



GOVERNOR'S OFFICE OF ENERGY

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

AFN 14-1016G
ORNI 37, LLC

February 3, 2015

The Governor's Office of Energy held a public meeting on February 3, 2015, beginning at 10AM. at the following location:

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

Present at the hearing:

Brita Tryggvi, Deputy Director of the Governor's Office of Energy
Suzanne Linfante, Governor's Office of Energy
Robert Dally, Governor's Office of Energy
Luke Welmerink, Tax Manger for Ormat
Robin Brawmer, Projects Administrator for Ormat
Tim Clausen, Lewis Roca Rothgerber on behalf of Ormat
Jerrie Tipton, Mineral County, County Commissioner
Terre Rubald, Deputy Executive Director for the Department of Taxation
Harry Ward, Deputy Attorney General

- 1. Call to order:** The meeting was called to order at ten o'clock by Deputy Director Brita Tryggvi.
- 2. Director's comment:** The Deputy Director stated that this was a hearing on the merits of the application for partial abatement of property taxes originally filed by ORNI 37, LLC on October 20, 2014. Application filing number 14-1016G. This is an application for a 25 MW geothermal facility located on 13,800 acres of land located in Mineral County.
- 3. Public comment and discussion (1st period):** The Deputy Director asked if anyone from the public sought to make a comment on the matter. There was no public comment. Each party present introduced themselves.

4. Presentation of Evidence and Testimony: The Deputy Director submitted Exhibit 1, a packet of documents consisting of: Exhibit A – Notice of Public Hearing, dated December 9, 2014; Exhibit B – Notice of Public Hearing, dated December 9, 2015; Exhibit C – ORNI 37, LLC Application (Redacted) as filed with the Governor’s Office of Energy on October 20, 2014; Exhibit D – Fiscal Impact of Renewable Energy Partial Abatement of Property Tax as required by NRS 701A.375 by the Nevada Department of Taxation; Exhibit E – Fiscal Impact of Renewable Energy Partial Abatement of Sales and Use Tax as required by NRS 701A.375 by the Nevada Department of Taxation; Exhibit F – Fiscal Impact to the state budget as required by NRS 701A.375 by the Nevada Department of Administration; Exhibit G – Pre-filed Testimony of Luke Welmerink of Ormat Nevada, Inc.; Exhibit H – Pre-filed supplemental Testimony of Luke Welmerink of Ormat Nevada, Inc.; Exhibit I – Order of Recusal by the Director of the Governor’s Office of Energy dated October 20, 2014; Exhibit J – Mineral County Board of County Commissioners letter recommending and requesting the denial of the Application pursuant to NRS 701A.365(2), dated November 17, 2014; Exhibit K – Response letter by Lewis Roca Rothgerber to Mineral County dated December 8, 2014; Exhibit L – Notice of Intent to Participate in the hearing, filed by Jerrie Tipton Mineral County Board of Commissioners. The Deputy Director admitted Exhibit 1 into evidence in this matter.

The parties present introduced themselves and Tim Clausen made an opening statement. The Deputy Director asked if ORNI 37 LLC intended to call a witness to testify. ORNI 37 LLC called Luke Welmerink to testify in regards to the application. The Deputy Director administered the oath to all witnesses. Luke testified that his pre-filed written testimony was unchanged and true and correct to the best of his knowledge. He reserved the right to rebut any testimony from Mineral County in the event they needed to do so.

The Deputy Director asked if any other person wanted to be heard in regards to the matter to which Jerrie Tipton indicated she would like to speak. County Commissioner Tipton stated that the benefit to Mineral County is marginal and they still do not know what will be the revenue during Phase 1. Two local contractors were hired during Phase 1, however, they probably did not earn over \$250,000.00 between the two. The original agreement with Ormat was that during construction Ormat would maintain Finger Rock Road and that after construction the county would take it over again. The county has spent approximately \$45,000.00 to maintain that section of road and supply emergency services during phase 1. The benefits are just not there and that is why Mineral County is protesting it. County Commissioner Tipton further stated that 48%-50% of Mineral County’s total revenue comes from consolidated tax. The sales tax abatement from the state resulted in over \$1,000,000.00 just for the school district that they didn’t get. The Deputy Director noted that Commissioner Tipton’s office had done an analysis on the benefits and asked whether she had seen it. Commissioner Tipton stated that the state is centrally assessing because 100% goes to LADWP, even before the state started centrally assessing they were looking at \$460,000.00 coming to the county to be shared with the school, hospital, and the senior center. The county would be looking at maybe \$200,000.00 in revenue to the general fund. Terre Rubald, Deputy Executive Director for the Department of Taxation, shared her findings, stating that the total taxes due would be \$783,000.00, \$431,000.00 would be abated leaving \$352,000.00 for the county and its entities, which is subject to change based on what the actual appraisal will be.

The Deputy Director asked whether anyone would like to make any closing statements and Tim Clausen, council for Ormat stated that it is not only for the county residents but for state residents and it is a \$59,000,000.00 capital investment and a financial benefit to the county. The employment of county residents maybe didn't meet it but that is just not the requirement. Luke Welmerink, Tax Manger for Ormat then stated that even with the tax abatement they are not taking away revenue but rather creating additional revenue which far outweighs the marginal cost. There will be an increased revenue base for the county, which cannot be documented yet. However, 120 construction employees and 4 or 5 permanent employees will also be hired, bringing in more revenue for the county.

The Deputy Director asked if any person wished to add any closing remarks to which Commissioner Jerrie Tipton added that many of the employees during Phase 1 lived in Fallon and surrounding areas and not in Mineral County. She expressed concern for the depreciation after the tax abatement. Luke Welmerink, Tax Manager for Ormat stated that they will not abandon this after 20 years and they are looking at this long term.

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

5. The Deputy 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 Deputy Director found that the applicant intends to locate within this State a facility for the generation of renewable energy, thus meeting the intent of the statute. As to NRS 701A.360(2), the Deputy Director found that the facility is not owned, operated, leased, or controlled by a government agency, thus meeting the requirement of the statute. The Deputy 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 76 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 Deputy Director found that the total capital investment in the facility is estimated to be \$59,850,000, thus exceeding the \$3,000,000 capital investment required by the statute. As to NRS 701A.365(1)(e)(3), the Deputy Director found that this statute is met as the application 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 \$26.00, which is at least 110% of the average statewide hourly wage set by DETR. As to NRS 701A.365 (1)(e)(4), the Deputy 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 \$41.05, which is at least 175% of the average

statewide hourly wage set by DETR. 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. As to NRS 701A.365(1)(f), the Deputy 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 Deputy 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 \$59,850,000.00 and the total abatement is \$10,225,570.00.

The Deputy 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.

6. Approval of Application. The Deputy Director approved the application for the partial abatement of property taxes. The Deputy Director acknowledged also Mineral County's concerns.

7. Explanation of Process: The Deputy 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 Deputy Director or her representative, representatives from the Nevada Department of Taxation, and appropriate representatives of ORNI 37, LLC will meet face-to-face to go over the terms and conditions of the Abatement Agreement and after that meeting, will execute the Abatement Agreement.

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

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

7. Adjournment: 10:50AM.