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GOVERNOR'S OFFICE OF ENERGY

MINUTES
Of the Renewable Energy Tax Abatement Hearing of the
GOVERNOR'S OFFICE OF ENERGY

AFN 17-1018G
ORNI 41 LLC/Ormat Nevada, Inc.
January 4, 2018

The Governor's Office of Energy held a public meeting on January 4, 2018, beginning at 10 AM. at the following location:

Governor's Office of Energy, 755 North Roop Street, Suite 202, Carson City, Nevada

Present at the hearing:

Angela Dykema, Director of the Governor's Office of Energy
David Noble, Deputy Director of the Governor's Office of Energy
Laura Wickham, Governor's Office of Energy
Mark Brady, Governor's Office of Energy
Nicole Scott, Counsel for ORNI 41 LLC/Ormat Nevada, Inc.
Stephanie Osborne, Tax Director for ORNI 41 LLC/Ormat Nevada, Inc.
Nissa Jimenez, Tax Manager for ORNI 41 LLC/Ormat Nevada, Inc.
Sorin Popa, Nevada Department of Taxation
Bryan Stockton, Counsel for the Governor's Office of Energy

1. Call to order: The meeting was called to order at 10:01 AM by Director Angela Dykema. The Director stated that this was a hearing on the merits of the application for partial abatement of property taxes originally filed by ORNI 41 LLC/Ormat Nevada, Inc., on October 18, 2017. Application filing number 17-1018G. This is an application for a 74 MW geothermal project located in Lander County, NV.

2. Public comment and discussion (1st period): The Director asked if anyone from the public sought to make a comment on the matter. There was no public comment.

3. Presentation of Evidence and Testimony: The Director submitted Exhibit 1, a packet of documents consisting of: Exhibit A – Notice of Public Hearing, dated December 7, 2017; Exhibit B – A redacted Application as filed with the Governor's Office of Energy on October 18, 2017; Exhibit C – Fiscal Impact of the partial abatement of Property Tax as required by NRS 701A.375-1 by the Nevada Department of Taxation, received on November 15, 2017; Exhibit D – Fiscal Impact of the partial abatement of Sales and Use Tax as required by NRS 701A.375-1 by the Nevada

Department of Taxation received on November 15, 2017; Exhibit E – Fiscal Impact of the partial abatement as provided by the Governor’s Office of Finance, required by NRS 701A.375-1, received on November 8, 2017; Exhibit F – Pre-filed Testimony of Stephanie Osborne. Director Dykema noted that the incorrect fiscal note was posted to our website but all parties received the correct fiscal note via email in a timely manner. The Director admitted Exhibit 1 into evidence in this matter.

The parties present introduced themselves. The Director asked if ORNI 41 LLC/Ormat Nevada, Inc. intended to call a witness to testify. Nicole Scott stated they would like to have Stephanie Osborne’s written testimony admitted. The Director administered the oath to Stephanie Osborne.

Director Dykema asked whether the applicant wanted to make an opening statement, Nicole Scott stated the following: This tax abatement application has been filed by ORNI 41, LLC/Ormat Nevada, Inc. which is the subsidiary of Ormat. Ormat has been well known as a world leader in geothermal energy development. It is a well-known and respected company in Nevada. The application that we filed supported by Ms. Osborne’s testimony is fully compliant with the statutory and regulatory requirements, for instance Ormat is making a \$107,000,000 million dollar capital investment that far exceeds the \$3 million dollar threshold. The plant is going to be in operation for 25 years which is far longer than the 10 year statutory requirement. Furthermore, the project will create the requested/required number of jobs which will pay at least 175% of the state wide average hourly wage. Thus it’s our conclusion and belief that the application is fully compliant with the statutory requirement and the project meets all the abatement requirements. With that I would like to offer the testimony of Mrs. Osborne which has been marked as Exhibit F. I would like to provide a clarification in regards to a question that has come up regarding the number of full time operational employees. There will be 25 cumulative permanent employees but the net 7 will be the correct number of full time operational employees.

The Director asked if there was any additional information to be submitted in this matter, there was none. She then asked whether someone else would like to be heard in this matter, there were no further comments.

The Director asked whether anyone would like to make a closing statement, Nicole Scott stated that they firmly believe the application submitted met the requirements of the tax abatement statutory and regulatory framework.

The Director closed the evidentiary portion of the hearing and thanked everyone for their testimony.

4. The Director stated her findings and conclusions based upon the substantial, reliable, and credible evidence presented in the exhibits and testimony.

As to NRS 701A.360 (1), the Director found that the applicant intends to locate within this State a facility for the generation of geothermal renewable energy, thus meeting the intent of the statute. As to NRS 701A.360(2), the Director found that the facility is not owned, operated, leased, or controlled by a government agency, thus meeting the requirement of the statute. The Director found that NRS 701A.365(1)(a)(1) has been met by this renewable energy project, as the facility is expected to continue in operation in this State for a period of at least 10 years and is expected to

continue to meet the eligibility requirements for the abatement. As to NRS 701A.365(1)(b), the applicant has provided information supporting testimony that all the necessary state and local permits and licenses to construct and operate will be received, thus meeting the requirement of the statute. As to NRS 701A.365(1)(c), the applicant has provided testimony that no funding for facility is or will be provided by any governmental entity in this State for the acquisition, design or construction of the facility or for the acquisition of any land therefore, thus meeting the requirement of the statute. As to NRS 701A.365(1)(e)(1), the application states that the construction of the facility will employ 108 full-time employees during the second quarter of construction of which at least 50% will be Nevada residents. As to NRS 701A.365(1)(e)(2), the Director found that the total capital investment in the facility is estimated to be approximately \$107,000,000, thus exceeding the \$3,000,000 capital investment required by the statute. As to NRS 701A.365(1)(e)(3), the Director found that this statute is met as the testimony presented today states that the average hourly wage that will be paid by the facility to its employees in this State, excluding management and administrative employees, is approximately \$33.60, which is at least 110% of the average statewide hourly wage set by DETR of \$22.15. As to NRS 701A.365 (1)(e)(4), the Director found that this statute is met as the application states that the average hourly wage that will be paid by the facility to all of its construction employees working on the facility, excluding management and administrative employees, will be approximately \$39.11, which is at least 175% of the average statewide hourly wage set by DETR of \$22.15. As to NRS 701A.365(1)(e)(4)(I) and (II), the application states that the health insurance provided to the construction employees on the facility allows for the coverage of the dependents of the employees and will meet or exceed the standards established by the Director, thus meeting the requirement of the statute. As to NRS 701A.365(1)(f), the Director found that the benefits that will result to this State from the employment by the facility of the residents of this State and from capital investments by the facility in this State exceeds the loss of tax revenue that will result from the abatement, thus meeting the requirement of the statute. The Director found that the financial benefits to the state exceeded the abated amounts and provided each figure. The total benefits to the state of Nevada are \$122,884,356 and the total abatement is \$14,296,613.

As to NRS 701A.370(1)(a)(3), The Director found that the partial abatement of property tax did not apply during a time in which the facility was receiving an abatement for the same, other than any partial abatement provided pursuant to NRS 361.4722.

As to NRS 701A.370(1)(b)(1)(III), The Director found that the abatement will not apply during any period in which the facility was receiving another abatement or exemption from local sales and use taxes, thus meeting the requirement of the statute.

5. Approval of Application. The Director approved the application for the partial abatement of property taxes. The Director explained that after today's hearing, she will produce a written Findings of Fact, Conclusions of Law, and Order. Once the Order is issued, the Director or her representative, representatives from the Nevada Department of Taxation, and appropriate representatives of ORNI 41 LLC/Ormat Nevada, Inc. may meet to go over the terms and conditions of the Abatement Agreement and after that meeting, we will execute the Abatement Agreement.

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The Director stated that as a reminder, pursuant to NRS 701A.380, a partial abatement approved by the Director will terminate upon any determination by the Director that the facility has ceased to meet any eligibility requirements for the abatement.

6. Public comment and discussion (2nd period): The Director asked if anyone had any public comment to which there was no response.

7. Adjournment: 10:15 AM.