

Ormat McGinness Hills – Sales and Use Tax Only

Date: May 11, 2011

Time: 1:00 pm

Present in Carson City:

Mitsuyo Maser, NV Dept of Taxation

Jo Lynn Smith, NV Dept of Taxation

Paul Thomsen, Ormat

Scott Scherer, Holland & Hart

Eyal Hen, Ormat

Terry Rubald, NV Dept of Taxation

Elizabeth Carter, Gradient Resources

Mark Albert, Gradient Resources

Stacey Crowley, NSOE

Lorayn Walser, NSOE

Tom Clark, Holland & Hart

Director Crowley: Good afternoon. I am Stacey Crowley, the Acting Nevada Energy Commissioner. This is the time and place for a hearing on the merits of an application for partial abatement of sales and use taxes filed by Orni 39, LLC on December 9, 2010 to which we have assigned Application Number 10-10006G. This application is for the construction and operation of a 43 MW geothermal power generation facility that will be located on approximately 7,580 acres of land leased from the Bureau of Land Management in Lander County, Nevada. I will be the presiding officer for the hearing this afternoon. With me is my legal counsel Louis Ling and Program Manager Lorayn Walser.

Would the representatives of Orni 39 please come forward and introduce yourselves for the record?

For the record, this is Paul Thomsen Director of Policy and Business Development for Ormat Technologies.

Scott Scherer of Holland & Hart representing Ormat Nevada Inc, and ORNI 39 LLC

Eyal Hen, Controller from Ormat

Director Crowley: As a preliminary matter, we have marked a packet of documents as Exhibit 1 in this matter. Exhibit 1 consists of several subparts:

Exhibit A - Notice of Public Hearing

Exhibit B - Pre Application filed with Nevada Energy Commissioner on March 26, 2010

Exhibit C - Application (revised/redacted) filed with NSOE on April 26, 2011

Exhibit D - Energy Related Tax Incentive Fiscal Note by the Budget Division of the Nevada Department of Administration, received on April 14, 2011

Exhibit E - Fiscal Impact Renewable Energy partial Abatement of Sales/Use Taxes and Fiscal Impact by the Nevada Department of Taxation, received on April 7, 2011

Pursuant to stipulation with ORNI 39, I am admitting Exhibit 1 into evidence in this matter.

Would the folks from ORNI 39 like to make an opening statement?

Scott Scherer: Yes, just briefly, for the record my name is Scott Scherer. ORNI 39 is a wholly-owned subsidiary of Ormat Nevada Inc, is headquartered in Reno, and currently operates ten geothermal power plants of approximately 122 MW net. This particular project is located in Lander County, it is a 30 MW facility with an excess of 80 million dollars in investment, located on BLM land. It has a 20 year Power Purchase Agreement with NV Energy and is expected to be completed in the first quarter of 2012. With that brief overview, we have submitted written testimony of Mr. Thomsen and we will address that when you are ready.

Louis Ling administers oath to Paul Thomsen and Eyal Hen.

Scott Scherer: Paul, please state your name for the record.

Paul Thomsen: For the record, Paul Thomsen, Director of Policy and Business Development for Ormat Technologies.

Scott Scherer: In connection with this proceeding, Mr. Thomsen, have you submitted written testimony, and have you reviewed that written testimony?

Paul Thomsen: I have.

Scott Scherer: Is there a change with regard to the number of construction employees in the second quarter?

Paul Thomsen: There is no change.

Scott Scherer: Is your written testimony with regard to ORNI 39 McGinness Hills Project true and correct?

Paul Thomsen: Yes

Louis Ling: One of the things we need to make a finding on is essentially an estimate of the total construction payroll. We know what the payroll is going to be from the materials for Q2 on this, and we can estimate that. Is there any way you could give us an estimate for the total construction payroll for the project?

Paul Thomsen: Sure, my understanding is that for the ORNI 42 application there is a mechanism in place that can do that. For McGinness I think it would be very similar to Tuscarora, off the top of my head I can tell you approximately what it is and we can submit total payroll numbers if you need that.

Louis Ling: We are going to need that in order to prepare the Order, so if you can't do that today...

Paul Thomsen: We can do it today. We know that there will be approximately 104 employees in the second quarter and that's pretty close to the total so can we tally that for a six month period?

Louis Ling: That would be fine.

Paul Thomsen: For the record it ranges from about 104 to 140 and if we take the average hourly pay which I believe is approximately 42.00 for a six month period.

Louis Ling: So we know it's going to be at least 7.7 million in payroll.

Paul Thomsen: Yes.

Director Crowley: In the application it says 138, so this is amended?

Paul Thomsen: Yes that is an approximation, we estimated at the lowest possible amount, which still exceeds the 50 required for the abatement.

Director Crowley: So the written and oral testimony will be submitted as part of the record. Is there anyone else who would like to be heard in this matter? Is there anything in closing that you would like to say?

Scott Scherer: One thing perhaps that we might want to put on the record is that we did meet with Lander County and they are supportive of the Sales and Use Tax abatement we are requesting here today. They did not support the Property Tax abatement for the facility with a 3-2 vote, unfortunately, a very close vote. We may come back once we have resolved any remaining issues with the transmission line and apply for the property tax abatement with regards to the transmission portion of the McGinness Hills project.

Director Crowley: Typically this is where I would state the findings and conclusions. It is not required for me to read all of this through, so what we're going to do is put together our findings and conclusions and provide you with an order within 15 days. Essentially the project meets all of the requirements, the minimum criteria. Because of the various issues including the denial from the county, I am just going to write an order instead of state all of that here in the record. We will supply that to you within 15 days.

So that closes the hearing for ORNI 39.