

**BEFORE THE NEVADA ENERGY DIRECTOR
GOVERNOR'S OFFICE OF ENERGY**

EXHIBIT I

14-0312G
Renewable Energy Tax Abatement Application
for partial sales and use tax abatement
NRS 701A.300-390
R094-10

By

ORNI 39 LLC

Public Hearing
June 2, 2014
10:00 AM
Governor's Office of Energy
Room 202
755 North Roop Street
Carson City, Nevada 89701

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ORNI 39 LLC

Geothermal Energy Project

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Exhibit D - Fiscal Impact Renewable Energy Partial Abatement of Sales and Use Tax as required by NRS 701A.375-1 by the Nevada Department of Taxation, received on May 7, 2014.

Exhibit E - Budget Division Energy Related Tax Incentive Fiscal Note required by NRS 701A.375-1 by the Budget Division, received on May 7, 2014.

Exhibit F – Denial Letter from Lander County Board of Commissioners dated April 18, 2014.

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Exhibit H - Order of Recusal by Director Paul Thomsen, dated May 13, 2014

Exhibit I - Pre-filed testimony of Luke Welmerink of Ormat Nevada Inc.

Exhibit (A) - Notice of Public Hearing, dated May 8, 2014
(please click link on website)

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Energy on March 12, 2014

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(Please click link on website)

Exhibit (E) –Budget Division Energy Related Tax Incentive Fiscal Note required by NRS
701A.375-1 by the Budget Division, received on May 7, 2014

(Please click link on website)

Exhibit (F) – Denial Letter from Lander County Board of Commissioners dated April 18,
2014

Lander County
Board of Commissioners

Brian Garner, Chair
Dean Bullock, Vice-Chair
David Mason, Member
Steven Stienmetz, Member
Patsy A. Waits, Member



April 18, 2014

VIA FAX (775) 687-1869 and U.S. MAIL

Brita Tryggvi, Deputy Director
Nevada Office of Energy
755 North Roop Street, Suite 202
Carson City, Nevada 89701

Dear Ms. Tryggvi:

On March 20, 2015, the Board of Lander County Commissioners ("Lander County") received a copy of the application that was submitted by ORNI 39, LLC (owned by Ormat Nevada, Inc.), for a partial abatement of taxes for the McGinness Hills geothermal power plant, Phase II, located in Lander County.

Pursuant to Nevada Revised Statutes ("NRS") 701A.365, Lander County hereby denies the application submitted because the projected cost of the services that Lander County is required to provide to the facility will exceed the amount of tax revenue that Lander County is projected to receive as a result of the abatement. See Nevada Revised Statutes ("NRS") 701A.365 and Spreadsheet of Financial Benefit vs. Projected Tax Revenue, enclosed hereto.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Garner", is written over the typed name.

Brian Garner, Chairman
Lander County Board of Commissioners

Enclosure

Exhibit (G) – Rescission Letter from Lander County Board of Commissioners dated May 2,
2014

Lander County
Board of Commissioners

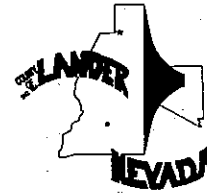
Brian Garner, Chair

Dean Bullock, Vice-Chair

David Mason, Member

Steven Stienmetz, Member

Patsy A. Waits, Member



May 2, 2014

VIA FAX (775) 687-1869 and U.S. MAIL

Brita Tryggvi, Deputy Director

Nevada Office of Energy

755 North Roop Street, Suite 202

Carson City, Nevada 89701

Reference: Lander County letter of April 18, 2014 contesting the partial abatement of certain property taxes for businesses and facilities using recycled material; requirements and limitations

Dear Ms. Tryggvi:

On March 20, 2014, the Board of Lander County Commissioners ("Lander County") received a copy of the application that was submitted by ORNI 39, LLC (owned by Ormat Nevada, Inc.), for a partial abatement of taxes for the McGinness Hills geothermal power plant, Phase II, located in Lander County.

On April 18, 2014 the Board of Lander County Commissioners ("Lander County") issued a letter denying the application submitted by Ormat.

On April 29, 2014 the Board of Lander County Commissioners ("Lander County") rescinded the letter of April 18, 2014.

Cordially,

A handwritten signature in black ink, appearing to read "Jim Olson", is written over a horizontal line. The signature is stylized and somewhat abstract.

Jim Olson

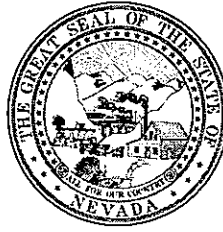
Lander County Executive Director

RECEIVED

MAY 07 2014

NEVADA STATE OFFICE
OF ENERGY

Exhibit (H) – Order of Recusal by Director Paul Thomsen, dated May 13, 2014



GOVERNOR'S OFFICE OF ENERGY

May 12, 2014

Application Filing# 14-0312G
In the matter of: ORNI 39 LLC (McGinness Hills Phase II)

ORDER OF RECUSAL

Prior to appointment by Governor Brian Sandoval as Director of the Nevada Office of Energy, I served as a Director at Ormat Technologies. I served in this capacity, as Director, from 2005 until September, 2013.

As per NRS 701.150(5), the Director shall not have any conflict of interest relating to the performance of his duties. As such, I must recuse myself from the above-captioned matter to avoid any appearance of impropriety, conflict of interest or bias.

Any and all future proceedings in this matter will be handled by Brita Tryggvi, Deputy Director, Nevada Office of Energy.

IT IS SO ORDERED, this 13 day of May, 2014.

A handwritten signature in black ink, appearing to read "Paul A. Thomsen".

Paul A. Thomsen
Director, Nevada Governor's Office of Energy

Exhibit (I) –Pre-filed testimony of Luke Welmerink of Ormat Nevada Inc

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.

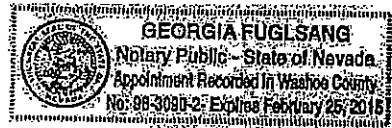


Luke Welmerink

SUBSCRIBED and SWORN to before
me this 22nd 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

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 (LA 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