

Tonopah Solar, LLC / Crescent Dunes

Date: August 4, 2011

Time: 1:00 PM

At hearing: Stacey Crowley, NSOE

Cassandra Joseph, DAG

Lorayn Walser, NSOE

Rob Howe: Crescent Dunes Solar Energy

Scott Scherer, Holland & Hart

Joanie Eastley, Nye County Board of Commissioners

On Phone: Reece Schort, Solar Reserve,

Bill McKean, Lionel, Sawyer and Collins

Director Crowley: Good afternoon. I am Stacey Crowley, the Director of the Nevada State Office Energy. This is a hearing on the merits of an application for partial abatement of sales and use taxes and property taxes filed by Tonopah Solar Energy, LLC on April 21, 2011 to which we have assigned Application Number 11- 0413ST. This application is for the construction and operation of a 125 MW nameplate concentrated solar facility that will be located on approximately 2,095 acres of land in Nye County, Nevada. I will be the presiding officer for the hearing this afternoon. With me is my legal counsel Cassandra Joseph and the Program Coordinator Lorayn Walser.

Is there anybody who would like to make a public comment (outside of the people that have expressed intent to speak on this matter) at this time?

Let the record reflect that no person has sought to make a public comment in this matter at this time.

We will also offer the opportunity to make a public comment at the end of the hearing.

Would the representatives of Tonopah Solar Energy, LLC please introduce yourselves with your name and title for the record?

Scott Scherer, Holland and Hart on behalf of Tonopah Solar Energy

Rob Howe, Project Manager, Crescent Dunes Solar Energy Project

Director Crowley: As a preliminary matter, we have marked a packet of documents as Exhibit 1 in this matter. Exhibit 1 consists of several subparts:

Exhibit A - Notice of Public Hearing, dated July 18, 2011

Exhibit B - Tonopah Solar Energy LLC Pre-Application filed with the Energy Office on January 28, 2011

Exhibit C - Tonopah Solar Energy LLC Application (redacted) as filed with the Nevada State Office of Energy on April 21, 2011

Exhibit D - Energy Related Tax Incentive Fiscal Note as required by NRS 701A.375-1(a) by the Budget Division of the State of Nevada Department of Administration, received on July 5, 2011

Exhibit E - Fiscal Impact Renewable Energy Partial Abatement of Sales/Use and Property Taxes as required by NRS 701A. 375-1(b) by the State of Nevada Department of Taxation, received on June 30, 2011

Exhibit F - Pre filed Testimony of Rob Howe

Exhibit G - Consists of Nye County's intent to testify.

Pursuant to stipulation with Tonopah Solar Energy LLC, I am admitting Exhibit 1 into evidence in this matter.

Would Tonopah Solar Energy, LLC like to make an opening statement?

Scott Scherer requested to enter two items into the record: Nevada State Business License for Tonopah Solar and Resume of Rob Howe. Should have been attached to pre filed testimony.

Stacey Crowley: I will take this additional evidence as Exhibits H and I

Scott Scherer: Quick overview of project. Over 900 million dollars investment, approximately 2500 construction employees, pending development agreement with Nye County (adopted) Development Agreement says this project will employ a target of 90% Nevada residents. This is also the first project in Nevada that will actually have heat storage technology. Will be able to store heat and generate electricity at night. A few minor updates to the written testimony of Mr. Howe.

Rob Howe is sworn in.

Scott Scherer: Could you please spell and state your name for the record

Rob Howe: Robert John Howe

Scott Scherer: I want to show you what has been marked as subpart F of Exhibit One. First of all, did you submit written testimony in this matter?

Rob Howe: Yes

Scott Scherer: Will you look at subpart F of Exhibit One? Is that your written testimony?

Rob Howe: Yes

Scott Scherer: Is it true and accurate to the best of your knowledge?

Rob Howe: It is.

Scott Scherer: There are a couple of minor changes since you filed that testimony, one of those I mentioned in my opening statement, the Development Agreement with Nye County. Is it accurate that the agreement calls for Tonopah Solar Energy to employ 90% Nevada residents?

Rob Howe: Yes it does. It requires the project to employ 90% of the non-supervisory labor on site to be Nevada residents.

Scott Scherer: The other minor issue is with regard to the permits in your written testimony, you expected the final permits to be issued this week and it's my understanding that the schedule has shifted a little bit.

Rob Howe: That is correct. The one remaining permit which is the overall UEPA permit from PUCN permit to construct has not been issued yet and due to vacations this week don't expect it to be issued until next week. The BLM has issued a limited notice to proceed. There are restrictions on it, the reason that it is limited has to do with the performance and reclamation required and the full procedure has to do with the performance reclamation bonding that is required which will need to await financial closure of the contract.

Scott Scherer: When do you anticipate financial closure to occur?

Rob Howe: September 1 – 15.

Scott Scherer: And when do you expect to commence construction?

Rob Howe: Early next week actually. Under the limited notice to proceed as soon as we receive the permit to construct from the PUC.

Scott Scherer: When do you expect to get the full notice to proceed?

Rob Howe: Immediately upon receipt of financial closure will issue the full reclamation bond and we'll get the notice to proceed from the BLM. There should be a lag from financial closure so I expect by September 15 through the latter half of September.

Scott Scherer: I have no further questions.

Director Crowley: I have a quick question, how long do you expect construction to take?

Rob Howe: The schedule is a 30-month schedule, so the end of February 2014

Director Crowley: We have been properly notified by Nye County that they would like to testify as a neutral party on this matter so I would invite their representatives to introduce themselves for the record and ask them to recite the oath.

Joanie Eastley: I am Joanie Eastley, I am a member of the Nye County Board of Commissioners.

Joanie Eastley is sworn in.

Joanie Eastley: As I said in my email to Lorayn, I am testifying on behalf of Nye County as a neutral party. The reason we're taking a neutral position on this is because the Board of County Commissioners has not adopted a formal position in an open meeting. However, it is worth noting that we are fully aware that Solar Reserve was going to be asking for a tax abatement, we knew that during the time we were negotiating the development agreement. So we are well aware of that. There's not a surprise there. I also want to add that we are more than satisfied with our negotiations with Solar Reserve and the agreement that was subsequently adopted by ordinance by the Board. They were actually a dream to deal with compared to some of the development agreements that we have negotiated. Not certainly with any renewable energy operations but we've negotiated many development agreements with other developers particularly in the Pahrump area. This was seamless, it was great, it was a pleasure and we are taking a neutral position on their request.

Director Crowley: Is there any other person who would like to be heard in this matter? Let the record reflect that no one has asked to be heard in this matter besides the Applicant.

Stacey Crowley: Would the applicant like to make a closing statement?

Scott Scherer: Just briefly. As Rob Howe's testimony demonstrates and the application together shows that the benefits of this project will outweigh the abatements we are requesting here today. We will meet all of the criteria of Chapter 701A of NRS. I failed to note this in my opening statement but the project also will employ 45 full-time employees in the Tonopah area. This really is a significant project for Tonopah, so we think it is definitely in the best interest of the state and we would request that the abatements be granted. I would also just like to note for the record that, I haven't done this before but I need to, how helpful Ms. Walser has been and I wanted to thank her publically. I have thanked her privately but she deserves public recognition for what a great job she does and how helpful she is to the applicants in this process.

Stacey Crowley: I am going to go through my findings based on the information included in Exhibit One including the two exhibits that were presented here this afternoon and it will address them each with the statutory requirements for the application.

For the purposes of the record, I will now state my findings and conclusions based upon the substantial, reliable, credible, and probative evidence presented to me in the exhibits and testimony presented this afternoon. As to each of the statutory requirements for this application, I make the following findings:

(1) As to NRS 701A.320(1)(a) and (b), I find that the facility will use renewable energy as its primary source of energy and generate concentrated solar energy with a 125 MW nameplate capacity, thus exceeding the 10 MW required by the statute.

(2) As to NRS 701A.360(2), I find that the facility is not owned, operated, leased, or controlled by a government agency, thus meeting the requirement of the statute.

(3) As to NRS 701A.365(1)(a)(1), I find that the facility is anticipated to be operational for at least 10 years since Tonopah Solar Energy, LLC has a 25-year PPA with NV Energy, thus exceeding the time required by the statute.

(4) As to NRS 701A.365(1)(b), I find that the facility has all the necessary state and local permits and licenses to operate, thus meeting the requirement of the statute.

(5) As to NRS 701A.365(1)(c), I find 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.

(6) As to NRS 701A.365(1)(e)(1), the applicant has declared that the construction of the facility will employ 199 full-time employees during the second quarter of construction and have at least 50 full-time employees working on the construction each week during the second quarter of construction of which at least 30% (estimated between 80% – 90%) will be Nevada residents.

(7) As to NRS 701A.365(1)(e)(2), I find that the capital investment in the facility is estimated to be \$900,000,000, thus exceeding the \$3,000,000 capital investment required by the statute.

(8) As to NRS 701A.365(1)(e)(3), I find that the average hourly wage paid to the estimated 45 operational employees of the facility will be approximately \$37, which is more than 110% of the average hourly wage set by DETR (FY 2011 = \$21.92), thus exceeding the requirement of the statute.

(9) As to NRS 701A.365(1)(e)(4), I find that the average hourly wage paid to the 199 construction employees on the Tonopah Solar Energy, LLC facility will be approximately \$35, which is more than 150% of the average hourly wage set by DETR (FY 2011 = \$29.90), thus exceeding the requirement of the statute.

(10) As to NRS 701A.365(1)(e)(4)(I) and (II), the statement made in 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.

(11) As to NRS 701A.365(1)(f), I find 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 Tonopah Solar Energy, LLC facility in this State exceeds the loss of tax revenue that will result from the abatement, thus meeting the requirement of the statute. In particular, I find that the substantial, reliable, credible, and probative evidence presented in this matter shows that the benefits to the state include the following amounts:

Benefits

Total Estimated Capital Investment: \$927,433,580

Total Property Taxes to Local Government Over Abatement Period: \$41,992,407

Total Taxes to Renewable Energy Fund Over Abatement Period: \$34,357,423

Total Sales & Use Taxes After Abatement: \$14,444,444

Local School Support: \$15,022,222

Construction Payroll (35.35/hr. @ 2,263,083 hrs.): \$80,000,000

Operational Payroll (45 people @ \$37.18 avg/hr for 20 years): \$69,596,800

TOTAL BENEFITS OVER ABATEMENT PERIOD: \$1,169,846,876

Amounts Abated

Total Property Taxes Abated (20 Years): \$93,316,458

Total Sales and Use Taxes Abated (3 Years): \$26,000,000

TOTAL TAXES ABATED: \$119,316,458

(12) As to NRS 701A.370(1)(a)(3), I find that the abatement granted by this Order will not apply during any period in which the facility is receiving another abatement or exemption from property taxes imposed pursuant to chapter 361 of NRS, other than any partial abatement provided pursuant to NRS 361.4722.

(13) As to NRS 701A.370(1)(b)(1)(III), I find that the abatement granted by this Order will not apply during any period in which the Tonopah Solar Energy, LLC facility is receiving another abatement or exemption from local sales and use taxes, thus meeting the requirement of the statute.

Based upon the previously mentioned findings, I conclude that Tonopah Solar Energy, LLC's renewable energy generation facility that is the subject of Application Number 11- 0413ST satisfies or exceeds all of the applicable statutory requirements. Therefore, I grant Tonopah Solar Energy, LLC biomass facility, Application Number 11- 0413ST, partial abatements of sales and use taxes and property taxes pursuant to the authority granted me in NRS 701A.300 through 701A.390. Congratulations.

After today's hearing, I will produce a written Findings of Fact, Conclusions of Law, and Order based upon today's hearing. Once the Order is issued, I, representatives from the Nevada Department of Taxation, and appropriate representatives of your company will meet face-to-face to go over the terms and conditions of the Abatement Agreement and after that meeting, we will execute the Abatement Agreement.

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. Are there any questions?

Is there anybody who would like to make a public comment at this time?

Joanie Eastley: I want to say what a pleasure it was, Rob, to work with Solar Reserve on this project. When you came into our community from day one we never had the feeling that you were doing something “to us”, we felt that you were doing something “with us”. We appreciate that and we think that your performance has set the standard for anybody else who comes to our county with a similar project.

Rob Howe: This has been the most pleasurable development, not just for myself but for our entire development company working with Nye County in particular and Tonopah, and the State for that matter. People envy my position, the other folks that are doing other developments, and tell me that “well you got it easy” is pretty high praise and I can say nothing but good things. Even the BLM has been incredible in this process. It’s been a true pleasure and I am thankful to have been part of it.

Stacey Crowley: Thank you everyone, and this will mark the closing of this hearing.