

ORNI 47,LLC
Tax Abatement Hearing Transcript
February 13, 2013, 10AM
Carson City, Nevada

Present at Hearing

Stacey Crowley, Director of the Governor's Office of Energy
Suzanne Linfante, Nevada State Office of Energy
Mitsy Maser, Nevada Department of Taxation
Sarah Anderson, Ormat
Paul Thomsen, Ormat
Jerrie Tipton, Mineral County Commissioner

Transcript

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 originally filed by ORNI 47, LLC, on October 3, 2012, with Amended Application filed October 23, 2012, to which we have assigned Application Number 12-0622G. This application is for the construction and operation of a 20 MW gross/15 MW net Geothermal facility that will be located on approximately 13,800 acres of land located in Mineral County, Nevada. I will be the presiding over this hearing and with me is my Program Coordinator Suzanne Linfante.

First of all, I will take public comment. Is there anybody who would like to make a public comment 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 later in the hearing.

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 January 17, 2013. Exhibit B, ORNI 47, LLC Pre-Application filed with the Director on June 22, 2012. Exhibit C, ORNI 47, LLC Amended Application (Redacted) as filed with the Nevada State Office of Energy on October 23, 2012. 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 December 6, 2012. Exhibit E, Fiscal Impact Renewable Energy Partial Abatement of Property Tax as required by NRS 701A.375-1(b) by the Nevada Department of Taxation, received on October 23, 2012. This is Exhibit 1 and I'll admit this into evidence.

Can you introduce yourselves, representatives from ORNI 47? Name and title please.

Paul Thomsen:

My name is Paul Thomsen and I am the Director of Policy and Business Development.

Sarah Anderson:

My name is Sarah Anderson and I am the project office manager and contract administrator.

Director Crowley:

Would you like to make any opening remarks?

Paul Thomsen:

Not at this time.

Director Crowley:

Do you intend to call a witness this afternoon?

Paul Thomsen:

We do. I would like to call myself, Paul Thomsen, Director of Policy and Business development.

Director Crowley:

I will administer the oath. Do you swear or affirm, under penalty of perjury, to tell the truth, the whole truth and nothing but the truth?"

Paul Thomsen:

I do.

Director Crowley:

Is there any additional information that the applicant would like to admit into evidence or discuss?

Paul Thomsen:

Not at this time. I think you might have some questions that we would be happy to answer when they are asked.

Director Crowley:

Would any other person like to make comment on this matter? I have one question, just verify for the record, that ORNI 47, LLC has a Power Purchase Agreement with an off-taker that is at least 10 years in length?

Paul Thomsen:

That is the case. ORNI 47 has entered into a 20 year PPA for this project.

Director Crowley:

Great. That was the only piece that was not in the redacted version of the application.

For the purposes of the record, and based on the evidence supplied in this matter, I will now state my findings and conclusions based upon the evidence presented to me in the exhibits and testimony presented this afternoon. As to each of the statutory requirements, I make the following findings.

(1) As to NRS 701A.360 (1), I find 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.

(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) I find 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.

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

(5) As to NRS 701A.365(1)(c), the applicant states that no funding for the 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)(d)(1), the application states that the construction of the facility will employ 61 full-time employees during the second quarter of construction of which at least 30% will be Nevada residents. This meets the requirement of this statute.

(7) As to NRS 701A.365(1)(d)(2), I find that the total capital investment in the facility is estimated to be \$84,000,000 thus exceeding the \$3,000,000 capital investment required by the statute.

(8) As to NRS 701A.365(1)(d)(3), I find that this statute is met as the application states that the average hourly wage that will be paid by the facility to its 7 employees in this State, excluding management and administrative employees, is approximately \$25.00, which is at least 110% of the average statewide hourly wage set by the Department of Education Training and Rehabilitation (FY 2012= \$22.14).

(9) As to NRS 701A.365 (1)(d)(4), I find 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 \$41.05, which is at least 150% of the average statewide hourly wage set by Department of Education Training and Rehabilitation (FY 2012= \$30.20).

(10) As to NRS 701A.365(1)(d)(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.

(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 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 the evidence presented in this matter shows that the benefits to the state include the following amounts:

Estimated Capital Investment in Nevada Which is \$84,000,000. We look at the taxes received which is the School Support Tax from the Sales & Use Tax Fiscal Note over Abatement Period 3 years and that is \$1,384,212.50. The Construction Payroll is estimated at \$8,869,263 based on a nine month construction period. The Operational Payroll for 7 employees for 3 years of the tax abatement period is \$1,092,000. So the total benefit to Nevada over the abatement period would be \$ 11,335,475.50. The amount abated as provided by the sales and use tax fiscal note over the t

here year period is \$2,917,062.50. Clearly the investment outweighs the abatement which is what we have to prove in the last statute.

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 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 ORNI 47, LLC's Geothermal facility that is the subject of Application Number 12-0622G satisfies or exceeds all of the applicable statutory requirements. Therefore, I grant ORNI 47, LLC partial abatement of sales and use 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, a representative, will meet with you and Nevada Department of Taxation, and appropriate representatives of your company can 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? This hearing is now concluded. Thank you for your attendance and participation.