally provide such power load capabilities and are often incidentally identified as non-attainment areas.

9. DECISION FLOWCHART

All property on this application qualifies under Box 9 TCEQ Tier II.

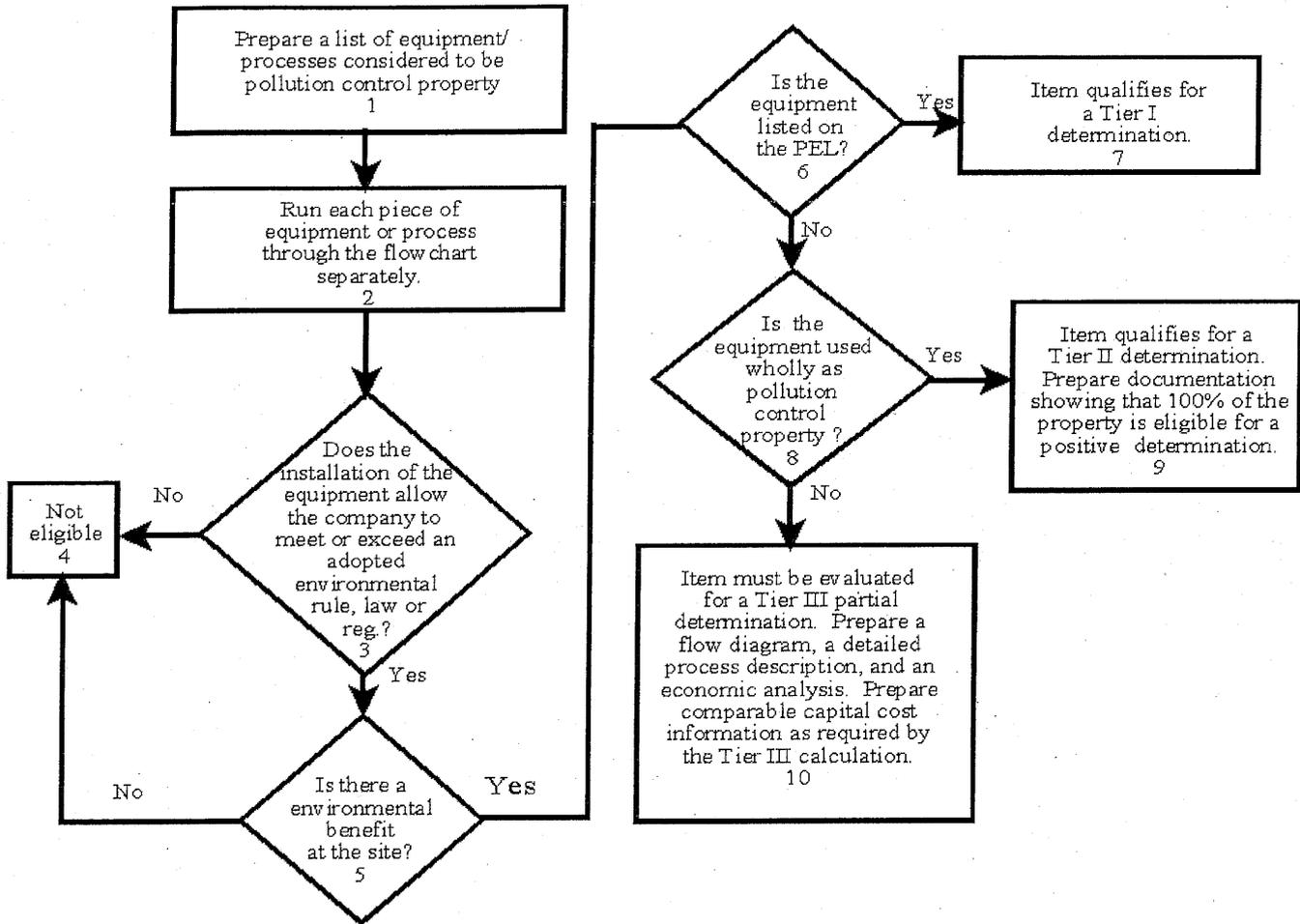
Each piece of equipment or process change must be processed through the following Decision Flow Chart. Each item of property listed on the application must result in a yes answer to boxes 3 and 5. Use the table in section 11 to document which box (7, 9 or 10) was the final destination of each piece of equipment.

The following instructions should be used with the flow chart. **The numbered items below do not correspond to the box numbers in the flow chart.**

1. Prepare a list of all process equipment and pollution control equipment that is considered to be pollution control property.
2. Each item on the list must be run through the flow chart separately. Some items will likely end at different points on the flow chart.
3. Determine whether the item is required to meet or exceed a state, local, or federal environmental regulation, rule or law. If no specific rule citation can be made, then this item does not qualify as pollution control property (Box 4).
4. Determine if there is an environmental benefit at the site where the equipment item is installed. A yes answer to this question is needed to continue evaluating the equipment. If the answer is no, then the equipment does not qualify (Box 4).
5. If the equipment is listed on the Predetermined Equipment List (PEL), then it qualifies as Tier I (Box 7). Determine the appropriate PEL number for each item.
6. Specify all PEL equipment for the project in a single list that is included with the application.
7. If the equipment is not on the PEL, then determine whether the equipment is used wholly for pollution control, i.e., the equipment is not production related and/or does not increase production or improve product quality.
8. If it is wholly for pollution control, then the equipment may qualify as 100% pollution control property under Tier II (Box 9). The applicant must provide sufficient written documentation and justification to prove that it qualifies.
9. If the equipment has both environmental and production elements, then the equipment must be evaluated as a Tier III partial determination (Box 10). The applicant must provide a detailed capital cost analysis following the procedures established in the Partial Determinations section of this document. The results of these calculations will determine the partial use percentage.

Prop 2 Decision Flow Chart

Applicants must use this flowchart for each piece of equipment or process. In order for a piece of equipment or process to be eligible for a positive use determination the item must generate 'yes' answers to the questions asked in boxes 3 and 5.



10. PARTIAL PERCENTAGE CALCULATION

N/A

11. PROPERTY CATEGORIES AND COSTS

Please see attached schedule 11.

12. EMISSION REDUCTION INCENTIVE GRANT

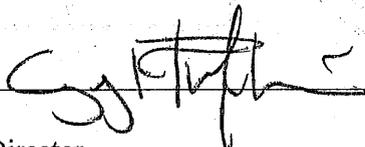
Will an application for an Emission Reduction Incentive Grant be filed for this property/project:

Yes No

14. FORMAL REQUEST FOR SIGNATURE

By signing this application, you certify that this information is true to the best of your knowledge and belief.

Greg Maxim, Director
Property Tax Advisory Services
Duff & Phelps LLC

NAME:  DATE: 03 May 2007
TITLE: Director

Under Texas Penal Code, Section 37.10, if you make a false statement on this application, you could receive a jail term of up to one year and a fine up to \$2,000, or a prison term of two to 10 years and a fine of up to \$5,000.

TCEQ Use Determination Application
 Schedule 11
 Tier II Items

Company	County	Property	Item No.	Description	PEL Number	Media	Decision Flow Chart Box	Property Taxable on or Before 1994?	In Service Date	Estimated Purchased Cost	Eligible Percentage	Total Estimated Purchase Cost
Energy Transfer Fuel	Freestone	Electric Drive Compressor Engines Reed	1	Electric Drive (4)	N/A	Air	9	NO	2007 (CWIP)	\$5,446,820	100%	\$5,446,820

DUFF & PHELPS

May 3, 2007

TCEQ - Cashiers Office MC-214
Tax Relief for Pollution Control Property Program
P.O. Box 13088
Austin, Texas 78711-3088

Subject: Filing of Form TCEQ-0611
Application for Use Determination for Pollution Control Property

Dear Sir or Madam:

Enclosed please find one application (the "Application") for property tax exemptions for certain qualifying pollution control property at the described in the attached Application.

Pursuant to Title 30 of Chapter 17 of the Texas Administrative Code, the Application has been prepared using the Texas Commission on Environmental Quality ("TCEQ") Application for Use Determination for Pollution Control Property (TCEQ-0611). The enclosed Application, is a Tier II application. The Tier II equipment has a percentage of 100% for each item included in the Application. For this Tier II application, all of the pollution control property included in the application is listed on the TCEQ's Predetermined Equipment List ("PEL").

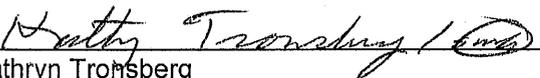
Submission of this application is required as a process step in the TCEQ's pollution control certification process for tax exemption of certain assets used in pollution control capacities within the Facility. The fee for this Tier II application is \$1,000. Enclosed please find a check for \$1,000 for the Application.

Please send one copy of the completed property tax exemption Use Determination to the following address:

Mr. Greg Maxim
Director
Duff & Phelps LLC
111 Congress Ave
Suite 400
Austin, Texas 78701

If you have any questions regarding the application or the information supplied with these application, please contact Mr. Greg Maxim of Duff & Phelps LLC at (512) 391-4984 or e-mail at gregory.maxim@duffandphelps.com or me at (215) 430-6059 or e-mail at kathryn.tronsberg@duffandphelps.com.

Very truly yours,


Kathryn Tronsberg
Director, Duff & Phelps LLC

Enclosures

TAX RELIEF FOR POLLUTION CONTROL PROPERTY: TECHNICAL REVIEW DOCUMENT

Reviewed By: RLH

App. No.: 06 - 11021

Review Start Date: 5/21/2007

Company Name: ENERGY TRANSFER FUEL

Facility Name: ENERGY TRANSFER FUEL

TIER LEVEL

What Tier is this application? The application was filed as a Tier II application.

The property listed on this application is not located on the predetermined equipment list. The applicant is requesting a 100% use determination. This is a Tier II application.

RELEVANT RULE, REGULATION, OR STATUTORY PROVISION

The rule listed in the application is:

30 TAC 117.105

30 TAC 117.105: Control of Air Pollution from Nitrogen Compounds, Combustion at Major Sources, Utility Electric Generation in Ozone Non-attainment Areas, Rules, Emission Specifications for Reasonably Available Control Technology (RACT). This is a valid rule.

DESCRIPTION OF PROPERTY

Description: Is an adequate description and purpose of the property provided? Does it list the anticipated environmental benefits? Are sketches and flow diagrams provided if needed?

The property is described as:

The newly constructed compressor station uses state-of-the-art electric drive compressor technology, employing advanced mechanical design and electrical combustion controls within state non-attainment areas for NOx. Electric driver construction/installation costs, as well as life cycle operating costs, are generally cost indifferent in comparison to Lean Burn Gas-Fired Compressor Engine Technologies.

The description is appropriate.

DECISION FLOWCHART

Mark the appropriate boxes: Box 3 Y Box 5 Y Box 6 Box 8 Y Box 10

Reason this box was chosen:

The property passes through boxes 3 & 5 with yes answers. It leaves the DFC at box 8 as Tier II eligible equipment.

TIER III APPLICATIONS

Did the applicant use the CAP? Recalculate the CAP. Does your calculation agree with the applicants?

This is not a Tier III application.

PROPERTY CATEGORIES AND COSTS

Is the table completed correctly? Has the applicant certified that all listed property became taxable for the first time after January 1, 1994? Is all information necessary for conducting the technical review included.

The table is completed appropriately

TECHNICAL REVIEW

Is the application technically complete? If the answer is no, what is missing? Provide the language used in the NOD letter. If yes then develop the use determination language.

Technically complete when received: Y

NOD RESPONSE

Full Property Description:

The newly constructed compressor station uses state-of-the-art electric drive compressor technology, employing advanced mechanical design and electrical combustion controls within state non-attainment areas for NOx. Electric driver construction/installation costs, as well as life cycle operating costs, are generally cost indifferent in comparison to Lean Burn Gas-Fired Compressor Engine Technologies.

DETERMINATION

Provide the reason for your determination.

There is an environmental benefit provided at the site. It was installed to meet an adopted environmental rule. The application was completed correctly and the correct fee was paid. A positive determination should be issued.

Provide the language for the final determination.

A positive use determination of 100% for the four Electric Drives in the compressors.

***** ED Approval Required: N *****

Reviewed by: *Gary E. McArthur*

Date: 5/21/2007

Peer Reviewed By: *Ronald J. Hallett*

Date: 5/21/2007