

Application No. 14-0312G

Direct Testimony of

**LUKE WELMERINK**

on behalf of

ORMAT NEVADA, INC.

AND

ORNI 39, LLC

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Luke Welmerink and my business address is 6225 Neil Road, Reno, Nevada 89511.

**Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

A. I am the Tax Manager for Ormat Technologies, Inc. ("OTI"), the parent company of Ormat Nevada, Inc. ("ONI").

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

A. ORNI 39, LLC ("ORNI 39") and ONI (collectively ORNI 39 and ONI are referred to as "Ormat").

**Q. DOES ATTACHMENT 1 ACCURATELY DESCRIBE YOUR BACKGROUND AND EXPERIENCE?**

A. Yes.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to support the request for partial tax abatements of the sales and use tax and the property tax for the second phase of the McGinness Hills (“McGinness Hills II”) geothermal power project being developed by Ormat, and to provide specific information related to the McGinness Hills II project to assist the Director of the Nevada Governor’s Office of Energy (“Director”) in considering the application for a sales and use tax abatement and a partial property tax abatement.

**Q. CAN YOU PLEASE EXPLAIN IN DETAIL THE MCGINNESS HILLS II GEOTHERMAL POWER PROJECT?**

A. Ormat is developing the second phase of the McGinness Hills geothermal power plant in Lander County, Nevada, which is expected to deliver a generating capacity of 36 MW under an amended 20-year power purchase agreement (“PPA”) with Nevada Power Company, a subsidiary of NV Energy (“NPC”). Ormat has obtained two (2) leases through an agreement with the Bureau of Land Management (“BLM”) and one (1) private lease for use in the McGinness Hills projects, including McGinness Hills II. McGinness Hills II will consist of five (5) new production wells, three (3) injection wells, and three (3) Ormat Energy Converters.

**Q. WHAT TYPE OF ABATEMENTS IS ORMAT REQUESTING FOR THE MCGINNESS HILLS II PROJECT?**

A. Ormat is requesting partial abatements on the sales and use tax and the property tax on the real and personal property associated with McGinness Hills II.

**Q. WERE YOU INVOLVED IN PREPARING ORMAT'S APPLICATION FOR THE PARTIAL ABATEMENT?**

A. Yes.

**Q. ARE YOU FAMILIAR WITH THE INFORMATION IN THE APPLICATION?**

A. Yes.

**Q. IS THE INFORMATION IN THE APPLICATION ACCURATE TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?**

A. Yes.

**Q. HAS OR WILL ANY STATE OR LOCAL FUNDING BE PROVIDED FOR THE ACQUISITION, DESIGN OR CONSTRUCTION OF THE MCGINNESS HILLS II PROJECT?**

A. No.

**Q. WILL THE MCGINNESS HILLS II PROJECT BE OWNED OR OPERATED, EVEN IN PART, BY A GOVERNMENTAL AGENCY?**

A. No.

**Q. HAVE YOU APPLIED FOR OR ARE YOU RECEIVING ANY OTHER TAX ABATEMENT OR EXEMPTION FOR THE MCGINNESS HILLS II PROJECT?**

A. No.

**Q. HOW LONG WILL THE MCGINNESS HILLS II PROJECT BE IN OPERATION?**

A. We are expected to deliver energy under an amended 20-year PPA with NPC for both phases of McGinness Hills, with the term of the PPA to expire in 2033. Whether the project will continue beyond that time depends primarily on the geothermal resource, wear and tear on the equipment, ability to recontract the facility and changes in technology.

**Q. HOW MANY EMPLOYEES WILL WORK ON THE CONSTRUCTION OF THE MCGINNESS HILLS II PROJECT?**

A. While the numbers fluctuate from week-to-week, we anticipate 138 full-time employees will be working on the construction per week during the second quarter of construction.

**Q. HOW MANY EMPLOYEES WHO WILL WORK ON THE CONSTRUCTION OF THE MCGINNESS HILLS II PROJECT WILL BE NEVADA RESIDENTS?**

A. More than 50% of the construction employees will be Nevada residents.

**Q. WHAT IS THE AVERAGE WAGE FOR THESE EMPLOYEES AND ARE THEY RECEIVING BENEFITS?**

A. Under our construction contracts, all construction employees will be paid at least 175% of the average hourly statewide rate, excluding management and administrative employees, and they are eligible to receive health insurance benefits, including an option for coverage of their dependents. The health insurance plans cover emergency care, inpatient and outpatient hospital services, physician's services, outpatient medical services, laboratory services, and diagnostic testing services. The plans also offer dependent coverage and cover at least 80% of the costs for the covered services after the employee's deductible is met.

**Q. HOW MANY EMPLOYEES WILL WORK AT THE MCGINNESS HILLS II PROJECT AFTER IT BEGAN OPERATION?**

A. Ormat will have fourteen (14) full-time employees working at McGinness Hills, including the second phase, for operation and maintenance purposes.

**Q. WHAT WAGE WILL THESE EMPLOYEES BE PAID AND WILL THEY RECEIVE BENEFITS?**

A. All full-time employees working at McGinness Hills II will be paid an average of at least 110% of the average hourly statewide rate, excluding management and administrative employees, and receive health insurance benefits, including an option for coverage of their dependents.

**Q. HOW MUCH OF AN INITIAL CAPITAL INVESTMENT WILL THE MCGINNESS HILLS II PROJECT MAKE IN NEVADA?**

A. The McGinness Hills II project will make an initial capital investment of more than \$100 million in the State of Nevada.

**Q. WILL THE FINANCIAL AND EMPLOYMENT BENEFITS THE STATE OF NEVADA AND ITS RESIDENTS RECEIVE FROM THE MCGINNESS HILLS II PROJECT EXCEED THE LOSS OF TAX REVENUE THAT WILL RESULT IF THE PARTIAL ABATEMENTS ARE GRANTED?**

A. Yes. The capital investment, the wages paid and the taxes paid will far exceed the loss of tax revenue.

**Q. WILL THE PROJECTED COST OF THE SERVICES THAT LANDER COUNTY IS REQUIRED TO PROVIDE MCGINNESS HILLS II EXCEED THE AMOUNT OF TAX REVENUE IT IS PROJECTED TO RECEIVE AS A RESULT OF THE PARTIAL TAX ABATEMENT?**

A. No. Even factoring in the partial tax abatement, the tax revenue Lander County will receive exceeds the projected cost of services it will provide McGinness Hills II.

**Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS.**

A. I recommend that the application for partial tax abatements of the sales and use tax and property tax be granted for McGinness Hills II. Ormat has demonstrated during this application process that the McGinness Hills II project has met and will meet all the requirements for approval of the partial tax abatements provided for in NRS Chapter 701A. The McGinness Hills II project offers significant financial and employment benefits to the State of Nevada and Lander County. If Ormat receives the partial tax abatements for McGinness Hills II, it will continue its exploration and testing in the area with a goal of expanding the facility, which will greatly increase the benefits it provides to the state and the county.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A Yes.

**AFFIRMATION**

STATE OF NEVADA        )  
                                  : ss.  
COUNTY OF WASHOE    )

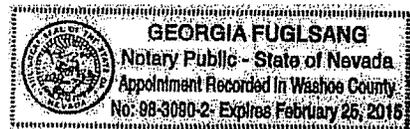
Luke Welmerink, being first duly sworn, deposes and says:

That he is the person identified in the prepared Direct Testimony of Luke Welmerink filed in Application No. 14-0312G and the exhibits applicable to his Testimony; that such Testimony and exhibits were prepared by or under his direction; that the answers and information set forth therein are true to the best of his knowledge and belief; and that if asked the questions set forth therein, his answers thereto would, under oath, be the same.

  
\_\_\_\_\_  
Luke Welmerink

SUBSCRIBED and SWORN to before  
me this 22<sup>nd</sup> day of May, 2014, by Luke Welmerink.

  
\_\_\_\_\_  
Notary Public



# **ATTACHMENT 1**

# LUKE WELMERINK

5713 Golden Eagle Dr., Reno, NV 89523 | (775) 843-7016 | lwelmerink@gmail.com

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## BAR ADMISSION

State Bar of California, Member #278126 (December 2, 2011)

State Bar of Nevada, Member #13279 (November 6, 2013)

## EDUCATION

### Golden Gate University School of Law

San Francisco, CA

LL.M. in Taxation Law

May 2013

Juris Doctorate

May 2011

*Class Rank:* LL.M. Top 1%, 3.95 GPA; JD Top 11%

*Law Review:* Executive Research Editor, *Golden Gate University Law Review*, 2010-2011

Staff Writer, *Golden Gate University Law Review*, 2009-2010

Comment, *Cleaning the Mess of the Means Test...*, GOLDEN GATE U. L. REV. (Fall 2010)

*JD Honors:* Honors Lawyering Program; Witkin Award for highest grade in Property II; CALI Award

for Future Excellence: Property I, Legal Writing & Research I; Merit Scholarship

Recipient; Dean's List: All semesters

*LL.M. Honors:* NASBTS Merit Scholarship Recipient

### St. Mary's College of California

Moraga, CA

Bachelor of Science, Business Administration with International Concentration

May 2005

## EXPERIENCE

### Ormat Technologies, Inc.

Reno, NV

*Tax Manager*

January 2014 - Present

Oversee preparation and filing of U.S. tax returns including federal and state income tax, NPMT, property tax, and sales and use tax. Review quarterly and annual tax accruals for SEC filings. Represent the company in Nevada administrative hearings for tax abatement applications. Assist legal counsel with tax disputes.

### PricewaterhouseCoopers, LLP

San Francisco, CA

*International Tax Services, Senior Associate*

January 2011 – April 2011, September 2011 – January 2014

Advised on tax and business planning opportunities for corporations, pass-through entities, and individual taxpayers. Drafted memoranda on tax issues including tax treaty matters, credits, and income deferral. Prepared "inbound" U.S. federal and state tax compliance.

### Golden Gate University, Braden School of Taxation

San Francisco, CA

*Adjunct Faculty, Advanced Federal Income Tax (TA 318)*

May 2012 – May 2013

Co-taught online course examining the basics of federal income taxation of individual taxpayers. Helped students identify tax issues and research statutory and common law authority. Prepared and delivered lectures.

### San Francisco City Attorney's Office

San Francisco, CA

*Law Clerk – Labor Team*

August 2009 – December 2009

Drafted motions to dismiss, responses to pleadings, proposed jury instructions, and other legal memoranda.

Conducted legal research in areas of employment law. Attended hearings and prepared for trial.

### Tenderloin Housing Clinic/Honors Lawyering Program

San Francisco, CA

*Client Advocate*

June 2009 – August 2009

Negotiated housing settlement resolving client eviction notice. Drafted demand letter and legal memoranda.

Researched landlord tenant issues under California real estate law and the San Francisco Rent Ordinance.

### Wells Fargo Bank, N.A.

Reno, NV

*Business Specialist*

August 2006 – August 2008

Managed financial relationships with local small businesses. Drafted proposals for business owners. Trained personal bankers on business financial management. Earned "Service Starts With Me" award.

## PROFESSIONAL AFFILIATIONS

State Bar of California: Taxation Section; State Bar of Nevada: Tax Law Section, EUCL Section, Young Lawyers Section; American Bar Association: Section of Taxation, Young Lawyers Division