

BEFORE THE NEVADA ENERGY DIRECTOR  
GOVERNOR'S OFFICE OF ENERGY

In the Matter of the Application of: )  
 )  
ORNI 43 LLC/Ormat Nevada Inc. )

AFN: 16-0125G

NOTICE OF INTENT TO PARTICIPATE

Pursuant to NAC 701A.585, Churchill County, a political subdivision of the State of Nevada, provides this NOTICE OF INTENT TO PARTICIPATE in the hearing being held on March 15, 2016 at 2 p.m. on the application of ORNI 43/Ormat Nevada Inc., for tax abatements. Churchill County intends to support the application.

LEGAL ARGUMENT

Churchill County intends to present an argument in support of the application while expressing concern over the policy of the State of Nevada in providing substantial tax abatements to the geothermal industry. The substance of our argument follows that found in the letter provided to the Governor's Office of Energy and which is attached as Exhibit A.

IDENTIFICATION OF WITNESSES OR EVIDENCE

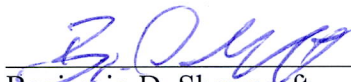
Churchill County intends to present testimony from Alan Kalt, Churchill County Chief Financial Officer.

Churchill County intends to present the following exhibits as evidence:

EXHIBIT A – Letter to the Director of Governor's Office of Energy dated March 2, 2016.

EXHIBIT B – Spreadsheets illustrating the local impact of the tax abatements (5 pages).

Dated this the 4<sup>th</sup> day of March, 2016

  
\_\_\_\_\_  
Benjamin D. Shawcroft  
Chief Deputy District Attorney - Civil  
Churchill County  
165 N Ada Street  
Fallon, NV 89406  
(775) 428-0217

**EXHIBIT A**



Office of the  
*CHURCHILL COUNTY COMMISSIONERS*

*Carl Erquiaga  
Pete Olsen  
Bus Scharmann*

Ms. Angie Dykema  
Director Governor's Office of Energy  
755 N. Roop Street, Suite 202  
Carson City, Nevada 89701

March 2, 2016

RE: ORNI 43 LLC/Ormat Nevada Inc. Tax Abatement Request AFN: 16-0125G

Dear Ms. Dykema,

Churchill County is in receipt of the Ormat's Tax Abatement Application for the geothermal Tungsten Project located in Churchill County. As noted in the application, Ormat is seeking to invest \$94,400,000 to build a power generating plant that is expected to deliver a generating capacity of 24 MW at design conditions with the geothermal resource located in Edwards Creek Valley in Churchill County. In exchange for making this investment and using a geothermal resource at a site specific location in Churchill County, Ormat is seeking sales and use tax and property tax abatement for the next 20 years as allowed in the Nevada Revised Statutes. Churchill County has reviewed the application and supports Ormat's abatement request as it appears to satisfy all the current statutory requirements. In doing so, however, we express concern over the policy of this state in providing such substantial tax incentives for this industry.

The amount of the requested abatement for this project is significant. Based on an analysis by the Department of Taxation, the sales and use tax abatement is projected at \$2,587,000 for the first year of construction. The Department's estimate of the property tax abatement for the 20 year period is \$9,247,377 for a total abatement of \$11,834,377 for this project. Based on the information submitted by Ormat, the construction of the Tungsten Project will create 66 FTE jobs during the one year construction period and 5 permanent jobs during the 20 year abatement period. The estimated Nevada construction wages are \$2,765,000, out of state construction wages are \$2,900,000. The 5 permanent employees will be paid a total estimated annual amount of \$349,440 per year or \$6,988,800 in Nevada wages over the 20 year period. Thus, a total of \$9,753,800 wages will be paid to Nevadans over the 20 year period of this plant. This compares to the total abatement amount of \$11,834,377 leaving an excess of abatement over wages in the estimated amount of \$2,366,875. However, the capital investment of over \$51,740,000 in taxable sales exceeds the total abatement amount requested in the application.

Churchill County is supportive of green energy. Geothermal power is a great base-load power that can provide low cost energy with a 90%+ capacity factor in a clean, safe and efficient manner. Our local geothermal industry is mature with several plants operating since the 1980's. Currently, we have seven plants generating renewable power that does not create any greenhouse gases, is combustion free and has limited impacts on the environment. We generate more green energy in our county than we use which gives us a new perspective to our High School mascot "Fallon GREENwave".

Churchill County and the related taxing entities will financially benefit from the Tungsten Project. When the abatement is approved, local governments will collect 45% of the property taxes over the next twenty

years. This amounts to an estimated \$7,566,036 over 20 years or an average of \$378,300 annually. Furthermore, they will employ 5 employees who will live locally in our community earning above average wages. Historically, our geothermal companies are socially responsible employers and their employees actively engage in our community and enjoy the rural lifestyle Churchill County has to offer.

Churchill County has concerns with the current public policy authorizing such a high level of tax abatements for an industry that must locate where the geothermal resource is located. We engaged Mr. Jeremy Aguero and Applied Analysis to perform an Economic and Fiscal Impact Analysis on the Geothermal Industry in September 2012. The report concluded that the Net Fiscal Benefit per Employee is \$56,000 over a twenty year period of time for a 20MW plant. Furthermore, the report indicated that the geothermal industry is relatively established in Churchill County. Geothermal energy is site-specific, and employees hired by a new project may not be from Churchill County. The new geothermal power may be exported out of state, thus Nevada's natural resource may be exported. This will add nothing to the in-state energy supply-even as the state provides significant tax abatements to encourage production. With continued abatements of major revenue resources, Churchill County's fiscal structure will be impacted. Lastly, given that some large geothermal operators are reporting stable profits, the concept of whether the abatements are necessary to ensure their existence in the state should be considered-especially given the site dependency of the industry. We believe this Economic and Fiscal Impact Analysis should be evaluated to determine the appropriate levels of tax abatements necessary for the geothermal industry.

In reviewing information on the Governor's Office of Energy web-site, Ormat has received over \$60,546,813 in tax abatements for five geothermal projects in the State of Nevada since 2012. These projects have been built and have been contributing to Ormat's successful operations. During their February 24, 2016 Earnings Call with financial analysts, Ormat Technologies, Inc. reports all-time record annual revenues of \$595 Million and adjusted EBITDA of \$291 Million for the calendar year 2015. Their gross margin increased to 36.7% in 2015 compared to 36.4% in 2014 while operating income grew 14.3% to \$164.1 Million in 2015 as their total book equity exceeded \$1 Billion. These numbers beg the question "Does this industry or company really need these substantial tax abatements to expand projects in the State of Nevada?" We believe this policy question needs to be evaluated by the State of Nevada in the very near future.

Churchill County has a long and successful partnership with Ormat as they operate their Brady Hot Springs and Desert Peak I & II geothermal plants in Churchill County. We are excited and supportive of their proposed Tungsten and Dixie Meadows Plants as they will be beneficial to all parties as they are developed over the next two years in Churchill County.

Thank you for allowing us to participate in this process. If you have any questions or need clarifications, please contact me at your earliest convenience.

Sincerely,



Mr. Pete Olsen  
Chairman, Board of County Commissioners

**EXHIBIT B**

**Churchill County**  
**Abatement Calculations**  
**Summary Amounts**  
**Tungsten Plant \$97.584M**

Description	Amounts	Jobs Created	Abatement Per Job
Sales & Use Tax Abatement	\$ 2,587,000.00	5	\$ 517,400.00
Property Tax Abatement	\$ 9,247,377.05	5	\$ 1,849,475.41
<b>Total Abatement</b>	<b>\$ 11,834,377.05</b>	<b>5.0</b>	<b>\$ 2,366,875.41</b>
<b>Job Creation/Payroll Cost</b>	<b>FTE's</b>		<b>Wages Paid</b>
Nevada Construction Payroll	33		\$ 2,765,000.00
20 Years Salary Nevada Permanent Employees	5		\$ 6,988,800.00
<b>Total Wages</b>			<b>\$ 9,753,800.00</b>
<b>Excess Abatement Over Payroll Cost</b>			<b>\$ 2,080,577.05</b>

Explanation: Ormat will receive a total Tax Abatement of \$11,834,377 over a 20 year period to create 5 Permanent Jobs in Nevada. The 20 years worth of wages paid to these 5 employees + the Nevada construction workers equals \$9,753,800. Leaving an excess abatement over payroll costs of \$2,080,577 over a 20 year period. Stated in another way, the abatement equals \$2,366,875 per permanent job created.

**Churchill County  
Abatement Calculations  
Sales and Use Tax Abatement  
Tungsten Plant \$97.584M**

Estimated Project Cost Subject to Abatement			<b>\$ 51,740,000</b>	
Total Projected Taxable Sales Subject to Abatement			\$ 51,740,000	
<b>Type of Sales Tax</b>	<b>Percentage</b>	<b>Dollars</b>	<b>Notes/Entities Affected</b>	
<b>State Tax Subject to Abatement</b>	<b>2.00%</b>	<b>\$ 1,034,800.00</b>	<b>State Amount Abated</b>	
LSST	2.60%	\$ 1,345,240.00	Local School Support, School District: NOT ABATED	
BCCRT	<b>0.50%</b>	\$ 258,700.00	Shared with County, Cities and GIDs	
SCCRT	<b>1.75%</b>	\$ 905,450.00	Shared with County, Cities and GIDs	
Local Options				
AB 104 Make-up	<b>0.25%</b>	\$ 129,350.00	Local Option Shared with County, Cities, GIDs	
Public Transit	<b>0.25%</b>	\$ 129,350.00	Shared with County & Cities	
Infrastructure Development	<b>0.25%</b>	\$ 129,350.00	Local Option	
<b>Totals Local Subject to abatement</b>	<b>5.60%</b>	<b>\$ 1,552,200.00</b>		
Total Sales Tax Rate	7.60%	\$ 3,932,240.00	Gross Sales Tax Collection without abatement	
<b>Total Abatement to Company</b>		<b>\$ 2,587,000.00</b>	<b>State Abatement + Local Government Abatement</b>	
Total Net Abatement Received by Company		\$ 2,587,000.00		
Number of New Jobs Created:		<b>5</b>		
<b>Sales Tax Abatement Per Job Created</b>		<b>\$ 517,400.00</b>		
	Hrly		Annual Rate	
Permanent Employees Average wage	\$	33.60	\$	69,888.00
<b>Number of Years of Salary in Tax Abatement per job</b>				<b>7.40</b>

**Churchill County  
Abatement Calculations  
Property Tax Abatements  
Tungsten Plant \$97.584M**

Estimated Cost of Facilities	<b>\$ 97,584,250.00</b>
Assessed Valuation at 35%	\$ 34,154,487.50
Local Tax Rate per \$100 Assessed Value	2.83
Estimated Property Taxes Due	967,562.48
Abatement Amount Per NRS	55%
<b>Estimate Abatement Amount First Year</b>	<b>\$ 532,159.36</b>
Abatement Period of 20 Years	20
<b>Total Property Tax Abatement</b>	<b>\$ 9,247,377.05</b>
Total Property Taxes Paid during 20 years	7,566,035.77

FUND	TAX RATE	COUNTY Apportionment	Taxes w/o Abatement	Abatement Amount	Total Amount Received	20 Yr of Abatements	20 Yr of Collected Revenues
GENERAL	0.86190	30.4247%	294,377.53	161,907.64	132,469.89	2,813,482.40	2,301,940.14
SOCIAL SERVICES	0.05000	1.7650%	17,077.24	9,392.48	7,684.76	163,213.97	133,538.70
SENIOR CENTER	0.03000	1.0590%	10,246.35	5,635.49	4,610.86	97,928.38	80,123.22
AG EXTENSION	0.02000	0.7060%	6,830.90	3,756.99	3,073.90	65,285.59	53,415.48
PUBLIC LIBRARY	0.06410	2.2627%	21,893.03	12,041.16	9,851.86	209,240.31	171,196.62
<b>(A) SUB-TOTAL SUBJECT TO LIMITATIONS</b>	<b>1.02600</b>	<b>36.2173%</b>	<b>350,425.04</b>	<b>192,733.77</b>	<b>157,691.27</b>	<b>3,349,150.64</b>	<b>2,740,214.16</b>
CAPITAL IMPROVEMENT FND	0.05000	1.7650%	17,077.24	9,392.48	7,684.76	163,213.97	133,538.70
LOCAL GOV'T TAX ACT 1991	0.02190	0.7731%	7,479.83	4,113.91	3,365.92	71,487.72	58,489.95
YOUTH SERVICES	0.05000	1.7650%	17,077.24	9,392.48	7,684.76	163,213.97	133,538.70
HOSP CARE IND. MVA	0.01500	0.5295%	5,123.17	2,817.75	2,305.43	48,964.19	40,061.61
IND MEDICAL CARE	0.06000	2.1180%	20,492.69	11,270.98	9,221.71	195,856.76	160,246.44
FIRE EQUIPMENT LEVY	0.03000	1.0590%	10,246.35	5,635.49	4,610.86	97,928.38	80,123.22
<b>(B) SUB-TOTAL</b>	<b>0.22690</b>	<b>8.0095%</b>	<b>77,496.53</b>	<b>42,623.09</b>	<b>34,873.44</b>	<b>740,664.99</b>	<b>605,998.63</b>
<b>(C) MOSQUITO &amp; WEED ABATEMENT</b>	<b>0.08000</b>	<b>2.8240%</b>	<b>27,323.59</b>	<b>15,027.97</b>	<b>12,295.62</b>	<b>261,142.35</b>	<b>213,661.92</b>
<b>SCHOOL DISTRICT</b>	<b>0.75000</b>	<b>26.4746%</b>	<b>256,158.66</b>	<b>140,887.26</b>	<b>115,271.40</b>	<b>2,448,209.53</b>	<b>2,003,080.53</b>
OPERATING RATE	0.55000	19.4147%	187,849.68	103,317.32	84,532.36	1,795,353.66	1,468,925.72
DEBT SERVICE	1.30000	45.8894%	444,008.34	244,204.59	199,803.75	4,243,563.19	3,472,006.25
<b>(D) SUB-TOTAL-SCHOOL DISTRICT</b>	<b>0.17000</b>	<b>6.0009%</b>	<b>58,062.63</b>	<b>31,934.45</b>	<b>26,128.18</b>	<b>554,927.49</b>	<b>454,031.59</b>
<b>(E) STATE OF NEVADA</b>	<b>0.00000</b>	<b>0.0000%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(F) CARSON-TRUCKEE WATER</b>	<b>0.03000</b>	<b>1.0590%</b>	<b>10,246.35</b>	<b>5,635.49</b>	<b>4,610.86</b>	<b>97,928.38</b>	<b>80,123.22</b>
<b>(G) CARSON WATER SUBCONSERVANCY</b>	<b>2.8329</b>	<b>100.00%</b>	<b>967,562.48</b>	<b>532,159.36</b>	<b>435,403.11</b>	<b>9,247,377.05</b>	<b>7,566,035.77</b>
<b>TOTAL RATE FOR COUNTY RESIDENTS (A+B+C+D+E+F+G)</b>				<b>55.00%</b>	<b>45.00%</b>		



Churchill County  
 Tungsten Plant Project  
 Property Tax Abatements  
 Sample \$97.584M

Taxes Per Budget Office Calculations	Total Taxes	Property Tax Abatement	Property Taxes Amount Paid	Percentage of Prior Year Values	Percentage of Taxes Paid vs Base Yr
Year 1	\$ 967,562.48	\$ 532,159.36	\$ 435,403.11	100.00%	45.00%
Year 2	\$ 954,154.07	\$ 524,784.74	\$ 429,369.33	98.61%	44.38%
Year 3	\$ 940,137.96	\$ 517,075.88	\$ 423,062.08	98.53%	43.72%
Year 4	\$ 925,561.48	\$ 509,058.81	\$ 416,502.67	98.45%	43.05%
Year 5	\$ 910,497.09	\$ 500,773.40	\$ 409,723.69	98.37%	42.35%
Year 6	\$ 900,649.30	\$ 495,357.12	\$ 405,292.19	98.92%	41.89%
Year 7	\$ 887,306.62	\$ 488,018.64	\$ 399,287.98	98.52%	41.27%
Year 8	\$ 873,977.87	\$ 480,687.83	\$ 393,290.04	98.50%	40.65%
Year 9	\$ 860,663.35	\$ 473,364.84	\$ 387,298.51	98.48%	40.03%
Year 10	\$ 847,363.33	\$ 466,049.83	\$ 381,313.50	98.45%	39.41%
Year 11	\$ 834,078.12	\$ 458,742.97	\$ 375,335.15	98.43%	38.79%
Year 12	\$ 820,808.00	\$ 451,444.40	\$ 369,363.60	98.41%	38.17%
Year 13	\$ 807,553.27	\$ 444,154.30	\$ 363,398.97	98.39%	37.56%
Year 14	\$ 794,314.24	\$ 436,872.83	\$ 357,441.41	98.36%	36.94%
Year 15	\$ 781,091.23	\$ 429,600.18	\$ 351,491.05	98.34%	36.33%
Year 16	\$ 767,884.56	\$ 422,336.51	\$ 345,548.05	98.31%	35.71%
Year 17	\$ 754,694.56	\$ 415,082.01	\$ 339,612.55	98.28%	35.10%
Year 18	\$ 741,521.54	\$ 407,836.85	\$ 333,684.69	98.25%	34.49%
Year 19	\$ 728,365.87	\$ 400,601.23	\$ 327,764.64	98.23%	33.88%
Year 20	\$ 715,227.88	\$ 393,375.33	\$ 321,852.55	98.20%	33.26%
<b>20 Year Totals</b>	<b>\$ 16,813,412.82</b>	<b>\$ 9,247,377.05</b>	<b>\$ 7,566,035.77</b>		

Churchill County  
Wage Calculations  
Tungsten Plant \$97.584M Project

**Construction Phase**

Description	# Nevadans	# Out of State	Hourly Rate	Nevada Wages	Out State Wages
Civil Construction Employees	15	10	40.00	\$ 600,000.00	\$ 400,000.00
Fire Construction Employees	5	-	33.00	\$ 165,000.00	\$ -
Mechanical Employees	15	15	40.00	\$ 600,000.00	\$ 600,000.00
Electrical Employees	10	15	40.00	\$ 400,000.00	\$ 600,000.00
T-Line	5	10	60.00	\$ 300,000.00	\$ 600,000.00
Buildings	4	4	25.00	\$ 100,000.00	\$ 100,000.00
Gathering System	10	15	40.00	\$ 400,000.00	\$ 600,000.00
Ormat Employees	5	-	40.00	\$ 200,000.00	\$ -
<b>Totals</b>	<b>69</b>	<b>69</b>	<b>41.05</b>	<b>\$ 2,765,000.00</b>	<b>\$ 2,900,000.00</b>
<b>FTE Equivalent: Construction</b>	<b>66</b>				<b>\$ 5,665,000.00</b>
	<b>33</b>				

**Operation Phase**

Description	Hourly Rate	Nevada Wages
Permanent Employee:Mgmt	2080 \$ 33.60	\$ 69,888.00
Permanent Employee:Labor	2080 \$ 33.60	\$ 69,888.00
Permanent Employee:Labor	2080 \$ 33.60	\$ 69,888.00
Permanent Employee:Labor	2080 \$ 33.60	\$ 69,888.00
Permanent Employee:Labor	2080 \$ 33.60	\$ 69,888.00
<b>Totals</b>	<b>10400 \$ 33.60</b>	<b>\$ 349,440.00</b>
<b>FTE Equivalent</b>	<b>5</b>	<b>Annual Wage \$ 69,888.00</b>

20 Years of Estimated Payroll

20 \$ 6,988,800.00

**Total Nevada Payroll (Construction+20 Years Operations) \$ 9,753,800.00**

**Projected Abatements**

Sales & Use Tax	3 Year Period	\$ 2,587,000.00
Property Taxes	20 Year Period	\$ 9,247,377.05

**Total Projected Tax Abatements for 20 Year Period \$ 11,834,377.05**

**Excess Abatement over Payroll Costs \$ 2,080,577.05**