

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

In the Matter of the Application of:)
)
ORNI 41 LLC/Ormat Nevada, Inc.)
_____) **Application Filing No. 17-1018G**

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

A hearing was held before the Director of the Governor’s Office of Energy (Office) on January 4, 2018 regarding Application Filing Number 17-1018G. At the hearing, applicant ORNI 41 LLC/Ormat Nevada, Inc. (ORNI 41) was represented by Stephanie Osborne of Ormat Nevada, Inc. Also present on behalf of ORNI 41 was counsel, Nicole Scott of Lewis Roca Rothgerber Christie. Based upon ORNI 41’s application, and evidence presented at the hearing, the Director makes the following findings of fact, conclusions of law, and order in this matter.

FINDINGS OF FACT

1. At the hearing of the matter, ORNI 41 presented the testimony of Stephanie Osborne. The Office Director admitted into evidence as Exhibit 1 a packet that contained six subparts: (A) Notice of Public Hearing, December 7, 2017; (B) ORNI 41 Application (redacted) for the ORNI 41 project as filed with the Office on October 18, 2017; (C) Fiscal Impact of the partial abatement of Property Tax as required by NRS 701A.375-1 by the Nevada Department of Taxation, received on November 15, 2017; (D) Fiscal Impact of the partial abatement of Sales and Use Tax as required by NRS 701A.375-1 by the Nevada Department of Taxation, received on November 15, 2017; (E) Fiscal Impact of the partial abatement as provided by the Governor’s Office of Finance required by NRS 701A.375-1, received on November 8, 2017; (F) Pre-filed

Testimony of Stephanie Osborne. At the hearing, all of the subparts of Exhibit 1 were admitted into evidence.

Based upon the testimony of the witness and the evidence presented, the Director finds the following to be the facts in this matter.

2. ORNI 41, LLC is a subsidiary of Ormat Nevada, Inc. ORNI 41, LLC is a limited liability company with a current Nevada State Business License from the Nevada Secretary of State.

3. On October 18, 2017, ORNI 41 submitted its Application seeking partial abatement of sales and use taxes and property taxes for the construction and operation of a facility for the generation of geothermal renewable energy (“Facility”) that would be located on approximately 7,680 acres of Bureau of Land Management (BLM) land and private land in Lander County, Nevada, Lander County Assessor’s Parcel Numbers 005-370-03, 005-370-02 (“Parcels”) The Application described a geothermal electric generating facility that would generate 74 AC Nameplate megawatts (MW) that would be sold to Southern California Public Power Authority for a period of 25 years pursuant to a power purchase agreement.

4. Pre-filed testimony from Stephanie Osborne supported that ORNI 41 was properly licensed and qualified to do business in Nevada; that ORNI 41 had obtained all required discretionary state and local licenses and permits, with the remaining permits to be obtained prior to start of construction, expected January 2018, and intended to maintain all of the required licenses and permits for the Facility; that ORNI 41 had all necessary approvals for the Facility; that the Facility would have an AC nameplate rating of 74 MW and was anticipated to produce 48.5 MW; that ORNI 41 had entered into a 25-year power purchase agreement with Southern California Public Power Authority; that the total capital investment of the Facility will be approximately \$107,000,000.00; that the Facility would create approximately seven full-time

operational jobs which would pay an average of approximately \$33.60 per hour; and that the Facility would create approximately 50 full-time construction jobs per week during the second quarter of construction which would pay an average hourly wage of \$39.11 per hour.

5. 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 \$33.60 which is at least 110% of the average statewide hourly wage for green industry tax abatements, currently posted by Department of Employment Training and Rehabilitation.

6. That the average hourly wage paid by the facility to all of its construction employees working on the facility, excluding management and administrative employees, will be approximately \$39.11 which is at least 175% of the average statewide hourly wage for green industry tax abatements, currently posted by Department of Employment Training and Rehabilitation.

7. The Fiscal Impact statement produced by the Department of Taxation shows the following estimated figures regarding the sales and uses taxes related to the Facility:

Total Amount Abated (Year 1)	\$2,449,079.55
Total Amount Abated (Year 2)	\$0
Total Amount Abated (Years 3)	\$0
TOTAL AMOUNT ABATED	\$2,449,079.55
Total Amount Abated by Local Government (Year 1)	\$1,360,599.75
Total Amount Abated by Local Government (Year 2)	\$0
Total Amount Abated by Local Government (Year 3)	\$0
TOTAL AMOUNT ABATED BY LOCAL GOVERNMENT	\$1,360,599.75
TOTAL LOCAL SCHOOL SUPPORT TAX GAIN	\$1,415,023.74

8. The Fiscal Impact statement produced by the Department of Taxation shows the following estimated figures regarding the property taxes related to the Facility over the abatement period (20 years):

Total Property Taxes Due Before Abatement	\$21,540,969
Total Property Taxes Abated Over Abatement Period	\$11,847,533
Total Taxes to Local Government Over Abatement Period	\$9,693,436

9. The Fiscal Note produced by the Budget Division shows that the State General Fund will be impacted for a total of approximately \$1,088,480 abated over the period of the abatement (2018 through 2020).

10. Synthesizing the figures in evidence in this matter, the total estimated benefit pursuant to NRS 701A.365(1)(f) to the state and local governments in Nevada is \$122,884,356 and the total estimated amount of property taxes and sales and use taxes abated in this matter is \$14,296,613.00 Thus, the benefits to the state and local governments in Nevada exceeds the total amount of abated taxes. The estimated benefits and amounts abated over the applicable periods of abatement are calculated as follows:

Financial Benefits

Capital Investment in Nevada	\$107,000,000.00
Construction Payroll in Nevada residents	\$6,589,252.00
Operational Payroll in Nevada:	\$9,295,104.00
TOTAL BENEFITS OVER ABATEMENT PERIODS	\$122,884,356

Amounts Abated

Total Sales and Use Taxes Abated (3 Years)	\$2,449,080.00
Total Property Taxes Abated (20 Years)	\$11,847,533.00
TOTAL TAXES ABATED	\$14,296,613.00

11. That all of the evidence discussed in the preceding paragraphs was supported by the substantial, reliable, and probative evidence taken from the record as a whole produced at the hearing of this matter.

CONCLUSIONS OF LAW

1. The Director has the jurisdiction and authority to adjudicate this matter because the Application is within the scope of NRS 701A.300 through 701A.390 and the Director is required by law to hold the hearing in this matter pursuant to NRS 701A.360(5).

2. The substantial, reliable, and probative evidence in the record of this matter shows that the ORNI 41 Application for the construction and operation of the Facility satisfies the following statutory requisites:

(a) NRS 701A.320(1)(a) – The primary source of energy to operate the Facility will be the Facility itself, thus meeting the statutory standard.

(b) NRS 701A.320(1)(b) – The Facility will generate 74 MW AC Nameplate, thus exceeding the statutory standard.

(c) NRS 701A.320(2) – The Facility is not located on residential property, thus meeting the statutory standard.

(d) NRS 701A.360(2) – The Facility is not owned, operated, leased, or controlled by a government agency, thus meeting the statutory standard.

(e) NRS 701A.365(1)(a)(1) – The Facility is anticipated to be operational for at least 25 years, thus exceeding the statutory standard.

(f) NRS 701A.365(1)(b) – The Facility has all the necessary state and local permits and licenses to operate, thus meeting the statutory standard.

(g) NRS 701A.365(1)(c) - 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, except any private activity bonds as defined in 26 U.S.C. §141, thus meeting the statutory standard.

(h) NRS 701A.365(1)(e)(1) – The construction of the Facility will employ at least 108 full-time employees during the second quarter of construction. ORNI 41 anticipates that at least 50% of those employees will be Nevada residents, thus meeting the statutory standard.

(i) NRS 701A.365(1)(e)(2) – The capital investment in Nevada for the Facility is estimated to be at least \$107,000,000.00, thus exceeding the statutory standard.

(j) NRS 701A.365(1)(e)(3) – The average hourly wage paid to the operational employees of the Facility will be approximately \$33.60, which is more than 110% of the average hourly wage set by DETR of \$24.36, thus exceeding the statutory standard.

(k) NRS 701A.365(1)(e)(4) – The average hourly wage paid to the construction employees on the Facility will be approximately \$39.11, which is more than 175% of the average hourly wage set by DETR of \$38.76, thus exceeding the statutory standard.

(l) NRS 701A.365(1)(e)(4)(I) and (II) – The health insurance provided to the construction employees on the Facility was represented to allow for the coverage of the dependents of the employees and will meet or exceed the standards established by the Director, thus meeting the statutory standard.

(m) NRS 701A.365(1)(f) – 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 statutory standard.

(n) NRS 701A.370(1)(a)(3) – 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, thus meeting the statutory standard.

(o) NRS 701A.370(1)(b)(1)(III) – 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.

ORDER

Based upon the foregoing, the Director orders that ORNI 41 Application Filing No. 17-1018G related to the construction and operation of the Facility is hereby **GRANTED**. ORNI 41 and the Director may execute an Abatement Agreement as soon as practicable that will satisfy the requisites of NRS 701A.300 through NRS 701A.390. ORNI 41 sales and use tax abatement will terminate three years from the effective date of the Abatement Agreement. ORNI 41 real property tax abatement, which applies to the Parcels, and ORNI 41 personal property tax abatement will terminate 20 years from the effective date of the Abatement Agreement.

SIGNED this 9th day of January, 2018.



ANGIE DYKEMA
Director
Governor's Office of Energy