

Application No. 14-1016G  
Supplemental Direct Testimony of

**LUKE WELMERINK**

on behalf of

ORMAT NEVADA, INC.

AND

ORNI 37, 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 37, LLC ("ORNI 37") and ONI (collectively ORNI 37 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 SUPPLEMENTAL DIRECT TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to support the request for partial tax abatement of the property tax for the second phase of the Don A. Campbell (“Don Campbell II”) geothermal power project being developed by Ormat, and to provide specific information that refutes the data used by Mineral County in its request that the Director deny the application.

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS MATTER?**

A. Yes. On December 22, 2014, I filed direct testimony in this matter providing information related to the Don Campbell 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 partial property tax abatement (“Application”).

**Q. HAS ANY OF THE INFORMATION YOU PROVIDED IN YOUR DIRECT TESTIMONY CHANGED?**

A. No. The information in the testimony I filed on December 22, 2014, is still accurate and correct, and can be used by the Director in considering the application for a partial property tax abatement.

**Q. WHAT IS MINERAL COUNTY RECOMMENDING IN THIS MATTER?**

A. In a letter dated November 17, 2014, Mineral County “respectfully requests” the Director deny the Application.

**Q. WHAT IS MINERAL COUNTY’S BASIS FOR ITS REQUEST?**

A. Mineral County states in the letter that the abatement of sales and use taxes directly impacts the county’s ability to provide services, and will have a negative impact on its tax revenues.

**Q. DOES MINERAL COUNTY’S LETTER DISCUSS ANY IMPACTS FROM THE PROPOSED PROPERTY TAX ABATEMENT ON ITS TAX REVENUES?**

A. No. Mineral County only alleges that the proposed abatement on sales and use taxes directly impacts its services and consolidated tax revenues. The letter is silent on the proposed property tax abatement.

**Q. DOES MINERAL COUNTY PROVIDE ANY JUSTIFICATION OR SUPPORTING DATA IN ITS LETTER?**

A. No.

**Q. HAS MINERAL COUNTY FILED ANY TESTIMONY IN THIS MATTER SUPPORTING ITS JUSTIFICATION?**

A. No. The Office of Energy set an initial deadline to file testimony in this matter for December 22, 2014. Ormat was the only party to file testimony on this deadline, and Mineral County did not even file a notice of intent to participate. Subsequently, the Office of Energy bifurcated this matter and held the hearing on the proposed abatement on sales and use taxes on December 31, 2014, and will hold the hearing for the proposed property tax abatement on February 3, 2015.

**Q. HAS MINERAL COUNTY PROVIDED ANY JUSTIFICATION FOR ITS REQUEST OUTSIDE ITS LETTER?**

A. Yes. Mineral County provided the Office of Energy a “cost-benefit model” that concluded the projected financial benefits that will result to the county from the employment by the facility of the residents of the State of Nevada and from capital investments by the facility in the county will not exceed the projected loss of tax revenue that will result from the abatement.

**Q. HOW DID MINERAL COUNTY REACH THIS CONCLUSION?**

A. Mineral County incorrectly calculates that only one percent (1%) of the \$59,850,000 non-labor cost of investment will be retained in the county concluding that the projected financial benefits of the facility would be \$598,500, while the projected loss of tax revenue will be \$5,606,679. As a result, Mineral County created a net loss revenue of \$6,182,045.

**Q. DID MINERAL COUNTY PROVIDE ANY EXPLANATION OR JUSTIFICATION OF HOW IT CONCLUDED THAT THE DON CAMPBELL II WOULD ONLY PROVIDE A FINANCIAL BENEFIT OF \$598,500?**

A. No.

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

A. The Don Campbell II project will make an estimated initial capital investment of more than \$59 million in the State of Nevada. One hundred percent (100%) of the non-labor cost of investment will be retained in Mineral County.

**Q. HAS THE \$59 MILLION CAPITAL INVESTMENT BEEN VERIFIED OR CONFIRMED BY ANYONE OTHER THAN ORMAT?**

A. Although the \$59 million capital investment is an accurate estimate developed by Ormat through its vast experience of developing geothermal projects, it has also been verified by the Department of Taxation and by the Office of Energy.

**Q. CAN YOU PLEASE EXPLAIN HOW THE DEPARTMENT OF TAXATION VERIFIED THE CAPITAL INVESTMENT?**

A. The Department of Taxation is required to issue fiscal impacts on the tax consequences if the abatements are approved. As a result, it calculates the amount it will assess Don Campbell II and the loss of tax revenue if the abatement is

approved. The Department of Taxation assessed Ormat's expenditures at \$57,800,000 for Don Campbell II.

**Q. CAN YOU EXPLAIN HOW THE OFFICE OF ENERGY CONFIRMED THE CAPITAL INVESTMENT?**

A. During the hearing on sales and use tax abatement for Don Campbell II, the Office of Energy stated on the record that Ormat will make a \$59 million capital investment in the State of Nevada. It included this finding and conclusion in its order approving the sales and use tax abatement for Don Campbell II, which was issued on January 7, 2015.

**Q. WILL THE FINANCIAL AND EMPLOYMENT BENEFITS MINERAL COUNTY, THE STATE OF NEVADA AND ITS RESIDENTS RECEIVE FROM THE DON CAMPBELL 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. According to the Department of Taxation's fiscal notes on the Application, the abatements will result in a loss of revenue of approximately \$10 million over a 20 year period to the State of Nevada and Mineral County. Ormat's initial capital investment alone for Don Campbell II is approximately \$59 million, which is five times greater than the loss of the revenue to the State and Mineral County. Further, Ormat will continue to invest capital into the project throughout

its operational period. The capital investment and the increase in permanent employment at Don Campbell II will increase the tax base for Mineral County and the State of Nevada, and any taxes paid, even under a partial tax abatement, are additional tax revenues that will have a positive impact in Mineral County and the State of Nevada.

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

A. I recommend that the application for partial tax abatements of the property tax be granted for Don Campbell II. Ormat has demonstrated during this application process that the Don Campbell II project has met and will meet all the requirements for approval of the partial tax abatements provided for in NRS Chapter 701A. The Don Campbell II project offers significant financial and employment benefits to the State of Nevada and Mineral County. Although Mineral County recommends the Director deny the Application, its reasoning and calculation are based upon false calculations and unjustified conclusions.

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

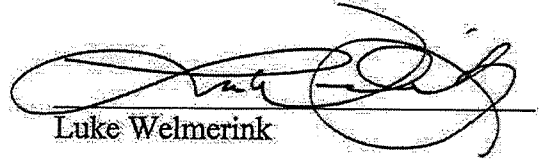
A Yes.

**AFFIRMATION**

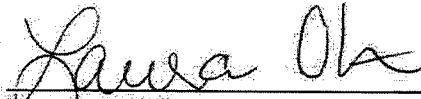
STATE OF NEVADA        )  
                                  : ss.  
COUNTY OF WASHOE    )

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

That he is the person identified in the prepared Direct Supplemental Testimony of Luke Welmerink filed in Application No. 14-1016G 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 27 day of January, 2015.

  
\_\_\_\_\_  
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

LL.M. in Taxation Law

San Francisco, CA

Juris Doctorate

May 2013

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

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

Bachelor of Science, Business Administration with International Concentration

Moraga, CA

May 2005

## EXPERIENCE

### Ormat Technologies, Inc.

*Tax Manager*

Reno, NV

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

*International Tax Services, Senior Associate*

San Francisco, CA

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

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

San Francisco, CA

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

*Law Clerk - Labor Team*

San Francisco, CA

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

*Client Advocate*

San Francisco, CA

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.

*Business Specialist*

Reno, NV

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