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GOVERNOR'S OFFICE OF ENERGY

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

AFN 17-0106G
Brady Power Partners
April 20, 2017

The Governor's Office of Energy held a public meeting on April 20, 2017, beginning at 10 AM. at the following location:

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

Present at the hearing:

Matthew Tuma, Deputy Director of the Governor's Office of Energy
Suzanne Linfante, Governor's Office of Energy
Laura Wickham, Governor's Office of Energy
Mark Brady, Governor's Office of Energy
Roman Borisov, Counsel for Brady Power Partners
Stephanie Osborne, Tax Director for Brady Power Partners

- 1. Call to order:** The meeting was called to order at 10:02 AM by Deputy Director Matthew Tuma.
- 2. Deputy 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 Brady Power Partners, on January 4, 2017. Application filing number 17-0106G. This is an application for a 15 MW geothermal project located in Churchill County, NV.
- 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 March 29, 2017; Exhibit B – A redacted Application as filed with the Governor's Office of Energy on January 4, 2017; Exhibit C – Email to Brady Power Partners, dated April 12, 2017, regarding wage information; Exhibit D – Fiscal Impact of the partial abatement of Property Tax as required by NRS 701A.375-1 by the Nevada Department of Taxation, received on March 21, 2017; Exhibit E – 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 January 19, 2017; Exhibit F – Fiscal Impact of the partial abatement as provided by the Department of Administration, required by NRS 701A.375-1, received on January 25, 2017; Exhibit G – Pre-filed Testimony of Stephanie Osborne; Exhibit H – Notice of Recusal of Director Dykema. The Director admitted Exhibit 1 into evidence in this matter.

The parties present introduced themselves. The Deputy Director asked if Brady Power Partners intended to call a witness to testify. Roman Borisov stated they would like to have Stephanie Osborne's written testimony admitted. The Deputy Director administered the oath to Stephanie Osborne.

Deputy Director Tuma asked whether the applicant wanted to make an opening statement, Roman Borisov stated the following: This tax abatement application has been filed by Brady Partners which is the subsidiary of Ormat. Ormat has been well known as a world leader in geothermal energy development. It is a well-known and respected company in Nevada. The application that we filed supported by Ms. Osborne's testimony is fully compliant with the statutory and regulatory requirements, for instance Ormat is making a \$25 million dollar investment that far exceeds the \$3 million dollar threshold. The plant is going to be in operation for 25 years which is far longer than the 10 year statutory requirement. Furthermore, the project will create the requested/required number of jobs which will pay at least 175% of the state wide average hourly wage. The project will create about an excess of \$6 million dollars in operational pay roll and about \$1.35 million in construction payroll in addition even after the tax abatements the project will generate \$2 million in property tax and \$416,000 in sales tax. Of the property tax \$1.8 million is going to Churchill county. Thus it's our conclusion and belief that the application is fully compliant with the statutory requirement and the project meets all the abatement requirements. With that I would like to offer the testimony of Mrs. Osborne which has been marked as Exhibit G. We do have a couple of corrections. Well 1 correction, 1 amendment.

Stephanie Osborne continued, on page 6 the question is, will the financial and employment benefit Churchill county, the state of Nevada and its residents receive from the Brady Re-Powering project exceed the loss of tax revenue that will result if partial abatements are granted. We would like to change the partial abatements total, our answer is yes the capital investments, the wages paid and the taxes paid will far exceed the loss of tax revenue that will result from the partial tax abatement. According to the Department of Taxation's fiscal notes of the application and the partial tax abatements total approximately \$3.2 million instead of \$2.8 over a 20 year period to the state of Nevada and Churchill county. Ormat's initial Brady project capital investment alone is over \$25 million, in addition, Ormat will continue to invest capital in the project throughout the plants operational period. Page 4. So the next question, has Ormat attained all required permits to construct the project? We would like to refer to the list of required permits or authorizations for the proposed facility. In regards to the permit titled Amendment to Class 2. For the record we are looking at Exhibit B. In regards to Amendment to Class 2 AQ permit to operate, we have received that permit. In regards to the construction storm water permit, we have received that. In regard to the next 2 boiler pressure vessel construction permits and the boiler pressure vessel operating permit, we've determined that those are unnecessary. In regards to the special use permit, we have received that permit. In regards to the building permit, those are on track with no expected delays.

The Deputy Director asked Stephanie Osborne to clarify her testimony again regarding the status of the permit's one by one.

Deputy Director Tuma further asked, so in the approval date or the expected approval date it says Q1 so we are in Q2 this year, so would that be Q2 then for the expected date?

Roman Borisov responded, my understanding is that it is not just a singular permit. So we have acquired some of them and the remainder remains to be acquired but it is just going to occur in the near future. That's the latest information we have received.

The Deputy Director asked if there was any additional information to be submitted in this matter, there was none. He then asked whether someone else would like to be heard in this matter, there were no further comments.

The Deputy Director asked whether anyone would like to make a closing statement, Roman Borisov stated that they firmly believe the application submitted met the requirements of the tax abatement statutory and regulatory framework.

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

5. The Deputy Director stated his 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 geothermal 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)(d)(1), the application states that the construction of the facility will employ 50 full-time employees during the second quarter of construction of which at least 50% will be Nevada residents. As to NRS 701A.365(1)(d)(2), the Deputy Director found that the total capital investment in the facility is estimated to be approximately \$25,500,000, thus exceeding the \$3,000,000 capital investment required by the statute. As to NRS 701A.365(1)(d)(3), the Deputy Director found that this statute is met as the testimony presented today 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 \$30.00, which is at least 110% of the average statewide hourly wage set by DETR of \$22.15. As to NRS 701A.365 (1)(d)(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 \$38.76, which is at least 175% of the average statewide hourly wage set by DETR of \$22.15. 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 Deputy 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 \$33,604,761 and the total abatement is \$3,248,066.

As to NRS 701A.370(1)(a)(3), 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, other than any partial abatement provided pursuant to NRS 361.4722.

As to NRS 701A.370(1)(b)(1)(III), The Deputy Director found that the abatement will not apply during any period in which the facility was receiving another abatement or exemption from local sales and use taxes, thus meeting the requirement of the statute.

6. Approval of Application. The Deputy Director approved the application for the partial abatement of property taxes.

7. Explanation of Process: The Deputy Director explained that after today's hearing, he will produce a written Findings of Fact, Conclusions of Law, and Order. Once the Order is issued, the Deputy Director or his representative, representatives from the Nevada Department of Taxation, and appropriate representatives of Brady Power Partners may meet to go over the terms and conditions of the Abatement Agreement and after that meeting, we will execute the Abatement Agreement.

The Deputy Director stated that 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.

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: 10:30AM.