

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32347

**ORMAT TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**88-0326081**

(I.R.S. Employer  
Identification Number)

**6225 Neil Road, Reno, Nevada 89511-1136**

(Address of principal executive offices)

**Registrant's telephone number, including area code: (775) 356-9029**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of the date of this filing, the number of outstanding shares of common stock of Ormat Technologies, Inc. is \_\_\_\_\_, par value \$0.001 per share.

**ORMAT TECHNOLOGIES, INC**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2008**

<b>PART I — UNAUDITED FINANCIAL INFORMATION</b>	4
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	4
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	18
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	42
ITEM 4. CONTROLS AND PROCEDURES	42
<b>PART II — OTHER INFORMATION</b>	43
ITEM 1. LEGAL PROCEEDINGS	43
ITEM 1A. RISK FACTORS	43
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	43
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	43
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	43
ITEM 5. OTHER INFORMATION	44
ITEM 6. EXHIBITS	44
<b>SIGNATURES</b>	46

**Certain Definitions**

*Unless the context otherwise requires, all references in this quarterly report to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.*

## PART I — UNAUDITED FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	March 31, 2008	December 31, 2007
(in thousands)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,722	\$ 47,227
Marketable securities	—	13,489
Restricted cash, cash equivalents and marketable securities	33,096	29,236
Receivables:		
Trade	48,824	46,519
Related entity	602	385
Other	10,026	9,008
Due from Parent	1,739	253
Inventories, net	13,184	10,312
Costs and estimated earnings in excess of billings on uncompleted contracts	2,252	3,608
Deferred income taxes	1,747	1,732
Prepaid expenses and other	5,737	7,059
Total current assets	147,929	168,828
Long-term marketable securities	3,234	2,762
Restricted cash, cash equivalents and marketable securities	4,411	5,605
Unconsolidated investments	31,398	30,560
Deposits and other	16,355	15,294
Deferred income taxes	11,978	12,427
Property, plant and equipment, net	789,248	743,386
Construction-in-process	272,904	234,014
Deferred financing and lease costs, net	13,620	14,044
Intangible assets, net	47,209	47,989
Total assets	<u>\$ 1,338,286</u>	<u>\$ 1,274,909</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 97,399	\$ 75,836
Billings in excess of costs and estimated earnings on uncompleted contracts	12,755	4,818
Current portion of long-term debt:		
Limited and non-recourse	7,083	7,667
Full recourse	1,000	1,000
Senior secured notes (non-recourse)	25,475	25,475
Due to Parent, including current portion of notes payable to Parent	31,975	31,695
Total current liabilities	175,687	146,491
Long-term debt, net of current portion:		
Limited and non-recourse	12,858	14,490
Senior secured notes (non-recourse)	273,840	273,840
Notes payable to Parent, net of current portion	19,200	26,200
Deferred lease income	75,527	76,198
Deferred income taxes	21,329	20,680
Liability for unrecognized tax benefits	5,578	5,330
Liabilities for severance pay	17,758	15,201
Asset retirement obligation	13,266	13,014
Total liabilities	615,043	591,444
Minority interest	63,177	65,382
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 42,223,821 and 41,530,071 shares issued and outstanding, respectively	42	41
Additional paid-in capital	547,482	513,109
Retained earnings	111,503	103,545
Accumulated other comprehensive income	1,039	1,388
Total stockholders' equity	660,066	618,083
Total liabilities and stockholders' equity	<u>\$ 1,338,286</u>	<u>\$ 1,274,909</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.



**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

	<u>Three Months March 31,</u>	
	2008	2007
	(in thousands, except per share data)	
<b>Revenues:</b>		
Electricity:		
Energy and capacity	\$ 25,235	\$ 19,910
Lease portion of energy and capacity	33,613	23,077
Lease income	671	671
Total electricity	59,519	43,658
Products	9,868	18,089
Total revenues	<u>69,387</u>	<u>61,747</u>
<b>Cost of revenues:</b>		
Electricity:		
Energy and capacity	21,675	23,364
Lease portion of energy and capacity	15,690	15,047
Lease expense	1,311	1,311
Total electricity	38,676	39,722
Products	8,050	15,924
Total cost of revenues	<u>46,726</u>	<u>55,646</u>
Gross margin	22,661	6,101
<b>Operating expenses:</b>		
Research and development expenses	696	704
Selling and marketing expenses	3,519	1,986
General and administrative expenses	6,027	5,747
Operating income (loss)	12,419	(2,336)
<b>Other income (expense):</b>		
Interest income	1,046	1,415
Interest expense:		
Parent	(1,086)	(1,633)
Other	(6,324)	(7,615)
Less – amount capitalized	3,807	1,466
Foreign currency translation and transaction losses	(183)	(716)
Impairment of auction rate securities	(328)	—
Other non-operating income	40	352
Income (loss) before income taxes, minority interest and equity in income of investees	9,391	(9,067)
Income tax benefit (provision)	(2,071)	1,995
Minority interest	2,205	—
Equity in income of investees	539	1,231
Net income (loss)	10,064	(5,841)
<b>Other comprehensive income (loss), net of related taxes:</b>		
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(75)	(83)
Change in unrealized gains or losses on marketable securities available-for-sale	(274)	34
Comprehensive income (loss)	<u>\$ 9,715</u>	<u>\$ (5,890)</u>
Earnings (loss) per share – basic and diluted	<u>\$ 0.24</u>	<u>\$ (0.15)</u>
Weighted average number of shares used in computation of earnings (loss) per share:		
Basic	<u>42,163</u>	<u>38,109</u>
Diluted	<u>42,271</u>	<u>38,109</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
	(in thousands, except per share data)					
<b>Balance at December 31, 2007</b>	41,530	\$ 41	\$ 513,109	\$ 103,545	\$ 1,388	\$ 618,083
Stock-based compensation	—	—	1,059	—	—	1,059
Cash dividend declared, \$0.05 per share	—	—	—	(2,106)	—	(2,106)
Issuance of unregistered shares of common stock to the Parent in a private placement	694	1	33,314	—	—	33,315
Net income	—	—	—	10,064	—	10,064
Other comprehensive loss, net of related taxes:						
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$46,000)	—	—	—	—	(75)	(75)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$168,000)	—	—	—	—	(274)	(274)
<b>Balance at March 31, 2008</b>	<u>42,224</u>	<u>\$ 42</u>	<u>\$ 547,482</u>	<u>\$ 111,503</u>	<u>\$ 1,039</u>	<u>\$ 660,066</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>(in thousands)</b>		
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 10,064	\$ (5,841)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	13,934	12,012
Accretion of asset retirement obligation	252	285
Stock-based compensation	1,059	559
Amortization of deferred lease income	(671)	(671)
Minority interest	(2,205)	—
Equity in income of investees	(539)	(1,231)
Impairment of auction rate securities	328	—
Distributions from unconsolidated investments	—	884
Changes in unrealized loss in respect of derivative instruments, net	—	(83)
Gain on severance pay fund asset	(937)	(183)
Deferred income tax provision (benefit)	970	(3,176)
Liability for unrecognized tax benefits	248	84
Changes in operating assets and liabilities:		
Receivables	(3,323)	538
Costs and estimated earnings in excess of billings on uncompleted contracts	1,356	(2,866)
Inventories, net	(2,872)	(1,169)
Prepaid expenses and other	1,322	116
Deposits and other	179	540
Accounts payable and accrued expenses	5,580	3,781
Due from/to related entities, net	(217)	(27)
Billings in excess of costs and estimated earnings on uncompleted contracts	7,937	3,734
Liabilities for severance pay	2,557	289
Due from/to Parent	(1,206)	853
Net cash provided by operating activities	<u>33,816</u>	<u>8,428</u>
<b>Cash flows from investing activities:</b>		
Marketable securities, net	12,588	44,024
Net change in restricted cash, cash equivalents and marketable securities	(3,010)	7,232
Capital expenditures	(81,620)	(31,228)
Increase in severance pay fund asset, net	(303)	(334)
Repayment from unconsolidated investment	31	31
Net cash provided by (used in) investing activities	<u>(72,314)</u>	<u>19,725</u>
<b>Cash flows from financing activities:</b>		
Due to Parent, net	(7,000)	(7,000)
Proceeds from issuance of unregistered shares of common stock to the Parent	33,315	—
Proceeds from exercise of options by employees	—	302
Repayments of short-term and long-term debt	(2,216)	(16,792)
Cash dividends paid	(2,106)	(2,673)
Net cash provided by (used in) financing activities	<u>21,993</u>	<u>(26,163)</u>
Net increase (decrease) in cash and cash equivalents	(16,505)	1,990
Cash and cash equivalents at beginning of period	47,227	20,254
Cash and cash equivalents at end of period	<u>\$ 30,722</u>	<u>\$ 22,244</u>
<b>Supplemental non-cash investing and financing activities:</b>		
Increase in accounts payable related to purchases of property, plant and equipment	<u>\$ 15,983</u>	<u>\$ 5,039</u>
Accrued liabilities related to financing activities	<u>\$ —</u>	<u>\$ 134</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 — GENERAL AND BASIS OF PRESENTATION**

These unaudited condensed consolidated interim financial statements of Ormat Technologies, Inc. and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company's consolidated financial position as of March 31, 2008, and the consolidated results of operations and cash flows for the three-month periods ended March 31, 2008 and 2007.

The financial data and other information disclosed in the notes to the condensed consolidated interim financial statements related to these periods are unaudited. The results for the three-month period ended March 31, 2008 are not necessarily indicative of the results to be expected for the year ending December 31, 2008.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2007. The condensed consolidated balance sheet data as of December 31, 2007 was derived from the audited consolidated financial statements for the year ended December 31, 2007, but does not include all disclosures required by U.S. GAAP.

Dollar amounts, except per share data, in the notes to these financial statements are rounded to the closest \$1,000.

Certain comparative figures have been reclassified to conform to the current period presentation.

**Sale of unregistered shares to the Parent**

On January 8, 2008, the Company completed an unregistered sale of 693,750 shares of common stock to Ormat Industries Ltd. (the "Parent"), at a price of \$48.02 per share. The proceeds from the unregistered sale were approximately \$33.3 million.

**Concentration of credit risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments, marketable securities and accounts receivable.

The Company places its temporary cash investments with high credit quality financial institutions located in the United States ("U.S.") and in foreign countries. At March 31, 2008 and December 31, 2007, the Company had deposits totaling \$8,389,000 and \$21,322,000, respectively, in six U.S. financial institutions that were federally insured up to \$100,000 per account. At March 31, 2008 and December 31, 2007, the Company's deposits in foreign countries amounted to approximately \$16,120,000 and \$13,248,000, respectively.

At March 31, 2008 and December 31, 2007, accounts receivable related to operations in foreign countries amounted to approximately \$19,637,000 and \$17,140,000, respectively. At March 31, 2008 and December 31, 2007, accounts receivable from the Company's major customers that have generated 10% or more of its revenues amounted to approximately 48% and 39% of the Company's accounts receivable, respectively.

Southern California Edison Company ("SCE") accounted for 30.3% and 24.8% of the Company's total revenues for the three months ended March 31, 2008 and 2007, respectively. SCE is also the power purchaser and revenue source for the Company's Mammoth project, which is accounted for separately under the equity method.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Hawaii Electric Light Company accounted for 21.0% and 15.7% of the Company's total revenues for the three months ended March 31, 2008 and 2007, respectively.

Sierra Pacific Power Company accounted for 11.5% and 10.3% of the Company's total revenues for the three months ended March 31, 2008 and 2007, respectively.

The Company performs ongoing credit evaluations of its customers' financial condition. The Company has historically been able to collect on all of its receivable balances, and accordingly, no provision for doubtful accounts has been made.

**NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS**

**New accounting pronouncements effective in the three-month period ended March 31, 2008**

*SFAS No. 157 — Fair Value Measurements*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company) for financial assets and liabilities. The adoption by the Company of SFAS No. 157, effective January 1, 2008, did not have any impact on its results of operations or financial position. The disclosures required under SFAS No. 157 are set forth in Note 6.

In accordance with the provisions of FSP No. 157-2, *Effective Date of FASB Statement No. 157*, the Company has elected to defer implementation of SFAS No. 157 as it relates to the Company's non-financial assets and liabilities that are recognized and disclosed at fair value on a nonrecurring basis in the financial statements until January 1, 2009. The Company is currently evaluating the potential impact, if any, on the Company's non-financial assets and liabilities not measured on a nonrecurring basis. The major categories of assets and liabilities that are recognized at fair value for which the Company has not applied FAS No. 157 are mainly asset retirement obligations and impairment of long-lived assets.

*SFAS No. 159 — The Fair Value Option for Financial Assets and Financial Liabilities*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities and other eligible items at fair value, which are not otherwise currently required to be measured at fair value. Under SFAS No. 159, the decision to measure items at fair value is made at specified election dates on an irrevocable instrument-by-instrument basis. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront cost and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. If elected, SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007 (January 1, 2008 for the Company) with earlier adoption permitted provided that the entity also early adopts all of the requirements of SFAS No. 159. The Company decided not to elect the option provided for in this standard.

*SAB No. 110*

In December 2007, the SEC issued Staff Accounting Bulletin ("SAB") No. 110 relating to the use of a "simplified" method in developing an estimate of the expected term of "plain vanilla" share

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

options. SAB No. 107, which was applied by the Company for estimating the expected term of employee's stock options, previously allowed the use of the simplified method until December 31, 2007. SAB No. 110 allows, under certain circumstances, entities to continue to accept the use of the simplified method beyond December 31, 2007. The Company is still evaluating if it is permitted to continue to use the simplified method to estimate the expected term of its stock options. No stock options were granted in the three months ended March 31, 2008.

**New accounting pronouncements effective in future periods**

*SFAS No. 160 — Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51*

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51*. SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS No. 160 shall be applied prospectively. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 160 on its consolidated financial statements.

*SFAS No. 141 (revised 2007) — Business Combinations*

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS No. 141R"). SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 141R on its consolidated financial statements.

*SFAS No. 161 — Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*. SFAS No. 161 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* and requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk, and the company's strategies and objectives for using derivative instruments. SFAS No. 161 expands the current disclosure framework in SFAS No. 133. SFAS No. 161 is effective prospectively for fiscal years and interim periods beginning after November 15, 2008 (January 1, 2009 for the Company). The Company is currently evaluating the impact of SFAS No. 161, and has not yet determined the potential impact, if any, that its adoption will have on its financial position, results of operations and cash flows.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 3 — EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the period. The Company does not have any equity instruments that are dilutive, except for employee stock options.

**NOTE 4 — INVENTORIES**

Inventories consist of the following:

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
(dollars in thousands)		
Raw materials and purchased parts for assembly	\$ 5,982	\$ 3,613
Self-manufactured assembly parts and finished products	7,202	6,699
Total	<u>\$ 13,184</u>	<u>\$ 10,312</u>

**NOTE 5 — UNCONSOLIDATED INVESTMENTS**

Unconsolidated investments in power plant projects consist of the following:

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
(dollars in thousands)		
Mammoth	\$ 30,835	\$ 29,979
OLCL	563	581
Total	<u>\$ 31,398</u>	<u>\$ 30,560</u>

From time to time, the unconsolidated power plants make distributions to their owners. Such distributions are deducted from the investments in such power plants.

**The Mammoth Project**

The Company has a 50% interest in the Mammoth Project ("Mammoth"), which is comprised of three geothermal power plants located near the city of Mammoth, California. The purchase price was less than the underlying net equity of Mammoth by approximately \$9.3 million. As such, the basis difference will be amortized over the remaining useful life of the property, plant and equipment and the power purchase agreements ("PPAs"), which range from 12 to 17 years. The Company operates and maintains the geothermal power plants under an operating and maintenance ("O&M") agreement. The Company's 50% ownership interest in Mammoth is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Mammoth.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The condensed financial position and results of operations of Mammoth are summarized below:

	March 31, 2008	December 31, 2007
(dollars in thousands)		
<b>Condensed balance sheets:</b>		
Current assets	\$ 7,386	\$ 4,181
Non-current assets	73,046	74,417
Current liabilities	1,191	826
Non-current liabilities	3,030	3,004
Partners' capital	76,211	74,768
	Three Months Ended March 31,	
	2008	2007
(dollars in thousands)		
<b>Condensed statements of operations:</b>		
Revenues	\$ 4,756	\$ 3,935
Gross margin	1,521	1,009
Net income	1,443	948
<b>Company's equity in income of Mammoth:</b>		
50% of Mammoth net income	\$ 722	\$ 474
Plus amortization of basis difference	148	148
	870	622
Less income taxes	(313)	(224)
Total	<u>\$ 557</u>	<u>\$ 398</u>

**The Leyte Project**

The Company holds an 80% interest in Ormat Leyte Co. Ltd. ("OLCL"). OLCL is a limited partnership established for the purpose of developing, financing, operating, and maintaining a geothermal power plant in Leyte Provina, the Philippines. Upon the adoption of FIN No. 46R, *Consolidation of Variable Interest Entities (revised December 2003)* — an interpretation of ARB No. 51, on March 31, 2004, the Company concluded that OLCL should not be consolidated. As a result of such conclusion, the Company's 80% ownership interest in OLCL is accounted for under the equity method of accounting.

The condensed financial position and results of operations of OLCL are summarized below:

	March 31, 2008	December 31, 2007
(dollars in thousands)		
<b>Condensed balance sheets:</b>		
Current assets	\$ 827	\$ 1,327
Non-current assets	371	371
Current liabilities	541	1,018
Stockholders' equity	657	680

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(dollars in thousands)</b>	
<b>Condensed statements of operations:</b>		
Revenues	\$ —	\$ 3,416
Gross margin	—	1,660
Net income (loss)	(23)	711
<b>Company's equity in income (loss) of OLCL:</b>		
80% of OLCL net income (loss)	\$ (18)	\$ 569
Plus amortization of deferred revenue on intercompany profit	—	264
Total	<u>\$ (18)</u>	<u>\$ 833</u>

In 1996, OLCL entered into a Build, Operate, and Transfer ("BOT") agreement with PNOC-Energy Development Corporation ("PNOC") in connection with four geothermal power generation plants, with a total capacity of 49MW, located in Leyte, Philippines. During 1997, the power plants started commercial operations and began selling power to PNOC under a ten-year PPA (tolling arrangement). OLCL owned the plants for a ten-year period which ended September 25, 2007, at which time they were transferred to PNOC for no further consideration. The Company did not incur any material financial loss as a result of such transfer, although this has reduced the Company's owned foreign generation capacity by 39 MW with a commensurate impact on equity in income of investees and net income.

**NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS**

As described in Note 1, the provisions of SFAS No. 157 were adopted by the Company on January 1, 2008 for financial assets and liabilities, and will be adopted by the Company on January 1, 2009 for non-financial assets and liabilities.

SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by SFAS No. 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at March 31, 2008			
	Total	Level 1	Level 2	Level 3
(dollars in thousands)				
<b>Assets:</b>				
Current assets:				
Restricted marketable securities	\$ 3,493	\$ 3,493	\$ —	\$ —
Non current assets:				
Illiquid auction rate securities (including restricted cash accounts), see below	7,645	—	—	7,645
	<u>\$ 11,138</u>	<u>\$ 3,493</u>	<u>\$ —</u>	<u>\$ 7,645</u>

The Company's marketable debt securities (including restricted cash accounts) mainly include investments in auction rate securities and corporate bonds. Those securities, except for illiquid auction rate securities, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market. As of March 31, 2008, all of the Company's auction rate securities are associated with failed auctions. These failed auction rate securities have been in a loss position for less than 12 months. Historically, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rates. While the Company continues to earn interest on these investments at the contractual rates, the estimated market value of these auction rate securities no longer approximates fair value. The Company has estimated the fair value of these illiquid auction rate securities based, among other things, on the following: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions; (iii) consideration of the probabilities of default, auction failure, or repurchase at par for each period; and (iv) estimates of the recovery rates in the event of default for each security. These estimated fair values could change significantly based on future market conditions. Therefore, such auction rate securities have been classified as Level 3 in the fair value hierarchy.

The table below sets forth a summary of changes in the fair value of the Company's financial assets classified as Level 3 (i.e., illiquid auction rate securities) for the three months ended March 31, 2008.

	(dollars in thousands)
Balance as of January 1, 2008	\$ 8,367
Total unrealized losses:	
Included in net income	(328)
Included in other comprehensive income (loss)	(394)
Balance as of March 31, 2008	<u>\$ 7,645</u>

Based on available information, the Company concluded that the fair market value of these failed auction rate securities at March 31, 2008 was \$7.6 million, a decline of \$3.6 million from par value. The decline in fair market value during the three-month period ended March 31, 2008 was \$0.7 million. Of this amount, \$0.4 million was deemed temporary as the Company believes the decline in fair market value was due to general market conditions. Based upon the Company's evaluation of available information, the Company believes these investments generally are of high credit quality, as

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

substantially all of the investments carry a AA credit rating and higher. In addition, the Company currently has the intent and ability to hold these investments until anticipated recovery in market value occurs. Accordingly, the Company has recorded an unrealized loss on these securities of \$0.4 million in other comprehensive income (loss). The Company has concluded that the remaining \$0.3 million of the decline was other-than-temporary and recorded an impairment charge in other non operating income (loss). The Company's conclusion for the other-than-temporary impairment is based on the significant decline in the fair value of one of the auction rate securities.

The funds invested in auction rate securities that have experienced failed auctions will not be accessible until a successful auction occurs, a buyer is found outside of the auction process or the underlying securities reach maturity. As a result, the Company has classified those securities with failed auctions as long-term assets in the consolidated balance sheets as of March 31, 2008 and December 31, 2007.

The Company continues to monitor the market for auction rate securities and to consider the market's impact (if any) on the fair market value of the Company's investments. If current market conditions deteriorate further, or the anticipated recovery in market values does not occur, the Company may be required to record additional unrealized losses in other comprehensive income or impairment charges in the next three quarters of 2008.

The marketable securities are included in the consolidated balance sheets as follows:

	March 31, 2008	December 31, 2007
	(dollars in thousands)	
Short-term marketable securities	\$ —	\$ 13,489
Amount presented among short-term restricted cash, cash equivalents and marketable securities	3,493	16,219
Long-term marketable securities – auction rate securities	3,234	2,762
Amount presented among long-term restricted cash, cash equivalents and marketable securities – auction rate securities	4,411	5,605
<b>Total</b>	<b><u>\$ 11,138</u></b>	<b><u>\$ 38,075</u></b>

The cost of the marketable securities at March 31, 2008 and December 31, 2007 was \$14,623,000 and \$40,685,000, respectively.

**NOTE 7 — BUSINESS SEGMENTS**

The Company has two reporting segments: Electricity and Products Segments. Such segments are managed and reported separately as each offers different products and serves different markets. The Electricity Segment is engaged in the sale of electricity from the Company's power plants pursuant to PPAs. The Products Segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. Transfer prices between the operating segments are determined based on current market values or cost plus markup of the seller's business segment.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Electricity	Products	Consolidated
	(dollars in thousands)		
<b>Three Months Ended March 31, 2008:</b>			
Net revenues from external customers	\$ 59,519	\$ 9,868	\$ 69,387
Intersegment revenues	—	23,785	23,785
Operating income	12,574	(155)	12,419
Segment assets at period end*	1,287,006	51,280	1,338,286
<b>Three Months Ended March 31, 2007:</b>			
Net revenues from external customers	\$ 43,658	\$ 18,089	\$ 61,747
Intersegment revenues	—	3,985	3,985
Operating loss	(1,532)	(804)	(2,336)
Segment assets at period end*	1,073,171	65,346	1,138,517

\* Segment assets of the Electricity Segment include unconsolidated investments.

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	Three Months Ended March 31,	
	2008	2007
	(dollars in thousands)	
Operating income (loss)	\$ 12,419	\$ (2,336)
Interest expense, net	(2,557)	(6,367)
Non-operating expense and other, net	(471)	(364)
Total consolidated income (loss) before income taxes, minority interest and equity in income of investees	<u>\$ 9,391</u>	<u>\$ (9,067)</u>

**NOTE 8 — CONTINGENCIES**

On April 26, 2008, our subsidiary, Ormat Momotombo Power Company ("OMPC"), received notice of an administrative order issued by the Ministry of Natural Resources and Environment of Nicaragua ("MARENA") relating to alleged violations of environmental regulations under Nicaraguan law in connection with OMPC's operation of the Momotombo geothermal power plant in that country. The order was issued following an administrative hearing in the first instance at which OMPC was found liable for the environmental infractions. The order is subject to appeal within MARENA, as well as in the Nicaraguan judicial courts. In addition, this dispute is subject to the dispute resolution provisions contained in the Foreign Investment Contract entered into between OMPC and the Nicaraguan government in June 1999. All penalties incurred by OMPC as a result of these violations are stayed until OMPC has exhausted the legal remedies available to it under Nicaraguan law. The Company disagrees with the MARENA order finding OMPC liable for significant environmental infractions and intends to appeal the administrative order and otherwise defend vigorously against MARENA's claims. If the administrative order is upheld at the end of these review processes in a final non-appealable decision, OMPC may be required to suspend indefinitely its operating activities relating to the project and implement a plan of environmental remediation. The net book value of the geothermal power plant as of March 31, 2008 is \$21.5 million.

**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The Company is a defendant in various legal and regulatory proceedings in the ordinary course of business. It is the opinion of the Company's management that the expected outcome of these matters, individually or in the aggregate, will not have a material effect on the results of operations and financial condition of the Company.

**NOTE 9 — CASH DIVIDEND**

On February 26, 2008, the Company's Board of Directors declared, approved and authorized payment of a quarterly dividend of \$2.1 million (\$0.05 per share) to all holders of the Company's issued and outstanding shares of common stock on March 14, 2008. Such dividend was paid on March 27, 2008.

**NOTE 10 — INCOME TAXES**

The Company's effective tax rate for the three months ended March 31, 2008 was 22.0%, which differs from the federal statutory rate of 35% primarily due to: (i) the benefit of production tax credits for new power plants placed in service since 2005; (ii) lower tax rates in Israel; and (iii) a tax credit related to the Company's subsidiaries in Guatemala. The liability for unrecognized tax benefits was \$5,578,000 and \$5,330,000 at March 31, 2008 and December 31, 2007, respectively. Such amounts would impact the Company's effective tax rate, if recognized.

**NOTE 11 — SUBSEQUENT EVENTS**

**Cash dividend**

On May 6, 2008, the Company's Board of Directors declared, approved and authorized payment of a quarterly dividend of \$2.1 million (\$0.05 per share) to all holders of the Company's issued and outstanding shares of common stock on May 20, 2008, payable on May 27, 2008.

**Options grant**

On April 8, 2008, the Company granted to employees incentive stock options, under the 2004 Incentive Plan, to purchase 450,000 shares of common stock at an exercise price of \$45.78 per share, which amount represented the fair market value of the Company's common stock on the date of grant. Such options will expire seven years from the date of grant and will cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months.

**OPC tax monetization transaction — second closing**

On April 17, 2008, a wholly owned subsidiary of the Company, Ormat Nevada Inc. ("Ormat Nevada"), concluded the second closing under a 2007 transaction to monetize production tax credits and other favorable tax attributes, such as accelerated depreciation, generated from certain of its geothermal power projects. The first closing of the transaction occurred on June 7, 2007. Pursuant to the transaction, affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. became institutional equity investors in a newly formed subsidiary of Ormat Nevada, OPC LLC ("OPC"). Under this second closing, Ormat Nevada transferred the Galena 3 geothermal project to OPC, and received from the institutional equity investors \$64.0 million.

As operator of all of the projects in the OPC portfolio, Ormat Nevada will continue to operate and maintain the Galena 3 project.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this quarterly report that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections of annual revenues, expenses and debt service coverage with respect to our debt securities, future capital expenditures, business strategy, competitive strengths, goals, development or operation of generation assets, market and industry developments and the growth of our business and operations, are forward-looking statements. When used in this quarterly report on Form 10-Q, the words "may", "will", "could", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "projects", "potential", or "contemplate" or the negative of these terms or other comparable terminology are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this quarterly report are primarily located in the material set forth under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors", and "Notes to Condensed Consolidated Financial Statements", but are found in other locations as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this quarterly report on Form 10-Q completely and with the understanding that actual future results and developments may be materially different from what we expect due to a number of risks and uncertainties, many of which are beyond our control. We will not update forward-looking statements even though our situation may change in the future.

Specific factors that might cause actual results to differ from our expectations include, but are not limited to:

- significant considerations, risks and uncertainties discussed in this quarterly report;
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- geothermal resource risk (such as the heat content of the reservoir, useful life and geological formation);
- environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorization;
- construction or other project delays or cancellations;
- financial market conditions and the results of financing efforts;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in the United States and other countries in which we operate;
- the enforceability of the long-term power purchase agreements for our projects;
- contract counterparty risk;
- weather and other natural phenomena;
- the impact of recent and future federal and state regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and incentives for the production of renewable energy in the United States and elsewhere;
- changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;

- current and future litigation;
- our ability to successfully identify, integrate and complete acquisitions;
- competition from other similar geothermal energy projects, including any such new geothermal energy projects developed in the future, and from alternative electricity producing technologies;
- the effect of and changes in economic conditions in the areas in which we operate;
- market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;
- the direct or indirect impact on our company's business resulting from terrorist incidents or responses to such incidents, including the effect on the availability of and premiums on insurance;
- the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate;
- the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2007 and any updates contained herein which may have a significant impact on our business, operating results or financial condition;
- other uncertainties which are difficult to predict or beyond our control and the risk that we incorrectly analyze these risks and forces or that the strategies we develop to address them could be unsuccessful; and
- other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission (SEC).

Investors are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. We undertake no obligation to update forward-looking statements even though our situation may change in the future. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report and the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2007 and any updates contained herein as well as those set forth in our reports and other filings made with the SEC.

## **General**

### ***Overview***

We are a leading vertically integrated company engaged in the geothermal and recovered energy power business. We design, develop, build, own and operate clean, environmentally friendly geothermal and recovered energy-based power plants using equipment that we design and manufacture.

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while all of our recovered energy-based plants have been constructed by us. We conduct our business activities in two business segments, which we refer to as our Electricity Segment and Products Segment. In our Electricity Segment, we develop, build, own and operate geothermal and recovered energy-based power plants in the United States and geothermal power plants in other countries around the world and sell the electricity they generate. In our Products Segment, we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation, remote power units and other power generating units and provide services relating to the engineering,

procurement, construction, operation and maintenance of geothermal and recovered energy power plants. Both our Electricity Segment and Products Segment operations are conducted in the United States and throughout the world. We currently own or control, as well as operate, geothermal projects in the United States, Guatemala, Kenya and Nicaragua, as well as recovered energy generation (REG) plants in the United States. During the three months ended March 31, 2008 and 2007, our U.S. power plants generated 560,499 MWh and 437,126 MWh, respectively.

For the three months ended March 31, 2008, our Electricity Segment represented approximately 85.8% of our total revenues, while our Products Segment represented approximately 14.2% of our total revenues during such period.

During the three months ended March 31, 2008, our total revenues increased by 12.4% (from \$61.7 million to \$69.4 million) over the same period last year. Revenues from the Electricity Segment increased by 36.3%, while revenues from the Products Segment decreased by 45.4%.

For the three months ended March 31, 2008, total Electricity Segment revenues from the sale of electricity by our consolidated power plants were \$59.5 million. In addition, revenues from our 50% ownership of the Mammoth project for the three months ended March 31, 2008 were \$2.4 million. This additional data is a Non-Generally Accepted Accounting Principles (Non-GAAP) financial measure, as defined by the SEC. There is no comparable GAAP measure. Management believes that such Non-GAAP data is useful to the readers as it provides a more complete view of the scope of activities of the power plants that we operate. Our investment in the Mammoth project is accounted for in our consolidated financial statements under the equity method and the revenues are not included in our consolidated revenues for the three months ended March 31, 2008.

During the three months ended March 31, 2008, revenues attributable to our Products Segment were \$9.9 million, as compared to \$18.1 million during the three months ended March 31, 2007.

During March and April 2008, we received purchase orders for the supply and construction of REG and geothermal plants in a total amount of \$87 million. Of this amount, approximately \$50 million is subject to a notice to proceed which we expect to receive in the near future when our customer finalizes construction financing for the project.

Recovered energy-based power generation continues to present opportunities for us in the United States and throughout the world. We expect that recovered energy generation projects will continue to contribute to our growth in both the Electricity Segment and the Products Segment. During the three months ended March 31, 2008, we recognized revenues in our Products Segment of approximately \$2.0 million from REG compared to \$6.3 million during the three months ended March 31, 2007. We believe that the decrease in revenues in our REG projects from the prior year does not represent a trend.

Revenues from our Electricity Segment are relatively predictable, as they are derived from sales of electricity generated by our power plants pursuant to long-term power purchase agreements. The price for electricity under all but one of our power purchase agreements is effectively a fixed price at least through May 2012. The power purchase agreement of the Puna project has a variable energy rate based on the local utility's short run avoided costs, which are the incremental costs that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others. In the three months ended March 31, 2008, 77.3% of our electricity revenues were derived from contracts with fixed energy rates, and therefore such revenues were not affected by the fluctuations in energy commodity prices. However, electricity revenues are subject to seasonal variations and can be affected by higher-than-average ambient temperatures, as described below under the heading "Seasonality". Revenues attributable to our Products Segment are based on the sale of equipment and the provision of various services to our customers. These revenues may vary from period to period because of the timing of our receipt of purchase orders and the progress of our execution of each project.

Our management assesses the performance of our two segments of operation differently. In the case of our Electricity Segment, when making decisions about potential acquisitions or the development of new projects, we typically focus on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. We

evaluate our operating projects based on revenues and expenses, and our projects that are under development based on costs attributable to each such project. By contrast, we evaluate the performance of our Products Segment based on the timely delivery of our products, performance quality of our products and costs actually incurred to complete customer orders as compared to the costs originally budgeted for such orders.

#### ***Recent Developments***

- In April 2008, we entered into an Engineering, Procurement and Construction (EPC) contract with Montana-Dakota Utilities Co. for a 5.3 MW REG power plant to be located on the Northern Border Pipeline compressor station in Morton County, North Dakota. Subject to regulatory approvals, the project is scheduled to be completed in the fourth quarter of 2009.
- In April 2008, we commenced commercial operation of the Heber South geothermal project located in the Imperial Valley, California.
- In April 2008, our wholly owned subsidiary, Ormat Nevada Inc. (Ormat Nevada), concluded the second closing under a 2007 transaction to monetize production tax credits and other favorable tax attributes, such as accelerated depreciation, generated from certain of its geothermal power projects. The first closing of the transaction occurred on June 7, 2007. Pursuant to the transaction, affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. became institutional equity investors in a newly formed subsidiary of Ormat Nevada, OPC LLC (OPC). Under this second closing, Ormat Nevada transferred the Galena 3 geothermal project to OPC, and received from the institutional equity investors \$64.0 million.

As operator of all of the projects in the OPC portfolio, Ormat Nevada will continue to operate and maintain the Galena 3 project.

- In March 2008, we signed a new 20-year power purchase agreement with Great River Energy, a Minnesota Cooperative Corporation of Elk River, Minnesota, for the sale of electricity generated from a 5.3 MW Ormat REG facility to be constructed at a compressor station along the Northern Border natural gas pipeline. The new facility will convert the recovered waste heat from the exhaust of an existing gas turbine into electricity. We have already secured the rights to the waste heat for the new facility. We expect the plant to be commissioned in 2009 or early 2010.
- In March 2008, we entered into an EPC contract with Nevada Geothermal Power (NGP) for the supply and construction of a 49.5 MW power plant, consisting of three Ormat Energy Converters units, which are guaranteed to produce 16.5 MW (gross) each, at NGP's Blue Mountain geothermal project in Nevada. The total EPC contract value is \$76 million, of which limited notices to proceed totaling \$26.5 million were received by us in February and May 2008 in order to secure the guaranteed substantial completion date of December 31, 2009. The full release under the EPC contract is subject to finalizing the financing for the project and is expected to occur over the near term. The EPC contract provides for an additional partial release of funds, if necessary.
- In March 2008, we entered into a Joint Ownership Agreement (JOA) with Nevada Power Company, a subsidiary of Sierra Pacific Resources, for the Carson Lake geothermal project located in Churchill County, Nevada, that is currently under development by us. We will develop the project on our own until the resource is sufficiently defined at a level that is capable of supporting at least 30 MW and Nevada Power Company has received regulatory approval to acquire its 50 percent ownership interest. Following Nevada Power Company's acquisition of its 50 percent interest, we will continue to develop the project on behalf of the owners. If the development results in a resource that cannot support at least 30 MW, the parties are not obligated to close the acquisition and we may continue to develop the project by ourselves. Under the JOA each party will own a 50 percent undivided interest in the

project as tenants-in-common. To acquire its project interest, Nevada Power Company will pay 50 percent of the costs expended to the closing date of the acquisition plus a fee. Drilling, construction, and operating and maintenance (O&M) costs going forward will be governed by the JOA and separate Drilling Services, EPC and O&M agreements.

To enable the JOA closing, the parties will amend an existing power purchase agreement to reflect the joint ownership of the project. Each party will be entitled to 50 percent of the production tax credit or 50 percent of the investment tax credit, as applicable. The amended agreement is subject to Public Utilities Commission of Nevada (PUCN) approval.

- In March 2008, we entered into an EPC contract with Nevada Power Company for a 6 MW REG power plant in the Goodsprings area, approximately 35 miles south of Las Vegas, Nevada. Subject to regulatory approvals, the project is scheduled to be completed in 2010.
- In March 2008, the California Public Utilities Commission approved a new 20-year power purchase agreement that we entered into in June 2007 with Southern California Edison Company for the sale of 50 MW of energy to be produced from the North Brawley project, which we are currently constructing in Imperial County, California. The power purchase agreement includes an option to increase the capacity of the plant and the amount of energy to be sold up to 100 MW at our discretion. We estimate that the North Brawley project will come on line by the end of 2008.
- In March 2008, the PUCN approved the agreement we reached in May 2007 with Sierra Pacific Power Company and Nevada Power Company, the purchasers of electricity generated by our existing and planned geothermal power projects in Nevada, regarding certain amendments to the power purchase agreements for a number of our existing geothermal projects in operation and some of our geothermal projects under development and construction. These amendments (i) provided for a mechanism to share production tax credits with the relevant purchaser pursuant to a reduction in the price for electricity paid by the power purchaser under the relevant power purchase agreement, bringing additional power purchase agreements in line with the production tax credit sharing arrangements included in other power purchase agreements with these purchasers in Nevada, (ii) revised certain generation thresholds based on a more definitive understanding of the geothermal resource at the respective projects, and (iii) addressed certain delays in meeting contract milestones as a result of ordinary course project construction delays.
- In February 2008, we commenced commercial operation of the Galena 3 project at the Steamboat complex in Nevada.
- On January 8, 2008, we completed an unregistered sale of 693,750 shares of common stock to our parent, Ormat Industries Ltd., at a price of \$48.02 per share, or approximately \$33.3 million in the aggregate. The proceeds of that sale are being used for general corporate purposes, including construction of geothermal and recovered energy generation power plants and other investments, and the financing of possible acquisitions.

#### ***Trends and Uncertainties***

The geothermal industry in the United States has historically experienced significant growth followed by a consolidation of owners and operators of geothermal power plants. During the 1990s, growth and development in the geothermal industry occurred primarily in foreign markets and only minimal growth and development occurred in the United States. Since 2001, there has been increased demand for energy generated from geothermal resources in the United States as production costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel generation. This is partly due to increasing natural gas and oil prices and newly enacted legislative and regulatory incentives, such as state renewable portfolio standards. We see the increasing demand for energy generated from geothermal and other renewable resources in the United States and the further introduction of renewable portfolio standards as the most significant trends affecting our industry today and in the immediate future. Our operations and the trends that from time to time impact our operations are subject to market cycles.

Although other trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee, we believe that our results of operations and financial condition for the foreseeable future will be affected by the following trends, factors and uncertainties:

- Our primary focus continues to be the implementation of our organic growth through the construction of new projects and enhancements of several of our existing projects. We expect that this investment in organic growth will increase our total generating capacity, consolidated revenues and operating income attributable to our Electricity Segment in 2008, as compared with 2007.
- We continue to experience increases in the cost of raw materials, labor and transportation costs required for our equipment manufacturing activities and equipment used in our power plants, as well as for sale to third parties. We have experienced an increase in drilling costs and a shortage in drilling equipment. We believe this is the result of the high oil prices resulting in increased drilling activity in the marketplace. We also have experienced, and expect to continue to experience, an increase in construction costs, resulting from, among other things, increased labor costs. This is particularly true in the United States, where construction costs remain high despite the current credit crisis. An increase in our raw materials, drilling, construction, labor, transportation and other costs may have an adverse effect on our financial condition and results of operations.
- We expect that the increased awareness of climate change may result in significant changes in the business and regulatory environments, which may create business opportunities for us going forward.
- In the United States, we expect to continue to benefit from the increasing demand for renewable energy. Twenty-nine states and the District of Columbia, including California, Nevada and Hawaii (where we have been most active in geothermal development and where all of our U.S. geothermal projects are located) have adopted renewable portfolio standards, renewable portfolio goals or other similar laws. These laws require that an increasing percentage of the electricity supplied by electric utility companies operating in such states be derived from renewable energy resources until certain pre-established goals are met. We expect that the additional demand for renewable energy from utilities in such states will create additional opportunities for us to expand existing projects and build new power plants.
- In addition to renewable portfolio standards, several federal climate change proposals are being considered. For example, the Lieberman-Warner Climate Security Act (S. 2191) was approved by the United States Senate Environment and Public Works Committee on December 5, 2007. This bill, if passed into law, would place a cap on greenhouse gas emissions and require increasing reductions in greenhouse gas emissions. In the absence of federal legislation, states are passing greenhouse gas legislation. For example, on September 27, 2006, the California Global Warming Solutions Act of 2006 (the Act) was signed into law. The Act regulates most sources of greenhouse gas emissions and is expected to result in a reduction of carbon emissions to 1990 levels by 2020, representing a twenty-five percent reduction in greenhouse gas emissions. To accomplish this, the Act provides a framework for greenhouse gas emissions reductions through the use of emissions control technologies and other cost-effective reduction strategies, one of which may involve the use of market-based trading of emissions rights. In addition to California, sixteen other states have set greenhouse gas emissions targets (Arizona, Connecticut, Florida, Hawaii, Illinois, Massachusetts, Maine, Minnesota, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont and Washington). Regional initiatives are also being developed to reduce greenhouse gas emissions and develop trading systems for renewable energy credits. For example, many northeastern states are part of the Regional Greenhouse Gas Initiative (RGGI), a regional cap-and trade system to limit carbon dioxide. In addition to RGGI, other states have also established the Midwestern Regional Greenhouse Gas Reduction Accord and the Western Climate Initiative. Although individual and regional

programs will take some time to develop, their requirements, particularly the creation of any market-based trading mechanism to achieve compliance with emissions caps, should be advantageous to in-state and in-region (and, in some cases, such as RGGI and the state of California, inter-regional) energy generating sources that have low carbon emissions such as geothermal energy. Although it is currently hard to quantify the direct economic benefit of these efforts to reduce greenhouse gas emissions, we believe they will prove advantageous to us.

- Outside of the United States, we expect that a variety of governmental initiatives, will create new opportunities for the development of new projects, as well as create additional markets for our remote power units and other products. These initiatives include the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products and the adoption of programs designed to encourage “clean” renewable and sustainable energy sources.
- We expect to continue to generate the majority of our revenues from our Electricity Segment through the sale of electricity from our power plants. All of our current revenues from the sale of electricity are derived from fully-contracted payments under long-term power purchase agreements. We also intend to continue to pursue growth in our recovered energy business.
- We expect competition from the wind and solar power generation industry to continue. While the current demand for renewable energy is large enough that this increased competition has not impacted our ability to obtain new power purchase agreements, it may contribute to a reduction in electricity prices. Despite increased competition from the wind and solar power generation industry, we believe that baseload electricity, such as geothermal-based energy, will emerge as the preferred source of renewable energy.
- We expect increased competition from new entrants to the geothermal industry, both in the power generation space and in the lease of geothermal resources. While the current demand for renewable energy is large enough that increased competition has not impacted our ability to obtain new power purchase agreements and new leases, increased competition in the power generation space may contribute to a reduction in electricity prices, and increased competition in geothermal leasing may contribute to an increase in lease costs.
- The viability of our geothermal power plants depends on various factors such as the heat content of the geothermal reservoir, useful life of the reservoir (the term during which such geothermal reservoir has sufficient extractable fluids for our operations) and operational factors relating to the extraction of the geothermal fluids. Our geothermal power plants may experience an unexpected decline in the capacity of their respective geothermal wells. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties we face in connection with our operations.
- As our power plants age, they may require increased maintenance with a resulting decrease in their availability.
- Our foreign operations are subject to significant political, economic and financial risks, which vary by country. These risks include the partial privatization of the electricity sector in Guatemala, labor unrest in Nicaragua and the political uncertainty currently prevailing in some of the countries in which we operate. Although we maintain political risk insurance to mitigate these risks, insurance does not provide complete coverage with respect to all such risks.
- The United States extended a tax subsidy and increased the amount of the tax subsidy for companies that use geothermal steam or fluid to generate electricity as part of the Energy Policy Act of 2005 that became law on August 8, 2005. The tax subsidy is a “production tax credit”, which in 2007 was 2.0 cents per kWh and is adjusted annually for inflation. The production tax credit may be claimed for ten years on the electricity output of new geothermal power plants put into service by December 31, 2008.

- The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission (FERC) to revise the Public Utility Regulatory Policy Act (PURPA) so as to terminate the obligation of electric utilities to purchase the output of a Qualifying Facility if FERC finds that there is an accessible competitive market for energy and capacity from the Qualifying Facility. The legislation does not affect existing power purchase agreements. We do not expect this change in law to affect our U.S. projects significantly, as all except one of our current contracts (our Steamboat 1 project, which sells its electricity to Sierra Pacific Power Company on a year-by-year basis) are long-term. FERC issued a final rule that makes it easier to eliminate the utilities' purchase obligation in four regions of the country. None of those regions includes a state in which our current projects operate. However, FERC has the authority under the Energy Policy Act of 2005 to act, on a case-by-case basis, to eliminate the mandatory purchase obligation in other regions. If the utilities in the regions in which our domestic projects operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from us upon termination of their respective existing power purchase agreements, which could have an adverse effect on our revenues.

## **Revenues**

We generate our revenues from the sale of electricity from our geothermal and recovered energy-based power plants; the design, manufacturing and sale of equipment for electricity generation; and the construction, installation and engineering of power plant equipment.

Revenues attributable to our Electricity Segment are relatively predictable as they are derived from the sale of electricity from our power plants pursuant to long-term power purchase agreements. However, such revenues are subject to seasonal variations, as more fully described below in the section entitled "Seasonality". Electricity Segment revenues may also be affected by higher-than-average ambient temperatures, which could cause a decrease in the generating capacity of our power plants, and by unplanned major maintenance activities related to our power plants.

Our power purchase agreements generally provide for the payment of energy payments, or energy and capacity payments. Generally, capacity payments are payments calculated based on the amount of time that our power plants are available to generate electricity. Some of our power purchase agreements provide for bonus payments in the event that we are able to exceed certain target levels and the potential forfeiture of payments if we fail to meet minimum target levels. Energy payments, on the other hand, are payments calculated based on the amount of electrical energy delivered to the relevant power purchaser at a designated delivery point. The rates applicable to such payments are either fixed (subject, in certain cases, to certain adjustments) or are based on the relevant power purchaser's short run avoided costs (the incremental costs that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others). Our more recent power purchase agreements provide generally for energy payments alone with an obligation to compensate the off-taker for its incremental costs as a result of shortfalls in our supply.

The lease income related to the Puna lease transactions, which are accounted for as operating leases, is included as a separate line item in our Electricity Segment revenues (See "Liquidity and Capital Resources"). For management purposes, we analyze such revenue on a combined basis with other revenues in our Electricity Segment.

As required by Emerging Issues Task Force (EITF) Issue No. 01-8, *Determining Whether an Arrangement Contains a Lease*, we have assessed all of our power purchase agreements agreed to, modified or acquired in business combinations on or after July 1, 2003, and concluded that all such agreements contain a lease element requiring lease accounting. Accordingly, revenue related to the lease element of the agreements is presented as "lease portion of energy and capacity" revenue, with the remaining revenue related to the production and delivery of the energy presented as "energy and capacity" revenue in our consolidated financial statements. As the lease revenue and the energy and capacity revenues are derived from the same arrangement and both fall within our Electricity Segment, we analyze such revenues, and related costs, on a combined basis for management purposes.

Revenues attributable to our Products Segment are generally less predictable than revenues from our Electricity Segment. This is because larger customer orders for our products are typically a result

of our participating in, and winning, tenders issued by potential customers in connection with projects they are developing. Such projects often take a long time to design and develop and are often subject to various contingencies such as the customer's ability to raise the necessary financing for a project. As a result, we are generally unable to predict the timing of such orders for our products and may not be able to replace existing orders that we have completed with new ones. As a result, our revenues from our Products Segment fluctuate (and at times, extensively) from period to period.

The following table sets forth a breakdown of our revenues for the periods indicated:

	Revenues in Thousands		% of Revenues for Period Indicated	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2008	2007	2008	2007
Revenues				
Electricity Segment	\$ 59,519	\$ 43,658	85.8%	70.7%
Products Segment	9,868	18,089	14.2	29.3
Total	\$ 69,387	\$ 61,747	100.0%	100.0%

**Geographical Breakdown of Revenues**

For the three months ended March 31, 2008, 82.0% of our revenues attributable to our Electricity Segment were generated in the United States, as compared to 78.3% for the same period in 2007. The following table sets forth the geographic breakdown of the revenues attributable to our Electricity Segment for the periods indicated:

	Revenues in Thousands		% of Revenues for Period Indicated	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2008	2007	2008	2007
United States	\$ 48,826	\$ 34,188	82.0%	78.3%
Foreign	10,693	9,470	18.0	21.7
Total	\$ 59,519	\$ 43,658	100.0%	100.0%

For the three months ended March 31, 2008, 8% of our revenues attributable to our Products Segment were generated in the United States, as compared to 48.3% for the same period in 2007.

**Seasonality**

The prices paid for the electricity generated by our domestic projects pursuant to our power purchase agreements are subject to seasonal variations. The prices paid for electricity under the power purchase agreements with Southern California Edison, the Heber 1 and 2 projects, the Mammoth project and the Ormesa project and the prices that will be paid for the electricity under the power purchase agreement for the North Brawley project are higher in the months of June through September. As a result, we receive and will receive in the future higher revenues during such months. The prices paid for electricity pursuant to the power purchase agreements of our projects in Nevada have no significant changes during the year. In the winter, due principally to the lower ambient temperature, our power plants produce more energy and as a result we receive higher energy revenues. However, the higher capacity payments payable by Southern California Edison in California in the summer months have a more significant impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency. As a result, our revenues are generally higher in the summer than in the winter. The prices paid for electricity pursuant to the power purchase agreement of the Puna project are tied to the price of oil. Accordingly, our revenues for that project, which accounted for approximately 23% of our total revenues for the three months ended March 31, 2008, may be volatile.

## **Breakdown of Cost of Revenues**

### *Electricity Segment*

The principal cost of revenues attributable to our operating projects include operation and maintenance expenses such as depreciation and amortization, salaries and related employee benefits, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes and insurance and, for the California projects, transmission charges, scheduling charges and purchases of sweet water for use in our plant cooling towers. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis. This results in fluctuations in our expenses and our results of operations for individual projects from quarter to quarter. The lease expense related to the Puna lease transactions is included as a separate line item in our Electricity Segment cost of revenues (See "Liquidity and Capital Resources"). For management purposes we analyze such costs on a combined basis with other cost of revenues in our Electricity Segment.

Payments made to government agencies and private entities on account of site leases where plants are located are included in cost of revenues. Royalty payments, included in cost of revenues, are made as compensation for the right to use certain geothermal resources and are paid as a percentage of the revenues derived from the associated geothermal rights. For the three months ended March 31, 2008, royalties constituted approximately 5.7% of the Electricity Segment revenues, compared to approximately 4.5% for the same period in 2007.

### *Products Segment*

The principal expenses attributable to our Products Segment include materials, salaries and related employee benefits, expenses related to subcontracting activities, transportation expenses, and sales commissions to sales representatives. Some of the principal expenses attributable to our Products Segment, such as a portion of the costs related to labor, utilities and other support services are fixed, while others, such as materials, construction, transportation and sales commissions, are variable and may fluctuate significantly, depending on market conditions. As a result, the cost of revenues attributable to our Products Segment, expressed as a percentage of total revenues, fluctuates. Another reason for such fluctuation is that in responding to bids for our products, we price our products and services in relation to existing competition and other prevailing market conditions, which may vary substantially from order to order.

### **Cash, Cash Equivalents and Marketable Securities**

Our cash, cash equivalents and marketable securities as of March 31, 2008 decreased to \$30.7 million from \$60.7 million as of December 31, 2007. This decrease is principally due to our use during the first quarter of 2008 of \$81.6 million of cash resources to fund capital expenditures and \$9.2 million to repay long-term debt to our parent and to third parties. The decrease in our cash resources was partially offset by the \$33.3 million net proceeds from our unregistered sale of 693,750 shares to our parent at a price of \$48.02 per share on January 8, 2008, and the \$33.8 million derived from operating activities in the first quarter of 2008. In addition, we have \$3.2 million and \$2.8 million of marketable securities as of March 31, 2008 and December 31, 2007, respectively, classified as non-current assets. This classification is due to failed auctions in the fourth quarter of 2007 of certain auction rate securities in our portfolio, as described below in the section entitled "Exposure to Market Risks". We also have access to \$160 million of corporate borrowing capacity under existing lines of credit with different commercial banks, as described below in the section entitled "Liquidity and Capital Resources."

### **Critical Accounting Policies**

A comprehensive discussion of our critical accounting policies is included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in our annual report on Form 10-K for the year ended December 31, 2007.

**New Accounting Pronouncements**

See Note 2 to our condensed consolidated financial statements set forth in Item 1 of this quarterly report for information regarding new accounting pronouncements.

**Results of Operations**

Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different periods described below may be of limited utility as a result of each of the following: (i) our recent construction of new projects and enhancement of acquired projects; (ii) fluctuation in revenues from our Products Segment; and (iii) an accumulation of operational issues in the first quarter of 2007 that resulted in both reduced revenues and increased costs for such quarter.

**Three Months March 31,**  
**2008      2007**  
**(in thousands, except**  
**per share data)**

<b>Statements of Operations Historical Data:</b>		
<b>Revenues:</b>		
Electricity Segment	\$ 59,519	\$ 43,658
Products Segment	9,868	18,089
	<u>69,387</u>	<u>61,747</u>
<b>Cost of revenues:</b>		
Electricity Segment	38,676	39,722
Products Segment	8,050	15,924
	<u>46,726</u>	<u>55,646</u>
<b>Gross margin:</b>		
Electricity Segment	20,843	3,936
Products Segment	1,818	2,165
	<u>22,661</u>	<u>6,101</u>
<b>Operating expenses:</b>		
Research and development expenses	696	704
Selling and marketing expenses	3,519	1,986
General and administrative expenses	6,027	5,747
Operating income (loss)	<u>12,419</u>	<u>(2,336)</u>
<b>Other income (expense):</b>		
Interest income	1,046	1,415
Interest expense	(3,603)	(7,782)
Foreign currency translation and transaction losses	(183)	(716)
Impairment of auction rate securities	(328)	—
Other non-operating income	40	352
Income (loss) before income taxes, minority interest and equity in income of investees	<u>9,391</u>	<u>(9,067)</u>
Income tax benefit (provision)	(2,071)	1,995
Minority interest	2,205	—
Equity in income of investees	539	1,231
Net income (loss)	<u>\$ 10,064</u>	<u>\$ (5,841)</u>
Earnings (loss) per share – basic and diluted	<u>\$ 0.24</u>	<u>\$ (0.15)</u>
<b>Weighted average number of shares used in computation of earnings (loss) per share:</b>		
Basic	<u>42,163</u>	<u>38,109</u>
Diluted	<u>42,271</u>	<u>38,109</u>

	<b>Three Months March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Statements of Operations Percentage Data:</b>		
<b>Revenues:</b>		
Electricity Segment	85.8%	70.7%
Products Segment	14.2	29.3
	<u>100.0</u>	<u>100.0</u>
<b>Cost of revenues:</b>		
Electricity Segment	65.0	91.0
Products Segment	81.6	88.0
	<u>67.3</u>	<u>90.1</u>
<b>Gross margin:</b>		
Electricity Segment	35.0	9.0
Products Segment	18.4	12.0
	<u>32.7</u>	<u>9.9</u>
<b>Operating expenses:</b>		
Research and development expenses	1.0	1.1
Selling and marketing expenses	5.1	3.2
General and administrative expenses	8.7	9.3
Operating income (loss)	17.9	(3.8)
<b>Other income (expense):</b>		
Interest income	1.5	2.3
Interest expense	(5.2)	(12.6)
Foreign currency translation and transaction losses	(0.3)	(1.2)
Impairment of auction rate securities	(0.5)	0.0
Other non-operating income	0.1	0.6
Income (loss) before income taxes, minority interest and equity in income of investees	13.5	(14.7)
Income tax benefit (provision)	(3.0)	3.2
Minority interest	3.2	0.0
Equity in income of investees	0.8	2.0
Net income (loss)	<u>14.5%</u>	<u>(9.5%)</u>

**Comparison of the Three Months Ended March 31, 2008 and the Three Months Ended March 31, 2007**

**Total Revenues**

Total revenues for the three months ended March 31, 2008 were \$69.4 million, as compared with \$61.7 million for the three months ended March 31, 2007, which represented a 12.4% increase in total revenues. This increase is attributable to our Electricity Segment whose revenues increased by 36.3%, offset by a decrease of 45.4% in our Products Segment, over the same period in 2007.

*Electricity Segment*

Revenues attributable to our Electricity Segment for the three months ended March 31, 2008 were \$59.5 million, as compared with \$43.7 million for the three months ended March 31, 2007, which represented a 36.3% increase in such revenues. This increase is primarily attributable to additional revenues of \$14.6 million generated in the United States resulting from (i) an increase in our generating capacity and energy generation in the United States from 437,126 MWh in the three months ended March 31, 2007 to 572,488 MWh in the three months ended March 31, 2008; and (ii) an increase in the energy rates in the Puna project (due to higher oil prices) and in our Standard

Offer # 4 power purchase agreements payable by Southern California Edison. The increase in Electricity Segment revenues in the first quarter of 2008 is also attributable to a net increase of \$1.2 million in revenues from our international plants as a result of revenues generated from our Amatitlan project in Guatemala, which started generating electricity in March 2007. The increase in our United States generating capacity is mainly the result of additional generation from new power plants placed in service, as well as the enhanced performance of our existing power plants. The 36.3% increase in our Electricity Segment revenues over the same period last year also reflects the weak first quarter of 2007 that resulted from an accumulation of operational issues in certain projects in the United States, most of which have been resolved.

*Products Segment*

Revenues attributable to our Products Segment for the three months ended March 31, 2008 were \$9.9 million, as compared with \$18.1 million for the three months ended March 31, 2007, which represented a 45.4% decrease in such revenues. This decrease is principally attributable to last year's lower products backlog, and the timing of revenue recognition in accordance with the percentage of completion method for each of our geothermal and recovered energy generation products. Our manufacturing and construction activities were not reduced, as we increased the amount of our manufacturing and construction activities for our own projects.

**Total Cost of Revenues**

Total cost of revenues for the three months ended March 31, 2008 was \$46.7 million, as compared with \$55.6 million for the three months ended March 31, 2007, which represented a 16.0% decrease in total cost of revenues. As a percentage of total revenues, our total cost of revenues for the three months ended March 31, 2008 was 67.3% compared with 90.1% for the same period in 2007. These decreases are attributable to decreased costs in both our Electricity and Products Segments, as discussed below.

*Electricity Segment*

Total cost of revenues attributable to our Electricity Segment for the three months ended March 31, 2008 was \$38.7 million, as compared with \$39.7 million for the three months ended March 31, 2007, which represented a 2.6% decrease in total cost of revenues for such segment. This decrease from the same period last year reflects the heightened major maintenance costs that we experienced during the first quarter of 2007 due to an accumulation of operating issues in our United States projects, most of which have been resolved. The decrease in our costs in this segment during the first quarter of 2008 was partially offset by: (i) costs relating to new and enhanced projects placed into service; and (ii) an increase in labor and materials costs in existing plants. Due to project timing issues, a portion of our project maintenance costs that would otherwise have been incurred during the first quarter of 2008 will be incurred in the second quarter. These deferred costs will be incurred in addition to our scheduled maintenance costs for the second quarter, including the replacement of two turbines in our Steamboat 2/3 project, which will require a shutdown of the project for a period of time. As a percentage of total electricity revenues, the total cost of revenues attributable to our Electricity Segment for the three months ended March 31, 2008 was 65.0% compared with 91.0% for the three months ended March 31, 2007.

*Products Segment*

Total cost of revenues attributable to our Products Segment for the three months ended March 31, 2008 was \$8.1 million, as compared with \$15.9 million for the three months ended March 31, 2007, which represented a 49.4% decrease in total cost of revenues related to such segment. This decrease is attributable to the decrease in our product revenues, as described above, as well as to a different product mix. This decrease was partially offset by an increase in labor, material, construction and transportation costs, as well as costs resulting from the devaluation of the U.S. dollar. As a percentage of total Products Segment revenues, our total cost of revenues attributable to this segment for the

three months ended March 31, 2008 was 81.6% as compared with 88.0% for the three months ended March 31, 2007. Our costs as a percentage of total revenues for this segment were not negatively impacted by the reduced revenues during the first quarter of 2008 due to the increased amount of manufacturing and construction activities for our own projects.

***Research and Development Expenses***

Research and development expenses for the three months ended March 31, 2008 were \$0.7 million, which is consistent with our research and development expenses for the same period last year.

***Selling and Marketing Expenses***

Selling and marketing expenses for the three months ended March 31, 2008 were \$3.5 million, as compared with \$2.0 million for the three months ended March 31, 2007, which represented a 77.2% increase. The increase was due primarily to an increase in personnel expenses and other administrative expenses as a result of the hiring of additional personnel to support our continued growth, and an increase in salaries due in part to the devaluation of the U.S. dollar, as well as expenses relating to a transaction that was not consummated. Selling and marketing expenses for the three months ended March 31, 2008 constituted 5.1% of total revenues for such period, as compared with 3.2% for the three months ended March 31, 2007.

***General and Administrative Expenses***

General and administrative expenses for the three months ended March 31, 2008 were \$6.0 million, as compared with \$5.7 million for the three months ended March 31, 2007, which represented a 4.9% increase. Such increase is attributable to an increase in personnel expenses and other administrative expenses as a result of hiring additional personnel in anticipation of our future growth, and as a result of an increase in salaries due in part to the devaluation of the U.S. dollar. General and administrative expenses for the three months ended March 31, 2008 decreased to 8.7% of total revenues for such period, from 9.3% for the three months ended March 31, 2007.

***Operating Income (Loss)***

Operating income for the three months ended March 31, 2008 was \$12.4 million, as compared with operating loss of \$2.3 million for the three months ended March 31, 2007. Such increase in operating income was principally attributable to an increase in the gross margin in our Electricity Segment due to the significant increase in revenues coupled with a decrease in our costs in this segment during the first quarter of 2008, as described above. Operating income attributable to our Electricity Segment for the three months ended March 31, 2008 was \$12.6 million, as compared with operating loss of \$1.5 million for the three months ended March 31, 2007. Operating loss attributable to our Products Segment for the three months ended March 31, 2008 was \$0.2 million, as compared with \$0.8 million for the three months ended March 31, 2007.

***Interest Income***

Interest income for the three months ended March 31, 2008 was \$1.0 million, as compared with \$1.4 million for the three months ended March 31, 2007, which represented a 26.0% decrease. The \$0.4 million decrease is primarily due to our holding a reduced amount of liquid investments, as well as a decrease in interest rates payable on liquid investments.

***Interest Expense***

Interest expense for the three months ended March 31, 2008 was \$3.6 million, as compared with \$7.8 million for the three months ended March 31, 2007, which represented a 53.7% decrease. The \$4.2 million decrease is primarily due to principal repayments and to an increase of \$2.3 million in interest capitalized to projects as a result of increased projects under construction.

### ***Impairment of Auction Rate Securities***

In the three months ended March 31, 2008, we recorded \$0.3 million of impairment as a result of an other-than-temporary decline in the value of certain auction rate securities. See also Note 6 to our condensed consolidated financial statements.

### ***Income Taxes***

Income tax provision for the three months ended March 31, 2008 was \$2.1 million as compared with income tax benefit of \$2.0 million for the three months ended March 31, 2007. The effective tax rate for the three months ended March 31, 2008 and 2007 was 22.0%.

### ***Minority interest***

Minority interest for the three months ended March 31, 2008 includes income of \$2.2 million from the sale of limited liability company interests in OPC to the institutional equity investors in June 2007.

### ***Equity in Income of Investees***

Our participation in the income generated from our investees for the three months ended March 31, 2008 was \$0.5 million, as compared with \$1.2 million for the three months ended March 31, 2007. On September 25, 2007, our equity investee, Ormat Leyte Co. Ltd. (Leyte) transferred its power plants to PNOC-Energy Development Corporation pursuant to a Build, Operate, and Transfer agreement. We did not incur any material financial loss as a result of such transfer, although going forward this will reduce our owned foreign generation capacity by 39 MW with a commensurate impact on equity in income of investees and net income. Our equity in income of investees for the three months ended March 31, 2008 includes an immaterial loss from Leyte, while in the three months ended March 31, 2007 we had \$0.8 million of income from Leyte.

### ***Net Income (Loss)***

Net income for the three months ended March 31, 2008 was \$10.1 million, as compared with a net loss of \$5.8 million for the three months ended March 31, 2007. Such increase in net income was principally attributable to: (i) an increase in our operating income of \$14.8 million; (ii) a \$4.2 million decrease in interest expense; and (iii) a \$2.2 million increase in minority interest as described above. This was partially offset by a \$4.1 million increase in income tax provision. Net income for the three months ended March 31, 2008 includes stock-based compensation related to stock options of \$1.1 million as compared with \$0.6 million for the three months ended March 31, 2007.

### ***Liquidity and Capital Resources***

Our principal sources of liquidity have been derived from cash from operations, proceeds from parent company loans, third party debt in the form of borrowing under credit facilities, issuance by Ormat Funding and OrCal Geothermal of their Senior Secured Notes, project financing (including the Puna lease and the OPC Tax Monetization Transactions described below) and the issuance of our common stock in public and private offerings. We have utilized this cash to fund our acquisitions, develop and construct power generation plants and meet our other cash and liquidity needs.

As of March 31, 2008, we have access to the following sources of funds: (i) \$30.7 million in cash, cash equivalents and short-term marketable securities; and (ii) \$110.0 million of corporate borrowing capacity under existing lines of credit with different commercial banks. In May 2008, we secured additional borrowing capacity of \$50 million through a line of credit with a commercial bank.

Our estimated capital needs for the rest of 2008 include approximately \$356.0 million for capital expenditures on new projects in development or construction, exploration activity, operating projects, and machinery and equipment, as well as \$65.8 million for debt repayment (including to our parent).

We expect to finance these requirements and our working capital deficit in the amount of \$27.8 million as of March 31, 2008 with: (i) the sources of liquidity described above; (ii) additional

proceeds of approximately \$64.0 million which we received on April 17, 2008 from the second closing of the OPC Tax Monetization Transaction; (iii) cash flows from our operations; (iv) additional borrowing capacity under future lines of credit with commercial banks that are under negotiations; (v) future project financing and refinancing; and (vi) future tax monetization transactions. Our management believes that these sources will address our anticipated liquidity, capital expenditures and other investment requirements. Our shelf registration statement on Form S-3, which was declared effective on January 31, 2006, provides us with the ability to raise additional capital of up to \$623 million through the issuance of securities.

#### ***Sale of Unregistered Shares to the Parent***

As described in “Recent Developments”, on January 8, 2008, we completed an unregistered sale of 693,750 shares of common stock to our parent at a price of \$48.02 per share. The proceeds from this unregistered sale were approximately \$33.3 million. The proceeds from this sale are being used for general corporate purposes, which may include construction of geothermal and recovered energy generation power plants and other investments and financing activities.

#### ***Loan Agreements with our Parent***

In 2003, we entered into a loan agreement with Ormat Industries Ltd. (our parent company), which was further amended on September 20, 2004. Pursuant to this loan agreement, Ormat Industries agreed to make a loan to us in one or more advances not exceeding a total aggregate amount of \$150.0 million. The proceeds of the loan are to be used to fund our general corporate activities and investments. We are required to repay the loan and accrued interest in full and in accordance with an agreed-upon repayment schedule and in any event on or prior to June 5, 2010. Interest on the loan is calculated on the balance from the date of the receipt of each advance until the date of payment thereof at a fixed rate per annum equal to Ormat Industries’ average effective cost of funds plus 0.3% in dollars, which represents a rate of 7.5% per annum. All computations of interest shall be made by Ormat Industries on the basis of a year consisting of 360 days. As of March 31, 2008, the outstanding balance of the loan was approximately \$50.8 million compared to \$57.8 million, as of December 31, 2007.

#### ***Third Party Debt***

Our third party debt is composed of two principal categories. The first category consists of project finance debt or acquisition financing that we or our subsidiaries have incurred for the purpose of developing and constructing, refinancing or acquiring our various projects, which are described under the heading “Non-Recourse and Limited-Recourse Third Party Debt”. The second category consists of debt incurred by us or our subsidiaries for general corporate purposes, which are described under the heading “Full-Recourse Third Party Debt”.

#### ***Non-Recourse and Limited-Recourse Third Party Debt***

##### *OrCal Geothermal Senior Secured Notes — Non-Recourse*

On December 8, 2005, OrCal Geothermal Inc. (OrCal), one of our subsidiaries, issued \$165.0 million, 6.21% Senior Secured Notes (OrCal Senior Secured Notes) in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, for the purpose of refinancing the acquisition cost of the Heber projects. The OrCal Senior Secured Notes have been rated BBB– by Fitch. The OrCal Senior Secured Notes have a final maturity date of December 30, 2020. Principal and interest on the OrCal Senior Secured Notes are payable in semi-annual payments that commenced on June 30, 2006. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal. There are various restrictive covenants under the OrCal Senior Secured Notes, which include limitations on additional indebtedness and payment of dividends. As of March 31, 2008, we were in compliance with the covenants under the OrCal Senior Secured Notes. As of March 31, 2008, there were \$134.5 million of OrCal Senior Secured Notes outstanding.

*Ormat Funding Senior Secured Notes — Non Recourse*

On February 13, 2004, Ormat Funding Corp. (OFC), one of our subsidiaries, issued \$190.0 million, 8¼% Senior Secured Notes (OFC Senior Secured Notes) in an offering subject to Rule 144A and Regulation S of the Securities Act of 1933, as amended, for the purpose of refinancing the acquisition cost of the Brady, Ormesa and Steamboat 1/1A projects, and the financing of the acquisition cost of the Steamboat 2/3 project. The OFC Senior Secured Notes have a final maturity date of December 30, 2020. Principal and interest on the OFC Senior Secured Notes are payable in semi-annual payments which commenced on June 30, 2004. The OFC Senior Secured Notes are collateralized by substantially all of the assets of OFC and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC. There are various restrictive covenants under the OFC Senior Secured Notes, which include limitations on additional indebtedness and payment of dividends. As of March 31, 2008, we were in compliance with the covenants under the OFC Senior Secured Notes. As of March 31, 2008, there were \$164.9 million of OFC Senior Secured Notes outstanding.

*Senior Loans from International Finance Corporation (IFC) and Commonwealth Development Corporation (CDC) — Non-Recourse*

Orzunil I de Electricidad, Limitada (Orzunil), a wholly owned subsidiary in Guatemala, has senior loan agreements with IFC and CDC. The first loan from IFC, of which \$5.6 million was outstanding as of March 31, 2008, has a fixed annual interest rate of 11.775%, and matures on November 15, 2011. The second loan from IFC, of which \$0.7 million was outstanding as of March 31, 2008, has a fixed annual interest rate of 11.730%, and matures on May 15, 2008. The loan from CDC, of which 6.0 million was outstanding as of March 31, 2008, has a fixed annual interest rate of 10.300%, and matures on August 15, 2010. There are various restrictive covenants under the Senior Loans, which include limitations on Orzunil's ability to make distributions to its shareholders. As of March 31, 2008, Orzunil is in compliance with the covenants under these senior loans.

*Credit Facility Agreement (The Momotombo project) — Limited Recourse*

Ormat Momotombo Power Company (Momotombo), a wholly owned subsidiary in Nicaragua, has a loan agreement with Bank Hapoalim, of which \$7.6 million was outstanding as of March 31, 2008, bearing an interest rate of 3-month LIBOR plus 2.375% per annum on tranche one of the loan and 3-month LIBOR plus 3.0% per annum on tranche two of the loan. Tranche one of the loan matures on September 5, 2010, and is payable in 32 quarterly installments of \$298,000 and tranche two of the loan matures on December 5, 2010, and is payable in 28 quarterly installments of \$424,000. There are various restrictive covenants under this loan, which include limitations on Momotombo's ability to make distributions to its shareholders.

Due to a failure of a turbine that was not manufactured by Ormat, the Momotombo project had not been in full operation from June 2007 through October 2007. As a result, Momotombo did not meet the "debt service coverage ratio" required at December 31, 2007, and therefore, distributions from the project are restricted. The turbine has been repaired and the power plant returned to full operation in November 2007.

In October 2007, Momotombo reached an agreement with Bank Hapoalim, pursuant to which Bank Hapoalim allowed Momotombo to use the funds in the "Debt Service Reserve Account" for the repair of the damaged turbine. As a result, Momotombo does not comply with the required "Debt Service Reserve Account". In accordance with the terms of the credit facility, Momotombo has a 180-day period to replenish the "Debt Service Reserve Account". On February 24, 2008, Bank Hapoalim granted Momotombo an extension to replenish the "Debt Service Reserve Account" until August 31, 2009. As the power plant recently returned to full operation, we believe that Momotombo will comply with the "Debt Service Reserve Account" covenant before August 31, 2009.

***New financing of our projects***

*Financing of the Amatitlan Project*

We intend to refinance our equity investment in the construction of the Amatitlan project in Guatemala. We terminated the exclusivity of the mandate letter with the local bank in Guatemala and are currently in discussions with other financial institutions.

*Financing of Phase II of Olkaria III Project*

We have engaged a financial institution that is leading a syndicate for the purpose of arranging long term financing for the Olkaria III project in Kenya. The syndicate is in the process of conducting due diligence related to the potential financing. We are in the process of negotiating the term sheet for the financing.

***Full-Recourse Third Party Debt***

Our full-recourse third party debt includes an \$8.0 million medium term loan from Bank Hapoalim, of which \$1.0 million was outstanding as of March 31, 2008, bearing an interest rate of 12-month LIBOR plus 1.7% per annum.

In connection with our acquisition through our Israeli subsidiary, Ormat Systems Ltd. (Ormat Systems), of the power generation business from our parent and in connection with obtaining lines of credit, we entered into certain agreements with various commercial banks. Under these agreements, in exchange for such banks' release of our parent's guarantee and a release of their security interest over the assets of Ormat Systems, we and Ormat Systems have agreed to certain negative covenants, including, but not limited to, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets. In some cases, we have agreed to maintain certain financial ratios such as a debt service coverage ratio and a debt to equity ratio. We do not expect that these covenants or ratios, which apply to us on a consolidated basis, will materially limit our ability to execute our future business plans or our operations. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

We do not expect that any third party debt that we, or any of our subsidiaries, will incur in the future will be guaranteed by our parent.

Most of the loan agreements to which we or our subsidiaries are a party contain cross-default provisions with respect to other material indebtedness owed by us or them to any third party.

On February 15, 2006, our subsidiary, Ormat Nevada, entered into a \$25.0 million credit agreement with Union Bank of California (UBOC). Under the credit agreement, Ormat Nevada can request extensions of credit in the form of loans and/or the issuance of one or more letters of credit. UBOC is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as parties thereto. In connection with this transaction, we have entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada's obligations under the credit agreement. Ormat Nevada's obligations under the credit agreement are otherwise unsecured by any of its (or any of its subsidiaries') assets.

Loans and draws under the letters of credit (if any) under the credit agreement will bear interest at the floating rate based on the Eurodollar plus a margin. There are various restrictive covenants under the credit agreement, which include maintaining certain levels of tangible net worth, leverage ratio, minimum coverage ratio, and a distribution coverage ratio. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios.

As of March 31, 2008, three letters of credit in the amount of \$12.3 million remained issued and outstanding under this credit agreement with UBOC.

In 2007, we entered into credit agreements with three commercial banks in the aggregate amount of \$110 million. In addition, in May 2008, we entered into an additional credit agreement with another commercial bank in the amount of \$50 million. Under these credit agreements, we or our Israeli subsidiary, Ormat Systems, can request extensions of credit in the form of loans and/or the issuance of one or more letters of credit. Each of the credit agreements has a term of three years.

Loans and draws under the credit agreements or under any letters of credit will bear interest at the respective bank's cost of funds plus a margin. Our (or Ormat Systems') obligations under the credit agreements are unsecured, but we are subject to a negative pledge in favor of the banks and certain other customary restrictive covenants.

As of March 31, 2008 and as of the date of this report, no loans or letters of credits were outstanding under such credit agreements.

Our management believes that we are currently in compliance with our covenants with respect to our third-party debt, except as described above regarding the Bank Hapoalim loan.

#### ***Letters of Credit***

Some of our customers require our project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. We are also required to post letters of credit to secure our obligations under various leases and licenses and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. In addition, our subsidiary, Ormat Systems, is required from time to time to post performance letters of credit in favor of our customers with respect to orders of products.

Bank Leumi and Bank Hapoalim have issued such performance letters of credit in favor of our customers from time to time. As of March 31, 2008, Bank Leumi and Bank Hapoalim have agreed to make available to us letters of credit totaling \$8.9 million and \$23.1 million, respectively. As of such date, Bank Leumi and Bank Hapoalim have issued letters of credit in the amount of \$8.9 million and \$13.1 million, respectively.

In addition, we and certain of our subsidiaries may request letters of credit under the credit agreements with UBOC and four other commercial banks as described above under "Full-Recourse Third Party Debt". As of March 31, 2008, three letters of credit in the amount of \$12.3 million remained issued and outstanding under the UBOC credit agreement.

#### ***Puna Project Lease Transactions***

On May 19, 2005, our subsidiary in Hawaii, Puna Geothermal Ventures (PGV), entered into a transaction involving the Puna geothermal power plant located on the Big Island of Hawaii. The transaction was concluded with financing parties by means of a leveraged lease transaction. A secondary stage of the lease transaction relating to two new geothermal wells that PGV drilled in the second half of 2005 (for production and injection) was completed on December 30, 2005. Pursuant to a 31-year head lease, PGV leased its geothermal power plant to the abovementioned financing parties in return for deferred lease payments by such financing parties to PGV in the aggregate amount of \$83.0 million.

#### ***OPC Tax Monetization Transactions***

On June 7, 2007, a wholly owned subsidiary of the Company, Ormat Nevada, concluded a transaction to monetize production tax credits and other favorable tax attributes, such as accelerated depreciation, generated from certain of its geothermal power projects. Pursuant to the transaction, affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. became institutional equity investors in a newly formed subsidiary of Ormat Nevada. The projects involved in the transaction include Desert Peak 2, Steamboat Hills, and Galena 2, all located in Nevada.

Under the transaction structure, Ormat Nevada transferred the aforementioned geothermal power projects to the newly formed subsidiary, OPC LLC (OPC), and sold limited liability company interests in OPC to the institutional equity investors for \$71.8 million. Ormat Nevada will continue to operate and maintain the projects and will receive initially all of the distributable cash flow generated by the projects until it recovers the capital that it has invested in the projects, while the institutional equity investors will receive substantially all of the production tax credits and the taxable income or loss, and the distributable cash flow after Ormat Nevada has recovered its capital. The institutional equity investor's return is limited by the term of the transaction. Once the investors reach a target after-tax yield on their investment in OPC (the Flip Date), Ormat Nevada will receive 95% of both distributable cash and taxable income and the investors will receive 5% of both distributable cash and taxable income on a going forward basis. Following the Flip Date, Ormat Nevada also has the option to buy out the investors' remaining interest in OPC at the then-current fair market value or, if greater, the investors' capital account balances in OPC. Should Ormat Nevada exercise this purchase option, it would thereupon revert to being sole owner of the projects.

On April 17, 2008, a second closing of the transaction was concluded. Under this second closing, Ormat Nevada transferred the Galena 3 geothermal project to OPC, and received from the institutional equity investors \$64.0 million.

**Liquidity Impact of Uncertain Tax positions**

As discussed in Note 10 to our Condensed Consolidated Financial Statements set forth in Item 1 of this quarterly report, we have a liability associated with unrecognized tax benefits and related interest and penalties in the amount of approximately \$5.6 million as of March 31, 2008. This liability is included in long-term liabilities in our consolidated balance sheet, because we generally do not anticipate that settlement of the liability will require payment of cash within the next twelve months. We are not able to reasonably estimate when we will make any cash payments required to settle this liability, but do not believe that the ultimate settlement of our obligations will materially effect our liquidity.

**Dividend**

The following are the dividends declared by us during the past two years:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
August 6, 2006	\$ 0.04	August 23, 2006	August 30, 2006
November 7, 2006	\$ 0.04	November 30, 2006	December 13, 2006
February 27, 2007	\$ 0.07	March 21, 2007	March 29, 2007
May 8, 2007	\$ 0.05	May 22, 2007	May 29, 2007
August 8, 2007	\$ 0.05	August 22, 2007	August 29, 2007
November 6, 2007	\$ 0.05	November 28, 2007	December 12, 2007
February 26, 2008	\$ 0.05	March 14, 2008	March 27, 2008
May 6, 2008	\$ 0.05	May 20, 2008	May 27, 2008

**Historical Cash Flows**

The following table sets forth the components of our cash flows for the relevant periods indicated:

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Net cash provided by operating activities	\$ 33,816	\$ 8,428
Net cash provided by (used in) investing activities	(72,314)	19,725
Net cash provided by (used in) financing activities	21,993	(26,163)
Net increase (decrease) in cash and cash equivalents	(16,505)	1,990

*For the three months ended March 31, 2008*

Net cash provided by operating activities for the three months ended March 31, 2008 was \$33.8 million, as compared with \$8.4 million for the three months ended March 31, 2007. Such net increase of \$25.4 million resulted primarily from (i) the increase in net income to \$10.1 million in the three months ended March 31, 2008, as compared with a net loss of \$5.8 million in the three months ended March 31, 2007, mainly as a result of the increase in gross margin, as described above, and (ii) an increase of \$5.6 million and \$7.9 million, respectively, in accounts payable and in billings in excess of costs and estimated earnings on uncompleted contracts, in the three months ended March 31, 2008, as compared to an increase of \$3.8 million and \$3.7 million, respectively, in the three months ended March 31, 2007.

Net cash used in investing activities for the three months ended March 31, 2008 was \$72.3 million, as compared with \$19.7 million provided by investing activities for the three months ended March 31, 2007. The principal factors that affected our cash flow used in investing activities during the three months ended March 31, 2008 were capital expenditures of \$81.6 million, primarily for our facilities under construction, and a \$3.0 million increase in restricted cash, cash equivalents and marketable securities, offset by a \$12.6 million decrease in marketable securities. The principal factors that affected our cash flow provided by investing activities during the three months ended March 31, 2007 were a \$44.0 million decrease in marketable securities, a \$7.2 million decrease in restricted cash, cash equivalents and marketable securities, offset by capital expenditures of \$31.2 million, primarily for our power facilities under construction.

Net cash provided by financing activities for the three months ended March 31, 2008 was \$22.0 million, as compared with \$26.2 million used in financing activities for the three months ended March 31, 2007. The principal factors that affected the cash flow provided by financing activities during the three months ended March 31, 2008 were the \$33.3 million net proceeds from our sale of 693,750 shares to our parent, offset by the repayment of long-term debt in the amount of \$2.2 million, the repayment of debt to our parent in the amount of \$7.0 million and the payment of a dividend to our shareholders in the amount of \$2.1 million. The principal factors that affected the cash flow used in financing activities during the three months ended March 31, 2007 were the repayment of long-term debt in the amount of \$16.8 million, the repayment of debt to our parent in the amount of \$7.0 million and the payment of a dividend to our shareholders in the amount of \$2.7 million.

***Capital Expenditures***

Our capital expenditures primarily relate to two principal components: the enhancement of our existing power plants and the development of new power plants. We expect that the following enhancements of our existing power plants and the construction of new power plants will be funded initially from internally generated cash or other available corporate resources, which we expect to subsequently refinance with limited or non-recourse debt or tax monetization at the subsidiary level. We currently do not contemplate obtaining any new loans from our parent company.

*Phase II of the Olkaria III Project.* In connection with Phase II of the Olkaria III 35 MW project, we have completed the drilling of the wells and the majority of the power plant equipment is on site.

*Puna Project.* An enhancement program for the Puna project is currently planned and is intended to increase the output of the project by an estimated 8 MW through the construction of an OEC unit. We expect that such enhancement program will be completed in 2009. We have not yet entered into a power purchase agreement for the supply of energy from this planned addition.

*North Brawley Project.* The construction of the North Brawley project is currently under way. Once completed, it will deliver approximately 50 MW of power generation under an existing power purchase agreement with Southern California Edison. Drilling started in February 2007. Construction work is at an advanced stage and the key power plant equipment has arrived at the site. We expect the construction to be completed by the end of 2008.

***OREG 2 Project.*** In connection with the OREG 2 recovered energy project, we plan to construct four power plants along the Northern Border natural gas pipeline. Each of the four facilities will have a net capacity of 5.5 MW. These facilities are scheduled to be completed during 2009.

***GRE Project.*** We are developing a 5.3 MW recovered energy generation project for Great River Energy, which will be located along the Northern Boarder pipeline in Martin County, Minnesota. We recently signed a 20-year power purchase agreement with Great River Energy. We expect this facility to be commissioned in late 2009 or early 2010.

***Peetz Project.*** In connection with the Peetz recovered energy project, we are currently manufacturing the equipment required for use in the 4 MW power plant along a natural gas pipeline near Denver, Colorado. The facility is scheduled to be commissioned in mid-2009.

***GDL Project.*** We are constructing a 10 MW power plant, located in the Kawerau, New Zealand. We have a 49% ownership interest in the project and have an option to acquire the remaining 51% before the completion of construction. Completion of this project is expected in late 2008 or early 2009.

***East Brawley.*** We plan to construct and have begun manufacturing equipment for an additional 50 MW power plant in the Brawley known geothermal resource area in Imperial County, California, adjacent to the North Brawley project. Completion of the project is projected for the end of 2009.

We have budgeted approximately \$610 million for the projects described above and have invested approximately \$179 million of such budget as of March 31, 2008, and expect to invest approximately \$281 million in the rest of 2008.

In addition to the above projects, our operating projects have capital expenditure requirements for the rest of 2008 of approximately \$26 million. We plan to start other construction and enhancement of additional projects, and we have various leases for geothermal resources, in which we have started exploration activity, for a total investment amount of approximately \$45 million for the rest of 2008 and 2009, and we also plan to invest approximately \$17 million in machinery and equipment, including drilling equipment in the rest of 2008.

We do not anticipate material capital expenditures in the near term for any of our operating projects, other than those described above and other than new projects beyond 2008.

#### **Exposure to Market Risks**

One market risk to which power plants are typically exposed is the volatility of electricity prices. However, our exposure to such market risk is limited currently because our long-term power purchase agreements have fixed or escalating rate provisions that limit our exposure to changes in electricity prices. However, beginning in May 2012, the energy payments under the power purchase agreements for the Heber 1 and 2 projects, the Ormesa project and the Mammoth project will be determined by reference to the relevant power purchaser's short run avoided costs. The Puna project is currently benefiting from energy prices which are higher than the floor under the Puna power purchase agreement, as a result of the high fuel costs that impact Hawaii Electric Light Company's avoided costs. In addition, under certain of the power purchase agreements for our projects in Nevada, the price that Sierra Pacific Power Company pays for energy and capacity is based upon California-Oregon border power market pricing.

As of March 31, 2008, 97.7% of our consolidated long-term debt (including amounts owed to our parent) was in the form of fixed rate securities and therefore not subject to interest rate volatility risk. As of such date, 2.3% of our debt was in the form of a floating rate instrument, exposing us to changes in interest rates in connection therewith. As of March 31, 2008, \$8.6 million of our debt remained subject to some floating rate risk. As such, our exposure to changes in interest rates with respect to our long-term obligations is immaterial.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits, money market securities, commercial paper and auction rate securities (with a minimum investment grade rating of AA by Standard & Poor's Ratings Services).

We account for our investment in marketable securities in accordance with SFAS No. 115, *Accounting for Investments in Debt and Equity Securities*. All of our investments in marketable securities (including marketable securities which are part of restricted cash accounts) are treated as "available-for-sale" under SFAS No.115. Our marketable securities include auction rate securities and commercial paper.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However because we classify our debt securities as "available-for-sale", no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Should interest rates fluctuate by 10 percent, the value of our marketable securities as of March 31, 2008 would not have changed significantly, since most of our investment in marketable securities are short-term or bearing variable interest rates, but our interest income would have changed by approximately \$0.1 million for the three months ended March 31, 2008.

Auction rate securities are securities that are structured with short-term interest rate reset dates of generally less than ninety days but with contractual maturities that can be well in excess of ten years. At the end of each reset period, which depending on the security can occur on a daily, weekly, or monthly basis, investors can sell or continue to hold the securities at par. These securities are subject to fluctuations in fair value depending on the supply and demand at each auction.

In the fourth quarter of 2007, certain auction rate securities failed auction due to sell orders exceeding buy orders. While we continue to earn interest on these investments at the contractual rates, the estimated market value of these auction rate securities no longer approximates par value. We concluded that the fair value of these auction rate securities at March 31, 2008 and December 31, 2007 was \$7.6 million and \$8.4 million, respectively, a decline of \$3.6 million and \$2.8 million, respectively, from par value of \$11.2 million. Of this amount, \$1.2 million and \$0.8 million as of March 31, 2008 and December 31, 2007, respectively, was deemed temporary, as we believe the decline in market value is due to general market conditions. Based upon our evaluation of available information, we believe these investments generally are of high credit quality, as substantially all of the investments carry a AA credit rating and higher. In addition, we currently have the intent and ability to hold these investments until anticipated recovery in market value occurs. Accordingly, we have recorded an unrealized loss on these securities of \$0.4 million and \$0.8 million in the three months ended March 31, 2008 and in the year ended December 31, 2007, respectively, in other comprehensive loss. We concluded that an amount of \$0.3 million and \$2.0 million in the three months ended March 31, 2008 and in the year ended December 31, 2007, respectively, of the decline was other-than-temporary and recorded impairment charges for these amounts. Our conclusion for the other than temporary impairment is based on the significant decline in fair value indicated for a certain investment.

Another market risk to which we are exposed is primarily related to potential adverse changes in foreign currency exchange rates, in particular the fluctuation of the U.S. dollar versus the New Israeli Shekel (NIS). Risks attributable to fluctuations in currency exchange rates can arise when any of our foreign subsidiaries borrows funds or incurs operating or other expenses in one type of currency but receives revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary or increase such subsidiary's overall expenses. Risks attributable to fluctuations in foreign currency exchange rates can also arise when the currency denomination of a particular contract is not the U.S. dollar. All of our power purchase agreements in the international markets are either U.S. dollar-denominated or linked to the U.S. dollar. Our construction contracts from time to time contemplate costs which are incurred in local currencies. The way we often mitigate such risk is to receive part of the proceeds from the sale contract in the currency in which the expenses are incurred. In the past, we have not used any material foreign currency exchange contracts

or other derivative instruments to reduce our exposure to this risk. In the future, we may use such foreign currency exchange contracts and other derivative instruments to reduce our foreign currency exposure to the extent we deem such instruments to be the appropriate tool for managing such exposure. We do not believe that our exchange rate exposure has or will have a material adverse effect on our financial condition, results of operations or cash flows.

#### **Concentration of Credit Risk**

Our credit risk is currently concentrated with a limited number of major customers: Sierra Pacific Power Company, Hawaii Electric Light Company and Southern California Edison. If any of these electric utilities fails to make payments under its power purchase agreements with us, such failure would have a material adverse impact on our financial condition.

Southern California Edison accounted for 30.3% and 24.8% of our total revenues for the three months ended March 31, 2008 and 2007, respectively. Southern California Edison is also the power purchaser and revenue source for our Mammoth project, which we account for separately under the equity method of accounting.

Hawaii Electric Light Company accounts for 21.0% and 15.7% of our total revenues for the three months ended March 31, 2008 and 2007, respectively.

Sierra Pacific Power Company accounted for 11.5% and 10.3% of our total revenues for the three months ended March 31, 2008 and 2007, respectively.

#### **Government Grants and Tax Benefits**

The U.S. government encourages production of electricity from geothermal resources through certain tax subsidies. We are permitted to claim approximately 10% of the cost of each new geothermal power plant in the United States as an investment tax credit against our federal income taxes. Alternatively, we are permitted to claim a "production tax credit," which in 2007 was 2.0 cents per kWh and which is adjusted annually for inflation. The production tax credit may be claimed on the electricity output of new geothermal power plants put into service by December 31, 2008. Credit may be claimed for ten years on the output from any new geothermal power plants put into service prior to December 31, 2008. The owner of the project must choose between the production tax credit and the 10% investment tax credit described above. In either case, under current tax rules, any unused tax credit has a 1-year carry back and a 20-year carry forward. Whether we claim the production tax credit or the investment credit, we are also permitted to depreciate most of the plant for tax purposes over five years on an accelerated basis, meaning that more of the cost maybe deducted in the first few years than during the remainder of the depreciation period. If we claim the investment credit, our "tax base" in the plant that we can recover through depreciation must be reduced by half of the tax credit; if we claim a production tax credit; there is no reduction in the tax basis for depreciation.

Our subsidiary, Ormat Systems, received "Benefited Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs. As a Benefited Enterprise, Ormat Systems was exempt from Israeli income taxes with respect to income derived from the first benefited investment for the period from July 1, 2004 to June 30, 2006, and thereafter such income is subject to reduced Israeli income tax rates of 25% for an additional five years. Ormat Systems is also exempt from Israeli income taxes with respect to income derived from the second benefited investment for the period from January 1, 2007 to December 31, 2008, and thereafter such income is subject to reduced Israeli income tax rates of 25% for an additional five years. These benefits are subject to certain conditions, including among other things, that all transactions between Ormat Systems and our affiliates are at arms length, and that the management and control of Ormat Systems will be from Israel during the whole period of the tax benefits. A change in control should be reported to the Israeli Tax Authorities in order to maintain the tax benefits. In addition, as an industrial company, Ormat Systems is entitled to accelerated depreciation on equipment used for its industrial activities. Under the provisions of certain tax regulations published in Israel in 2005, industrial companies whose operations are mostly "Eligible

Operations” are entitled to claim accelerated depreciation at the rate of 100% on machinery and equipment acquired from July 1, 2005 to December 31, 2006. Accelerated depreciation is to be claimed over two years. In the year in which the equipment was acquired, the regular depreciation rate is to be claimed, with the remainder to be claimed in the second year.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We incorporate by reference the information appearing under “Exposure to Market Risks” and “Concentration of Credit Risk” in Part I, Item 2 of this quarterly report on Form 10-Q.

**ITEM 4. CONTROLS AND PROCEDURES**

*a. Evaluation of disclosure controls and procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures to ensure that the information required to be disclosed in our filings pursuant to Rule 13a-15 under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation as of March 31, 2008, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*b. Changes in internal controls over financial reporting*

There were no changes in our internal controls over financial reporting in the first quarter of 2008 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There were no material developments in any legal proceedings to which the Company is a party during the three months period ended March 31, 2008 other than as described below.

On April 26, 2008, our subsidiary, Ormat Momotombo Power Company (OMPC), received notice of an administrative order issued by the Ministry of Natural Resources and Environment of Nicaragua (MARENA) relating to alleged violations of environmental regulations under Nicaraguan law in connection with OMPC's operation of the Momotombo geothermal power plant in that country. The order was issued following an administrative hearing in the first instance at which OMPC was found liable for the environmental infractions. The order is subject to appeal within MARENA, as well as in the Nicaraguan judicial courts. In addition, this dispute is subject to the dispute resolution provisions contained in the Foreign Investment Contract entered into between OMPC and the Nicaraguan government in June 1999. All penalties incurred by OMPC as a result of these violations are stayed until OMPC has exhausted the legal remedies available to it under Nicaraguan law. We disagree with the MARENA order finding OMPC liable for significant environmental infractions and intend to appeal the administrative order and otherwise defend vigorously against MARENA's claims. If the administrative order is upheld at the end of these review processes in a final non-appealable decision, OMPC may be required to suspend indefinitely its operating activities relating to the project and implement a plan of environmental remediation. The net book value of the geothermal power plant as of March 31, 2008 is \$21.5 million.

From time to time, we (and our subsidiaries) are a party to various lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of our (and their) business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, we accrue reserves in accordance with accounting principles generally accepted in the U.S. We do not believe that any of these proceedings, individually or in the aggregate, would materially and adversely affect our business, financial condition, future results and cash flows.

### ITEM 1A. RISK FACTORS

A comprehensive discussion of our risk factors is included in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2007 filed with the SEC on March 5, 2008.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 8, 2008, we completed an unregistered sale of 693,750 shares of common stock to our parent, at a price of \$48.02 per share of common stock, or approximately \$33.3 million. We believe that this unregistered sale complied with the requirements of Regulation S under the Securities Act. Our parent is not a U.S. Person within the meaning of Regulation S. The sale was made in an offshore transaction, and no selling efforts were made in the U.S. Our parent agreed that the shares of common stock issued in the unregistered sale would not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The proceeds of the sale are being used for general corporate purposes, including the construction of geothermal and recovered energy generation power plants and other investments, and the financing of possible acquisitions.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Our management believes that we are currently in compliance with our covenants with respect to our third-party debt except as described above regarding the Bank Hapoalim credit facility.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibit No.	Document
3.1	Second Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
3.2	Second Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
3.3	Amended and Restated Limited Liability Company Agreement of OPC LLC dated June 7, 2007, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on June 13, 2007.
4.3	Form of Rights Agreement by and between Ormat Technologies, Inc. and American Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4.4	Indenture for Senior Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
4.5	Indenture for Subordinated Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
10.1 .18	First Amendment to Agreement for Purchase of Membership Interests in OPC LLC, dated as of April 17, 2008, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, filed herewith.
10.8 .1	Amendment to Employment Agreement of Yehudit Bronicki, dated March 28, 2008, by and between Ormat Technologies, Inc. and Yehudit Bronicki, filed herewith.
10.9 .1	Amendment to Employment Agreement of Yoram Bronicki, dated March 28, 2008, by and between Ormat Technologies, Inc. and Yoram Bronicki, filed herewith.
10.24	Joint Ownership Agreement for the Carson Lake Project, dated as of March 12, 2008, by and between Nevada Power Company and ORNI 16 LLC, filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ORMAT TECHNOLOGIES, INC.**

Date: May 6, 2008

By: /s/ JOSEPH TENNE  
Name: Joseph Tenne  
Title: Chief Financial Officer

45

---

## EXHIBIT INDEX

Exhibit No.	Document
3.1	Second Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
3.2	Second Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
3.3	Amended and Restated Limited Liability Company Agreement of OPC LLC dated June 7, 2007, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on June 13, 2007.
4.3	Form of Rights Agreement by and between Ormat Technologies, Inc. and American Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 2 on Form S-1 (FileNo. 333-117527) to the Securities and Exchange Commission on October 22, 2004.
4.4	Indenture for Senior Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
4.5	Indenture for Subordinated Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) to the Securities and Exchange Commission on January 26, 2006.
10.1 .18	First Amendment to Agreement for Purchase of Membership Interests in OPC LLC, dated as of April 17, 2008, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, filed herewith.
10.8 .1	Amendment to Employment Agreement of Yehudit Bronicki, dated March 28, 2008, by and between Ormat Technologies, Inc. and Yehudit Bronicki, filed herewith.
10.9 .1	Amendment to Employment Agreement of Yoram Bronicki, dated March 28, 2008, by and between Ormat Technologies, Inc. and Yoram Bronicki, filed herewith.
10.24	Joint Ownership Agreement for the Carson Lake Project, dated as of March 12, 2008, by and between Nevada Power Company and ORNI 16 LLC, filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.



**OPC LLC**  
**FIRST AMENDMENT TO AGREEMENT**  
**FOR PURCHASE OF MEMBERSHIP INTERESTS IN**  
**OPC LLC**

This FIRST AMENDMENT TO AGREEMENT FOR PURCHASE OF MEMBERSHIP INTERESTS IN OPC LLC (this "Amendment"), dated as of April 17, 2008, is entered into by and among Ormat Nevada Inc., a Delaware corporation ("Ormat"), Morgan Stanley Geothermal LLC, a Delaware limited liability company ("Morgan Stanley Geothermal") and Lehman-OPC, a Delaware limited liability company ("Lehman-OPC") (each a "Party" and collectively the "Parties").

**PRELIMINARY STATEMENTS**

(1) The Parties entered into that certain Agreement for Purchase of Membership Interests in OPC LLC, dated as of June 7, 2007 (the "Purchase Agreement"), by and among Ormat, Morgan Stanley Geothermal and Lehman-OPC. Capitalized terms used and not otherwise defined in this Amendment shall have the meanings ascribed thereto in the Purchase Agreement.

(2) The Parties desire to amend the Purchase Agreement and are entering into this Amendment to reflect the following additional agreements.

**SECTION 1. Amendment to the Purchase Agreement.**

Section 2.2(b)(ii). Section 2.2(b)(ii) of the Purchase Agreement is hereby amended by deleting Section 2.2(b)(ii) in its entirety and replacing it with the following:

"(ii) immediately prior to the Galena 3 Closing Date, the Base Case Model will be rerun, on the same basis and using the same methodology and principles as were used to prepare the Base Case Model, to determine the actual Galena 3 Closing Payment, but revised to reflect (A) the actual Galena 3 Closing Date, (B) the actual capital costs incurred for construction of the Galena 3 Project, (C) the approximately 3.07 MW increase in the projected generating capacity of the Galena 3 Project, (D) the increase in the Company's projected operating costs due to its efforts to provide legal rights in ORNI 14 over the lands commonly known as the "Guisti" property for access, pipelines and/or electrical transmission, and (E) any change in allocation ratios if the IRS has announced a "safe harbor" for partnership flip transactions before the Galena 3 Closing Date that requires such a shift. The revised Base Case Model will then be used to determine an adjustment to the Galena 3 Closing Payment, which when considering the

---

timing of such payments will leave the Purchasers with the same Target Internal Rate of Return (as defined in the Company LLC Agreement) projected on the Initial Closing Date assuming no other change in the Base Case Model. The adjustment will be treated as an adjustment to the purchase price for the Class B Membership Interests. Attached as Schedule 2.2(b)(ii) is a sample pro forma showing examples of the purchase price adjustment set forth above.”

Section 3.1(b)(xiii). Section 3.1(b)(xiii) of the Purchase Agreement is hereby amended by deleting Section 3.1(b)(xiii) in its entirety and replacing it with the following:

“3.1(b)(xiii) Real Property. All real property owned or leased by ORNI 14 or to which ORNI 14 has rights under easements or rights-of-way, and the title insurance maintained by ORNI 14 with respect to all such property, is described on Schedule 3.1(b)(xiii). The real property owned or leased, or in which rights are held, by ORNI 14, described on Schedule 3.1(b)(xiii) (including such rights under instruments identified in the Galena 3 Closing Post Closing Deliverable Side Letter), has been, and in the case of the instruments identified in the Galena 3 Closing Post Closing Deliverable Side Letter, will be, sufficient to enable ORNI 14 to conduct its operations as a geothermal power project prior to the Galena 3 Closing Date including providing adequate ingress and egress and transmission capabilities from the Galena 3 Project and adequate sewer, water, gas and electricity for the Galena 3 Project. Neither ORNI 14 nor Seller has been informed in writing by the owner of any such real property that ORNI 14 is in breach of its obligations with respect to such property. All premiums with respect to the title insurance for ORNI 14 shown on Schedule 3.1(b)(xiii) have been paid and, insofar as Seller has Knowledge, there are no circumstances that have rendered such title insurance unenforceable.”

Annex I. Annex I of the Purchase Agreement is hereby amended by adding the following definition:

“Galena 3 Closing Post Closing Deliverable Side Letter” means the letter agreement, dated April \_\_\_\_, 2008, by and among Seller and the Purchasers.

Schedule 1. Schedule 1 of the Purchase Agreement is hereby amended by deleting the second table in Schedule 1 in its entirety and replacing it with the following:

**After the Galena 3 Closing:**

<u>Name of Project Company</u>	<u>Project</u>	<u>Location of Project</u>	<u>Generating Capacity (MW)</u>	<u>PPA Offtaker</u>	<u>PPA End Date</u>
ORNI 3, LLC	Desert Peak 2	Churchill County, Nevada	12	Nevada Power Company	2027
Steamboat Hills, LLC	Galena 2	Washoe County, Nevada	10	Nevada Power Company	2027
Steamboat Hills, LLC	Steamboat Hills	Washoe County, Nevada	10	Sierra Pacific Power Company	2018
ORNI 14, LLC ("ORNI 14")	Galena 3	Washoe County, Nevada	20	Sierra Pacific Power Company	2028*

**SECTION 2. Reference to and Effect on the Purchase Agreement.** On and after the date hereof, each reference in the Purchase Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Purchase Agreement shall mean and be a reference to the Purchase Agreement as amended hereby. Except as specifically amended hereby, the Purchase Agreement shall continue to be in full force and effect in accordance with its terms.

**SECTION 3. Governing Law.** THIS AMENDMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR CONSTRUCTION OF THIS AMENDMENT TO THE LAW OF ANOTHER JURISDICTION.

**SECTION 4. Counterparts.** This Amendment may be executed and delivered (including by facsimile transmission) in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart.

[ Remainder of page intentionally left blank. Signature page to follow. ]

IN WITNESS WHEREOF, the Parties, intending to be legally bound, have executed this Amendment effective as of the date first set forth above.

**ORMAT NEVADA INC.**

By: \_\_\_\_\_  
Name:  
Title:

**MORGAN STANLEY GEOTHERMAL LLC**

By: \_\_\_\_\_  
Name:  
Title:

**LEHMAN-OPC LLC**

By: \_\_\_\_\_  
Name:  
Title:

[ *Signature Page to First Amendment to Purchase Agreement* ]

---



**AMENDMENT TO EMPLOYMENT AGREEMENT**

This Amendment (this "Amendment") is entered into as of this 28 day of March , 2008, by and between Ormat Technologies, Inc., a Delaware corporation (the "Employer"), and Dita Bronicki (the "Employee").

WHEREAS, the parties hereto previously entered into an employment agreement dated as of July 1, 2004 (the "Employment Agreement"); and

WHEREAS, in order to comply with recent guidance issued under Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), the parties hereto wish to amend the Employment Agreement in accordance with the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The second sentence of Section 4.2 of the Employment Agreement is amended in its entirety as follows:

"Each part of the bonus is expected to be paid within 45 days of approval of the respective Employer's and OIL's annual financial statements by the respective Board of Directors, but in all cases each part will be paid during the calendar year following the calendar year in which the bonus is earned."

2. Section 5.1 of the Employment Agreement is amended by adding the following provisions to the end of such Section:

"Payment and provision of such salary, bonus, and other compensation and benefits, subject to Section 6.3 below, shall be made as follows:

(a) salary payments for the Prior Notice Period will be payable in accordance with the Employer's payroll practices as in effect from time to time;

(b) bonus payments for any calendar year that would have been completed during the Prior Notice Period, and a pro-rata bonus payment for any such calendar year that is not so completed, will be paid in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009); and

---

(c) continued benefits will be provided for the Prior Notice Period, or until Employee obtains new employment, whichever is earlier, under all employee health, accident, life insurance, and disability plans, programs or arrangements (including pension accruals and loss of work capacity insurance payments to Employee's Managers' Insurance Policy) in which Employee was participating immediately prior to the date of the employment termination, provided that the continued participation of the Employee is not prohibited under the terms and provisions of such plans, programs and arrangements, and further provided that (i) to the extent any such benefit is provided via reimbursement to the Employee, no such reimbursement will be made by Employer later than the end of the year following the year in which the underlying expense is incurred, (ii) any such benefit provided by Employer in any year will not be affected by the amount of any such benefit provided by Employer in any other year, subject to any maximum benefit limitations applicable to any such health insurance benefit, and (iii) under no circumstances will the Employee be permitted to liquidate or exchange any such benefit for cash or any other benefit."

3. Section 6.2(i) of the Employment Agreement is amended by deleting "as a lump sum on the fifth business day following Employee's last day worked" from the first paragraph of such Section.

4. Sections 6.2(i)(a), (b), (c), and (d) of the Employment Agreement are amended in their entirety as follows:

"(a) the Employee's full unpaid base salary accrued through the date of termination of this Agreement, payable within five business days following Employee's last day worked;

(b) the Employee's monthly base salary at the time of the Change in Control plus any increases therein for 24 months, payable in accordance with the Employer's payroll practices as in effect from time to time;

(c) bonus payments for the next two years following the termination of this Agreement, each such bonus calculated using the average of the annual bonus paid to the Employee for the two years immediately preceding the Change in Control, payable in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009); and

(d) a portion of the annual bonus for the year in which the termination of employment occurs, with the amount thereof multiplied by a fraction, the numerator of which is the number of days in the year through the date of termination of employment and the denominator of which is 365, and any unpaid annual bonus for any completed year, and in each case any such bonus to be paid in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009).”

5. Section 6.2(i) of the Employment Agreement is amended by adding the following sentence to the end of such Section:

“The payments provided for in this Section 6.2(i) will be delayed in accordance with Section 6.3 below to the extent that such Section 6.3 requires a later payment date.”

6. Section 6.2(ii) of the Employment Agreement is amended in its entirety to as follows:

“(ii) If, within three years following a Change in Control, the Employer shall terminate the Employee’s employment (other than for disability or under the circumstances described in section 5.4 above), or if, within 180 days following a Change in Control, Employee terminates the employment pursuant to section 5.1 above, or if the Employee terminates her employment for Good Reason, the Employer shall maintain in full force and effect, for the Employee’s continued benefit for a two year period after her last day worked, or until Employee obtains new employment, whichever is earlier, all employee health, accident, life insurance, and disability plans, programs or arrangements (including pension accruals and loss of work capacity insurance payments to Employee’s Managers’ Insurance Policy) in which Employee was participating immediately prior to the date of the Change in Control plus all improvements therein subsequent thereto, provided that the continued participation of the Employee is not prohibited under the terms and provisions of such plans, programs and arrangements, and further provided that (A) to the extent any such benefit is provided via reimbursement to the Employee, no such reimbursement will be made by Employer later than the end of the year following the year in which the underlying expense is incurred, (B) any such benefit provided by Employer in any year will not be affected by the amount of any such benefit provided by Employer in any other year, subject to any maximum benefit

limitations applicable to such health insurance benefit, and (C) under no circumstances will the Employee be permitted to liquidate or exchange any such benefit for cash or any other benefit.”

7. Section 6.2(iii) of the Employment Agreement is amended in its entirety as follows:

“(iii) In the event the employment of the Employee is terminated by Employer other than for Disability and other than under circumstances described in Section 5.4 above, and a “409A Change in Control Event” occurs within six months thereafter, the Employee shall then be entitled to compensation under this Section 6.2 reduced by any compensation previously received under Section 5.1. For purposes of this Section 6.2(iii), “409A Change in Control Event” shall mean any event or transaction that constitutes a “change in control event” (as defined in Treasury Regulation § 1.409A-3(i)(5)(i), and as set forth in Treasury Regulation § 1.409A-3(i)(5)(v)-(vii), applying the default rules and percentages set forth in such regulation).”

8. A new Section 6.3 is added to the Employment Agreement as follows:

“6.3. Six-Month Wait for Specified Employees. To the extent that any amount payable or benefit to be provided under this Agreement constitutes an amount payable or benefit to be provided under a “nonqualified deferred compensation plan” (as defined in Section 409A of the Internal Revenue Code, as amended (“Section 409A”)) as a result of a “separation from service” (as defined in Section 409A), including any amount payable or benefit to be provided under Sections 5 or 6 of this Agreement, but only to the extent that the Employee is subject to Section 409A and is deemed to be a “specified employee” (as that term is defined in Section 409A and pursuant to procedures established by the Company) on the “separation from service” date, then, notwithstanding any other provision in this Agreement to the contrary, such payment or benefit provision will not be made to the Employee during the six-month period immediately following her “separation from service” date. Instead, on the first day of the seventh month following such “separation from service” date, all amounts that otherwise would have been paid or provided to the Employee during that six-month period, but were not due to this Section 6.3, will be paid or

provided to the Employee at such time, with any cash payment to be made in a single lump sum (without any interest with respect to that six-month period). This six-month delay will cease to be applicable if the Employee "separates from service" due to death or if she dies before the six-month period has elapsed."

9. Continued Validity of the Employment Agreement. Except as amended and superseded by this Amendment, the Employment Agreement will remain in full force and effect, will continue to bind the parties hereto, and will continue to govern the terms and conditions of the Employee's continued employment with the Employer. To the extent that the terms of this Amendment conflict or are inconsistent with the terms of the Employment Agreement, the terms of this Amendment will govern.

10. Entire Agreement. This Amendment and the Employment Agreement, to the extent not amended and superseded by this Amendment, constitute the entire agreement between the parties hereto respecting the employment of the Employee with the Employer (the "Entire Agreement"). There being no representations, warranties, or commitments between the parties hereto except as set forth in the Entire Agreement, the Entire Agreement replaces and supersedes any other employment agreement or arrangement, oral or written, between the Employee and the Employer or any of its affiliates.

11. Amendment Effective Date. This Amendment will become binding and effective once both parties hereto have executed this Amendment.

12. Governing Law. This Amendment, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, will be governed by and construed in accordance with the laws of the State of Israel (but not including the choice of law rules thereof).

13. Counterparts. This Amendment may be executed in several counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall constitute one and the same original.

*[Remainder of page intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment, or have caused this Amendment to be duly executed on their behalf, as of the day and year first written above.

ORMAT TECHNOLOGIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

DITA BRONICKI

\_\_\_\_\_



## AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment (this "Amendment") is entered into as of this 28 day of March, 2008, by and between Ormat Technologies, Inc., a Delaware corporation (the "Employer"), and Yoram Bronicki (the "Employee").

WHEREAS, the parties hereto previously entered into an employment agreement dated as of July 1, 2004 (the "Employment Agreement"); and

WHEREAS, in order to comply with recent guidance issued under Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), the parties hereto wish to amend the Employment Agreement in accordance with the terms set forth herein; and

WHEREAS, the parties hereto wish to make additional amendments to the Employment Agreement in accordance with the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1 of the Employment Agreement is amended by adding the following sentence to the end of such Section:

"Effective as of September 20, 2007, the Employee will serve as the President and Chief Operating Officer of the Employer."

2. Section 3 of the Employment Agreement is amended by replacing "June 30, 2006" with "June 30, 2008" in the first and second sentences of such Section.

3. The second sentence of Section 4.2 of the Employment Agreement is amended in its entirety as follows:

"The bonus is expected to be paid within 45 days of approval of the Employer's annual financial statements by the Employer's Board of Directors, but in all cases it will be paid during the calendar year following the calendar year in which the bonus is earned."

4. Section 6.1 of the Employment Agreement is amended by adding the following provisions to the end of such Section:

"Payment and provision of such salary, bonus, and other compensation and benefits, subject to Section 7.3 below, shall be made as follows:

---

(a) salary payments for the unexpired portion of the Initial Term or any Extended Term, or for the 120-day period after notice is given, as applicable, will be payable in accordance with the Employer's payroll practices as in effect from time to time;

(b) bonus payments for any calendar year that would have been completed during the unexpired portion of the Initial Term or any Extended Term, or during the 120-day period after notice is given, as applicable, and a pro-rata bonus payment for any such calendar year that is not so completed, will be paid in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009); and

(c) continued benefits for the unexpired portion of the Initial Term or any Extended Term, or for the 120-day period after notice is given, as applicable, or until Employee obtains new employment, whichever is earlier, under all employee health, accident, life insurance, and disability plans, programs or arrangements (including pension accruals and loss of work capacity insurance payments to Employee's Managers' Insurance Policy, if active) in which Employee was participating immediately prior to the date of the employment termination, provided that the continued participation of the Employee is not prohibited under the terms and provisions of such plans, programs and arrangements, and further provided that (i) to the extent any such benefit is provided via reimbursement to the Employee, no such reimbursement will be made by Employer later than the end of the year following the year in which the underlying expense is incurred, (ii) any such benefit provided by Employer in any year will not be affected by the amount of any such benefit provided by Employer in any other year, subject to any maximum benefit limitations applicable to any such health insurance benefit, and (iii) under no circumstances will the Employee be permitted to liquidate or exchange any such benefit for cash or any other benefit."

5. Section 6.4 of the Employment Agreement is amended by deleting "and payable after the end of such year" and inserting "and payable in the year following such year of the Employee's death" in lieu thereof.

6. Section 7.2(i) of the Employment Agreement is amended by deleting "as a lump sum on the fifth business day following Employee's last day worked" from the first paragraph of such Section.

7. Sections 7.2(i)(a), (b), (c), (d), and (e) of the Employment Agreement are amended in their entirety as follows:

- “(a) the Employee’s full unpaid base salary accrued through the date of termination of this Agreement, payable within five business days following Employee’s last day worked;
- (b) the Employee’s monthly base salary at the time of the Change in Control plus any increases therein for 24 months, payable in accordance with the Employer’s payroll practices as in effect from time to time;
- (c) bonus payments for the next two years following the termination of this Agreement, each such bonus calculated using the average of the annual bonus paid to the Employee for the two years immediately preceding the Change in Control, payable in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009);
- (d) the amount of the annual matching contribution that would be made by the Employer to the Employee’s Simple 401(k) Plan assuming that the Employee elected the maximum contribution thereunder that could be made by the Employee, multiplied by two, the product of which amount will then be paid to the Employee in equal installments for 24 months; and
- (e) a portion of the annual bonus for the year in which the termination of employment occurs, with the amount thereof multiplied by a fraction, the numerator of which is the number of days in the year through the date of termination of employment and the denominator of which is 365, and any unpaid annual bonus for any completed year, and in each case any such bonus to be paid in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009).”

8. Section 7.2(i) of the Employment Agreement is amended by adding the following sentence to the end of such Section:

“The payments provided for in this Section 7.2(i) will be delayed in accordance with Section 7.3 below to the extent that such Section 7.3 requires a later payment date.”

9. Section 7.2(ii) of the Employment Agreement is amended in its entirety to as follows:

“(ii) If, within three years following a Change in Control, the Employer shall terminate the Employee’s employment (other than for disability or for Cause), or if, within 180 days following a Change in Control, Employee terminates the employment pursuant to section 6.3 above or Appendix 6.6 below or if the Employee terminates his employment for Good Reason, the Employer shall maintain in full force and effect, for the Employee’s continued benefit for a two year period after his last day worked, or until Employee obtains new employment, whichever is earlier, all employee health, accident, life insurance, and disability plans, programs or arrangements (including pension accruals and loss of work capacity insurance payments to Employee’s Managers’ Insurance Policy, if active) in which Employee was participating immediately prior to the date of the Change in Control plus all improvements therein subsequent thereto, provided that the continued participation of the Employee is not prohibited under the terms and provisions of such plans, programs and arrangements, and further provided that (A) to the extent any such benefit is provided via reimbursement to the Employee, no such reimbursement will be made by Employer later than the end of the year following the year in which the underlying expense is incurred, (B) any such benefit provided by Employer in any year will not be affected by the amount of any such benefit provided by Employer in any other year, subject to any maximum benefit limitations applicable to such health insurance benefit, and (C) under no circumstances will the Employee be permitted to liquidate or exchange any such benefit for cash or any other benefit.”

10. Section 7.2(iii) of the Employment Agreement is amended in its entirety as follows:

“(iii) In the event the employment of the Employee is terminated by Employer pursuant to Section 6.1 and a “409A Change in Control Event” occurs within six months thereafter, the Employee shall then be entitled to compensation under this Section 7.2 reduced by any compensation previously received under Section 6.1. For purposes of this Section 7.2(iii), “409A Change in Control Event” shall mean any event or transaction that constitutes a “change in

control event” (as defined in Treasury Regulation § 1.409A-3(i)(5)(i), and as set forth in Treasury Regulation § 1.409A-3(i)(5)(v)-(vii), applying the default rules and percentages set forth in such regulation).”

11. A new Section 7.3 is added to the Employment Agreement as follows:

“7.3. Six-Month Wait for Specified Employees. To the extent that any amount payable or benefit to be provided under this Agreement constitutes an amount payable or benefit to be provided under a “nonqualified deferred compensation plan” (as defined in Section 409A of the Internal Revenue Code, as amended (“Section 409A”)) as a result of a “separation from service” (as defined in Section 409A), including any amount payable or benefit to be provided under Sections 6 or 7, or Appendix 6.6, of this Agreement, but only to the extent that the Employee is subject to Section 409A and is deemed to be a “specified employee” (as that term is defined in Section 409A and pursuant to procedures established by the Company) on the “separation from service” date, then, notwithstanding any other provision in this Agreement to the contrary, such payment or benefit provision will not be made to the Employee during the six-month period immediately following his “separation from service” date. Instead, on the first day of the seventh month following such “separation from service” date, all amounts that otherwise would have been paid or provided to the Employee during that six-month period, but were not due to this Section 7.3, will be paid or provided to the Employee at such time, with any cash payment to be made in a single lump sum (without any interest with respect to that six-month period). This six-month delay will cease to be applicable if the Employee “separates from service” due to death or if he dies before the six-month period has elapsed.”

12. Section 6.1 of Appendix 6.6 of the Employment Agreement is amended by adding the following provisions to the end of such Section:

“Payment and provision of such salary, bonus, and other compensation and benefits, subject to Section 6.5 below, shall be made as follows:

(a) salary payments for the unexpired portion of the Initial Term or any Extended Term, or for the 120-day period after notice is given, as

applicable, will be payable in accordance with the Employer's payroll practices as in effect from time to time;

(b) bonus payments for any calendar year that would have been completed during the unexpired portion of the Initial Term or any Extended Term, or during the 120-day period after notice is given, as applicable, and a pro-rata bonus payment for any such calendar year that is not so completed, will be paid in the year following the year for which such bonus is payable (e.g., the bonus for 2008 would be paid in 2009); and

(c) continued benefits for the unexpired portion of the Initial Term or any Extended Term, or for the 120-day period after notice is given, as applicable, or until Employee obtains new employment, whichever is earlier, under all employee health, accident, life insurance, and disability plans, programs or arrangements (including pension accruals and loss of work capacity insurance payments to Employee's Managers' Insurance Policy, if active) in which Employee was participating immediately prior to the date of the employment termination, provided that the continued participation of the Employee is not prohibited under the terms and provisions of such plans, programs and arrangements, and further provided that (i) to the extent any such benefit is provided via reimbursement to the Employee, no such reimbursement will be made by Employer later than the end of the year following the year in which the underlying expense is incurred, (ii) any such benefit provided by Employer in any year will not be affected by the amount of any such benefit provided by Employer in any other year, subject to any maximum benefit limitations applicable to any such health insurance benefit, and (iii) under no circumstances will the Employee be permitted to liquidate or exchange any such benefit for cash or any other benefit."

13. A new Section 6.5 is added to Appendix 6.6 of the Employment Agreement as follows:

"6.5. Notwithstanding anything in this Appendix 6.6 to the contrary, this Appendix 6.6 is subject to the provisions of Section 7.3 of the Agreement regarding the six-month wait for payments and/or benefits provided to a specified employee upon a separation from service."

14. Continued Validity of the Employment Agreement. Except as amended and superseded by this Amendment, the Employment Agreement will remain in full force and effect, will continue to bind the parties hereto, and will continue to govern the terms and conditions of the Employee's continued employment with the Employer. To the extent that the terms of this Amendment conflict or are inconsistent with the terms of the Employment Agreement, the terms of this Amendment will govern.

15. Entire Agreement. This Amendment and the Employment Agreement, to the extent not amended and superseded by this Amendment, constitute the entire agreement between the parties hereto respecting the employment of the Employee with the Employer (the "Entire Agreement"). There being no representations, warranties, or commitments between the parties hereto except as set forth in the Entire Agreement, the Entire Agreement replaces and supersedes any other employment agreement or arrangement, oral or written, between the Employee and the Employer or any of its affiliates.

16. Amendment Effective Date. This Amendment will become binding and effective once both parties hereto have executed this Amendment.

17. Governing Law. This Amendment, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, will be governed by and construed in accordance with the laws of the State of Nevada (but not including the choice of law rules thereof).

18. Counterparts. This Amendment may be executed in several counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall constitute one and the same original.

*[Remainder of page intentionally left blank. Signature page follows.]*

IN WITNESS WHEREOF, the undersigned have duly executed this Amendment, or have caused this Amendment to be duly executed on their behalf, as of the day and year first written above.

ORMAT TECHNOLOGIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

YORAM BRONICKI

\_\_\_\_\_



**JOINT OWNERSHIP AGREEMENT**

**for the**

**CARSON LAKE GEOTHERMAL PROJECT**

**between**

**NEVADA POWER COMPANY**

**and**

**ORNI 16 LLC**

**Dated as of**

**March 12, 2008**

---

## TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE I DEFINITIONS	1
1.01    Definitions	1
1.02    Interpretations	15
ARTICLE II OWNERSHIP OF THE PROJECT	16
2.01    Ownership Interests and Entitlements	16
2.02    Conditions Precedent to Acquisition Closing	18
2.03    Closing Deliverables	18
2.04    Timing and Location of Acquisition Closing	19
2.05    Waiver of Right to Partition	19
2.06    Efforts to Close	19
2.07    NPC Due Diligence	19
2.08    Project Activities Prior to Acquisition Closing	20
ARTICLE III GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES	20
3.01    Relationship of the Parties	20
3.02    Cooperation	21
3.03    NPC Access to Project Site; NPC Right to Review and Comment	21
3.04    Standard of Performance	22
3.05    Compliance with Laws	22
3.06    Affiliate Contracts	23
3.07    Interconnection of the Project	23
3.08    Power Purchase Agreement	23
3.09    Project Agreements	23
3.10    Consultants	23
3.11    Technology	23
3.12    Internal Costs	23
3.13    Additional Orni 16 Obligations	24
ARTICLE IV DEVELOPMENT OF THE PROJECT	24
4.01    Orni 16 Responsibility for Development	24
4.02    Responsibilities of NPC for Joint Development Activities	25
4.03    PUCN and FERC Approval	26
4.04    Joint Development Cost Funding	26
ARTICLE V PRODUCTION DRILLING	26
5.01    Orni 16 Responsibility for Drilling	26
5.02    Joint Drilling Activities	27
5.03    Joint Drilling Funding	27
5.04    Drilling Services Framework Agreement	27

**TABLE OF CONTENTS**  
(cont)

	<u>PAGE</u>
ARTICLE VI CONSTRUCTION OF THE PROJECT; CONSTRUCTION FUNDING	27
6.01 Orni 16 Responsibility for Construction	27
6.02 Conditions to Joint Construction Funding	27
6.03 Joint Construction Funding	28
6.04 Construction Contract	28
6.05 Termination for Tax Reasons	28
ARTICLE VII OPERATION AND MAINTENANCE OF THE PROJECT	29
7.01 Project Operation	29
7.02 O&M Agreement; Operator	29
7.03 Operating Budget and Operating Plan	29
7.04 Project Operating Standard	29
7.05 Operations and Maintenance Funding	30
ARTICLE VIII MANAGEMENT COMMITTEE; PROJECT MANAGER; PROJECT COMPANY	30
8.01 Management Committee	30
8.02 Non-Delegable Actions	33
8.03 Project Manager	35
8.04 Project Company	35
8.05 Time is of the Essence	35
ARTICLE IX REPORTING; RECORD-KEEPING	35
9.01 Monthly Reports	35
9.02 Notification of Project Events	35
9.03 Recordkeeping and Other Information	36
9.04 Inspection and Audit Rights	36
ARTICLE X PAYMENT PROCEDURES	36
10.01 Invoicing; Payment of Project Costs	36
10.02 Defaulted Contributions	37
10.03 Payment on Non-Business Day	38
10.04 Project Accounts	38
ARTICLE XI PROJECT BUDGETS AND ACCOUNTING	38
11.01 Budgets	38
11.02 Compliance with Budgets; Amendments	39
ARTICLE XII TAXES AND ASSESSMENTS	40
12.01 Management of Tax Matters	40
12.02 Sharing of Taxes and Related Payments	40
12.03 Payment of Taxes	40
12.04 Non-Creation of Taxable Entity	40
12.05 Production Tax Credits	41

**TABLE OF CONTENTS**  
**(cont)**

	<b>PAGE</b>	
12.06	Transfer Taxes	41
12.07	Duties Regarding Assessments	41
<b>ARTICLE XIII TERM AND TERMINATION</b>		<b>42</b>
13.01	Term	42
13.02	Winding-Up	42
13.03	Early Termination	43
13.04	Certain Consequences Following Termination	43
13.05	Termination Date	43
<b>ARTICLE XIV INDEMNIFICATION; LIMITATION OF LIABILITY</b>		<b>44</b>
14.01	Indemnification	44
14.02	Waiver of Consequential Damages	45
<b>ARTICLE XV INSURANCE AND EVENTS OF LOSS</b>		<b>46</b>
15.01	Insurance	46
15.02	Damage or Destruction	46
15.03	Event of Loss	46
15.04	Payment of Restoration Costs	46
15.05	Rebuild or Repair by a Single Party	46
15.06	Survival	47
<b>ARTICLE XVI CONDEMNATION</b>		<b>48</b>
16.01	Complete Taking	48
16.02	Partial Taking	48
16.03	Condemnation Proceedings	48
16.04	Notice of Condemnation	48
16.05	Condemnation Awards	48
16.06	Payment of Restoration Costs	48
16.07	Proceeds upon Termination	48
16.08	Rebuild or Repair by a Single Party	49
16.09	Survival	49
<b>ARTICLE XVII TRANSFERS AND CHANGES OF CONTROL</b>		<b>49</b>
17.01	Transfers	49
17.02	Right of First Refusal	49
17.03	Permitted Transfers	51
17.04	Other Transfer Restrictions	51
17.05	Estoppel Certificate	52
17.06	Release of Liability	52
<b>ARTICLE XVIII DEFAULT AND REMEDIES</b>		<b>53</b>
18.01	Events of Default	53
18.02	Remedies	53

**TABLE OF CONTENTS**  
**(cont)**

	<b><u>PAGE</u></b>
18.03 Additional Obligations	55
18.04 Interest on Overdue Payments and Contributions; Setoff	55
<b>ARTICLE XIX REPRESENTATIONS AND WARRANTIES</b>	<b>55</b>
19.01 Representations and Warranties	55
19.02 Special Representations and Warranties of Orni 16	56
19.03 Special Representations and Warranties of NPC	58
<b>ARTICLE XX LIENS; FINANCING MATTERS</b>	<b>58</b>
20.01 Liens	58
20.02 Financing	59
20.03 Requirements for Financing	59
<b>ARTICLE XXI MISCELLANEOUS</b>	<b>59</b>
21.01 Governing Law	59
21.02 Dispute Resolution; Binding Arbitration	59
21.03 Force Majeure	61
21.04 Notices	61
21.05 Waivers	62
21.06 No Reliance	62
21.07 No Third-Party Beneficiaries	62
21.08 Severability	62
21.09 Independent Counsel	63
21.10 Further Assurances	63
21.11 No Fiduciary Relationship	63
21.12 Confidential Information	63
21.13 Entire Agreement	65
21.14 Survival	65
21.15 Construction	65
21.16 Counterparts	65

**EXHIBITS**

Exhibit A	Form of Bill of Sale and Assignment and Assumption Agreement
Exhibit B	Deed
Exhibit C	Form of Assignment and Consent
Exhibit D	Form of Assignment and Assumption Agreement
Exhibit E	Form of BLM Assignment
Exhibit F	Form of Navy Agreement Assignment
Exhibit G	Monthly Report

**SCHEDULES**

Schedule 1	Description of the Project and Project Site
Schedule 2	Key Governmental Approvals
Schedule 3	Required Consents and Required Transfer Governmental Approvals
Schedule 4	Key Project Agreements
Schedule 5	Disclosure Schedule

JOINT OWNERSHIP AGREEMENT

**THIS JOINT OWNERSHIP AGREEMENT**, dated as of March 12, 2008 (the "Effective Date"), is made and entered into by and between NEVADA POWER COMPANY, a Nevada corporation ("NPC") and ORNI 16 LLC, a Delaware limited liability company ("Orni 16"). NPC and Orni 16 are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, Orni 16 is currently developing a geothermal energy generating facility in Churchill County, Nevada, southeast of the City of Fallon, that is expected to have a capacity of approximately 40 MW and that will be located on approximately 11,397 acres of land leased or licensed from the Bureau of Land Management and the U.S. Navy, all as specifically described in Schedule 1, attached hereto (the "Project");

WHEREAS, the Parties desire to set forth in this Agreement the terms and conditions upon which the Parties shall jointly develop, construct, own, operate and maintain the Project;

WHEREAS, subject to the satisfaction of conditions precedent set forth herein, NPC shall purchase from Orni 16, and Orni 16 shall sell to NPC, a fifty percent (50%) undivided ownership interest in the Project, including any related assets and real property interests;

WHEREAS, the Parties intend that NPC shall directly utilize its fifty percent (50%) share of the energy produced by the Project and any related energy credits and other environmental attributes, and pursuant to the Power Purchase Agreement (hereinafter defined), as amended by the PPA Amendment (hereinafter defined), acquire Orni 16's fifty percent (50%) share of the energy produced by the Project and any related energy credits (but excluding any PTCs or ITCs (as such terms are hereinafter defined)) and other environmental attributes; and

WHEREAS, simultaneously with the execution of this Agreement, Ormat Nevada Inc. is providing a guaranty to NPC of the obligations of Orni 16 hereunder (the "ONI Guaranty").

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**ARTICLE I  
DEFINITIONS**

1.01 Definitions. As used in this Agreement, the following terms shall have the following meanings:

"AAA" has the meaning given to that term in Section 21.02(b)(i).

"Acquisition Closing" means the sale by Orni 16, and the purchase by NPC, of a fifty percent (50%) undivided ownership interest in the Project.

---

“Acquisition Closing Date” means the date upon which the Acquisition Closing occurs in accordance with the terms of this Agreement.

“Adjustment Statement” has the meaning given to that term in Section 2.01(b)(ii).

“Advance” has the meaning given to that term in Section 10.02(a).

“Affiliate” means any Person that directly, or indirectly through one or more other Persons, Controls or is Controlled by or is under common Control with the Person specified. ONI shall be deemed to be an Affiliate of Orni 16 at all times during any transaction to monetize PTCs.

“Affiliate Contracts” has the meaning given to that term in Section 3.06.

“Agreed Rate” means the lesser of (a) the “Prime rate” for the “U.S.” as published in the “Money Rates” table of The Wall Street Journal from time to time; and (b) the maximum rate of interest permitted by Applicable Law.

“Agreement” means this Joint Ownership Agreement.

“Alternate Representative” has the meaning given to that term in Section 8.01(a).

“Ancillary Services” means any of the services provided by the Project that are ancillary to and coordinated with the supply of Energy and Capacity, including regulation and frequency response, reactive power, operating reserve-spinning, operating reserve-supplemental and any other ancillary services as may be defined and required from time to time by FERC or pursuant to a regulatory protocol applicable to the Project.

“Applicable Law” means any federal, state, local or other law, statute, common law, treaty, code, rule, ordinance, binding directive, regulation, order, judgment, decree, ruling, determination, or Governmental Approval, in each case which is binding on the Project, any Party or any such Party’s property or the Project Manager, Project Company (if any) or other agent of the Parties with respect to the Project.

“Authorized Representative” has the meaning given to that term in Section 8.01(a).

“Bankruptcy Event” means, with respect to any entity, such entity (a) voluntarily files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or proceeding or action commenced against it by its creditors and such petition, proceeding or action is not dismissed within sixty (60) days of the filing or commencement; (b) makes an assignment or any general arrangement for the benefit of creditors; (c) otherwise becomes insolvent, however evidenced; (d) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (e) is generally unable to pay its debts as they fall due.

“BLM Assignment” means the assignment of an undivided fifty percent (50%) ownership interest in the BLM Leases to NPC, pursuant to the Assignment of Record Title in a Lease for Oil and Gas or Geothermal Resources, OMB NO. 1004-0034, substantially in the form of Exhibit E attached hereto.

“BLM Leases” means the following Bureau of Land Management leases: (i) NVN 79103, (ii) NVN 79104, (iii) NVN 79105, and (iv) NVN 79106.

“Books and Records” has the meaning given to that term in Section 9.03(a).

“Business Day” means any day other than Saturday, Sunday and any day that banks are required to close in the State of Nevada.

“Buy/Sell Deadlock” has the meaning given to that term in Section 8.01(i).

“Buy/Sell Notice” has the meaning given to that term in Section 8.01(j).

“Capacity” means the electrical generating capability of the Project.

“Chair” has the meaning given to that term in Section 8.01(e).

“Claiming Party” has the meaning given to that term in Section 21.03(a).

“Claims” means any and all claims, demands, suits, obligations, payments, liabilities, costs, fines, penalties, sanctions, Taxes, judgments, damages, losses and expenses, including reasonable attorneys’ fees and expenses.

“Closing Statement” has the meaning given to that term in Section 2.01(b)(i).

“Code” means the Internal Revenue Code of 1986.

“Commercial Operation Date” means the date that the Project commences commercial operations in accordance with the requirements of the Construction Contract, the Interconnection Agreement and the Power Purchase Agreement.

“Complete Taking” has the meaning given to that term in Section 16.01.

“Condemnation Action” means the taking of any part of the Project as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale or conveyance of any part of the Project under the threat of condemnation.

“Condemnation Award” means any compensatory payment for any Condemnation Action or for any conveyance made in lieu of any Condemnation Action.

“Confidential Information” has the meaning given to that term in Section 21.12(a).

“Construction Account” has the meaning given to that term in Section 6.03(b).

“Construction Activities” means Ormat Construction Activities and Joint Construction Activities.

“Construction Contract” means the turn-key, fixed price engineering, procurement, and construction contract to be entered into between the Parties and the Construction Contractor, pursuant to which the Construction Contractor shall provide engineering, procurement and construction services for the Project.

“Construction Contract Schedule” means the detailed construction schedule to be prepared in connection with the Construction Contract and relating to Joint Construction Activities, as amended, modified, updated or replaced from time to time and approved by the Management Committee.

“Construction Contractor” means ONI or an ONI Affiliate that is guaranteed by ONI.

“Construction Term Sheet” means the term sheet prepared and agreed by the Parties and designated as such, setting forth certain terms and conditions that the Parties expect to incorporate in the Construction Contract unless otherwise agreed by the Parties.

“Contributing Party” has the meaning given to that term in Section 10.02(a).

“Contributions” has the meaning given to that term in Section 10.02(a).

“Control” means the ownership, directly or indirectly, of fifty percent (50%) or more of the voting securities of a Person or the power to direct the management or policies of such Person, whether by operation of law, by contract or otherwise.

“Deadlock” has the meaning given to that term in Section 8.01(i).

“Default Rate” means the lesser of (a) two percent (2%) per annum above the “Prime rate” for the “U.S.” as published in the “Money Rates” table of The Wall Street Journal from time to time; and (b) the maximum rate of interest permitted by Applicable Law.

“Delivery Point” means the point of interconnection between the Project and the electrical transmission network of SPPC, as specified in the Interconnection Agreement.

“Demand” has the meaning given to that term in Section 21.02(b)(i).

“Designated Agreements” has the meaning given to that term in Section 20.03.

“Development Account” has the meaning given to that term in Section 4.01(k).

“Development Activities” means the Ormat Development Activities and the Joint Development Activities.

“Development Period” means the period between the Effective Date and the end of the Joint Development Period.

“Disclosing Party” has the meaning given to that term in Section 21.12(a).

“Dispute” has the meaning given to that term in Section 21.02(a).

“Drilling Activities” means Ormat Drilling Activities and Joint Drilling Activities.

“Drilling Manager” means ONI or an ONI Affiliate that is guaranteed by ONI.

“Drilling Services Framework Agreement” means the drilling services framework agreement to be entered into between the Parties and the Drilling Manager, pursuant to which the Drilling Manager shall, directly or through its subcontractor, undertake and have responsibility for all Joint Drilling Activities for the Project following the Acquisition Closing Date, for a fee consisting of a fixed component and variable component (based on cost plus) as more fully set forth in such agreement.

“Drilling Services Framework Agreement Term Sheet” means the term sheet prepared and agreed by the Parties and designated as such, setting forth certain terms and conditions that the Parties expect to incorporate in the Drilling Services Framework Agreement unless otherwise agreed by the Parties.

“Easements” means all easements, rights of way and other similar real property rights as may be necessary or useful for the ownership, development, construction, operation and maintenance of the Project in accordance with the terms of this Agreement.

“Effective Date” has the meaning given to that term in the first paragraph of this Agreement.

“Energy” means the net amount of electrical energy (measured in kWh or MWh) that is generated by the Project and delivered to the Delivery Point for any period.

“Environmental Law” shall mean any federal, state, local or other law, common law, regulation, rule, ordinance, code, decree, judgment, binding directive, or judicial or administrative order relating to the protection, preservation or restoration of human health, the environment, or natural resources, including any law relating to the releases or threatened releases of Hazardous Substances into any medium (including ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, release, transport and handling of Hazardous Substances.

“Event of Default” has the meaning given to that term in Section 18.01.

“Event of Loss” means damage to, destruction of or other property casualty involving the Project.

“Fair Market Value” has the meaning given to that term in Section 15.05(b).

“FERC” means the Federal Energy Regulatory Commission.

“FERC Approval” means, in connection with any transfer of an ownership interest in the Project contemplated by this Agreement, if and to the extent then required by Applicable Law, the order to be issued by the FERC approving (a) such transfer, which order must be reasonably acceptable to both Parties, and (b) the Related Power Purchase Agreement or any amendment thereto in conjunction with such transfer, which order must be reasonably acceptable to NPC.

“Force Majeure” has the meaning given to that term in Section 21.03(a).

“Funds Reconciliation Statement” has the meaning given to that term in Section 10.01(b).

“Geothermal Consultant” means GeothermEx, Inc., or such other geothermal consultant selected by Orni 16 and acceptable to NPC (such acceptance not to be unreasonably delayed or withheld).

“Governmental Approvals” means any licenses, approvals, consents, authorizations or permits of, or filing or registration with, or notification to any Governmental Authority relating to the Project, or any portion thereof.

“Governmental Authority” means any court, tribunal, authority, agency, commission, official or other instrumentality of the United States, or any domestic state, county, city or other political subdivision or any similar governing entity.

“Hazardous Substance” means: (a) any petroleum or petroleum products, flammable materials, explosives, radioactive materials, friable asbestos, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls (PCBs) in regulated concentrations; (b) any chemicals or other materials or substances which are now or hereafter become defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “extremely hazardous wastes”, “restricted hazardous wastes”, “toxic substances”, “toxic pollutants”, “contaminants”, “pollutants” or words of similar import under any Environmental Law; and (c) any other chemical or other material or substance, exposure to which is now or hereafter prohibited, limited or regulated as such under any Environmental Law, including the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., or any similar state statute, as such Environmental Laws may be amended or superseded.

“HSR Waiting Period” means, if and to the extent then required thereunder, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

“Indemnified Person” has the meaning given to that term in Section 14.01(a).

“Indemnifying Party” has the meaning given to that term in Section 14.01(b).

“Insurance Plan” has the meaning given to that term in Section 15.01.

“Insurance Proceeds” has the meaning given to that term in Section 15.02.

“Integrated Project Plan” means (x) for the period through the Acquisition Closing Date, the Pre-acquisition Period Budget and the conceptual plan prepared by or on behalf of Orni 16, generally setting forth Orni 16’s expected timetable and projected key milestones for

Development Activities, including estimated development costs and drilling costs, and expected Construction Activities, including estimated construction costs, and (y) for the period after the Acquisition Closing Date, an integrated project plan prepared by or on behalf of Orni 16, including the Joint Development Budget, Joint Construction Budget and the Construction Contract Schedule, the Joint Development and Construction Schedule, and the Joint Drilling Schedule, in each case updated as of the Acquisition Closing Date.

“Interconnection Agreement” means the Standard Large Generator Interconnection Agreement to be entered into between the Parties and SPPC, as the transmission company.

“ITCs” means any “energy credit” pursuant to Section 48 of the Code or any credit provided under any successor to such Section.

“Joint Construction Activities” means all activities undertaken by the Parties in connection with the design, engineering, procurement and construction of the Project following the Acquisition Closing Date and the performance of all obligations pursuant to the Construction Contract.

“Joint Construction Budget” means the budget for all Joint Construction Activities, including a line item estimate of Joint Construction Costs, as amended, modified, updated or replaced from time to time and approved by the Management Committee in accordance with Article XI.

“Joint Construction Costs” means the aggregate sum of all costs and expenses to complete the Joint Construction Activities and all amounts payable under the Construction Contract.

“Joint Development Activities” means the activities (including Joint Drilling Activities but excluding Joint Construction Activities) to be undertaken by the Parties during the Joint Development Period in connection with the Project, as more specifically set forth in Sections 4.01 and 4.02 and the Integrated Project Plan.

“Joint Development and Construction Schedule” means the development and construction schedule for Joint Development Activities and Joint Construction Activities prepared by Orni 16 for the Project and approved by the Management Committee, as modified from time to time pursuant to Section 8.02(e).

“Joint Development Budget” means the budget for all Joint Development Activities, as amended, modified, updated or replaced from time to time and approved by the Management Committee in accordance with Article XI.

“Joint Development Costs” means the aggregate sum of all costs and expenses to complete the Joint Development Activities (but excluding Joint Drilling Activities), including all amounts payable under any Project Agreement related to Joint Development Activities (but excluding Joint Drilling Activities) and costs incurred by either Party (in its capacity as an owner of the Project) in connection with the negotiation, preparation or execution of any Project Agreement.

“Joint Development Period” means the period of time commencing after the Acquisition Closing Date and ending on the Commercial Operation Date.

“Joint Drilling Activities” means all activities undertaken in connection with the geothermal drilling activities for the Project’s production and injection wells following the Acquisition Closing Date, including the obligations under the Drilling Services Framework Agreement.

“Joint Drilling Costs” means the aggregate sum of all costs and expenses to complete the Joint Drilling Activities, including all amounts payable under the Drilling Services Framework Agreement.

“Joint Drilling Schedule” means the schedule for Joint Drilling Activities prepared by Orni 16 for the Project and approved by the Management Committee, as modified from time to time pursuant to Section 8.02(e).

“Liens” means any mortgage, lien, pledge, charge, security interest or other encumbrance, including liens for Taxes or assessments, builder, mechanic, warehouseman, materialman, contractor, workman, repairman or carrier liens or other similar liens or claims.

“Management Committee” means the Management Committee established pursuant to Section 8.01(a).

“Material Adverse Effect” means a material adverse effect on (a) the Project or the development, construction, operation or economic viability thereof (accounting for, among other things, any change in the schedule therefor or cost thereof); (b) the ability of the Parties to perform their obligations under this Agreement; (c) the ability of any party to enter into a Project Agreement or perform its obligations under a Project Agreement; (d) the ability to obtain or comply with a Governmental Approval; and (e) the validity or enforceability of this Agreement or any of the Project Agreements, or the rights or remedies of the parties hereunder or thereunder.

“Monthly Reports” has the meaning give to that term in Section 9.01.

“Navy Agreement” means the agreement between Orni 11 LLC and the U.S. Navy, dated December 20, 2005.

“Navy Agreement Assignment” means the assignment of an undivided fifty percent (50%) ownership interest in the Navy Agreement to NPC, substantially in the form of Exhibit F attached hereto.

“Net Available Output” means the net amount of Capacity available from the Project and the Energy, Portfolio Energy Credits, Renewable Energy Benefits, Ancillary Services and all other related products produced by the Project from time to time under the operating conditions then existing, including periods when some or all of the Project may be inoperable. Net Available Output of the Project includes the Portfolio Energy Credits associated with the Project’s station usage of energy.

“Non-Contributing Party” has the meaning given to that term in Section 10.02(a).

“Non-Disturbance Agreement” has the meaning given to that term in Section 20.03.

“NPC” has the meaning given to that term in the first paragraph to this Agreement.

“NPC Lenders” means the Persons making available to NPC funds through loans or other credit facilities.

“NPC Project Financing Agreements” means NPC’s agreements with any NPC Project Lender to provide NPC funds through loans or other credit facilities in connection with its Ownership Interest and its obligations under this Agreement and the Project Agreements.

“NPC Project Lender” means any NPC Lender making available to NPC funds through loans or other credit facilities that are secured only by NPC’s Ownership Interest.

“O&M Agreement” means the agreement to be entered between the Parties and the Operator, pursuant to which the Operator shall provide operation and maintenance services for the Project, for a fee consisting of a fixed component and variable component (based on cost plus) as more fully set forth in such agreement.

“O&M Term Sheet” means the term sheet prepared and agreed by the Parties and designated as such, setting forth certain terms and conditions that the Parties expect to incorporate in the O&M Agreement unless otherwise agreed by the Parties.

“Offer Deadline” has the meaning given to that term in Section 17.02(a).

“Offer Notice” has the meaning given to that term in Section 17.02(a).

“Offer Price” has the meaning given to that term in Section 8.01(j).

“Offered Interest” has the meaning given to that term in Section 17.02(a).

“Offeror” has the meaning given to that term in Section 8.01(j).

“ONI” means Ormat Nevada Inc., a Delaware corporation.

“ONI Guaranty” has the meaning given to that term in the recitals to this Agreement.

“Operating Activities” means all activities undertaken in connection with the operation and maintenance of the Project, including well drillings and workovers, and all other obligations under the O&M Agreement, during the Operating Period.

“Operating Budget” means each budget for Operating Activities, including a line item estimate of Operating Costs, as amended, modified, updated or replaced from time to time and approved by the Management Committee in accordance with Article XI.

“Operating Costs” means the aggregate sum of all costs and expenses for all Operating Activities, including all amounts payable under the O&M Agreement from and after the Commercial Operation Date, including maintenance costs, operating costs, capital expenditures for major maintenance (including well drillings and workovers, and all other capital repairs or replacements), rent payments, lease payments, payments for utilities, costs of obtaining and maintaining any required Governmental Approvals, insurance premiums, licensing fees, property Taxes, administrative and management costs, consulting and professional fees, costs of maintaining any of the Project’s production wells on an on-going basis, and all other fees, expenses and reserves necessary for the use, operation and maintenance of the Project and the conduct of the business of the Parties as tenants-in-common.

“Operating Period” means the period of time commencing on the Commercial Operation Date and ending on the date the Project is retired in accordance with this Agreement.

“Operating Plan” means each plan for the operation and maintenance of the Project, which shall include (a) descriptions of operating and maintenance programs, (b) projected capital repairs and improvements and other major work items for the then forthcoming year, (c) outage and overhaul schedules, (d) availability targets, and (e) any other information or details that the Management Committee may require from time to time, as amended, modified, updated or replaced from time to time and approved by the Management Committee.

“Operator” means ONI or such other operator approved by the Management Committee.

“Operator Manager” has the meaning given to that term in Section 8.03.

“Ormat Construction Activities” means all activities undertaken by Orni 16 or its Affiliates in connection with the design, engineering, procurement and construction of the Project through and including the Acquisition Closing Date which shall include, for the avoidance of doubt, purchase orders for equipment and construction issued by Orni 16 to one or more of its Affiliates.

“Ormat Construction Costs” means the aggregate sum of all costs and expenses to complete the Ormat Construction Activities.

“Ormat Development Activities” means the activities (including Ormat Drilling Activities but excluding Ormat Construction Activities) undertaken by Orni 16 or its Affiliates in connection with the Project through and including the Acquisition Closing Date.

“Ormat Development Costs” means the aggregate sum of all costs and expenses to complete the Ormat Development Activities (but excluding Ormat Drilling Activities), including all amounts payable under any Project Agreement relating to Ormat Development Activities (but excluding Ormat Drilling Activities) and costs incurred by Orni 16 (in its capacity as owner of the Project) in connection with the negotiation, preparation, or execution of any Project Agreement.

“Ormat Drilling Activities” means all activities undertaken by Orni 16 in connection with the geothermal drilling activities for the Project’s production and injection wells through and including the Acquisition Closing Date.

“Ormat Drilling Costs” means the aggregate sum of all costs and expenses to complete the Ormat Drilling Activities.

“Orni 16” has the meaning given to that term in the first paragraph to this Agreement.

“Orni 16 Financing Agreements” means Orni 16’s agreements with any Orni 16 Lender to provide Orni 16 funds through loans or other credit facilities in connection with its Ownership Interest and its obligations under this Agreement and the Project Agreements.

“Orni 16 Lenders” means the Persons providing loans or other credit facilities under the Orni 16 Financing Agreements.

“Ownership Interest” has the meaning given to that term in Section 2.01(a).

“Partial Taking” has the meaning given to that term in Section 16.02.

“Party” and “Parties” have the meaning given to those terms in the first paragraph to this Agreement.

“Permitted Liens” means (a) all matters filed of record, validly existing and affecting a particular asset or property as of the Effective Date; (b) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles; (c) any statutory Lien (including any Liens of carriers, warehousemen, mechanics, materialmen arising in the ordinary course of business by operation of law) with respect to a liability that is not yet due or delinquent or which is being contested in good faith; (d) zoning, entitlement, conservation restriction and other land use and environmental regulations by any Governmental Authority; (e) subject to the requirements of Article XX, Liens exclusively on the Ownership Interest of a Party given by such Party as security for the obligations of such Party to the Orni 16 Lenders or NPC Lenders, as the case may be, and which are only enforceable against the Ownership Interest of such Party; and (f) any minor imperfection of title or other Lien which, individually or in the aggregate, would not be reasonably expected to be material.

“Permitted Transfer” has the meaning given to that term in Section 17.03.

“Person” means any natural person, corporation, general partnership, limited partnership, proprietorship, limited liability company, other business organization, trust, union, association or Governmental Authority.

“Personal Taxes” has the meaning given to that term in Section 12.01.

“Portfolio Energy Credit” means a unit of credit which equals one kilowatt-hour of electricity generated, acquired or saved by the Project as calculated by the PUCN operations staff and certified by the PC Administrator pursuant to Nevada Revised Statutes, Chapter 704, Sections 7801 to 7828 (NRS 704.7801 to 704.7828, inclusive) and the regulations promulgated thereunder, as such statutes or regulations may be amended or superseded.

“Power Purchase Agreement” means the Long-Term Firm Power Purchase Agreement, dated as of August 18, 2006, between NPC and Orni 16, pursuant to which Orni 16 shall sell and NPC shall purchase Orni 16’s share of the Net Available Output, as may be amended or modified from time to time.

“PPA Amendment” means the amendment to the Power Purchase Agreement, effective as of the Acquisition Closing, between NPC and Orni 16, pursuant to which NPC and Orni 16 amend the Power Purchase Agreement in connection with NPC’s acquisition of an undivided fifty percent (50%) ownership interest in the Project and for Orni 16 to sell, and NPC to purchase, Orni 16’s fifty percent (50%) share of the Net Available Output produced by the Project.

“Pre-acquisition Period Budget” means the budget for Ormat Development Activities and Ormat Construction Activities prepared by Orni 16 and delivered to NPC as modified from time to time pursuant to Section 2.08(c) and Section 11.02(a).

“Pre-acquisition Period Costs” means (a) the aggregate sum of the Ormat Development Costs, the Ormat Drilling Costs and the Ormat Construction Costs paid through and including the Acquisition Closing Date that would, but for the timing difference, qualify as Joint Development Costs, Joint Drilling Costs or Joint Construction Costs if paid after the Acquisition Closing Date, less (b) any insurance and condemnation proceeds paid through and including the Acquisition Closing Date in connection with any insurance for the Project or any Condemnation Award and proceeds from the disposition of any Project assets.

“Pre-acquisition Period Fee” means a fee in an amount equal to the lesser of (a) seven and one half percent (7.5%) of the Pre-acquisition Period Costs (other than Ormat Construction Costs) determined pursuant to Section 2.01(b) and (b) \$4 million, and payable by NPC to Orni 16 in accordance with Section 2.01(b).

“Pro Forma Net Available Output” means the expected Net Available Output based on the Project design agreed to by the Parties.

“Project” has the meaning given to that term in the recitals to this Agreement and includes all the property (real and personal), other assets and interests associated therewith.

“Project Account” means, as applicable, the Development Account, the Construction Account and any other accounts approved by the Management Committee.

“Project Agreements” means the Construction Contract, the Drilling Services Framework Agreement and the O&M Agreement and such other agreements to which both of the Parties are party relating to the ownership, development, drilling, construction, operation or maintenance of all or any portion of the Project but excluding this Agreement, the Related Power Purchase Agreement and the Power Purchase Agreement.

“Project Budgets” means the Pre-acquisition Period Budget, the Joint Development Budget, the Joint Construction Budget and each Operating Budget.

“Project Company” has the meaning given to that term in Section 8.04(a).

“Project Costs” means Pre-acquisition Period Costs, Joint Development Costs, Joint Drilling Costs, Joint Construction Costs and Operating Costs.

“Project Financing Agreements” shall mean the Orni 16 Financing Agreements and the NPC Project Financing Agreements.

“Project Lenders” means the Orni 16 Lenders and the NPC Project Lenders.

“Project Manager” has the meaning given to that term in Section 8.03.

“Project Schedules” means the Joint Development and Construction Schedule, the Joint Drilling Schedule and the Construction Contract Schedule.

“Project Site” means the parcel(s) of real estate on which the Project will be constructed and situated, as more fully described in Schedule 1, attached hereto.

“Prudent Geothermal Drilling Practices” means the prudent practices, methods, equipment, materials, specifications and standards consistent with those used by ONI and its Affiliates for their geothermal projects (other than the Project) in the State of Nevada.

“Prudent Utility Practices” shall mean any of the acts, practices, methods, equipment, materials, specifications and standards engaged in or approved by a significant portion of the electric utility industry which, in the exercise of professional judgment in light of the facts known at the time a decision was made, could have been expected to accomplish the desired result in a manner consistent with Applicable Laws, reliability, safety, performance, dependability, efficiency, environmental protection, economy and expedition.

“PTC” means the “renewable electricity production credit” pursuant to Section 45 of the Code or any credit provided under any successor to such Section.

“PUCN” means the Public Utilities Commission of Nevada.

“PUCN Approval” means (a) in the case of the PUCN Approval contemplated by Section 2.02(c), an order to be issued by the PUCN approving (i) this Agreement, (ii) NPC’s acquisition of a fifty percent (50%) undivided ownership interest in the Project as contemplated by Article II, (iii) payment by NPC of its share of Project Costs as contemplated by this Agreement, (iv) the inclusion of NPC’s investment in the Project in its rate base, (v) the PPA Amendment, (vi) the Related Power Purchase Agreement, and (vii) the subsequent transfer to Orni 16 of NPC’s Ownership Interest in the Project under the terms and conditions contemplated in this Agreement and any amendment to the Power Purchase Agreement and the Related Power Purchase Agreement based on such transfer, which order must be reasonably acceptable to both Parties; and (b) in the case of any PUCN Approval associated with any subsequent transfer to NPC of Orni 16’s ownership interest in the Project contemplated by this Agreement, an order to be issued by the PUCN approving (i) the acquisition of such ownership interest by NPC and the applicable purchase price, (ii) inclusion of NPC’s additional investment in its rate base, and (iii) any amendment to the Related Power Purchase Agreement in conjunction with such transfer, which order must be reasonably acceptable to both Parties.

“Purchase Price” has the meaning given to that term in Section 2.01(b).

“Receiver” has the meaning given to that term in Section 8.01(j).

“Receiving Party” has the meaning given to that term in Section 21.12(a).

“Related Power Purchase Agreement” means (a) that certain power purchase agreement between SPPC and NPC, dated January 3, 2007, as amended in conjunction with the PPA Amendment, pursuant to which SPPC shall purchase from NPC the energy purchased by NPC under the Power Purchase Agreement and (b) a power purchase agreement between SPPC and NPC pursuant to which SPPC shall purchase from NPC NPC’s Net Available Output.

“Renewable Energy Benefits” means any and all renewable and environmental attributes, emissions reductions, credits, offsets, allowances or benefits, however entitled, associated with the production of energy from the Project or based in whole or part on the Project’s use of renewable resources for generation or because the Project constitutes a renewable energy system or the like or because the Project does not produce greenhouse gases, regulated emissions or other pollutants, whether any such credits, offsets, allowances or benefits exist now or in the future.

“Representative” has the meaning given to that term in Section 8.01(a).

“Required Consents” means the consents listed on Schedule 3, attached hereto, and any other consent required to assign to NPC an interest in any Project Agreement executed after the Effective Date.

“Required Transfer Governmental Approvals” means the Governmental Approvals listed on Schedule 3, attached hereto, for NPC to purchase and Orni 16 to sell an undivided fifty percent (50%) ownership interest in the Project.

“Return Notice” has the meaning given to that term in Section 17.02(b).

“Shared Liability” has the meaning given to that term in Section 14.01(d).

“SPPC” means Sierra Pacific Power Company, a Nevada corporation.

“SPPC Transmission” means the transmission function of SPPC engaged in transmission system operations.

“Statement of Required Funds” has the meaning given to that term in Section 10.01(b).

“Taxes” has the meaning given to that term in Section 12.01.

“Term” has the meaning given to that term in Section 13.01.

“Termination Date” has the meaning given to that term in Section 13.01.

“Tier I Loss” means an Event of Loss involving the Project for which the estimated costs to repair or replace the affected Project assets do not exceed \$3 million.

“Tier II Loss” means an Event of Loss involving the Project for which the estimated costs to repair or replace the affected Project assets are between \$3 million and \$10 million.

“Tiers III Loss” means an Event of Loss involving the Project for which the estimated costs to repair or replace the affected Project assets are in excess of \$10 million.

“Transfer” means with respect to a Party, to offer, sell, transfer, assign or otherwise dispose of, or make any exchange, gift, assignment or pledge of, or grant any security interest in, all or any part of such Party’s Ownership Interest or any of such Party’s rights or obligations under this Agreement or the Project Agreements.

“Transferring Party” has the meaning given to that term in Section 17.02(a).

“Transfer Taxes” has the meaning given to that term in Section 12.06.

“Uniform System of Accounts” means the uniform system of accounts as adopted by FERC for public utilities subject to the Federal Power Act.

“Unpaid Contribution” has the meaning given to that term in Section 10.02(a).

“Wind-Up Events” has the meaning given to that term in Section 13.02(b).

“Work Product” means all the plans, drawings, designs, data, information, studies, analyses and reports (in any form) developed by either Party or its Affiliates in connection with the Project, other than studies, reports, analyses and similar documentation prepared solely for a Party’s internal reporting or management purposes or by SPPC Transmission.

1.02 Interpretations. In this Agreement, unless a clearly contrary intention appears (a) the singular number includes the plural number and vice versa; (b) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity; (c) reference to any gender includes each other gender; (d) reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (e) reference to any Article, Section, Schedule or Exhibit means such Article, Section, Schedule or Exhibit to this Agreement, and references in any Article, Section, Schedule, Exhibit or definition to any clause means such clause of such Article, Section, Schedule, Exhibit or definition; (f) “hereunder,” “hereof,” “hereto,” “herein” “herefrom” and words of similar import are reference to this Agreement as a whole and not to any particular Section, Article or other provision hereof; (g) relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding” and “through” means “through and including;” (h) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term; and (i) reference to any law (including statutes and ordinances) means such law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

**ARTICLE II**  
**OWNERSHIP OF THE PROJECT**

**2.01 Ownership Interests and Entitlements.**

(a) Ownership Interests in Project. On the terms and subject to the conditions set forth in this Agreement, NPC shall purchase from Orni 16, and Orni 16 shall sell to NPC, an undivided fifty percent (50%) ownership interest in the Project (including an undivided fifty percent (50%) ownership interest in Orni 16's right, title and interest in all existing Project Agreements, Governmental Approvals, the Project Site, geothermal resources, wells, and resource data for the Project, and all other assets relating to the Project) free and clear of all Liens other than Permitted Liens (excluding Liens of Orni 16 Lenders). From and after the Acquisition Closing, Orni 16 and NPC shall own the Project as tenants-in-common with each of NPC and Orni 16 owning a fifty percent (50%) undivided ownership interest in the Project. Each Party's undivided interest in the Project is referred to herein as its "Ownership Interest."

(b) Purchase Price. At the Acquisition Closing, NPC shall pay to Orni 16 in consideration for NPC's acquisition of the NPC Ownership Interest an amount equal to the sum of (x) fifty percent (50%) of the Pre-acquisition Period Costs and (y) the Pre-acquisition Period Fee (collectively, the "Purchase Price").

(i) Orni 16 shall deliver, twenty (20) Business Days before the Acquisition Closing Date, a detailed statement of all Pre-acquisition Period Costs that have been paid in accordance with the Pre-acquisition Period Budget and a good faith estimate of those Pre-acquisition Period Costs that will be paid from delivery of such statement through the Acquisition Closing Date, in accordance with the Pre-acquisition Period Budget (the "Closing Statement"). Orni 16 shall promptly provide NPC with all reasonably requested documentation in support of such statement. NPC shall provide Orni 16 with written notice of any objection to the Closing Statement within fifteen (15) Business Days following the receipt of the Closing Statement, and if NPC does not provide notice of objection within such time period, NPC shall be deemed to have accepted the Closing Statement. The Parties shall work in good faith to promptly resolve any dispute concerning the Closing Statement. On the Acquisition Closing Date, NPC shall pay to Orni 16 all undisputed portions of the Closing Statement. All disputed portions of the Closing Statement that are resolved shall be paid within fifteen (15) Business Days of such resolution or at the Acquisition Closing, whichever occurs later.

(ii) Within thirty (30) Business Days following the Acquisition Closing Date, Orni 16 shall deliver to NPC a detailed statement (the "Adjustment Statement") of the Pre-acquisition Period Costs that have been paid in accordance with the Pre-acquisition Period Budget from the period of time that the Closing Statement was delivered to NPC through the Acquisition Closing Date and a statement of the amount that a Party owes to the other Party as determined by the difference in the amounts set forth under the Adjustment Statement and amounts paid under Section 2.01(b)(i) for Pre-acquisition Period Costs paid in accordance with the Pre-acquisition Period Budget for the period of time between the delivery of the Closing Statement and the Acquisition Closing. Orni 16 shall promptly provide NPC with all reasonably requested documentation in support of the Adjustment Statement. NPC shall provide Orni 16 with written notice of any objection to the Adjustment Statement within fifteen (15) Business

Days following the receipt of the Adjustment Statement, and if NPC does not provide notice of objection within such time period, NPC shall be deemed to have accepted the Adjustment Statement. The Parties shall work in good faith to promptly resolve any dispute concerning the Adjustment Statement. All undisputed portions of the Adjustment Statement shall be paid by the owing Party to the other Party within fifteen (15) Business Days following receipt by NPC of the Adjustment Statement or within fifteen (15) Business Days after any dispute regarding the Adjustment Statement has been resolved.

(c) Entitlement to Net Available Output. From and after the Acquisition Closing, each Party shall be entitled to fifty percent (50%) of the Net Available Output.

(d) Entitlement to Tax Credits. From and after the Acquisition Closing, each Party shall be entitled to fifty percent (50%) of the PTCs or ITCs, depreciation benefits and other tax benefits associated with ownership and operation of the Project. If (i) the Management Committee determines that the Commercial Operation Date is unlikely to occur before the required in-service date for the Project to be eligible for PTCs after giving consideration to the Joint Development Activities and Joint Construction Activities required to reach the Commercial Operation Date and the remaining time to complete such activities and (ii) the ITCs are not available to NPC, the Parties shall use good faith and reasonable efforts to restructure their ownership of the Project as may be reasonably necessary to allow NPC to benefit from fifty percent (50%) of the ITCs.

(e) Contracts and Governmental Approvals. Except as otherwise agreed by the Management Committee, all Project Agreements entered into, and, to the fullest extent permitted by Applicable Law, Governmental Approvals applied for, shall be in the name of both Parties. At the Acquisition Closing, Orni 16 shall assign to NPC an undivided fifty percent (50%) ownership interest in all Project Agreements and, to the fullest extent permitted by Applicable Law, Governmental Approvals. Governmental Approvals that cannot be in the name of both Parties shall be held by a Project Company or by a Party as agent for both Parties in accordance with Section 4.01(b), or as otherwise agreed by the Parties.

(f) Work Product. From and after the Acquisition Closing, all Work Product developed (or caused to be developed) by the Parties (either individually or jointly) shall become the property of the Parties, whether developed before or after the Acquisition Closing; provided, however, that Work Product generated by either Party under the Power Purchase Agreement, the Related Power Purchase Agreement, the Construction Contract, Drilling Services Framework Agreement or the O&M Agreement shall be owned as provided therein.

(g) After-Acquired Property and Rights. Any Party which, subject to the approval of the Management Committee and in accordance with procedures that the Management Committee may establish, acquires in its own name, or an Affiliate's name, an interest in any real or personal property, contractual right or any other asset that is part of or relates to the Project shall acquire and hold the same subject in all respects to this Agreement, and such Party shall transfer and assign an undivided fifty percent (50%) interest therein to the other Party free and clear of any Liens (other than Permitted Liens but excepting NPC Lender Liens or Orni 16 Lender Liens) upon the later to occur of (i) the Acquisition Closing and (ii) fifteen (15) days after such acquisition.

2.02 Conditions Precedent to Acquisition Closing. Orni 16's obligation to sell an undivided fifty percent (50%) ownership interest in the Project to NPC, and NPC's obligation to purchase an undivided fifty percent (50%) ownership interest in the Project from Orni 16, are each subject to satisfaction of the following conditions, except to the extent waived in writing, in the case of Sections 2.02 (a),(b),(c), and (e) by both Parties, and in the case of Sections 2.02(d) and (f) by NPC, and in either case in the sole discretion of the waiving Party:

(a) Based on the results of the Ormat Development Activities, the Parties shall have received from the Geothermal Consultant a written report that the geothermal resource can be expected to support a Project with Capacity of at least 30 MW net;

(b) Each Party shall have executed and delivered to the other Party (i) the Construction Contract; (ii) the Drilling Services Framework Agreement; (iii) the O&M Agreement; and (iv) the PPA Amendment;

(c) NPC shall have received the PUCN Approval;

(d) NPC shall have received FERC Approval;

(e) The Parties shall have agreed upon the Joint Development Budget, the Joint Construction Budget and the Construction Contract Schedule, the Joint Development and Construction Schedule, the Joint Drilling Schedule, a preliminary Operating Budget and a preliminary Operating Plan; and

(f) NPC shall be satisfied with the results of its due diligence investigations contemplated by Section 2.07 and, in particular, NPC shall be satisfied that the Project and related pricing and schedule will support the Integrated Project Plan, the Pro Forma Net Available Output and the preliminary Operating Budget and preliminary Operating Plan.

2.03 Closing Deliverables. On the Acquisition Closing Date, the Parties shall take the following actions:

(a) NPC shall pay to Orni 16, by wire transfer of immediately available funds, the Purchase Price, pursuant to Section 2.01(b);

(b) Orni 16 and NPC shall execute and deliver a bill of sale and assignment and assumption agreement, substantially in the form of Exhibit A attached hereto, pursuant to which NPC acquires an undivided fifty percent (50%) ownership interest in the assets comprising the Project (including an undivided fifty percent (50%) ownership interest in Orni 16's right, title and interest in all existing Project Agreements, Governmental Approvals, the Project Site, geothermal resources, wells, and resource data for the Project, and all other assets relating to the Project) free and clear of all Liens other than Permitted Liens (excluding Liens of Orni 16 Lenders) and pursuant to which NPC assumes fifty percent (50%) of the obligations that become due and payable, or that are to be performed after the Acquisition Closing Date under each Project Agreement and Governmental Approval (whether or not such Project Agreement was entered into, or such Governmental Approval obtained, on or prior to the Acquisition Closing Date);

(c) Orni 16 shall execute and deliver to NPC a deed for a fifty percent (50%) undivided ownership interest in the Project Site, substantially in the form of Exhibit B attached hereto, and any memorandum of documents or other documents necessary to convey and record title to the Project Site or any Easements;

(d) Each Party shall execute, and deliver to the other Party, the BLM Assignment and the Navy Agreement Assignment;

(e) Orni 16 shall execute and deliver to NPC a certificate under Section 1445(b)(2) of the Code, providing that Orni 16 is not a foreign Person, in form and substance reasonably satisfactory to NPC;

(f) Each Party shall execute, and deliver to the other Party, a State of Nevada Declaration of Value in the form required by Nevada Revised Statutes Section 375.060; and

(g) Orni 16 shall deliver to NPC the Required Consents, substantially in the form of Exhibit C attached hereto.

2.04 Timing and Location of Acquisition Closing. The Acquisition Closing shall take place promptly after satisfaction of the conditions set forth in Section 2.02 and in any event no later than ten (10) days thereafter. The Acquisition Closing shall take place at NPC's offices in Las Vegas, Nevada, or at such other place and at such time that shall be mutually acceptable to Orni 16 and NPC. The Acquisition Closing shall be deemed effective as of 12:01 A.M. Las Vegas time on the day after the Acquisition Closing Date.

2.05 Waiver of Right to Partition. The Parties recognize that the physical partition of the Project or any part thereof, whether by partition in kind or sale and division of the proceeds thereof, would be impossible and impractical and wholly inconsistent with the purposes for which this Agreement is made. As such, each Party agrees that it shall not take any action at any time by judicial proceedings, arbitration or otherwise, to partition the Project or any part thereof, in any way, whether by partition in kind or by sale and division of the proceeds thereof. Each Party further irrevocably waives the right of partition and the benefit of all statutory or common law that may now or hereafter authorize such partition of the Project or any part thereof. In the event any such right of partition shall hereafter accrue, each Party shall from time to time upon the written request of the other Party execute and deliver such further instruments as may be necessary to confirm the foregoing waiver and release of its right to partition. The provisions of this Section 2.05 shall be binding upon and inure to the benefit of the Parties, their respective successors and permitted assigns and shall run with the land.

2.06 Efforts to Close. Between the Effective Date and the Acquisition Closing Date, each Party shall use its reasonable efforts to take all acts and to do all things necessary, proper or advisable to consummate the Acquisition Closing and to comply with all the terms of this Agreement.

2.07 NPC Due Diligence. NPC shall be entitled to conduct due diligence regarding Orni 16 and the Project to its reasonable satisfaction before the Acquisition Closing Date, including with respect to land rights, geothermal resources, expected development, drilling and construction costs, Governmental Approvals and transmission. Orni 16 shall provide NPC

with copies of Governmental Approvals, studies, reports, data, Project Agreements and material subcontracts, organizational documents and all other information reasonably necessary or desirable for NPC to complete such due diligence.

2.08 Project Activities Prior to Acquisition Closing.

(a) Prior to the Acquisition Closing, Orni 16 shall engage only in Ormat Development Activities and Ormat Construction Activities in the ordinary conduct of business consistent with Ormat's past custom and practice in developing and constructing geothermal power projects in the State of Nevada (other than the Project) and the Integrated Project Plan. During such period, Orni 16 shall not, without NPC's written consent, not to be unreasonably delayed or withheld (i) select as the Drilling Manager, Construction Contractor or Operator any Person other than ONI or an Affiliate thereof whose obligations are guaranteed by ONI or execute or modify any Project Agreement to the extent the services provided thereunder or the term of any such Project Agreement extends after the Acquisition Closing Date unless such Project Agreement allows for early termination without liability; (ii) dispose of any Project assets material to the Project or other than in the ordinary course of business; (iii) adopt or implement the Insurance Plan that will be effective after the Acquisition Closing Date or make any material modifications thereto; (iv) form or dissolve a Project Company or make any decisions with respect to the ownership or governance of such Project Company except to the extent governance is otherwise provided for in such Project Company's organization documents; and (v) make any Tax election other than the election of Section 761(a) of the Code, to exclude the transactions created by this Agreement from the application of Subchapter K, Chapter 1 of the Code.

(b) As soon as practicable after the Effective Date, Orni 16 shall deliver to NPC the Integrated Project Plan.

(c) Prior to the Acquisition Closing, Orni 16 may amend the Pre-acquisition Period Budget as required to carry out the Ormat Development Activities and the Ormat Construction Activities. Orni 16 shall promptly after their formal revision and approval by Orni 16, provide NPC with any changes in such budget.

(d) Prior to the Acquisition Closing, Orni 16 shall maintain or caused to be maintained insurance for the Project in accordance with Prudent Geothermal Drilling Practices.

**ARTICLE III  
GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES**

3.01 Relationship of the Parties. Except as otherwise provided herein, each Party shall bear only fifty percent (50%) of all obligations and liabilities of the Project after the Acquisition Closing (whether incurred on or before the Acquisition Closing); provided, however, that a Party shall have no responsibility, and the other Party shall be responsible, for any obligation or liability arising or incurring prior to the Acquisition Closing to the extent that such obligation or liability (a) results from any violation of Applicable Law or the negligence of such other Party or any Affiliate thereof, (b) results from such other Party's failure to comply with this Agreement, (c) is the responsibility of such other Party's Affiliate pursuant to any Affiliate

Contract or subcontract thereof, (d) is known by Orni 16 or any of its Affiliates and has not been disclosed in Schedule 5 or (e) is owed, becomes due or is payable prior to the Acquisition Closing under any indemnity obligation under any agreement for events that occur prior to the Acquisition Closing and for which Orni 16 has been found, by a final decision of a court with competent jurisdiction, to be at fault as result of gross negligence, bad faith or willful misconduct. The covenants, obligations and liabilities of the Parties are several and not joint, except as expressly agreed to in writing by the Parties. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated hereunder shall create or constitute a partnership, joint venture, trust, limited liability company, corporate or any other form of business organization or arrangement between the Parties. Neither Party (nor any of its agents, officers or employees) shall be an agent (or otherwise have any fiduciary relationship or fiduciary obligation to) or employee of the other Party, nor shall a Party (or any of its agents, officers or employees) have any power to bind, assume or create any obligation on behalf of the other Party, except with approval of the Management Committee.

3.02 Cooperation.

(a) Each Party shall coordinate and cooperate in good faith with the other Party on all Project-related matters, in order to facilitate development, drilling, construction and operation of the Project in an effective and cost-efficient manner.

(b) Each Party shall provide the other Party with information related to the Project and copies of any Work Product reasonably requested by such other Party.

(c) Each Party agrees that, in carrying out its obligations under this Agreement, it shall:

(i) appoint a qualified person, who may or may not be the Party's Representative or Alternate Representative, to have lead responsibility for the Development Activities, Construction Activities, Operating Activities and other duties assigned to such Party pursuant to this Agreement or any Project Agreement, and shall assign other qualified personnel, as necessary, that have the time and requisite skills to devote to such Party's assigned responsibilities, in order to perform its responsibilities hereunder;

(ii) use commercially reasonable efforts to adhere to the Integrated Project Plan, each Operating Budget and each Operating Plan in accomplishing its assigned tasks, and provide updated information regarding its progress in respect thereof upon reasonable request of the other Party or as circumstances warrant; and

(iii) act as the interface with and supervise all third parties with which such Party has directly contracted to perform work related to its assigned responsibilities.

3.03 NPC Access to Project Site; NPC Right to Review and Comment. Orni 16 shall provide NPC and its Authorized Representatives and consultants with physical access to the Project Site, subject to Project Site health, safety and security requirements of which NPC has been provided advance written notice; provided that no such notice shall be required if any such safety and security requirements are included in any Project Agreement to which NPC is party or

that has been approved by the Management Committee. NPC and its Authorized Representatives and consultants shall have the independent right to (i) monitor the development, drilling, construction, operation and maintenance of the Project and access all operational data in connection with the Project and (ii) review and comment on draft copies of Project Agreements, applications for Governmental Approvals and material communications regarding the Project. If requested by NPC, Orni 16 shall promptly provide NPC with any draft copies of Project Agreements, applications for Governmental Approvals and material communications regarding the Project.

3.04 Standard of Performance.

(a) Except as expressly provided herein, Orni 16 and NPC shall perform their respective obligations under this Agreement in accordance with Prudent Utility Practices. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge and agree that (i) any activity of NPC or SPPC relating to the development or construction of any transmission or interconnection facilities shall be performed by NPC or SPPC subject to the requirements of Applicable Law, including FERC regulations, SPPC's Open Access Transmission Tariff and NPC's or SPPC's internal procedures and policies regarding development and construction of transmission facilities for large generation facilities and (ii) any Drilling Activities shall be performed by the Drilling Manager in accordance with Prudent Geothermal Drilling Practices and Applicable Law.

(b) In performing its obligations and carrying out the Development Activities, Construction Activities and Operating Activities, Orni 16 shall act in the best interest of the Project and the Parties as owners of the Project and shall disregard the interests of its Affiliates as counterparties to Affiliate Contracts where there is or could be a conflict of interest.

3.05 Compliance with Laws.

(a) Applicable Laws. In the performance of their obligations under this Agreement, the Parties shall comply with all Applicable Laws and all Governmental Approvals.

(b) Environmental Laws; Hazardous Substances. The Parties shall, and the Project shall be designed, constructed, operated and maintained to, comply with all Environmental Laws, including with respect to any Hazardous Substances emanating from or arising out of the development, drilling, construction, maintenance or operation of the Project.

(c) Nevada Renewable Energy Requirements. The Project shall be designed, constructed, operated and maintained in compliance with all of the requirements for a renewable energy system as may be provided under the Nevada Revised Statutes, including Chapter 704, Sections 7801 through 7828, any regulations promulgated thereunder, and the associated implementing rules and regulations of the PUCN.

(d) Project Health and Safety Regulations. Orni 16 shall develop, or cause the Operator to develop, health and safety regulations in accordance with Applicable Laws relating to health and safety to be submitted for approval by the Management Committee prior to the start-up of the Project.

3.06 Affiliate Contracts. The Parties and their Affiliates may provide goods and/or services in connection with the Project and enter into agreements related to the Project only in compliance with this Section 3.06. The Construction Contract, the O&M Agreement, the Drilling Services Framework Agreement and all other Project Agreements and subcontracts where a Party (other than in its capacity as an owner of the Project) or an Affiliate thereof is a counterparty thereto (“Affiliate Contracts”) shall (a) be negotiated and administered in good faith on an arm’s-length basis, (b) contain terms at least as favorable to the Parties as those available in the market from unaffiliated third parties, and (c) in the case of Project Agreements and to the extent entered into after the Acquisition Closing or to the extent that such agreement’s term extends beyond the Acquisition Closing, be approved by the Management Committee. Each Party shall negotiate on behalf of the Parties any Affiliate Contracts involving the other Party (other than in its capacity as an owner of the Project) or an Affiliate of the other Party; provided, however, that such other Party shall have the right to be involved to its reasonable satisfaction in any negotiations or discussions concerning any such Affiliate Contracts.

3.07 Interconnection of the Project. The Project shall be interconnected to the electric transmission system of SPPC pursuant to the Interconnection Agreement.

3.08 Power Purchase Agreement. Upon termination or expiration of the Power Purchase Agreement, NPC shall have the right to purchase Orni 16’s fifty percent (50%) share of the Net Available Output. If NPC elects to exercise such right, NPC shall pay Orni 16 a price for such Net Available Output to be negotiated in good faith and mutually agreed by the Parties. All other terms for the purchase and sale of such Net Available Output shall be the same as in the Power Purchase Agreement unless the Parties otherwise agree.

3.09 Project Agreements. Unless otherwise agreed upon by the Parties, each Project Agreement shall expressly provide that the obligations and undertakings of the Parties thereunder are several and not joint and that each Party is and shall be liable and responsible only for fifty percent (50%) of such obligations and undertakings.

3.10 Consultants. Each Party shall have the right to engage one or more consultants to advise it with respect to matters in connection with the Project. The costs of each Party’s consultants shall be borne by each such Party and shall not constitute Project Costs, except to the extent such costs are expressly included in a Project Budget.

3.11 Technology. The Project shall employ and utilize, wherever possible (subject to Prudent Utility Practices) technology and components owned, licensed, developed or manufactured, as the case may be, by ONI or its Affiliates.

3.12 Internal Costs. The Project Budgets may include amounts for the reimbursement for direct internal labor costs incurred by either Party or its Affiliates in connection with the Project (other than any costs of a Party (other than in its capacity as an owner of the Project) or any Affiliate under any Affiliate Contract, either Party under the Power Purchase Agreement or either Party with respect to its Authorized Representatives); provided, however, that such internal labor costs shall only include (a) any amounts attributable to general administrative costs or overhead costs allocable to the Project; and (b) internal labor costs directly attributable to the Project that would not have been incurred if work was not being

performed for the Project. A Party seeking reimbursement for direct internal labor costs incurred in accordance with a Project Budget shall keep reasonably detailed records of such costs, and shall provide such records to the other Party upon request.

3.13 Additional Orni 16 Obligations . Subject to the control and oversight of the Management Committee (following the Acquisition Closing), Orni 16 shall perform the day-to-day management of the Project, including the following:

(a) administer, enforce and comply with all Project Agreements;

(b) enforce and represent the Parties in connection with claims under contractors' and manufacturers' warranties;

(c) prepare and submit required reports to Governmental Authorities;

(d) represent the Parties in the investigation, adjustments and settlement of any loss or claim covered by Project insurance carried pursuant to the Insurance Plan, and investigate, adjust, settle, prosecute, decline and defend claims in respect of the Project when said claims or portions thereof are not covered by valid and collectible Project insurance;

(e) in an emergency, take action to terminate or mitigate the emergency, to preserve and maintain the safety, integrity and operability of the Project and to maintain to the maximum extent practical the availability of energy from the Project; and

(f) keep the Project free of all Liens other than Permitted Liens.

#### **ARTICLE IV DEVELOPMENT OF THE PROJECT**

4.01 Orni 16 Responsibility for Development . Orni 16 shall be responsible for all Ormat Development Activities. Following the Acquisition Closing Date, Orni 16 shall, subject to the control and oversight of the Management Committee, continue to be responsible for the overall development of the Project, and shall perform or cause to be performed all Joint Development Activities not specifically assigned to NPC in Section 4.02 or delegated to NPC by the Management Committee, including the following:

(a) completing the Joint Development Activities for which it is responsible in accordance with the Integrated Project Plan;

(b) (i) obtaining and maintaining all Governmental Approvals for the Project (and as agent on behalf of the Parties, if requested by the Management Committee), and (ii) promptly providing NPC with copies of the Governmental Approvals listed on Schedule 2 and applications therefor (including copies of draft applications if requested by NPC);

(c) (i) securing all of the Project Site and all rights-of-way needed for the Project, (ii) negotiating on behalf of the Parties all Project Agreements, other than Affiliate Contracts to which Orni 16 (other than in its capacity as an owner of the Project) or an Affiliate

of Orni 16 is a counterparty, and (iii) promptly providing NPC copies of any draft of such Project Agreements and any material subcontract for NPC's review and comment if requested by NPC;

(d) executing any Project Agreement as agent for both Parties if requested by the Management Committee;

(e) promptly notifying the Management Committee following any event that could reasonably be expected to result in the Project failing to meet a development milestone set forth in the Joint Development and Construction Schedule;

(f) providing the Management Committee with the Monthly Reports described in Section 9.01;

(g) providing reasonably requested assistance to NPC in its efforts to obtain the PUCN Approvals;

(h) recommending to the Management Committee for selection of any advisors or other consultants for the Project, other than advisors or other consultants providing services on a short-term basis for discrete immaterial tasks or for which time does not permit such recommendation and selection and other than drilling advisors and drilling consultants;

(i) in cooperation with NPC, managing community outreach and government relations programs for the Project;

(j) developing and recommending to the Management Committee for approval the Insurance Plan;

(k) establishing and maintaining a depository account on behalf of the Parties at a bank approved by the Management Committee (the "Development Account"), into which each Party shall deposit fifty percent (50%) of the funds to pay for Joint Development Costs; and

(l) applying to SPPC Transmission for interconnection and transmission services for the Project and negotiation of the Interconnection Agreement.

4.02 Responsibilities of NPC for Joint Development Activities. Subject to the control and oversight of the Management Committee, NPC shall be responsible for the following Joint Development Activities:

(a) assisting Orni 16 with the community outreach and government relations programs for the Project;

(b) negotiating Affiliate Contracts to which Orni 16 (other than in its capacity as an owner of the Project) or an Affiliate of Orni 16 is a counterparty, and

(c) such other Joint Development Activities to the extent set forth in the Integrated Project Plan.

4.03 PUCN and FERC Approval.

(a) NPC shall use commercially reasonable efforts to file for the PUCN Approval as soon as reasonably practicable after the execution of this Agreement. Orni 16 shall provide such information and assistance in the preparation of the application for the PUCN Approval as is reasonably requested by NPC. Orni 16 shall participate as reasonably requested from time to time in connection with obtaining the PUCN Approval.

(b) Orni 16 shall timely file a petition for leave to intervene in the PUCN proceeding(s) related to the approval of this Agreement, retain counsel to represent Orni 16 in such proceeding(s) in accordance with NAC 703.510, as amended, and actively support the regulatory approval process.

(c) NPC shall use commercially reasonable efforts to file for FERC Approval of the Related Power Purchase Agreement, as soon as reasonably permissible after the amendment to the Related Power Purchase Agreement to account for the transactions contemplated by this Agreement.

4.04 Joint Development Cost Funding.

(a) Orni 16 shall be solely responsible for funding all Pre-acquisition Period Costs and other obligations in respect of the Project that are due and payable on or prior to the Acquisition Closing Date. Commencing after the Acquisition Closing Date, each Party shall be responsible for fifty percent (50%) of all Joint Development Costs (whether or not such Development Costs arose prior to or after the Acquisition Closing Date).

(b) Each Party shall fund in advance fifty percent (50%) of the prospective Joint Development Costs, as reflected in the Joint Development Budget, on a quarterly basis to the Development Account and in accordance with the procedures set forth in Article X. Orni 16 shall be responsible for reviewing invoices for Joint Development Costs and recommending to the Management Committee each quarter the amount required to be funded into the Development Account. Orni 16 shall be responsible for paying amounts payable by the Parties in connection with any Joint Development Activities (other than Joint Drilling Activities) from the amounts on deposit in the Development Account. Orni 16 shall be responsible for ensuring reconciliation of the payments for Joint Development Costs to the Joint Development Budget on a quarterly basis.

**ARTICLE V  
PRODUCTION DRILLING**

5.01 Orni 16 Responsibility for Drilling. Orni 16 shall have sole responsibility for all Drilling Activities, including the oversight of the Drilling Services Framework Agreement. Notwithstanding anything else in this Agreement or the Drilling Services Framework Agreement, in no event shall Orni 16 be deemed to have made any representation or warranty, nor shall it be liable for, the sufficiency or adequacy for any purpose under this Agreement or any Project Agreement of the geothermal resource nor shall anything contained herein or in any Project Agreement constitute a representation or warranty with respect to, or a guarantee of, drilling results. Orni 16 shall cause all Drilling Activities to be performed in accordance with Prudent Geothermal Drilling Practices.

5.02 Joint Drilling Activities. Following the Acquisition Closing Date, Orni 16 shall carry out the Joint Drilling Activities in accordance with the Drilling Services Framework Agreement and shall require any person performing Joint Drilling Activities to perform its obligations thereunder in accordance with Prudent Geothermal Drilling Practices.

5.03 Joint Drilling Funding. Unless otherwise agreed by the Parties, each Party shall pay fifty percent (50%) of all Joint Drilling Costs owing under the Drilling Services Framework Agreement directly to the Drilling Manager. The Parties shall fund third-party Joint Drilling Costs in advance into an account jointly owned by the Parties. The Drilling Manager shall be responsible for reviewing invoices for Joint Drilling Costs and providing a statement thereof to Orni 16. The Drilling Manager shall be responsible for paying amounts payable by the Parties in connection with any Joint Drilling Activities. Orni 16 shall be responsible for ensuring reconciliation of the payments for Joint Drilling Costs to the Joint Development Budget or Operating Budget, as the case may be, on a monthly basis.

5.04 Drilling Services Framework Agreement. The Parties shall use commercially reasonable efforts to negotiate and execute the Drilling Services Framework Agreement promptly after the Effective Date. Unless otherwise agreed, the Drilling Services Framework Agreement shall incorporate the terms of the Drilling Services Framework Agreement Term Sheet.

**ARTICLE VI**  
**CONSTRUCTION OF THE PROJECT; CONSTRUCTION FUNDING**

6.01 Orni 16 Responsibility for Construction.

(a) Orni 16 shall be responsible for, and may commence the Ormat Construction Activities prior to the Acquisition Closing Date.

(b) Following the Acquisition Closing Date, subject to the control and oversight of the Management Committee, Orni 16 shall continue to have responsibility for the overall construction of the Project, including the day-to-day management of the Project prior to the Commercial Operation Date, and shall perform or cause to be performed all Joint Construction Activities not specifically delegated to NPC by the Management Committee. The Parties shall cause the Management Committee to oversee and administer the Construction Contract.

6.02 Conditions to Joint Construction Funding. Neither Party shall be under any obligation to commence funding of any Joint Construction Costs until each of the following conditions has been satisfied or waived in writing by each Party benefiting from such conditions:

(a) the Project Agreements set forth on Schedule 4 attached hereto, shall have been finalized, executed and in full force and effect;

(b) the Governmental Approvals listed in Schedule 2, and any other Government Approvals, in each case then required for the commencement or relevant stage of Joint Construction Activities under the Construction Contract shall have been obtained, shall be in full force and effect and shall not be subject to any pending or threatened challenge that, in the reasonable determination of either Party, could reasonably be expected to result in a Material Adverse Effect;

(c) either (A) the required in-service date for the PTCs has been extended beyond the projected Commercial Operation Date set forth in the Integrated Project Plan or (B) (x) the ITCs are available to both Parties or (y) the Parties have restructured their ownership as contemplated by Section 2.01(d); and

(d) the Orni 16 Lenders and NPC Project Lenders, if any, shall have executed and delivered a Non-Disturbance Agreement in favor of NPC or Orni 16, as the case may be, in form and substance satisfactory to NPC or Orni 16, respectively.

**6.03 Joint Construction Funding.**

(a) Each Party shall pay fifty percent (50%) of all Joint Construction Costs owing under the Construction Contract directly to the Construction Contractor.

(b) Orni 16 shall establish and maintain on behalf of the Parties a depository account at a bank approved by the Management Committee (the “Construction Account”), into which each Party shall deposit fifty percent (50%) of the funds to pay for Joint Construction Costs, other than the amounts due under the Construction Contract.

(c) Each Party shall fund in advance fifty percent (50%) of the prospective Joint Construction Costs, as reflected in the Joint Construction Budget, on a monthly basis to the Construction Account in accordance with the procedures established in Article X, other than amounts owing under the Construction Contract. Orni 16 shall be responsible for reviewing invoices for Joint Construction Costs and recommending to the Management Committee each month the amount required to be funded into the Construction Account. Orni 16 shall be responsible for paying amounts payable by the Parties in connection with any Joint Construction Activities from the amounts on deposit in the Construction Account, other than amounts owing under the Construction Contract. Orni 16 shall be responsible for ensuring reconciliation of the payments for Joint Construction Costs to the Joint Construction Budget on a monthly basis.

**6.04 Construction Contract.** The Parties shall use commercially reasonable efforts to execute the Construction Contract promptly after results of the Ormat Drilling Activities provide sufficient information required for a definitive Construction Contract. The final plant design and specifications shall be determined once the Drilling Activities have provided sufficient information to determine specifications for the generating facilities and ancillary facilities. Unless otherwise agreed upon by the Parties, the Construction Contract shall incorporate the provisions set forth in the Construction Term Sheet.

**6.05 Termination for Tax Reasons.** If the condition in Section 6.02(c) is not satisfied then if one Party wishes to continue with the Project while the other Party wishes to commence Wind-Up Events, the continuing Party may acquire the non-continuing Party’s

Ownership Interest and continue with the Project. Upon the continuing Party providing the non-continuing Party with written notice of its intent to exercise its right under this Section 6.05, the non-continuing Party shall Transfer its Ownership Interest to the continuing Party free and clear of any Liens other than Permitted Liens (excluding Liens of any NPC Lender or Orni 16 Lender, as applicable) on the later of sixty (60) days after receipt of such notice and receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period, and the continuing Party shall pay to the non-continuing Party the cumulative amount of Project Costs paid by the non-continuing Party together with interest at the Agreed Rate upon the earlier to occur of the Commercial Operation Date and a subsequent Transfer by the continuing Party of any portion of its Ownership Interest.

## **ARTICLE VII OPERATION AND MAINTENANCE OF THE PROJECT**

7.01 Project Operation. Subject to the control and oversight of the Management Committee, during the Operating Period, Operator shall perform the day-to-day management of the Project pursuant to the terms of the O&M Agreement.

7.02 O&M Agreement; Operator. The Parties shall use commercially reasonable efforts to execute the O&M Agreement promptly after the Effective Date. Unless otherwise agreed upon by the Parties, the O&M Agreement shall incorporate the provisions set forth in the O&M Term Sheet. The O&M Agreement shall provide that Operator perform the obligations set forth for the Operator hereunder.

7.03 Operating Budget and Operating Plan. Not later than sixty (60) days prior to the anticipated Commercial Operation Date, as set forth in the Integrated Project Plan and thereafter, at least forty-five (45) days prior to the end of each calendar year, Orni 16 shall prepare and submit or cause Operator to prepare and submit an annual Operating Budget and Operating Plan for the Management Committee's review and approval. Within forty-five (45) days of receipt of the proposed initial Operating Budget and Operating Plan, and within thirty (30) days of receipt of each subsequent proposed Operating Budget and Operating Plan, the Management Committee shall adopt or reject such Operating Budget and Operating Plan. Each Operating Budget shall include a monthly breakdown of the expected operating and maintenance expenses for the first year of operations covered by such budget, and shall include a projected yearly budget for operating and maintenance expenses, major maintenance and capital replacements expected for the subsequent two-year period. Each Operating Budget shall separately identify fixed and variable operating expenses.

7.04 Project Operating Standard. The Parties shall cause the Management Committee to cause Operator to operate and maintain the Project in accordance with Prudent Utility Practices, the O&M Agreement and the other requirements of this Agreement, which may include unmanned operations, to the extent consistent with operational standards used by ONI for similar geothermal projects in the State of Nevada.

7.05 Operations and Maintenance Funding.

(a) Unless otherwise agreed to by the Parties, each Party shall pay fifty percent (50%) of the Operating Costs owing under the O&M Agreement directly to the Operator. The Parties shall fund third-party Operating Costs in advance into an account jointly owned by the Parties. Operator shall be responsible, on a quarterly basis, for reviewing invoices for Operating Costs and providing a statement thereof to the Management Committee. Operator shall be responsible for paying amounts payable by the Parties in connection with any Operating Activities. The Management Committee shall be responsible for ensuring reconciliation of the payments for Operating Costs to the Operating Budget on a quarterly basis.

(b) Each Party shall pay fifty percent (50%) of the costs of capital repairs and replacements, including, if included in an Operating Budget and Operating Plan, or if otherwise approved by the Management Committee, the reworking of any existing wells and the drilling of any new wells.

**ARTICLE VIII  
MANAGEMENT COMMITTEE; PROJECT MANAGER; PROJECT COMPANY**

8.01 Management Committee.

(a) Composition. The Parties will establish, effective upon the Acquisition Closing, a Management Committee, which shall be composed of one (1) representative from each Party (each a "Representative"). Each Representative shall have the right and authority to bind the Party it represents. Each Party shall also designate an alternate to its Representative (each an "Alternate Representative") with the authority to serve in place of, and with the authority of, such Representative if such Representative is not available to attend a Management Committee meeting. Each Party shall notify the other Party in writing of its Representative and Alternate Representative within five (5) days after the Acquisition Closing Date. Each Party may remove and replace its Representative or Alternate Representative (collectively, its "Authorized Representatives") at any time, with or without cause and without the approval of the other Party. Each Party shall promptly give written notice to the other Party of any replacement of its Authorized Representatives and of any change in the business address or business telephone of either of its Authorized Representatives. Each Authorized Representative shall be an agent solely of the Party that designated such Authorized Representative. Accordingly, (i) each Authorized Representative may act (or refrain from acting) solely in accordance with the wishes of the Party that designated such Authorized Representative, (ii) the acts of an Authorized Representative in respect of any matter shall be deemed to be the acts of the Party that designated such Authorized Representative and (iii) no Authorized Representative shall owe (or be deemed to owe) any duty (fiduciary or otherwise) to any Party other than the Party that designated such Authorized Representative. Each Party shall be responsible for the expenses of its Authorized Representatives. Notwithstanding the foregoing, no Authorized Representative of a Party shall have the authority to amend this Agreement or waive any rights of such Party under this Agreement.

(b) Attendance. Each Party shall use reasonable efforts to cause its Representative or Alternate Representative to attend each meeting of the Management Committee, and no Party shall withhold the presence or participation of its Representative or Alternate Representative to prevent, delay or forestall decisions on matters under consideration by the Management Committee. A reasonable number of other officers, employees or agents of the Parties may attend meetings of the Management Committee. Meetings may be conducted in person, by telephone or video conference call, or by other means which permit an Authorized Representative of each Party to be verified and to hear and be heard by the other Authorized Representative and which are acceptable to both Authorized Representatives. Attendees who are not Representatives, or in the case that a Representative is not in attendance, who are not the applicable Alternate Representative, shall be identified at the commencement of such meeting, shall have no power to vote on any matters, but may participate in discussions in accordance with the Management Committee's rules of order, which may limit the amount of time that such attendees may so participate. Orni 16 shall cause the Project Manager to attend any meeting of the Management Committee upon request of either Representative.

(c) Meeting: Notice. Unless the Parties agree otherwise, the Management Committee shall meet (i) no less frequently than monthly during the Joint Development Period, and quarterly during the Operating Period and (ii) at special meetings called by the Chair of the Management Committee. Any Party may request a meeting by notifying the other Party's Representative and each Party shall honor any such request of the other Party so long as such request is reasonable under the circumstances. The Chair of the Management Committee shall provide written notice to the other Party's Authorized Representatives stating the place (or means if by telephone conference or other means), date and hour of each meeting of the Management Committee, together with a reasonably detailed agenda for the meeting, not less than five (5) days before the date of the meeting (unless such notice is waived by an Authorized Representative of each Party either at the meeting or by written consent before or after the meeting). Either Party may submit an item for inclusion on the agenda of any Management Committee meeting. Attendance of an Authorized Representative of a Party at a meeting of the Management Committee shall constitute a waiver of notification of the meeting by such Party.

(d) Rules. The Management Committee may adopt such rules of order, policy statements and directives as it considers necessary or appropriate for the conduct of its business and the exercise of its powers, none of which shall conflict with this Agreement, the Drilling Services Framework Agreement, the Construction Contract or the O&M Agreement.

(e) Chair. The NPC Representative shall serve as the initial chairperson of the Management Committee (the "Chair"). Unless the Management Committee decides otherwise, commencing on the first day of each calendar year following the Acquisition Closing Date, the Chair of the Management Committee shall rotate between the Representatives for each Party. The Chair shall have no powers or duties other than those specifically conferred by this Agreement, and shall have no voting or veto power in addition to the right to vote as a Representative. In the absence of the Chair at any Management Committee meeting, the applicable Alternative Representative shall be the Chair for such meeting.

(f) Quorum. Meetings of the Management Committee shall require a quorum consisting of an Authorized Representative of each Party.

(g) Voting. All decisions of the Management Committee shall require the affirmative vote of an Authorized Representative of each Party; provided, however, that if a Party (other than in its capacity as an owner of the Project) or any of its Affiliates is a counterparty to an Affiliate Contract, then any decisions with respect to exercising remedies for defaults under such Affiliate Contract shall be made by the other Party, subject to Orni 16's buy-out right set forth in the immediately succeeding sentence, and the quorum for any such decisions shall be only an Authorized Representative of such other Party. In the event that NPC delivers written notice to Orni 16 of its desire to terminate the Construction Contract pursuant to the terms therein, then NPC shall Transfer its Ownership Interest to Orni 16 free and clear of any Liens other than Permitted Liens (excluding Liens of NPC Lenders) on the later of sixty (60) days after providing such notice and receipt of (i) FERC Approval and (ii) expiration of the HSR Waiting Period and Orni 16 shall pay to NPC the greater of (A) the cumulative amount of Project Costs paid by NPC prior to such Transfer with interest accrued at the Agreed Rate; and (B) the Fair Market Value of NPC's Ownership Interest.

(h) Action by Written Consent. Any action which may be taken by the Management Committee under this Agreement may be taken without a meeting if each Representative (or Alternate Representative) executes a written consent setting forth the action taken by the Management Committee.

(i) Deadlocks. If the Authorized Representatives participating in a meeting of the Management Committee are unable to reach agreement on a matter put to vote (a "Deadlock"), the Parties shall attempt to resolve such Deadlock through negotiations of the Authorized Representatives. If such Deadlock is not resolved within five (5) Business Days, the Deadlock shall be referred to a panel consisting of a senior executive (President or Executive Vice President or a party's equivalent officer) of each Party with the authority to resolve the matter causing such Deadlock. Such panel shall convene within five (5) Business Days after the expiration of the aforementioned five (5) Business Day period and the members of such panel shall attempt in good faith to promptly resolve such Deadlock. If a Deadlock arises regarding the approval of the amount of an annual Operating Budget and such Deadlock is not resolved within fifteen (15) days after the panel of senior executives has convened, then the Operating Budget in question shall be deemed to have been approved at an amount equal to one hundred and ten percent (110%) of the amount of the preceding year's Operating Budget (or then effective Operating Budget, if higher), and such Operating Budget (as so deemed approved) shall remain in effect for the earlier of one (1) year and the time when a new Operating Budget is adopted by the Management Committee. If a Deadlock occurs with respect to any proposed expansion of the Project or any major capital expenditure for improvement or maintenance of the Project and the Parties are unable to achieve a resolution of such Deadlock within thirty (30) days after the panel of senior executives has convened (a "Buy/Sell Deadlock"), then either Party may initiate the Buy/Sell Deadlock procedures in Section 8.01(j). To the extent of amounts not in dispute, or activities undisputed, all Development Activities, Construction Activities or Operating Activities shall continue to be implemented during any period that a Dispute is under consideration by the Parties' senior executive panel or in mediation.

(j) Upon the occurrence of a Buy/Sell Deadlock, either Party (the "Offeror") may deliver to the other Party (the "Receiver") a notice (a "Buy/Sell Notice") containing an irrevocable offer to purchase the Ownership Interest of the Receiver for a cash purchase price

(the “Offer Price”) set forth therein. The Receiver must notify the Offeror within thirty (30) days of receipt of the Buy/Sell Notice of its election whether to sell its Ownership Interest to the Offeror or to buy the Offeror’s Ownership Interest at the Offer Price. A failure to make an election within such thirty (30) day period shall constitute an election by the Receiver to sell its Ownership Interest. The Parties shall consummate the Transfer on the later of sixty (60) days after such election or deemed election and receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period. The Transferring Party shall transfer its Ownership Interest free and clear of all Liens other than Permitted Liens (excluding the Liens of any Orni 16 Lender or NPC Lender). If NPC elects to purchase Orni 16’s Ownership Interest pursuant to a Buy/Sell Notice and the PUCN does not approve such purchase, NPC shall be deemed to have elected to sell its Ownership Interest in accordance with this Section 8.01(j).

(k) Minutes. The Chair shall be responsible for the maintenance of minutes of each Management Committee meeting and the recordation of the results of each vote taken and shall promptly provide a copy of such minutes and voting records to the other Party’s Authorized Representatives.

8.02 Non-Delegable Actions. Notwithstanding the delegation of authority granted to the Parties in this Agreement, the following actions shall be performed by, and require the affirmative approval of, the Management Committee in accordance with the requirements of Section 8.01:

(a) the adoption of, and modifications to, any Project Budget, including the establishment of any reserve accounts;

(b) the submission of any initial application for a Governmental Approval listed on Schedule 2, or any other material Governmental Approval identified after the Acquisition Closing Date and required for the development, drilling, construction, ownership, operation or maintenance of the Project, the material modification of any such Governmental Approval or the acceptance of any such Governmental Approval that contains materially different conditions than applied for or material modification thereof;

(c) the selection of any material contractor or vendor (other than ONI or any Affiliate thereof whose obligations are guaranteed by ONI as the Drilling Manager, Construction Contractor or Operator) or subcontractors to any material contractor or vendor to the extent that right to approve subcontractors is granted to the Parties in the relevant Project Agreement;

(d) material modifications to the Project’s conceptual design;

(e) approval of or modifications to any material milestone contained in the Integrated Project Plan or an Operating Plan;

(f) subject to Section 8.01(g), the execution of, termination of, material amendment to or material waiver of, issuance of any change order with an individual or aggregate cost in excess of \$500,000 or that is material to the design, schedule or cost of the Project under, or exercise of remedies under, any Project Agreement;

- (g) subject to Section 8.01(g), the initiation of litigation, arbitration or other dispute resolution mechanism relating to the Project under any Project Agreement or otherwise;
- (h) the settlement of any litigation, arbitration or other dispute relating to the Project under any Project Agreement or otherwise or any insurance claims relating to the Project, except for insurance claims where the only issue is a payment in an amount less than \$100,000;
- (i) the disposition of any Project assets other than dispositions of tangible personal property (i) having a value of less than \$1 million, (ii) in the ordinary course of business or (iii) that is surplus or obsolete;
- (j) any public announcements relating to the Project, except as set forth in Section 21.12(d);
- (k) the adoption and implementation of the Insurance Plan and any material modifications thereto;
- (l) the approval of the Operator Manager and any replacement thereof;
- (m) the determination of the course of action following an election by each Party not to fund an overrun in Joint Construction Costs;
- (n) the determination to commence Wind-Up Events;
- (o) the determination whether an Event of Loss is a Tier II Loss or Tier III Loss, and the determination whether a Condemnation Action is a Complete Taking or Partial Taking;
- (p) the issuance of any completion or similar certificate under the Construction Contract;
- (q) the decision to form or dissolve a Project Company and all decisions with respect to the ownership and governance of such Project Company except to the extent governance is otherwise provided for in such Project Company's organization documents);
- (r) scheduling any non-forced outage of the Project not in accordance with an Operating Plan;
- (s) the approval of community outreach and government relations programs for the Project;
- (t) the taking of any action regarding the Project that is not otherwise contemplated or provided for under this Agreement; and
- (u) the making of Tax elections as provided in Section 12.04.

8.03 Project Manager. Orni 16 shall appoint a Person (the “Project Manager”) to be responsible for the day-to-day oversight and coordination of Orni 16’s responsibilities in respect of the development, drilling, construction and administration of the Project (including all aspects of budgeting, procuring, planning, designing and executing budgets, technical plans and specifications, and geological and engineering plans on time and in the manner contemplated by this Agreement). The Project Manager shall be an employee of Orni 16 or its Affiliate. Following the Commercial Operation Date, the Parties shall cause the Operator to appoint a Person (the “Operator Manager”) to be responsible for the day-to-day oversight and coordination of Operator’s responsibilities under the O&M Agreement. The Operator Manager shall be an employee of Operator, and must be approved by the Management Committee, such approval not to be unreasonably withheld or delayed.

8.04 Project Company .

(a) Organization. The Management Committee may cause the formation of one or more limited liability companies (each, a “Project Company”) in connection with the development, construction, operation, maintenance and administration of the Project. The organizational documents of the Project Company shall be approved by the Management Committee. Any Project Company shall be owned by the Parties in proportion to their Ownership Interests.

(b) Duties. If so determined by the Management Committee, a Project Company may, as agent for and on behalf of the Parties, (i) apply for or accept one or more Governmental Approvals, (ii) enter into one or more Project Agreements, (iii) open and maintain the Project Accounts, and (iv) conduct such other activities as agent for and on behalf of the Parties in relation to the Project as the Management Committee may determine.

8.05 Time is of the Essence. Time is of the essence with respect to all actions to be taken by the Management Committee hereunder.

**ARTICLE IX  
REPORTING; RECORD-KEEPING**

9.01 Monthly Reports. Once a month, Orni 16 shall provide NPC, during the period prior to the Acquisition Closing, and the Management Committee, during the period after the Acquisition Closing, with a report (the “Monthly Report”) substantially in the form attached as Exhibit G. Each Monthly Report shall contain updates regarding all material issues with respect to the Project, the status of the relevant Project Schedules, expenditures on the Project compared to the relevant Project Budget and any anticipated changes or anticipated cost overruns to such Project Budget. During the Development Period, the Monthly Report shall provide reasonably detailed information regarding the progress of material Development Activities and Construction Activities, including the negotiation of Project Agreements, land rights acquisition, permitting, design, engineering and procurement, and other significant issues related to the Development Activities and Construction Activities. During the Operating Period, the Monthly Report shall provide reasonable detail of material issues relating to the Operating Activities.

9.02 Notification of Project Events. Orni 16 shall promptly notify the Management Committee and NPC of any material events that occur regarding the Project to the extent not included in any Monthly Report.

9.03 Recordkeeping and Other Information.

(a) Each Party shall keep and maintain proper books, records, accounts, ledgers, estimates, invoices, schedules, correspondence and other documents (whether in physical or electronic form) related to the Project (collectively, the “Books and Records”), each in conformity with any Applicable Laws and generally accepted accounting principles consistently applied. Each Party shall ensure that a Person with appropriate accounting experience is responsible for maintaining the relevant accounting portion of its Books and Records. Each Party shall maintain its Books and Records for at least seven (7) years, or such longer period required by Applicable Law, following the creation thereof. Each Party’s Books and Records shall be subject to the confidentiality requirements of Section 21.12 and shall be considered Confidential Information.

(b) Orni 16 shall provide, and the Project Agreements shall require that the Project contractors provide, NPC with cost and accounting information in accordance with generally accepted accounting principles consistently applied with detail sufficient to allow NPC to comply with the Uniform System of Accounts, based on information provided by NPC.

9.04 Inspection and Audit Rights. Each Party and its consultants shall have the right, from time to time during the Term, to inspect and audit the other Party’s Books and Records, insofar as such Books and Records pertain to Project Costs which are to be paid for, or reimbursed, hereunder. Each Party may undertake such inspection or audit directly or through independent certified public accountants of its choice. Any audit or inspection conducted by a Party shall be subject to reasonable prior written notice, and shall be conducted at reasonable times during the normal business hours of the other Party and unless otherwise agreed, at the offices of the other Party. The costs of any such audit shall be borne by the Party conducting the audit.

**ARTICLE X  
PAYMENT PROCEDURES**

10.01 Invoicing: Payment of Project Costs.

(a) Neither Party shall be required to pay for any Project Costs that are not in accordance with a Project Budget that has been approved by the Management Committee, except for expenditures required during an emergency to (i) protect human life, (ii) protect against or mitigate serious loss or damage to Project assets, (iii) comply with Applicable Law, and (iv) prevent or mitigate damage to the environment or to the property of others caused by the Project.

(b) Quarterly for Joint Development Costs, and otherwise monthly, or as the Management Committee may deem appropriate, for all other Project Costs (except for amounts owing under the Drilling Services Framework Agreement, the Construction Contract or the O&M Agreement), Orni 16 shall submit to the Parties (i) a statement of funds that each Party is estimated to be liable for under this Agreement for the following quarter, in the case of Joint Development Costs, or the following month, in the case of all other Project Costs (except for amounts owing under the Drilling Services Framework Agreement, the Construction Contract or the O&M Agreement) (a “Statement of Required Funds”) and (ii) attached to the Statement of

Required Funds, a statement reconciling the previous quarter's or month's, as the case may be, estimated statement with the actual amount for which each Party was liable for during such quarter or month, as the case may be (a "Funds Reconciliation Statement"). Each Statement of Required Funds and Funds Reconciliation Statement shall be accompanied by reasonable supporting documentation showing the amounts properly due and payable, a breakdown of the Project Costs represented in such Statement of Required Funds or Funds Reconciliation Statement, and copies of the underlying invoices and/or supporting materials. Any amounts due pursuant to a Statement of Required Funds or Funds Reconciliation Statement shall be due and payable thirty (30) days following receipt of such Statement of Required Funds or Funds Reconciliation Statement by such Party, or on such later date as may be otherwise set forth in the Statement of Required Funds or Funds Reconciliation Statement. If a Funds Reconciliation Statement shows that prior estimated payments by a Party exceeded the actual amount that such Party was liable for, such excess amount shall be credited against the amounts due by such Party in the Statement of Required Funds to which such Funds Reconciliation Statement is attached and any remaining amount shall be paid to such Party within fifteen (15) days after receipt of such Funds Reconciliation Statement and Statement of Required Funds.

(c) All payments made by a Party under this Section 10.01(b) shall be made by electronic funds transfer or wire transfer in immediately available funds for receipt by the due date to the Project Account specified in the applicable statement pertaining to such payment, or to such other Person(s) as the Management Committee may determine, except that in the case of payments to a Party, such payments shall be made to the bank account or Person designated by such Party. Each Party may change its account for receiving a payment or delivery by giving notice to the other Party and the Management Committee at least five (5) Business Days prior to the scheduled date for the payment or delivery to which such change applies.

(d) Except as expressly provided in this Agreement, each Party shall make all payments required hereunder as and when due, without demand, counterclaim, setoff, deduction or defense, and without withholding for any Taxes and each Party waives, to the extent permitted by Applicable Law, all rights now or hereafter conferred by statute or otherwise with respect to any such demand, counterclaim, setoff, deduction or defense to the applicable account or accounts.

#### 10.02 Defaulted Contributions .

(a) If a Party fails to pay the full amount of payments reflected on any Statement of Required Funds or Funds Reconciliation Statement delivered pursuant to Section 10.01(b) when required to do so pursuant to this Agreement, or its share of costs due and payable under the Drilling Services Framework Agreement, the Construction Contract or the O&M Agreement (each, "Contributions" and such Party, the "Non-Contributing Party"), the Party that has paid its Contribution amounts (the "Contributing Party") shall have the right, but not the obligation, to make an advance (an "Advance") on behalf of the Non-Contributing Party in respect of the unpaid Contribution of the Non-Contributing Party (the "Unpaid Contribution"). Such Advance shall bear interest at a rate equal to the Default Rate from the date such Advance was made until the date such Advance is indefeasibly repaid in cash in full by the Non-Contributing Party. Advances shall be repaid, with interest at the Default Rate, by the Non-Contributing Party at any time after the date the Advance is made upon written demand therefor.

Each Advance shall be an obligation of the Non-Contributing Party and the Contributing Party may enforce and recover from the Non-Contributing Party the Advance in accordance with any of its remedies hereunder or at equity or in law.

(b) The election by a Party not to make an Advance in respect of the Unpaid Contribution shall not operate as a waiver of the rights of such Party under this Agreement or at law or in equity, including the right to claim damages as a result of such Unpaid Contribution. Advances made in respect of an Unpaid Contribution shall not relieve the Non-Contributing Party of its obligations hereunder.

10.03 Payment on Non-Business Day. If any Contribution under this Agreement is required to be made on a day other than a Business Day, the due date for such Contribution shall be extended to the next Business Day, unless provided otherwise in the applicable Project Agreement.

10.04 Project Accounts. All Project Accounts established pursuant to this Agreement shall be held by the Parties as tenants-in-common. Funds on deposit in each Project Account shall be kept in or swept into interest-bearing accounts to the extent reasonably practicable. No interest shall be due to any Party on all or any portion of its Contributions or other payments placed in any Project Account. All interest accrued on the amounts in each Project Account shall be available and applied for permitted purposes for which each such Project Account is maintained.

## **ARTICLE XI PROJECT BUDGETS AND ACCOUNTING**

### 11.01 Budgets.

(a) Submission of Proposed Budgets. Orni 16 shall be responsible for preparing or causing to be prepared each Project Budget required to be prepared under this Agreement in accordance with this Agreement. Orni 16 shall submit each proposed Project Budget to the Management Committee for its review and approval in accordance with the time requirements set forth in this Agreement. If NPC so requests, Orni 16 shall provide to the Management Committee copies of the data, invoices, price sheets and other information utilized in its preparation of any proposed Project Budget and shall make the Orni 16 personnel responsible for preparing any such Project Budget available to discuss any such Project Budget with the Management Committee.

(b) Management Committee Review and Approval of Budgets. The Management Committee shall review all proposed Project Budgets and shall complete its review, taking into account any comments and revisions as it may request of Orni 16, within the time periods established for Management Committee review of each Project Budget in this Agreement. The Management Committee may approve a proposed Project Budget in whole or in part. Each Party acknowledges and agrees that the approval of any Project Budget and the making of any payment hereunder shall be without prejudice to the audit rights of each Party hereunder. The Management Committee shall periodically, but no less frequently than quarterly, review (i) the status of Joint Development Activities against the Integrated Project Plan, Joint

Development Costs and Joint Drilling Costs, (ii) incurred Joint Development Costs and Joint Drilling Costs against the Joint Development Budget and (iii) the funding requirements for Joint Development Costs and Joint Drilling Costs forecasted for the next ninety (90) days. The Management Committee shall also periodically, but no less frequently than monthly, review (i) the status of Joint Construction Activities against the Integrated Project Plan and Joint Construction Costs, (ii) incurred Joint Construction Costs against the Joint Construction Budget and (iii) the funding requirements for Joint Construction Costs forecasted for the next ninety (90) days. During the Operating Period, the Management Committee shall periodically, but no less frequently than quarterly, review (i) the status of Operating Activities against Operating Costs, applicable Operating Budget and applicable Operating Plan, (ii) incurred Operating Costs against the applicable Operating Budget and (iii) the funding requirements for Operating Costs forecasted for the next ninety (90) days.

(c) Failure to Approve a Project Budget. If the Management Committee fails to approve a Project Budget by the time required for such approval in this Agreement, then for the forthcoming calendar year or other applicable time period, until the Management Committee approves such Project Budget, the unapproved Project Budget proposed shall not be implemented, but the applicable Project Budget previously approved by the Management Committee shall remain in full force and effect until a new Project Budget is approved, except as provided in Section 8.01(i).

11.02 Compliance with Budgets; Amendments.

(a) Prior to the Acquisition Closing, Orni 16 may amend the Pre-acquisition Period Budget as required in order to carry out Ormat Development Activities and Ormat Construction Activities. Orni 16 shall promptly provide NPC with such amendments and supporting documentation reasonably requested by NPC.

(b) Orni 16 shall manage, or cause to be managed, the commitment of funds for Joint Development Costs, Joint Drilling Costs, Joint Construction Costs and Operating Costs so that the Parties will not owe amounts for Joint Development Costs, Joint Drilling Costs, Joint Construction Costs or Operating Costs in excess of funds committed or to be committed by the Parties pursuant to the applicable Project Budget. If, in the judgment of Orni 16, any Project Budget, or any material expense category therein, is determined to be materially greater or lesser than the actual costs of performing the Project activities contemplated by any such Project Budget, or any material expense category therein, Orni 16 shall prepare an amended budget for approval by the Management Committee at the next regular meeting or at a special meeting called by a Party for such purpose as soon as reasonably practicable following such determination; provided, however, that no such amended budget need be prepared or approved to the extent that the aggregate difference between all such budgeted expense categories, taken as a whole, and the actual costs incurred in performing the Project activities, is not material.

**ARTICLE XII  
TAXES AND ASSESSMENTS**

12.01 Management of Tax Matters. Except for any payments of Personal Taxes or payments in lieu thereof which are directly billed to a Party by any taxing authority and which a Party shall pay directly, and except for any rulings that a Party might require in connection with the issuance of tax-exempt bonds or its tax-exempt status, Orni 16 (subject to the oversight of the Management Committee) shall have the authority and responsibility for administering, coordinating, filing returns, making property tax declarations, paying, seeking official tax rulings or determinations, and other related functions pertaining to all taxes, payments in lieu of taxes, assessments, impositions, charges, and related costs of every kind and nature, ordinary, or extraordinary, general or special, foreseen or unforeseen, settled or pending settlement connected with or arising out of the development, construction, ownership, operation, maintenance, alteration, repair, rebuilding, use or retirement of the Project or any part thereof (collectively "Taxes") which are or may be imposed by any Governmental Authority; provided, however, that unless specifically authorized in writing by NPC, such authority shall not extend to any act or action affecting any exemption from Taxes or special tax treatment arising out of the Project to which NPC may be entitled on a basis that is different from Orni 16. As used herein, the term "Taxes" shall not include net income taxes, franchise taxes, sales taxes or excise taxes relating to the Project that are assessed against each Party (collectively, "Personal Taxes"), the payment of which is and shall remain the responsibility of each Party so assessed. Each Party may contest the validity or amount of any Personal Taxes, in each case provided that the contested Personal Taxes shall not remain unpaid for such length of time as shall permit any part or all of the Project to be sold or foreclosed or any interest of either Party therein to be subject to a Lien for the nonpayment of the same.

12.02 Sharing of Taxes and Related Payments. All Taxes (other than Personal Taxes) shall be Project Costs, which shall be shared and borne equally by the Parties; provided, however, that to the extent that the aggregate amount of the Taxes are reduced because a Party is entitled to specific tax benefits resulting from its status apart from the Project, such Party shall be entitled to the entire benefit, to the extent of actual realization, of any exemptions from and reductions of Taxes connected with or arising out of the ownership, operation, maintenance, alteration, repair, rebuilding, use, or retirement of the Project or any part thereof. Unless agreed upon by the Parties, in no event shall a Party entitled to any exemption or reduction in Taxes be liable, directly or indirectly, for any payment in lieu of taxes that any other Party has agreed to make.

12.03 Payment of Taxes. Subject to Section 12.02, Orni 16 shall be responsible for paying and discharging all Taxes, which are imposed by any Governmental Authority before the same become delinquent, except (a) those that are directly billed to NPC by any taxing authority and which NPC is responsible to pay directly (e.g., NPC's Personal Taxes) and (b) those subject to a good faith contest approved by the Management Committee and for which appropriate reserves have been established in accordance with generally accepted accounting principles.

12.04 Non-Creation of Taxable Entity. Notwithstanding any other provision of this Agreement, the Parties do not intend to create hereby at law any joint venture, partnership, association taxable as a corporation, trust, limited liability company or other entity for the conduct of any business for profit. The Parties agree to elect under Section 761(a) of the Code, to exclude the transactions created by this Agreement from the application of Subchapter K, Chapter 1 of the Code, and the Parties agree to revise the terms of this Agreement to the extent and in a manner necessary to permit such election. If it is ultimately determined by an

appropriate taxing authority that this Agreement is not eligible for an election out of Subchapter K, Chapter 1 of the Code, then the Management Committee shall make all Federal and state income Tax elections; provided, however, that any Party seeking to contest or appeal such determination of a taxing authority shall have full right and discretion to do so, and in the case of such contest or appeal the Management Committee shall not be authorized to take, and shall not take, any action that limits or restricts such Party's ability to pursue its contest or appeal. Each Party agrees to report on such Party's separate return in a manner consistent with such exclusion election any items of revenue and expenditure attributable to such Party's share of any revenue received and any expenditures made under this Agreement. Nothing in this Agreement will be construed as an undertaking by either Party to jointly sell any electrical transmission or other services or property. Each Party agrees to execute and deliver such additional documentation, including the statement required by Treasury Regulation 1.761-2(b)(2), as may be required from time to time to effect such exclusion.

12.05 Production Tax Credits. Each Party agrees to take the position for federal income tax purposes that it is entitled to the PTCs, with respect to electricity derived from the Net Available Output to which the Party is entitled as a result of its Ownership Interest and sold by the Party to an "unrelated party" within the meaning of Section 45 of the Code, absent a change in law rendering such position unlawful.

12.06 Transfer Taxes. A Party acquiring an ownership interest in the Project pursuant to the terms of this Agreement shall be responsible for the timely payment of, and shall indemnify and hold harmless the other Party from and against, all transfer taxes (excluding taxes measured in whole or in part by net income), including without limitation sales, use, excise, stock, stamp, documentary, filing, recording, permit, license, authorization and similar taxes, fees, duties, levies, customs, tariffs, imposts, assessments, obligations and charges (" Transfer Taxes"), if any, arising out of or in connection with the transactions contemplated by this Agreement. Such Party shall prepare and file all necessary documentation and tax returns with respect to such Transfer Taxes; provided, however, that the Party transferring an ownership interest in the Project shall cooperate with the acquiring Party and take any action reasonably requested by the acquiring Party which does not cause the transferring Party to incur any cost or inconvenience in order to minimize such Transfer Taxes.

12.07 Duties Regarding Assessments. With respect to property Taxes, the Parties will use their reasonable best efforts to have any taxing or other Governmental Authority levying any such Taxes or payments in lieu thereof, or making any valuations for the purpose of levying any such Taxes or payments in lieu thereof, on the Project, or any beneficial interest or rights therein, assess and levy such Taxes or payments in lieu thereof directly against the Ownership Interest of each Party. All such Taxes or payments in lieu thereof levied against each Party's Ownership Interest, excepting those Taxes or payments in lieu thereof levied against an individual Party on behalf of the other Party, will be the sole responsibility of the Party upon whose Ownership Interest such Taxes or payments in lieu thereof are levied. If any property Taxes or payments in lieu thereof, are levied or assessed in a manner other than as specified in this Section 12.07 or if an individual Party is levied or assessed on behalf of the Project or the other Party, the Management Committee will establish equitable practices and procedures for the apportionment between the Parties of such Taxes or payments in lieu thereof.

**ARTICLE XIII  
TERM AND TERMINATION**

13.01 Term. The term of this Agreement (the "Term") shall commence on the Effective Date and unless earlier terminated in accordance with the provisions of this Agreement, shall continue until the retirement from service of the Project has been approved by the Management Committee and the Wind-Up Events have been completed, including the payment of all Operating Costs, the distribution of any proceeds of the sale of the Project's assets and the payment of any other amounts owing hereunder (such date, the "Termination Date"). Upon the expiration of the Term or earlier termination of this Agreement, any funds in the Project Accounts on the Termination Date, after payment of all amounts owing from the Project Accounts in accordance herewith, shall be Project assets, which shall be distributed equally to each Party.

13.02 Winding-Up.

(a) All costs and payments (less salvage credits, if any) associated with the retirement of the Project shall be shared equally by the Parties, including costs and payments incurred in connection with (i) dismantling, demolishing and removing Project equipment, facilities and structures (including the cost of transportation and handling incidental thereto); (ii) terminating any Project Agreement; (iii) plugging and abandoning any of the Project's production or injection wells; (iv) securing, maintaining and disposing of debris with respect to the Project; (v) any activities necessary to lawfully or responsibly effect such retirement; and (vi) any remediation, restoration or monitoring of the Project Site.

(b) The "Wind-Up Events" shall consist of the following actions with respect to the Project:

(i) The Parties shall direct termination of all Project Agreements in accordance with the terms thereof.

(ii) The Parties shall directly or through agents, brokers or other Persons selected by them (A) timely dispose of the remaining Project assets by sale, auction, partition or otherwise, (B) deposit any proceeds of the disposition of Project assets in the appropriate Project Account, (C) undertake other necessary steps for the winding-up of the Project, including disbursement of any balance remaining in any Project Accounts after the payment of all liabilities arising therefrom, to the Parties in accordance to their respective Ownership Interest, and (D) take all action required by Applicable Law or Prudent Utility Practices to provide for the retirement from service of any Project asset that is not sold or otherwise disposed of, including any remediation, restoration or other actions required by Applicable Law or necessary or desirable for the protection of the Parties from liability.

(iii) Notwithstanding anything in this Section 13.02 to the contrary, as part of the Wind-Up Events, the Navy Agreement and the BLM Leases shall revert back to Orni 16's sole ownership at no cost to Orni 16 (provided that Orni 16 shall also assume sole responsibility for all liabilities under the Navy Agreement and BLM Leases that

accrue after such transfer). NPC shall take all reasonable steps required by Orni 16 and shall execute such instruments as Orni 16 shall reasonably require, in order to effect the transfer of the Navy Agreement and BLM Leases back to Orni 16. The cost and expenses of such transfers shall form part of Operating Cost and be borne by the Parties as set forth in Section 13.02(a).

13.03 Early Termination .

(a) This Agreement may only be terminated (i) if the Parties fail to execute the Construction Contract; (ii) by mutual written agreement of the Parties; (iii) by either Party at any time following the date on which the PUCN notifies NPC that it will not grant the PUCN Approval or FERC notifies NPC that it will not approve the Related Power Purchase Agreement; (iv) by either Party in the event of an Event of Default by the other Party under Section 18.01(a); and (v) prior to the Acquisition Closing Date, by either Party for convenience upon thirty (30) days prior written notice.

(b) This Agreement may also be terminated by either Party, upon the consummation of an acquisition of the other Party's Ownership Interest.

13.04 Certain Consequences Following Termination .

(a) If this Agreement is terminated in accordance with Section 13.03(a)(ii), Orni 16 shall have a purchase right to acquire NPC's Ownership Interest and continue with the development of the Project. Upon Orni 16 providing NPC with written notice of its intent to exercise such right, NPC shall Transfer its Ownership Interest to Orni 16 free and clear of any Liens other than Permitted Liens (excluding Liens of NPC Lenders) on the later of the sixtieth (60<sup>th</sup>) day after receipt of such notice and receipt of (i) FERC Approval and (ii) expiration of the HSR Waiting Period, and upon the earlier to occur of the Commercial Operation Date and a subsequent Transfer by Orni 16 of any portion of its Ownership Interest, Orni 16 shall pay to NPC the cumulative amount of Project Costs paid by NPC prior to the Transfer of NPC's Ownership Interest, with interest accrued at the Agreed Rate, or, if the Commercial Operation Date shall have already occurred, Orni 16 shall pay to NPC the Fair Market Value of the Ownership Interest upon the Transfer.

(b) If this Agreement is terminated in accordance with Section 13.03(a)(iv), the provisions of Section 18.02(d) shall apply.

(c) Amendment to Power Purchase Agreement . If this Agreement is terminated for any reason, the Parties shall amend the Power Purchase Agreement to provide for the purchase by NPC of one hundred percent (100%) of the Net Available Output at the price set forth therein and reinstate the other terms and provisions of the Power Purchase Agreement as if such agreement was not amended by the PPA Amendment; provided, however, that if this Agreement is terminated in accordance with the terms hereof and NPC acquires all of Orni 16's Ownership Interest, then the Parties shall terminate the Power Purchase Agreement.

13.05 Termination Date . If neither Party elects to acquire the Ownership Interest of the other in circumstances where such purchase right is granted under this Article XIII, the Parties shall promptly commence the Wind-Up Events.

**ARTICLE XIV  
INDEMNIFICATION; LIMITATION OF LIABILITY**

14.01 Indemnification.

(a) Agreements to Indemnify. Each Party, to the maximum extent permitted by Applicable Law, shall defend, protect, indemnify and hold the other Party, its Affiliates and their respective officers, directors, employees and agents (" Indemnified Persons ") harmless from and against any and all Claims resulting from, arising out of or in connection with (i) the gross negligence, willful misconduct or fraudulent acts of such Party, its Affiliates or their respective officers, directors, employees or agents, arising in connection with this Agreement or the Project, (ii) such Party's default under this Agreement, (iii) the Personal Taxes of such Party and (iv) Liens in respect of an obligation of such Party that are placed on the Ownership Interest or other property of an Indemnified Person.

(b) Conduct of Claims. Each Indemnified Person shall, promptly after the receipt of notice of any Claim against such Indemnified Person in respect of which indemnification may be sought pursuant to this Section 14.01, notify the other Party from who it seeks indemnity (" Indemnifying Party ") of any such Claim. The Indemnifying Party shall not be obligated to indemnify such Indemnified Person with respect to any such Claim if such Indemnified Person fails to notify the Indemnifying Party thereof in accordance with the provisions of this Section 14.01(b) in sufficient time to permit the Indemnifying Party to defend against any such Claim and to make a timely response thereto, including any responsive motion or answer to a complaint, petition, notice or other legal, equitable or administrative process relating to any such Claim, but only insofar as such failure to notify the Indemnifying Party has actually resulted in material prejudice or damage to the Indemnifying Party. In case any Claim shall be made or brought against an Indemnified Person, the Indemnifying Party may, or if so requested by such Indemnified Person shall, assume the defense thereof with competent counsel of its selection to defend such Indemnified Person. In such circumstances, such Indemnified Person shall (i) at no cost or expense to such Indemnified Person, cooperate with the Indemnifying Party and provide the Indemnifying Party with such information and assistance as the Indemnifying Party shall reasonably request in connection with any such Claim and (ii) at its own cost and expense have the right to participate and be represented by counsel of its own choice with respect to any such Claim; provided, however, that if a Claim creates or may reasonably be expected to create a conflict between the Parties or exposes or may reasonably be expected to expose the Indemnified Party to criminal liability, the Indemnified Party shall (A) not be required to cooperate or provide such information and assistance that the Indemnifying Party requests in connection with such Claim and (B) be entitled to indemnification for reasonable costs and expenses in connection with such Indemnified Party's participation and representation by counsel of its own choice with respect to such Claim.

(c) Defense of Claims. If the Indemnifying Party agrees in writing to assume the defense of the relevant Claim, (i) the Indemnifying Party shall not be liable for any settlement thereof that is made without its written consent and (ii) the Indemnifying Party shall control the settlement of such Claim; provided, however, that the Indemnifying Party shall not conclude any settlement that requires any action or forbearance from action or payment or admission by the Indemnified Person or any of its Affiliates without the prior written approval of

the Indemnified Person. The obligations of an Indemnifying Party shall not extend to any loss, damage or expense of whatever kind and nature (including all related costs and expenses) to the extent the same results from, after the receipt of notice of a Claim against an Indemnified Person, the taking by the Indemnified Person of any action (unless required by Applicable Law or applicable legal process) which prejudices the successful defense of such Claim, without, in any such case, the prior written consent of the Indemnifying Party (such consent not to be required in a case where the Indemnifying Party has not assumed the defense of such Claim). The Indemnified Person shall afford the Indemnifying Party and its counsel the opportunity to be present at, and to participate in, conferences with all Persons, including Governmental Authorities, asserting any Claim against the Indemnified Person covered by the indemnities contained in this Section 14.01 or conferences with representatives of, or counsel for, such Indemnified Person held in connection with such indemnities.

(d) Contribution of Parties. In the event that any Party involuntarily and not based on its gross negligence or willful misconduct incurs a liability to a third party arising solely because it has an Ownership Interest (a "Shared Liability"), the Party that has incurred the Shared Liability shall promptly notify the Management Committee and the other Party, and such other Party shall be liable for fifty percent (50%) of such Shared Liability and shall pay such amount within ten (10) Business Days of written demand therefor; provided, however, that nothing in this Section 14.01 (d) shall alter a Party's indemnity obligations under this Section 14.01. No Party shall have the right to settle or compromise any Claim with respect to a Shared Liability without the approval of the other Party.

(e) Any Claim indemnified against pursuant to this Section 14.01 shall be net of, but not limited to, any proceeds of insurance received by an Indemnified Person under insurance policies in effect pursuant to the Insurance Plan.

(f) Survival. The indemnities and obligations contained in this Section 14.01 shall survive the expiration or termination of this Agreement.

14.02 Waiver of Consequential Damages. EXCEPT FOR CLAIMS BROUGHT BY THIRD PARTIES UNDER SECTION 14.01, NO PARTY SHALL UNDER ANY CIRCUMSTANCES BE LIABLE FOR SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES, WHETHER BY STATUTE, IN TORT OR CONTRACT OR OTHERWISE. THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES SHALL BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT SUCH DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS. THE PROVISIONS OF THIS SECTION 14.02 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

**ARTICLE XV  
INSURANCE AND EVENTS OF LOSS**

15.01 Insurance. Each Party shall maintain or cause to be maintained insurance of the types, in the amounts and with the deductibles specified in the insurance plan approved by the Management Committee (the “Insurance Plan”), as it may be amended by approval of the Management Committee from time to time.

15.02 Damage or Destruction. Orni 16 shall, promptly after any Event of Loss involving the Project make an initial determination whether such Event of Loss is a Tier I Loss, Tier II Loss, or Tier III Loss and provide the Management Committee with such initial determination and supporting documents. All insurance proceeds paid pursuant to the Insurance Plan in respect of any Event of Loss (the “Insurance Proceeds”) shall be deposited into the appropriate Project Account for use as directed by the Management Committee in accordance with this Article XV.

15.03 Event of Loss. If Orni 16 initially determines that an Event of Loss is a Tier I Loss, Orni 16 shall promptly proceed to repair or replace the affected Project assets, unless the Management Committee has determined, no later than three (3) days following notification of Orni 16’s determination under Section 15.02 that such Event of Loss is a Tier II Loss or a Tier III Loss. If the Management Committee determines that an Event of Loss is a Tier II Loss, then Section 15.04 shall apply. If the Management Committee determines that an Event of Loss is a Tier III Loss then, unless the Parties decide to repair or replace the damaged Project assets, the Parties shall cease operations at the Project and shall initiate the Wind-Up Events. If the Wind-Up Events occur or if one Party elects to purchase the Ownership Interest of the other Party under Section 15.05(a), any Insurance Proceeds shall be distributed equally to the Parties to the extent any such Insurance Proceeds are not needed to pay any costs incurred in connection with the retirement of the Project. If any Insurance Proceeds are received after termination of this Agreement by a Party, fifty percent (50%) of any such Insurance Proceeds shall be promptly paid to the other Party.

15.04 Payment of Restoration Costs. In the event of a Tier II Loss, or, if notwithstanding a Tier III Loss, the Parties agree not to initiate Wind-Up Events, Orni 16 shall promptly revise any Project Budgets affected by the Event of Loss to be promptly approved by the Management Committee and Orni 16 shall proceed at the Management Committee’s direction to cause the repair and replacement of the damaged Project assets. Each Party shall pay for fifty percent (50%) of the repair and restoration costs, net of any Insurance Proceeds, in accordance with the Project Budgets and all remaining Insurance Proceeds shall be distributed equally to the Parties.

15.05 Rebuild or Repair by a Single Party.

(a) If, following an Event of Loss that is a Tier III Loss, one Party desires to retire the Project and one Party desires to rebuild, repair or replace the damaged Project assets, then the Party desiring to rebuild, repair or replace the damaged Project assets shall have the right to purchase the other Party’s Ownership Interest. Upon receiving written notice from the Party desiring to rebuild, repair or replace the damaged Project assets exercising such right, the

withdrawing Party shall Transfer its Ownership Interest to the continuing Party free and clear of any Liens other than Permitted Liens (excluding Liens of any NPC Lender or Orni 16 Lender) on the later of sixty (60) days from receipt of such written notice and receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period, at a time and place acceptable to each Party, and the continuing Party shall pay to the withdrawing Party an amount equal to the Fair Market Value (following, and taking into account, the Tier III Loss) of the withdrawing Party's Ownership Interest upon the Transfer. From and after the date of such Transfer, the withdrawing Party shall have no further rights or obligations under this Agreement or any Project Agreement (other than the payment of any amounts due and unpaid under this Agreement or any Project Agreement as of such date and those obligations that survive termination of this Agreement or any Project Agreement).

(b) For the purposes of this Agreement, "Fair Market Value" means fifty percent (50%) of the cash price at which a willing seller would sell and a willing buyer would buy the Project, being appraised of all relevant facts, as determined pursuant to the provisions of this Section 15.05(b). In order to determine the Fair Market Value, the acquiring Party and the transferring Party shall each, within fifteen (15) Business Days of the transferring Party's receipt of the notice exercising the purchase right, designate a qualified appraiser. A qualified appraiser shall be an appraiser with at least five (5) years' experience in the appraisal of properties similar to the Project. If either Party fails to select an appraiser within such fifteen (15) Business Day period, then the selected appraiser shall, within fifteen (15) days thereafter, appoint a second appraiser with similar qualifications (who shall not have performed any work for the appointing Party within the five (5) year period prior to his/her appointment). Each of the two (2) appraisers shall be directed to determine the Fair Market Value of the transferring Party's Ownership Interests within thirty (30) days of his/her appointment and to notify each Party of his/her determination. If the lower of the two (2) determinations is not less than ninety-five percent (95%) of the higher of the two (2) determinations, then the Fair Market Value shall be the average of the two (2) determinations and such amount shall be binding upon the Parties. If the lower of the two (2) determinations is less than ninety-five percent (95%) of the higher of the two (2) determinations, then the two (2) appraisers shall, within fifteen (15) days thereafter, appoint a third appraiser with similar qualifications (who shall not have performed any work for any Party within the five (5) year period prior to his/her appointment) and shall each furnish to such appraiser a written report of his/her respective determination. Within thirty (30) days of his/her appointment, the third appraiser shall determine the Fair Market Value of the transferring Party's Ownership Interest and shall notify each Party of his/her determination, which shall be binding upon the Parties. The Fair Market Value determined by the third appraiser shall not be lower than the lower of the two previous determinations nor higher than the higher of the two previous determinations. Each Party shall bear the cost of the appraiser appointed by each such Party, and the Parties shall share equally the cost of the third appraiser (if any).

15.06 Survival. The provisions contained in this Article XV shall survive the expiration or termination of this Agreement.

**ARTICLE XVI  
CONDEMNATION**

16.01 Complete Taking. If title to any part of the Project shall be taken in any Condemnation Action (or conveyed in lieu of any such Condemnation Action), other than for a temporary use or occupancy, and the effects of any such Condemnation Action (or conveyance in lieu thereof) exceed a Tier II Loss, as determined by the Management Committee (a “Complete Taking”), then the Parties shall promptly decide whether to commence Wind-Up Events.

16.02 Partial Taking. In the event of a Condemnation Action that does not give rise to a Complete Taking (a “Partial Taking”), the Term shall not be reduced or affected in any way.

16.03 Condemnation Proceedings. Each Party shall have the right, at its own cost and expense, to appear in any Condemnation Action and to participate in any and all hearings, trials and appeals therein. In the event of the commencement of any Condemnation Action, (a) the Parties shall undertake commercially reasonable efforts to defend against, and maximize the awards from, any such Condemnation Action, (b) no Party shall accept or agree to any conveyance in lieu of any such Condemnation Action of its Ownership Interest unless agreed upon by the other Party, and (c) each Party shall cooperate with the other in any such Condemnation Action and provide the other with such information and assistance as each shall reasonably request in connection with any such Condemnation Action.

16.04 Notice of Condemnation. If a Party receives notice of any proposed or pending Condemnation Action affecting all or part of the Project, such Party receiving such notice shall promptly notify the other Party.

16.05 Condemnation Awards. All Condemnation Awards shall be deposited into the appropriate Project Account, as directed by the Management Committee. If any Condemnation Award is received after termination of this Agreement by a Party, fifty percent (50%) of any such Condemnation Award shall be promptly paid to the other Party.

16.06 Payment of Restoration Costs. Upon the occurrence of a Partial Taking or a Complete Taking and the Parties agreement to not initiate Wind-Up Events, Orni 16 shall promptly revise any Project Budgets affected by the Condemnation Action, to be promptly approved by the Management Committee and Orni 16 shall proceed at the Management Committee’s direction to cause the replacement of the affected Project assets. Each Party shall pay for fifty percent (50%) of the replacement costs, net of any Condemnation Award, in accordance with the Project Budgets and all remaining Condemnation Award shall be distributed equally to the Parties.

16.07 Proceeds upon Termination. Upon the occurrence of a Complete Taking and if the Parties agree to commence Wind-Up Events or if one Party elects to purchase the Ownership Interest of the other Party under Section 16.08, any Condemnation Award shall be distributed equally to the Parties to the extent any such Condemnation Award is not needed to pay any costs incurred in connection with the retirement of the Project.

16.08 Rebuild or Repair by a Single Party. If, following a Complete Taking, one Party desires to retire the Project and one Party desires to rebuild or replace the condemned Project assets, then the Party desiring to rebuild or replace the condemned Project assets shall have the right to purchase the other Party's Ownership Interest. Upon receiving written notice from the Party desiring to rebuild or replace the condemned Project assets exercising such right, the withdrawing Party shall Transfer its Ownership Interest to the continuing Party free and clear of any Liens other than Permitted Liens (excluding Liens of any NPC Lender or Ormi 16 Lender) on the later of sixty (60) days from receipt of such written notice and receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period, at a time and place acceptable to each Party, and the continuing Party shall pay to the withdrawing Party an amount equal to the Fair Market Value (following, and taking into account, the Complete Taking) of the withdrawing Party's Ownership Interest upon the Transfer. From and after the date for such Transfer, the withdrawing Party shall have no further rights or obligations under this Agreement or any Project Agreement (other than the payment of any amounts due and unpaid under this Agreement or any Project Agreement as of such date and those obligations that survive termination of this Agreement or any Project Agreement).

16.09 Survival. The provisions contained in this Article XVI shall survive the expiration or termination of this Agreement.

## **ARTICLE XVII TRANSFERS AND CHANGES OF CONTROL**

### 17.01 Transfers.

(a) Except for Permitted Transfers, no Party may directly or indirectly Transfer all or any portion of its Ownership Interest or its rights or obligations under this Agreement or any Project Agreement without the prior written approval of the other Party, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes of this Section 17.01, any grounds that are reasonably likely to have an adverse effect on a Party or the Project shall constitute grounds for withholding or conditioning approval and shall be described to the Transferring Party in reasonable detail if such approval is withheld or conditioned.

(b) No Transfer of an Ownership Interest or any rights or obligations under this Agreement or any Project Agreement shall be permitted, or shall become effective, unless such Transfer includes a corresponding and equivalent Transfer of all associated rights, obligations and interests of the Transferring Party in and to the Project, this Agreement and the Project Agreements.

(c) Any Transfer that is made in violation of this Agreement shall be void *ab initio*.

### 17.02 Right of First Refusal.

(a) Offer Notice. If any Party proposes to make a Transfer of all or part of its Ownership Interest (" Transferring Party ") that is not a Permitted Transfer (but excluding a Permitted Transfer described in Section 17.03(c)(ii)), the Transferring Party may make such

Transfer only if it has complied with the provisions of this Section 17.02 and such Transfer is made in accordance with the other requirements of this Article XVII. Prior to making such Transfer, the Transferring Party shall give to the other Party written notice (except if the non-Transferring Party is in default under Section 18.01(a), Section 18.01(e) or Section 18.01(f)) of the proposed transaction with a third party (the “Offer Notice”), which notice shall fully disclose (i) the terms of the proposed transaction or transactions, (ii) the Ownership Interest that is the subject of the Offer Notice (the “Offered Interest”), (iii) the identity of the proposed transferees and (iv) the date on which the offer shall expire if not accepted, which shall be at least thirty (30) days after the other Party has received the Offer Notice (the “Offer Deadline”). Any transaction or transactions of the Offered Interest with a third party shall not be consummated until the other Party has failed to accept the offer contained in the Offer Notice on or before the Offer Deadline.

(b) Return Notice. Upon receipt of an Offer Notice, the other Party shall have a right to acquire all but not less than all of the Offered Interest, upon the same terms and conditions that are set forth in the Offer Notice. On or prior to the Offer Deadline, the other Party shall give written notice to the Transferring Party stating whether or not it elects to acquire the Offered Interest (the “Return Notice”), which election shall be irrevocable and subject only to receipt of any applicable Governmental Approvals, which approvals shall be promptly sought and diligently pursued. A failure to give the Return Notice on or before the Offer Deadline shall be deemed to be an election not to acquire the Offered Interest.

(c) Acquisition. If a Party delivers a Return Notice electing its right to acquire the Offered Interest, the Transferring Party and the other Party as soon as practicable shall execute such instruments as may be necessary and appropriate to effectuate the Transfer to such other Party, free and clear of all Liens for which the Transferring Party may be liable and which are not by the terms of the Offer Notice, specifically identified as surviving the Transfer of the Offered Interest. The Party that has elected to acquire the Offered Interest must close on the acquisition of the Offered Interest within sixty (60) days after (i) the Transferring Party has satisfied all conditions precedent contained in the Offer Notice, (ii) the Transferring Party has delivered the instruments for the Transfer to the acquiring Party, and (iii) the acquiring Party has received receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period. Failure to close on the acquisition of the Offered Interest within such time period shall be deemed to be a rejection of the Offer Notice to the extent such failure to close is solely attributable to the acquiring Party.

(d) Conditions of Transfer. If the Party receiving the Offer Notice does not elect or is deemed not to have elected to acquire the Offered Interest as provided in this Section 17.02, the Transferring Party may, subject to the other requirements of this Article XVII, consummate the Transfer of the Offered Interest to a third party acceptable to the other Party as long as the terms are the same as or more favorable to the Transferring Party than those described in the Offer Notice.

(e) Further Conditions of Transfer. The right of the Transferring Party to Transfer the Offered Interest other than Permitted Transfers, shall remain subject to the requirements of Sections 17.01, 17.02(a), 17.02(b), 17.02(c) and 17.02(d), if the Transferring Party:

(i) fails to consummate its proposed transaction with a third party within one hundred eighty (180) days of the Offer Deadline;

(ii) undertakes to, without the consent of the other Party, which consent will not be unreasonably withheld, conditioned or delayed, Transfer such Offered Interest to Persons or their Affiliates other than those Persons whose identity was disclosed in the Offer Notice; or

(iii) undertakes to dispose of the Offered Interest upon terms and conditions less favorable to the Transferring Party than the terms and conditions that were contained in the Offer Notice.

(f) Change of Control. Upon the occurrence of any direct or indirect change in Control of either Party, except any change in Control of Orni 16 in connection with a transaction to monetize PTCs involving a sale of membership interests in Orni 16 that includes a buyback option, the other Party shall have the right to acquire the Ownership Interest of the Party subject to the change in Control at Fair Market Value.

17.03 Permitted Transfers. Although the following shall constitute a Transfer under this Agreement, no consent of the other Party shall be required for any of the following Transfers (each, a "Permitted Transfer"):

(a) a Transfer by NPC to SPPC;

(b) except as provided in Section 17.03(a), a Transfer by a Party of part or all of its Ownership Interest to one (1) or more of its Affiliates, provided that the obligations of such Affiliate(s) are supported by an unconditional guaranty of such Party (or ONI in the case of Orni 16) for the benefit of the other Party, which guaranty is in a form reasonably acceptable to the other Party; and

(c) (i) subject to Article XX, a Party's collateral assignment, mortgage, hypothecation, pledge or other encumbrance of all or any portion of its Ownership Interest in favor of the Orni 16 Lenders or NPC Lenders; and (ii) any such lender(s)' assignment of the assigned Ownership Interest to any subsequent assignee in connection with the sale, transfer or exchange of its rights therein upon and after the exercise of its rights and enforcement of its remedies under the applicable financing and security instruments;

(d) any Transfer for which the non-Transferring Party has provided written consent.

17.04 Other Transfer Restrictions. Notwithstanding anything to the contrary, no Transfer (except for a Transfer pursuant to Section 17.03(c)(i)) shall be valid unless:

(a) such Transfer is a Permitted Transfer;

(b) the Transferring Party has notified the other Party of the name, address, phone number, tax identification number and contact person of the transferee;

(c) the proposed transferee has assumed responsibility for performance of all of the liabilities and obligations of the Transferring Party under this Agreement, each Project Agreement to which the Transferring Party is a party and otherwise relating to the Ownership Interest that the transferee acquires arising on and after the date of the Transfer, pursuant to a written instrument of assignment and assumption substantially in the form attached hereto as Exhibit D;

(d) all amounts due and owing by the Transferring Party under this Agreement shall have been paid in full;

(e) such Transfer shall not result in a breach or event of default under this Agreement or any Project Agreement; and

(f) such Transfer shall not cause the Project or a Party to be subject to any Applicable Law to which it was not previously subject and which constitutes a Material Adverse Effect with respect to a Party.

17.05 Estoppel Certificate. In connection with any Transfer by a Party that is permitted by this Agreement, upon request, the other Party agrees to execute and deliver to the Transferring Party an estoppel certificate intended to be relied upon by the Transferring Party, a transferee pursuant to a Transfer permitted by this Agreement, or any third party creditor, as the case may be, stating:

(a) that this Agreement is unmodified and is in full force and effect (or, if there have been modifications that this Agreement is in full force and effect as modified and referencing the modifying instruments);

(b) to the knowledge of the Party issuing the certificate, whether there are any uncured Events of Default of a Party under this Agreement (and specifying each such Event of Default as to which such Party has knowledge); and

(c) such Party's current address for purposes of giving notice.

17.06 Release of Liability. Upon the occurrence of a Transfer complying with all requirements hereunder or any Transfer contemplated by Sections 6.05, 8.01(g), 8.01(j), 13.04, 15.05 and 16.08, the Transferring Party shall be released of all liabilities and obligations with respect to this Agreement or any Project Agreement arising on and after the effective date of such Transfer, except with respect to any Transfer contemplated by Section 17.03(b) and (c).

**ARTICLE XVIII  
DEFAULT AND REMEDIES**

18.01 Events of Default. Each of the following events shall be an "Event of Default" under this Agreement:

- (a) Failure to Make Payment. Failure by a Party to make any Contribution or payment required under this Agreement within thirty (30) days after the date on which such Contribution or payment becomes due.
- (b) Failure to Perform. Failure by a Party to perform any material obligation, duty or responsibility in accordance with the provisions of this Agreement in any material respect and such failure is not remedied within thirty (30) days after written notice thereof is provided to such Party, provided, that if the default is not susceptible to cure within such thirty (30) day period the defaulting Party is diligently pursuing such cure and such default is capable of being cured within the requested period, such period may be extended as reasonably requested by the defaulting Party to cure such default; not to exceed one hundred fifty (150) additional days.
- (c) Breach of a Representation and Warranty. Any representation or warranty made by either Party in Article XIX shall be untrue or misleading in any material respect as of the time made; provided that, in respect of unintentional misrepresentations or warranties which are capable of being remedied, any such unintentional misrepresentation shall not be deemed to be an Event of Default if such misrepresentation is corrected within sixty (60) days of the occurrence thereof.
- (d) Orni 16 Change in Control. Unless NPC has provided its written consent (which shall not be unreasonably withheld or delayed), any change in Control over (i) Orni 16 occurs between the Effective Date and the Commercial Operation Date; and (ii) the Construction Contractor, Drilling Manager or Operator; provided, however, that a change of direct ownership of Orni 16, or of the Drilling Manager or Operator while either such entity is an Affiliate of Orni 16 other than ONI, shall not constitute a default hereunder so long as ONI continues to exercise Control over Orni 16 or over such entity that is the Drilling Manager or Operator, and a change of direct ownership in the Construction Contractor, or in the Drilling Manager or Operator while either such entity is ONI, shall not constitute a default hereunder so long as Ormat Technologies, Inc. continues to exercise Control over ONI.
- (e) Bankruptcy Event. The occurrence of a Bankruptcy Event with respect to a Party.
- (f) Default or Bankruptcy of ONI; Failure of Guaranty. A breach by ONI of any material representation or obligation made by it under the ONI Guaranty or the occurrence of a Bankruptcy Event with respect to ONI or failure of the ONI Guaranty to be in full force and effect, and such events shall constitute an Event of Default by Orni 16.

18.02 Remedies.

- (a) Remedies Not Exclusive. Upon the occurrence of an Event of Default by a Party under this Agreement, the non-defaulting Party shall have available to it all remedies hereunder, as well as all legal and equitable remedies, including those available in order to enforce payment of any amounts or performance of any obligations. No remedy conferred upon or reserved by a Party is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law or in equity, each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

(b) Injunctive Relief and Specific Performance. Each Party acknowledges and agrees that the failure to perform any of their respective obligations under this Agreement would cause irreparable harm to the other Party and that the remedy at law for any violation or threatened violation thereof would be inadequate, and further agrees that the other Party shall be entitled to a temporary or permanent injunction, specific performance or other equitable relief specifically to enforce such obligation without the necessity of proving the inadequacy of its legal remedies. Neither Party shall be required to post any guaranty, letter of credit, bond or other security to obtain an order or decree of specific performance.

(c) Loss of Voting Rights. If an Event of Default has occurred then, without limiting any other rights that the non-defaulting Party might have, for so long as such Event of Default remains outstanding, (i) the defaulting Party's Authorized Representatives shall not have any right to decide, approve, authorize or vote on any matters before the Management Committee and (ii) the non-defaulting Party's Authorized Representatives shall be entitled to represent the defaulting Party with respect to all matters before the Management Committee and the quorum requirements under Section 8.01(f) shall be deemed satisfied.

(d) Purchase Right Upon Payment Default. If an Event of Default for failure to make payments, as described in Section 18.01(a) has occurred, then, without limiting any other rights that the non-defaulting Party might have, such non-defaulting Party may, upon written notice to the defaulting Party delivered while such Event of Default remains outstanding, purchase all, but not less than all, of the Ownership Interests of the defaulting Party. Upon the non-defaulting Party providing the defaulting Party with written notice of its intent to exercise such right, the defaulting Party shall Transfer its Ownership Interest to the non-defaulting Party free and clear of any Liens other than Permitted Liens (excluding the Liens of any Orni 16 Lender or NPC Lender) on the later of sixty (60) days after receipt of such notice and receipt of (i) PUCN Approval, (ii) FERC Approval and (iii) expiration of the HSR Waiting Period, and upon the earlier to occur of the Commercial Operation Date and a subsequent Transfer by the non-defaulting Party of any portion of its Ownership Interest, the non-defaulting Party shall pay to the defaulting Party the cumulative amount of Project Costs paid by the defaulting Party prior to the Transfer of the defaulting Party's Ownership Interest, with interest accrued at the Agreed Rate.

(e) Loss of Right to Output. If an Event of Default under Section 18.01(a) has occurred, then, without limiting any other rights that the non-defaulting Party might have, such non-defaulting Party may, upon written notice to the defaulting Party delivered while such Event of Default remains outstanding, recover the defaulted payments by temporarily receiving the defaulting Party's share of the Net Available Output, upon fifteen (15) days written notice to the defaulting Party. Receipt of such portion of the defaulting Party's share of the Net Available Output shall continue until such time as the non-defaulting Party has received an additional amount of Energy (in MWhs) as a result of such temporary entitlement, in an amount equal to the payment default plus interest at the Default Rate, as determined using the pricing provisions set forth in the Power Purchase Agreement or such other power purchase agreement entered into between the Parties pursuant to Section 3.08. Once the non-defaulting Party has received such

additional amount of Energy, the Parties shall immediately, and without further action by the Parties, each be entitled to fully receive their equal shares of the Net Available Output in accordance with Section 2.01.

(f) Step-In Rights. If an Event of Default by Orni 16 occurs, then, without limiting any other rights that NPC might otherwise have, NPC may, upon written notice to Orni 16 delivered while such Event of Default remains outstanding, assume management of the Project (or any portion thereof), including management of all Joint Development Activities, Joint Construction Activities and Operating Activities. If NPC elects its rights provided in this Section 18.02(f), it shall appoint a new Project Manager, subject to Management Committee approval not to be unreasonably withheld. Such Project Manager may be an employee, consultant or advisor of NPC. If NPC elects its rights provided in this Section 18.02(f), NPC may retain such managerial responsibilities throughout the Term or relinquish all or any part thereof from time to time to Orni 16; provided, however, that Orni 16 may elect to re-assume management of the Project once Orni 16 has no Events of Default outstanding.

18.03 Additional Obligations. With respect to a Party as to which an Event of Default has occurred, such Party shall use its best efforts to take any and all such further actions and shall execute and file where appropriate any and all such further legal documents and papers as may be reasonable under the circumstances in order to facilitate the carrying out of this Agreement or otherwise effectuate its purpose, including action to seek any required Governmental Approval and to obtain any other required consent, release, amendment, or other similar document.

18.04 Interest on Overdue Payments and Contributions; Setoff. If any sum due hereunder is not paid or contributed by the due date therefor, the Party owing such obligation shall pay to the other Party or to the Project Account, as appropriate, interest thereon at the Default Rate concurrently with the payment of the amount, such interest to begin to accrue as of the due date of such payment or Contribution. Further, the non-defaulting Party shall have the right to setoff any amount owed to it by the defaulting Party hereunder against any amounts owed by it to the defaulting Party hereunder.

## **ARTICLE XIX REPRESENTATIONS AND WARRANTIES**

19.01 Representations and Warranties. Each Party represents and warrants to the other Party, as of the Effective Date and again as of the Acquisition Closing Date (as though made on and as of such date) unless any representation herein is made as of a particular date:

(a) Due Organization. Such Party is a duly organized, validly existing entity of the type described in the introduction to this Agreement and is in good standing under the laws of the jurisdiction of its formation and is duly qualified to do business and in good standing as a foreign entity in the jurisdiction of its principal place of business (if not formed in that jurisdiction).

(b) Power and Authority. Such Party has the full legal right, power and authority to enter into this Agreement and perform its obligations under this Agreement.

(c) Due Authorization. Such Party has taken all appropriate and necessary corporate action to authorize its execution, delivery and performance of this Agreement and the transactions contemplated hereunder.

(d) Consents. Except for Required Consents and Required Transfer Governmental Approvals, no consent, approval or action of, filing with or notice to any Governmental Authority or other Person is required to be obtained by such Party for Orni 16 to sell and NPC to purchase a fifty percent (50%) undivided ownership interest in the Project.

(e) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms (subject to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other Applicable Laws now or hereafter in effect relating to creditors' rights generally and general principles of equity).

(f) No Violation. The execution, delivery and performance by such Party of this Agreement, the compliance with the terms and provisions hereof, and the carrying out of the transactions contemplated hereby, (i) do not conflict with and will not result in a breach or violation of any of the terms or provisions of the organizational documents of such Party and (ii) do not conflict with and will not result in a breach or violation of any of the terms or provisions of any existing Applicable Law to which such Party is subject or by which it or any of its property is bound, or any material agreement or instrument to which such Party is a party or by which it or any of its property is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any Lien upon any of its property.

(g) No Litigation. There is no litigation pending or, to the best of such Party's knowledge, threatened to which such Party or any of its Affiliates is a party that, if adversely determined would result in a Material Adverse Effect or that could reasonably be expected to have a Material Adverse Effect.

(h) Authorized Signatory. The representative executing this Agreement on behalf of such Party is duly authorized to execute this Agreement on such Party's behalf and to bind such Party hereunder.

19.02 Special Representations and Warranties of Orni 16. On and as of the Acquisition Closing Date (as though made on and as of such date), Orni 16 represents and warrants to NPC:

(a) Title to Project. Orni 16 owns and possesses good and valid title to all of the ownership interest in all the Project assets (tangible and intangible) constituting personal property in which Orni 16 will sell and NPC will acquire a fifty percent (50%) undivided ownership interest, and will convey good and valid title to such a fifty percent (50%) undivided ownership interest, free and clear of all Liens, except Permitted Liens (except Liens of Orni 16 Lenders). Orni 16 owns and possesses all of the, and will be conveying good and valid fee title or leasehold interest to an undivided fifty percent (50%), ownership interest in the Project Site and the Easements, free and clear of all Liens other than Permitted Liens (except Liens of Orni 16 Lenders).

(b) Agreements. Orni 16 has delivered to NPC true and correct copies of each Project Agreement to which Orni 16 or any of its Affiliates is a party as of the Acquisition Closing Date. Each Affiliate Contract is in full force and effect and except as disclosed to NPC in Schedule 5, neither Orni 16 nor any of its Affiliates is in default of any obligations under each such agreement and each such agreement is an enforceable and binding obligation of the parties thereto. With respect to the Project Agreements, except as disclosed to NPC in Schedule 5, Orni 16 is not, and to Orni 16's knowledge no counterparty to any such agreement is, in default of its obligations under any such agreement and each such agreement is an enforceable and binding obligation of Orni 16 and, to its knowledge, each such counterpart.

(c) Governmental Approvals: Compliance with Laws; Hazardous Substances.

(i) Orni 16 has provided true and correct copies of each of the Governmental Approvals set forth in Schedule 2 and all other material Governmental Approvals.

(ii) Orni 16 has obtained all Governmental Approvals that are necessary for the current stage of the Project and necessary for Orni 16 to perform its obligations under this Agreement and the Project Agreements as of the Acquisition Closing Date.

(iii) No application submitted by or on behalf of Orni 16 or any of its Affiliates in connection with each Governmental Approval contains any intentional misrepresentation. Orni 16 is in compliance with each Governmental Approval in all material respects and each Governmental Approval (A) is in full force and effect, (B) is not subject to any legal proceeding or to any unsatisfied condition that (1) is not reasonably expected to be satisfied or (2) could reasonably be expected to allow material modification or revocation thereof, and (C) is final and all applicable appeal periods have expired or terminated.

(iv) Orni 16 is in compliance with all Applicable Laws, except for any violations which do not, individually or in the aggregate, have and could not reasonably be expected to have a Material Adverse Effect.

(v) To the knowledge of Orni 16 after due inquiry, and except as would not reasonably be expected to have a Material Adverse Effect, Hazardous Substances have not been released, spilled, leaked or disposed of on, at, or under the Project Site, or on, at, or under any property adjacent to the Project Site.

(d) Required Consents. Orni 16 has obtained all of its Required Consents and Required Transfer Governmental Approvals.

(e) Disclosure. Neither the representations in this Section 19.02, nor any other written material delivered by or on behalf of Orni 16 to NPC contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained herein or therein, taken as a whole, in light of the circumstances in which they were made, not misleading. There is no fact that has not been disclosed to NPC of which Orni 16 or its Affiliates is aware and which would constitute or could reasonably be expected to result in a Material Adverse Effect on the Project.

19.03 Special Representations and Warranties of NPC.

(a) On and as of the Acquisition Closing Date (as though made on and as of such date), NPC represents and warrants to Orni 16 that NPC has obtained all of its Required Consents and Required Transfer Governmental Approvals and Governmental Approvals to perform its obligations under this Agreement and the Project Agreements as of the Acquisition Closing Date, including, with respect to "PUCN Approvals" only, the transfer of Ownership Interests to Orni 16.

(b) NPC expressly acknowledges that no representation or warranty has been made by Orni 16 regarding the accuracy of any projections, estimates or budgets, availability or suitability for any purpose of geothermal resources, future revenues, future results from operations, future cash flows, or the future condition of the Project or any assets comprising the Project, including, without limitation, the potential Capacity of the Project, other than that to the extent any such projections, estimates or budgets were prepared by Orni 16 or its Affiliates, they were prepared in good faith based on reasonable assumptions at the time they were made or prepared. NPC further expressly acknowledges that no representation or warranty has been made by Orni 16 regarding the availability or eligibility to claim production tax credits or any other tax or investment incentives in relation to the Project.

**ARTICLE XX**  
**LIENS; FINANCING MATTERS**

20.01 Liens.

(a) Other than a Permitted Lien, no Party may create or permit to exist a Lien in respect of the Project or its Ownership Interests without the prior written consent of the other Party. In no event may any Party take any action that would cause or permit a Lien to exist on the Ownership Interest of the other Party.

(b) If (i) any Lien or claim of Lien is filed against the Project or the Ownership Interest of a Party by reason of any services or materials supplied or claimed to have been supplied to all or part of the Project, and (ii) such Lien or claim of Lien has not been satisfied or discharged of record, or its enforcement precluded, to the reasonable satisfaction of the Management Committee, by injunction, payment, deposit, bond, order of court or otherwise as soon as is reasonably practicable and, in any event, no later than the date estimated by the Management Committee to be thirty (30) days prior to the first date on which foreclosure of such Lien is permitted under Applicable Laws, then a Party shall have the right, but not the obligation, to satisfy, bond or discharge such Lien and fifty percent (50%) of the amount incurred by such Party shall be promptly reimbursed by the other Party; provided, however, that in the event such Lien has been imposed as a consequence of an unauthorized act or omission, gross negligence or willful misconduct of a Party, such Party shall pay all costs in connection with satisfying, bonding and discharging such Lien.

20.02 Financing. Each Party shall be responsible for securing any financing it requires to pay its respective share of any Project Costs or other costs payable by such Party in connection with the Project, this Agreement and the Project Agreements.

20.03 Requirements for Financing. As a condition to granting any Lien to a Project Lender of either Party, such Project Lender (or its agent) shall enter into a non-disturbance agreement (a "Non-Disturbance Agreement") with the other Party, in form and substance reasonably acceptable to such other Party, containing non-disturbance provisions protecting such other Party's rights under this Agreement, any agreements or instruments entered into or executed in connection with the transactions contemplated by this Agreement, the Power Purchase Agreement and the Project Agreements (collectively, the "Designated Agreements"). Each Non-Disturbance Agreement shall contain, but need not be limited to, an agreement by a Party's Project Lender that (i) the rights of the other Party under the Designated Agreements shall not be affected or disturbed by such Project Lender in the exercise of any of its rights under any Project Financing Agreement, (ii) if any judicial or non-judicial foreclosure sale occurs under any Project Financing Agreement or any conveyance in lieu of foreclosure occurs under any such Project Financing Agreement, this Agreement and the other Designated Agreements shall continue in effect and shall not be terminated and any purchaser of the defaulting Party's Ownership Interest shall become bound to the other Party to perform all of defaulting Party's obligations under this Agreement and the other Designated Agreements whether arising before or after such foreclosure or conveyance in lieu thereof, and (iii) any judicial or non-judicial foreclosure sales and any conveyances in lieu of foreclosure under any Project Financing Agreement shall constitute a Transfer to which the terms and conditions of Article XVII shall apply.

## **ARTICLE XXI MISCELLANEOUS**

21.01 Governing Law. This Agreement shall be governed by, and construed, interpreted and enforced in accordance with, the substantive law of the State of Nevada without reference to any principles of conflicts of laws thereof that require the application of the laws of another jurisdiction.

### 21.02 Dispute Resolution; Binding Arbitration.

(a) Negotiation. Any dispute, controversy or claim arising under or relating to this Agreement, or the breach, termination or validity thereof (a "Dispute"), which cannot be resolved by the Parties through negotiation by the Parties' Authorized Representatives within ten (10) days of written referral thereto by a Party shall be referred to a panel consisting of a senior executive (President or a Vice President) of each Party, with authority to decide or resolve the matter in dispute, for review and resolution. Such senior executives shall meet and in good faith attempt to resolve the Dispute within twenty-five (25) days after delivery of written notice of the Dispute by one Party to the other Party.

(b) Arbitration. If the Parties fail for any reason to resolve the Dispute as provided in Section 21.02(a) (or any mutually agreed extension), the Parties agree to arbitrate the Dispute using the following procedures:

(i) At the request of either Party upon written notice to that effect to the other Party (a “Demand”), the Dispute shall be finally settled by binding arbitration before a panel of three (3) arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) then in effect, except as modified herein and unless the Parties agree otherwise in writing, provided that disputes regarding Contributions shall be settled in accordance with the Expedited Procedures of the Commercial Dispute Resolutions Procedures of the AAA. The Demand must include statements of the facts and circumstances surrounding the Dispute, the legal obligation breached by the other Party, the amount in controversy and the requested relief accompanied by documents supporting the Demand.

(ii) Arbitration shall be held in Las Vegas, Nevada. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1 et seq.

(iii) Each Party shall select one (1) arbitrator within ten (10) days of the receipt of the Demand, or if a Party fails to make such selection within ten (10) days from the receipt of the Demand, the AAA shall make such appointment. The two (2) arbitrators thus appointed shall select the third arbitrator, who shall act as the chairman of the panel. If the two arbitrators fail to agree on a third arbitrator within fifteen (15) days of the selection of the second arbitrator, the AAA shall make such appointment from its National Roster in accordance with its rules.

(iv) The award shall be determined by majority vote. The award shall be in writing (stating the award and the reasons therefor) and shall be final and binding upon the Parties, and shall be the sole and exclusive remedy between the Parties regarding any Disputes, counterclaims, or accountings presented to the arbitral panel. The arbitral panel shall be authorized in its discretion to grant pre-award and post-award interest at commercial rates, except to the extent that applicable interest rates are otherwise provided herein. Judgment upon any award may be entered in any court having jurisdiction. For purposes of a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings, the Parties hereby agree to submit to the jurisdiction of the United States federal courts located in, and the local courts of, the State of Nevada. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the jurisdiction of such courts or the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Each of the Parties hereby consents to service of process by registered mail or receipted courier at its address set forth herein and agrees that its submission to jurisdiction and its consent to service of process by mail is made for the express benefit of the other Party.

(v) This Agreement and the rights and obligations of the Parties hereunder shall remain in full force and effect pending the award in any arbitration proceeding hereunder.

(vi) Unless otherwise ordered by the arbitrators, each Party shall bear its own costs and fees, including attorneys’ fees and expenses. The Parties expressly agree that the arbitrators shall have no power to consider or award any form of damages barred by Section 14.02.

(vii) The Parties, to the fullest extent permitted by Applicable Law, hereby irrevocably waive and exclude any recourse to the court system other than to enforce the agreement to arbitrate pursuant to this Section 21.02, for attachment, or other order in aid of arbitration proceedings or to enforce the award of the arbitral panel.

(viii) This Section 21.02 shall not apply (x) to the resolution of any Deadlock and (y) to the resolution of any disputes arising under any Affiliate Contract, which shall be resolved by the dispute resolution provisions provided therein.

#### 21.03 Force Majeure.

(a) “Force Majeure” means an event not anticipated as of the Effective Date, which (i) is caused by factors beyond the reasonable control of the Party claiming such event (the “Claiming Party”), (ii) is not attributable to the negligence or willful misconduct on the part of the Claiming Party and (iii) by the exercise of due diligence the Claiming Party is unable to prevent or overcome in a commercially reasonable manner or obtain or cause to be obtained a commercially reasonable substitute performance therefor. Events of Force Majeure include: acts of God; fire, civil disturbance; labor dispute or labor shortages; strikes; sabotage; action or restraint by court order or Governmental Authority (so long as the Claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such action or restraint); and inability after diligent application to obtain or maintain required permits, licenses, zoning or other required approvals from any Governmental Authority or other third party whose consent is required as a condition to a Party’s performance hereunder.

(b) Suspension. If a Claiming Party is rendered unable by Force Majeure to carry out, in whole or in part, its obligations under this Agreement and such Party gives written notice and full details of the event to the other Party as soon as practicable after the occurrence of the event, then during the pendency of such Force Majeure but for no longer period, the obligations of the Claiming Party affected by the event (other than the obligation to make payments then due or becoming due with respect to performance prior to the event) shall be suspended to the extent required. The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. For avoidance of doubt, this Section 21.03(b) does not restrict the termination rights provided under Section 13.03(a)(iii).

#### 21.04 Notice s.

(a) Means of Notification. Unless this Agreement specifically requires otherwise, any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by fax or sent by registered or certified mail, postage prepaid, or by a nationally recognized overnight courier service that provides a receipt of delivery, in each case, to the Parties at the addresses specified below:

If to NPC:

Nevada Power Company  
P.O. Box 98910  
Las Vegas, NV 89151  
Attention: Corporate Senior Vice President, Generation and Energy Supply  
Facsimile: (702) 367-5869

If to Orni 16:

Orni 16 LLC  
c/o Ormat Nevada Inc.  
6225 Neil Road  
Suite 300  
Reno, NV 89511  
Attention: President  
Facsimile: (775) 356-9039

(b) Effective Time. Notice given by personal delivery, mail or overnight courier pursuant to this Section 21.04 shall be effective upon physical receipt. Notice given by fax pursuant to this Section 21.04 shall be effective as of (i) the date of confirmed delivery if delivered before 5:00 p.m. (local prevailing time of the recipient) on any Business Day, or (ii) the next succeeding Business Day if confirmed delivery is after 5:00 p.m. (local prevailing time of the recipient) on any Business Day or during any day that is not a Business Day.

21.05 Waivers. Except as otherwise provided herein, no provision of this Agreement may be waived except in writing. No failure by a Party to exercise, and no delay in exercising, short of the statutory period, any right, power or remedy under this Agreement shall operate as a waiver thereof. Any waiver at any time by a Party of its right with respect to an Event of Default under this Agreement, or with respect to any other matter arising in connection therewith, shall not be deemed a waiver with respect to any subsequent Event of Default or matter.

21.06 No Reliance. EACH PARTY ACKNOWLEDGES THAT IN ENTERING INTO THIS AGREEMENT, IT HAS NOT RELIED ON ANY STATEMENT, REPRESENTATION OR PROMISE OF THE OTHER PARTY OR ANY OTHER PERSON EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT.

21.07 No Third-Party Beneficiaries. Except as expressly provided otherwise herein, none of the promises, rights or obligations contained in this Agreement shall inure to the benefit of any Person that is not a Party, and no action may be commenced or prosecuted against any Party by any third party claiming to be a third-party beneficiary of this Agreement or the transactions contemplated hereby.

21.08 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Applicable Law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected

thereby, (a) such provision will be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

21.09 Independent Counsel. The Parties acknowledge that they have been represented by independent counsel in connection with this Agreement, they fully understand the terms of this Agreement, and they voluntarily agree to those terms for the purposes of making a full compromise and settlement of the subject matter of this Agreement.

21.10 Further Assurances. Each Party shall promptly and with all due diligence take all necessary action in aid of obtaining all Governmental Approvals necessary to carry out its obligations under this Agreement. Each Party shall, from time to time on request, execute deeds, bills of sale and such other documents that may be necessary in addition to this Agreement to evidence title and to effectuate the provisions of this Agreement.

21.11 No Fiduciary Relationship. IN THEIR RELATIONS WITH EACH OTHER UNDER THIS AGREEMENT, THE PARTIES SHALL NOT BE CONSIDERED FIDUCIARIES OR TO HAVE ESTABLISHED A CONFIDENTIAL RELATIONSHIP. THE PARTIES SHALL ACT IN GOOD FAITH IN THEIR DEALINGS WITH EACH OTHER WITH RESPECT TO ACTIVITIES HEREUNDER. NEITHER PARTY NOR ANY AFFILIATE OF ANY PARTY, BY REASON OF SUCH PARTY'S OWNERSHIP INTEREST OR ELECTION OF A PARTY'S AUTHORIZED REPRESENTATIVES, SHALL BE PRECLUDED FROM ENGAGING IN ANY ACTIVITIES SIMILAR TO THOSE TO BE CONDUCTED BY THE OTHER PARTY IN RESPECT OF THE PROJECT OR ANY ACTIVITIES INCIDENTAL OR RELATED THERETO.

21.12 Confidential Information.

(a) Confidential Information. "Confidential Information" means information provided by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") in connection with the performance of this Agreement that is clearly labeled or designated by the Disclosing Party as "confidential" or "proprietary" or with words of like meaning or, if disclosed orally, clearly identified as confidential with that status confirmed promptly thereafter in writing, excluding, however, information excluded as provided in Section 21.12(c). Notwithstanding the foregoing, the Books and Records of both Parties and this Agreement shall be Confidential Information.

(b) Treatment of Confidential Information. The Receiving Party shall treat any Confidential Information with at least the same degree of care regarding its secrecy and confidentiality as the Receiving Party's similar information is treated within the Receiving Party's organization. The Receiving Party shall keep confidential and not disclose the Confidential Information of the Disclosing Party to third parties (except as stated hereinafter) nor use it for any purpose other than the performance under this Agreement, without the express

prior written consent of the Disclosing Party. The Receiving Party further agrees that it shall restrict disclosure of Confidential Information as follows:

(i) Disclosure shall be restricted solely to (A) its agents as may be necessary to perform its obligations under this Agreement, (B) its Affiliates, shareholders, directors, officers, employees, advisors, NPC Lenders and Orni 16 Lenders (as the case may be), rating agencies, and representatives as necessary, (C) any Governmental Authority in connection with seeking any required Governmental Approval, (D) to the extent required by Applicable Law or as required by any stock exchange rules, and (E) potential assignees or transferees of this Agreement (together with their agents, advisors and representatives), as may be necessary in connection with any Transfer (which Transfer shall be in compliance with Article XVII), in each case after advising those Persons of their obligations under this Section 21.12.

(ii) In the event that the Receiving Party is required by Applicable Law to disclose any Confidential Information, the Receiving Party shall provide the Disclosing Party with prompt notice of such request or requirement in order to enable the Disclosing Party to seek an appropriate protective order or other remedy and to consult with the Disclosing Party with respect to the Disclosing Party taking steps to resist or narrow the scope of such request or legal process. The Receiving Party agrees not to oppose any action by the Disclosing Party to obtain a protective order or other appropriate remedy. In the absence of such protective order, and provided that the Receiving Party is advised by its counsel that it is compelled to disclose the Confidential Information, the Receiving Party shall: (A) furnish only that portion of the Confidential Information which the Receiving Party is advised by counsel is legally required; and (B) use its commercially reasonable efforts, at the expense of the Disclosing Party, to ensure that all Confidential Information so disclosed will be accorded confidential treatment. This Section 21.12(b)(ii) shall not apply to the disclosure of this Agreement in connection with seeking any Governmental Approval or complying with any stock exchange rules.

(c) Excluded Information. Confidential Information shall not include the following:

(i) information which is or becomes generally available to the public other than as a result of a disclosure by the Receiving Party in breach of this Section 21.12;

(ii) information which was available to the Receiving Party on a non-confidential basis prior to its disclosure by the Disclosing Party; and

(iii) information which becomes available to the Receiving Party on a non-confidential basis from a Person other than the Disclosing Party or its representative who is not otherwise bound by a confidentiality agreement with the Disclosing Party or its representative or is otherwise not under any obligation to the Disclosing Party or its representative not to disclose the information to the Receiving Party.

(d) Public Statements. The Parties shall consult with each other prior to issuing any public announcement, statement or other disclosure with respect to this Agreement, the Project or the transactions contemplated hereby and they shall not issue any such public announcement, statement or other disclosure without having first received Management Committee approval, except as may be required by Applicable Law (including any stock exchange rules). It shall not be deemed a violation of this Section 21.12 to file this Agreement with the PUCN or any other Governmental Authority for approval as required by Applicable Law.

21.13 Entire Agreement. This Agreement, including all schedules, attachments and exhibits hereto, constitutes the complete and entire expression of agreement between the Parties and supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, and communications, whether written or oral, which may have been made in connection with the subject matter of this Agreement. Any such representations or claims are hereby disclaimed.

21.14 Survival. The provisions of this Article XXI shall survive the expiration or termination of this Agreement, except that (a) the provisions of Section 21.12 shall only survive for two (2) years after the expiration or termination of this Agreement; and (b) the provisions of Section 21.03 shall not survive the expiration or termination of this Agreement.

21.15 Construction. The Parties acknowledge that this Agreement has been jointly prepared by each Party and shall not be strictly construed against either Party. No presumption will apply in favor of either Party in the interpretation of this Agreement or in the resolution of any ambiguity of any provision hereof based on the preparation, substitution, submission or other event of negotiation, drafting or execution hereof.

21.16 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative with effect from the Effective Date.

**NEVADA POWER COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**ORNI 16 LLC**  
by Ormat Nevada Inc., its sole member

By: \_\_\_\_\_  
Name:  
Title:

---

**EXHIBIT A**

**FORM OF BILL OF SALE  
AND  
ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS BILL OF SALE AND ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is entered into as of \_\_\_\_\_, 2008 by and between Orni 16 LLC, a Delaware limited liability company ("Seller"), and Nevada Power Company, a Nevada corporation ("Purchaser"). Seller and Purchaser may sometimes be referred to herein individually as a "Party" and collectively as the "Parties".

**RECITALS**

A. Reference is made to the Joint Ownership Agreement (the "Joint Ownership Agreement") dated as of March 12, 2008, by and between Seller and Purchaser. All capitalized terms herein not otherwise defined shall have the same meaning as set forth in the Joint Ownership Agreement.

B. Seller and Purchaser desire to carry out, in part, the intent and purpose of the Joint Ownership Agreement by Seller's execution and delivery to Purchaser of this Assignment evidencing the vesting in Purchaser of an undivided fifty percent (50%) ownership interest in Seller's right, title and interest in the Project and the irrevocable and unconditional assignment to Purchaser of an undivided fifty percent (50%) ownership interest in Seller's right, title and interest in the Project Agreements.

C. Seller and Purchaser desire to carry out, in part, the intent and purpose of the Joint Ownership Agreement by Purchaser's execution and delivery to Seller of this Assignment evidencing Purchaser's irrevocable and unconditional assumption of fifty percent (50%) of Seller's duties, liabilities and obligations under the Project Agreements as set forth below.

**AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

**Section 1. Bill of Sale.**

(a) Seller does hereby assign, transfer, convey and deliver to Purchaser an undivided fifty percent (50%) ownership interest in Seller's right, title and interest in the Project.

(b) Seller does hereby recognize the receipt of that portion of the Purchase Price payable at the Acquisition Closing for the assignment and transfer of an undivided fifty percent (50%) ownership interest in the Project.

**Section 2. Assignment and Assumption of Project Agreements.** Seller hereby assigns to Purchaser an undivided fifty percent (50%) ownership interest in Seller's right, title and interest in and to the Project Agreements. Purchaser hereby irrevocably and

unconditionally assumes and agrees to perform fifty percent (50%) of Seller's duties, liabilities and obligations arising under the Project Agreements that are owed, coming due, or to be performed after the Acquisition Closing, except to the extent provided in the Joint Ownership Agreement.

**Section 3. Successors and Assigns.** This Assignment shall be binding upon and shall inure to the benefit of Seller and Purchaser and their respective successors and permitted assigns.

**Section 4. Governing Law.** THIS ASSIGNMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF THAT REQUIRE THE APPLICATION OF ANOTHER JURISDICTION'S LAWS).

**Section 5. Severability.** If any term or provision of this Assignment shall be held invalid or unenforceable, the remainder of this Assignment shall not be affected.

**Section 6. Construction.** Headings are solely for the Parties' convenience, are not a part of this Assignment, and shall not be used to interpret this Assignment. This Assignment shall not be construed as if it had been prepared by one of the Parties, but rather as if all Parties have prepared it.

**Section 7. Counterparts.** This Assignment may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

**Section 8. Amendment.** This Assignment may not be amended or altered except by a written instrument executed by Seller and Purchaser.

**Section 9. Further Assurances.** Each Party hereby agrees that it will, at any time and from time to time, and without further consideration, take all such further actions, and execute and deliver all such further instruments or documents, as may be reasonably requested by the other Party to effectuate the purposes of this Assignment.

[Signature Page Follows]

Exhibit A - 2

---

IN WITNESS WHEREOF, the Parties have executed this Assignment as of the date first set forth above.

Seller:

Orni 16 LLC, a Delaware limited liability company by Ormat Nevada Inc., its sole member

By: \_\_\_\_\_

Name:  
Title:

Purchaser:

NEVADA POWER COMPANY, a Nevada corporation

By: \_\_\_\_\_

Name:  
Title:

**EXHIBIT B**

**FORM OF DEED**

[To be agreed]

Exhibit B - 1

---

**EXHIBIT C**

**FORM OF ASSIGNMENT AND CONSENT AGREEMENT**

This ASSIGNMENT AND CONSENT AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, 200\_, by and among Nevada Power Company, a Nevada corporation (with its successors and assigns, "Purchaser"), Orni 16 LLC, a Delaware limited liability company (with its successors and assigns, "Seller"), and [\_\_\_\_], a [\_\_\_\_] (with its successors and assigns, "Company"). Purchaser, Seller and Company may be referred to individually herein as a "Party" and collectively as the "Parties".

**RECITALS**

WHEREAS, Seller and Company have entered into that certain [\_\_\_\_], dated as of [\_\_\_\_] (the "Assigned Agreement");

WHEREAS, Purchaser and Seller have entered into that certain Joint Ownership Agreement, dated as of March 12, 2008 (the "Joint Ownership Agreement"), pursuant to which Seller has agreed to sell, transfer and convey an undivided fifty percent (50%) ownership interest in its rights, title and interest under the Assigned Agreement to Purchaser, and Purchaser has agreed to irrevocably and unconditionally assume fifty percent (50%) of Seller's duties, liabilities and obligations arising under the Assigned Agreement that are due, coming due or to be performed on or after the closing of the transactions under the Joint Ownership Agreement (the "Transaction Closing"); and

WHEREAS, Seller requests consent from Company to transfer fifty percent (50%) of Seller's rights, title, interest and obligations under the Assigned Agreement to Purchaser in accordance herewith.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

1. Consent and Agreement. Company hereby consents to (i) the sale, transfer and assignment of an undivided fifty percent (50%) ownership interest in Seller's rights, title and interest in the Assigned Agreement to Purchaser, and (ii) the assumption by Purchaser of fifty percent (50%) of Seller's obligations under the Assigned Agreement that are owed, coming due, or to be performed after the Transaction Closing, except with respect to indemnity obligations under the Assigned Agreement for which Purchaser shall only assume fifty percent (50%) of the liability for events that occur after the Transaction Closing, in each case, effective as of the Transaction Closing.
2. Effective as of the Transaction Closing, Company hereby fully and unconditionally releases Seller and its affiliates from all obligations under the Assigned Agreement that have been assumed by Purchaser under Paragraph 1. Company acknowledges and agrees that the obligations of Purchaser and Seller under the Assigned Agreement are several and not joint.

3. Representations. Company represents and warrants that: (i) to Company's knowledge, the Assigned Agreement is in full force and effect and constitutes the legal, valid and binding obligation of Company, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting creditors' rights or by equitable principles; (ii) neither Company nor, to Company's knowledge, Seller is in default of any obligation under the Assigned Agreement and neither has any existing counterclaims, offsets or defenses against the other; (iii) to Company's knowledge, no event or condition exists which would either immediately or with the passage of any applicable grace period or giving of notice, or both, enable Company or Seller to terminate or suspend its obligations under the Assigned Agreement; (iv) to Company's knowledge, no event or condition exists or has occurred which would give rise to any obligation of Seller to indemnify Company pursuant to the Assigned Agreement; (v) Seller has no payment amount under the Assigned Agreement outstanding or overdue and there are no pending claims for any payment amount related to the Assigned Agreement; (vi) the Assigned Agreement has not been amended or otherwise modified; (vii) Company is a [\_\_\_\_] duly formed and validly existing under the laws of the State of [\_\_\_\_]; (viii) Company has power and authority to execute and deliver this Agreement, the execution and delivery of which by Company has been duly and validly authorized; and (ix) this Agreement constitutes the legal, valid and binding obligation of Company, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting creditors' rights or by equitable principles.

4. Miscellaneous.

(i) This Agreement shall be binding upon the Parties and their respective successors and assigns, and may be executed in counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

(ii) In case any provision of this Agreement shall be invalid or unenforceable, the validity or enforceability of the remaining provisions shall not in any way be impaired thereby. In the event of a conflict between this Agreement and the Assigned Agreement, the terms of this Agreement shall control.

(iii) This Agreement shall be construed under and be governed by the laws of the State of Nevada (without giving effect to conflicts of law principles thereof that require the application of another jurisdiction's laws).

(iv) This Agreement embodies the complete agreement among the Parties with respect to the subject matter hereof and supersedes all other oral or written understandings or agreements.

(v) Company agrees to execute and deliver such instruments and take such further actions from time to time as may be reasonably requested by Seller or Purchaser to effectuate the purposes of this Agreement.

(vi) No change, amendment, modification, cancellation, discharge or waiver of any provision hereof shall be valid unless in writing and signed by all Parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

**[COMPANY]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ORNI 16 LLC**  
by Ormat Nevada Inc., its sole member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEVADA Power Company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D**

**FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of [\_\_\_\_\_] (the "Transfer Date"), is made by and between [\_\_\_\_\_] a [\_\_\_\_\_] ("Assignor") and [\_\_\_\_\_] a [\_\_\_\_\_] ("Assignee"). Assignor and Assignee are sometimes hereinafter referred to individually as a "Party" and collectively as the "Parties". Undefined capitalized terms herein shall have the meanings given to such terms in the JOA (hereinafter defined).

**RECITALS**

WHEREAS, Assignor and [\_\_\_\_\_] (the "Non-Transferring Party") have entered into that certain Joint Ownership Agreement, dated as of March 12, 2008 (the "JOA"); and

WHEREAS, Assignor has agreed to assign certain rights to Assignee in Assignor's Ownership Interest, and certain rights to Assignee under the JOA and under certain other agreements, and Assignee has agreed to assume certain obligations of Assignor in connection with Assignor's Ownership Interest, the JOA and certain other agreements, as set forth herein.

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee, intending to be legally bound, hereby agree as follows:

1. **Assignment** . Assignor hereby assigns, sells, transfers and sets over (collectively, the "Assignment") to Assignee [ all of ] Assignor's legal, beneficial and other right, title, benefit, privileges and interest in and to Assignor's Ownership Interest, the JOA and each Project Agreement to which Assignor is a party, such agreements more specifically listed on Annex 1 (collectively, the "Assigned Documents").
2. **Assumption** . Assignee hereby accepts the Assignment, and irrevocably and unconditionally assumes and agrees to observe, perform, pay and otherwise discharge when due all of Assignor's obligations in connection with Assignor's Ownership Interest and under each Assigned Document (other than any of the foregoing that became due or were to be performed prior to the date of this Agreement). As of the Transfer Date, Assignee agrees to be a party to each Assigned Document and be bound by the terms thereof, and acknowledges that the Assignor's Ownership Interest is subject to the terms of the Assigned Documents.
3. **Terms of the Assigned Documents** . Nothing contained herein will itself change, amend, extend or alter (nor should it be deemed or construed as changing, amending, extending or altering) the terms or conditions of any Assigned Document in any manner whatsoever.

4. **Assignor Representations and Warranties** . Assignor represents and warrants solely for the benefit of the Non-Transferring Party, as of the Transfer Date:
- (a) **Due Organization** . Assignor is a duly organized, validly existing entity of the type described in the introduction to this Agreement and is in good standing under the laws of the jurisdiction of its formation.
  - (b) **Power and Authority** . Assignor has the full legal right, power and authority to enter into this Agreement and perform its obligations under this Agreement.
  - (c) **Due Authorization** . Assignor has taken all appropriate and necessary corporate action to authorize its execution, delivery and performance of this Agreement and the transactions contemplated hereunder.
  - (d) **Consents** . Assignor has obtained all consents, approvals, permits and other authorizations in connection with the execution, delivery and performance of this Agreement required to be obtained by it, if any.
  - (e) **Binding Obligation** . This Agreement constitutes a legal, valid and binding obligation of Assignor, enforceable against Assignor in accordance with its terms (subject to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other Applicable Laws now or hereafter in effect relating to creditors' rights generally and general principles of equity).
  - (f) **No Violation** . The execution, delivery and performance by Assignor of this Agreement, the compliance with the terms and provisions hereof, and the carrying out of the transactions contemplated hereby, do not conflict with and will not result in a breach or violation of any of the terms or provisions of the organizational documents of Assignor.
  - (g) **No Litigation** . There is no litigation pending or, to the best of Assignor's knowledge, threatened to which Assignor or any of its Affiliates is a party that, if adversely determined would result in a Material Adverse Effect or that could reasonable be expected to have a Material Adverse Effect.
5. **Assignee Representations and Warranties** . Assignee represents and warrants solely for the benefit of the Non-Transferring Party, as of the Transfer Date:
- (a) **Due Organization** . Assignee is a duly organized, validly existing entity of the type described in the introduction to this Agreement and is in good standing under the laws of the jurisdiction of its formation and is duly qualified to do business and in good standing as a foreign entity in the jurisdiction of its principal place of business (if not formed in that jurisdiction).
  - (b) **Power and Authority** . Assignee has the full legal right, power and authority to enter into this Agreement and each of the Assigned Documents, and perform its obligations under this Agreement and each of the Assigned Documents.

- (c) Due Authorization. Assignee has taken all appropriate and necessary corporate action to authorize its execution, delivery and performance of this Agreement, each of the Assigned Documents and the transactions contemplated hereunder and thereunder.
  - (d) Consents. Assignee has obtained all consents, approvals, permits and other authorizations in connection with the execution, delivery and performance of this Agreement and each of the Assigned Documents required to be obtained by it, if any.
  - (e) Binding Obligation. This Agreement and each of the Assigned Documents constitute a legal, valid and binding obligation of Assignee, enforceable against Assignee in accordance with their respective terms (subject to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other Applicable Laws now or hereafter in effect relating to creditors' rights generally and general principles of equity).
  - (f) No Violation. The execution, delivery and performance by Assignee of this Agreement and each of the Assigned Documents, the compliance with the terms and provisions hereof and thereof, and the carrying out of the transactions contemplated hereby and thereby, (i) do not conflict with and will not result in a breach or violation of any of the terms or provisions of the organizational documents of Assignee, and (ii) do not conflict with and will not result in a breach or violation of any of the terms or provisions of any existing Applicable Law to which Assignee is subject or by which it or any of its property is bound, or any material agreement or instrument to which Assignee is a party or by which it or any of its property is bound, or any of the Assigned Documents, or constitute or will constitute a default thereunder or will result in the imposition of any Lien upon any of its property.
  - (g) No Litigation. There is no litigation pending or, to the best of Assignee's knowledge, threatened to which Assignee or any of its Affiliates is a party that, if adversely determined would result in a Material Adverse Effect or that could reasonable be expected to have a Material Adverse Effect.
6. **Governing Law**. This Agreement shall be governed by, and construed, interpreted and enforced in accordance with, the substantive law of the State of Nevada without reference to any principles of conflicts of laws thereof that require the application of the laws of another jurisdiction.
7. **Further Assurances**. Each Party agrees that it will, at any time and from time to time, and without further consideration, take all such further actions, and execute and deliver all such further instruments or documents, as may be reasonably requested by the other Party to effectuate the purposes of this Agreement.

8. **Successors and Assigns** . All of the terms, agreements, covenants and conditions of this Agreement will binding upon, and inure to the benefit of and are enforceable by, the Parties and their respective successors and permitted assigns.
9. **Third-Party Beneficiaries** . None of the promises, rights or obligations contained in this Agreement shall inure to the benefit of any Person that is not a Party, and no action may be commenced or prosecuted against any Party by any third party claiming to be a third-party beneficiary of this Agreement or the transactions contemplated hereby; provided, however, that the Non-Transferring Party shall be a third-party beneficiary of this Agreement for all purposes and may bring any action to enforce the promises, rights and obligations contained herein.
10. **Amendments and Waivers** . No amendment, modification, waiver, replacement, termination or cancellation of any provision of this Agreement will be valid, unless the same is in writing and signed by each Party.
11. **Entire Agreement** . This Agreement and the other documents and instrument referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the subject matter contained herein, and this Agreement supersedes all other prior agreements and understandings between the Parties with respect to the subject matter hereof.
12. **Headings** . The paragraph headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.
13. **Counterparts** . This Agreement may be executed in counterparts, each of which shall be deemed an original.
14. **Severability** . In case any provision of this Agreement shall be invalid or unenforceable, the validity or enforceability of the remaining provisions shall not in any way be impaired thereby.

[Signature Page Follows]

Exhibit D - 4

---

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Transfer Date.

[\_\_\_\_\_]

By: \_\_\_\_\_  
Name:  
Title:

[\_\_\_\_\_]

By: \_\_\_\_\_  
Name:  
Title:

ANNEX 1

ASSIGNED DOCUMENTS

1. The Joint Ownership Agreement by and between Nevada Power Company and Orni 16 LLC, dated as of March 12, 2008.
2. [List Project Agreements to which Assignor is a party]
3. Any other Project Agreements to which Assignor is a party not specifically listed herein.

**EXHIBIT E**

**FORM OF BLM ASSIGNMENT**

[To be agreed]

Exhibit E - 1

---

**EXHIBIT F**

**FORM OF NAVY AGREEMENT ASSIGNMENT**

[To be agreed]

Exhibit F - 1

---

**EXHIBIT G**

**MONTHLY REPORT**

[To be agreed]

Exhibit G - 1

---

Schedule 1  
Description of the Project and Project Site

- A. **Project Name:** Carson Lake Geothermal Project
- B. **Project Location :** T 17 N/18N, R 29E/30E in Churchill County, Nevada .  
(Approximately 70 Miles East of Reno Nevada)
- C. **Description:** The Project will be newly dedicated nominal 30 MW net for sale geothermal power project to be developed and constructed by ORMAT Nevada, Inc., or its affiliates, on a geothermal resource consisting of a BLM geothermal lease block as listed in table 1 below and a portion of the U.S. Naval Air Station at Fallon, as in **Figure 1** , below.

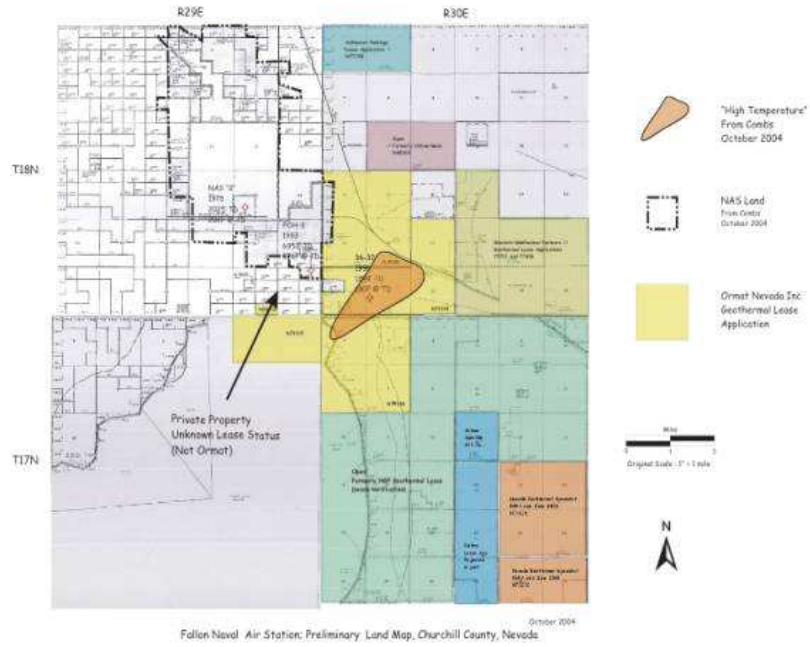


FIGURE 1 - LOCATION OF CARSON LAKE GEOTHERMAL PROJECT

**TABLE 1 – FEDERAL (BLM) GEOTHERMAL LEASES**

<u>Lease Number</u>	<u>Acreage</u>
NVN 79103	80.00
NVN 79104	2,481.00
NVN 79105	2,357.00
NVN 79106	2,588.75
<b>TOTAL</b>	<b>7,506.75 acres</b>

The geothermal resource will be delineated by the drilling and testing of new geothermal production wells. Additional production and injection wells will then be drilled, to provide sufficient geothermal fluid, at a target temperature of approximately 350 °F, to support an ORMAT air cooled, binary technology based, power plant.

The power plant will be matched to the actual resource conditions, including temperature, fluid geo-chemistry, wellhead pressure and geothermal fluid level. Based on the assumed resource conditions, a binary technology power plant, comprised of two (2), or more, air cooled Integrated Two Level Units (ITLUs), each incorporating two 1800 RPM direct coupled turbines and one synchronous generator, will be designed and constructed. (Alternatively, a flash steam-binary combined cycle technology may be employed if warranted.).

Schedule 2  
**Key Governmental Approvals**

Permit	Agency
Permits Prior to Construction	
UEPA Permit	PUCN
Conditional Use Grading Permit	Churchill County
Chemical Accident Prevention Program	State of NV
	Initial Review
AIR Quality Permit to Construct	Churchill County
Disturbance Permit	NV Division of Forestry, State of NV
	Biological Survey
	Cultural Survey
Permits for Drilling	
Drilling Permit	Nevada Division of Mineral
Drilling AIR Quality Permit	Churchill County
Disturbance Permit	NV Division of Forestry, State of NV
	Biological Survey
	Cultural Survey
Permits for Construction	
Building Permit	Churchill County
Dust Plan	Churchill County
Chemical Accident Prevention Program,	State of NV
Permits for Operation	
Hazardous Materials Permit	Churchill County Fire Marshall
Pressure Vessel Permits	State of Nevada
Underground Injection Permit (Modification)	State of Nevada
AIR Quality Permit to Operate	Churchill County
Chemical Accident Prevention Program, Permit to Operate	State of NV
QF Certification	Federal Energy Regulatory Commission

Note: *Permits on USNAF are subject to US Navy Approval.*

**Required Consents and Required Transfer Governmental Approvals**

A. **NPC**

Required Consents

1. SPPC

Required Transfer Governmental Approvals

1. PUCN
2. FERC

B. **Orni 16**

Required Consents

1. BLM
2. U.S. Navy

Required Transfer Governmental Approvals

None

Schedule 4  
**Key Project Agreements**

1. Construction Contract
2. O&M Agreement
3. Drilling Services Framework Agreement
4. Interconnection Agreement
5. The BLM Leases
6. The Navy Agreement

Schedule 4 - 1

---

Schedule 5  
**Disclosure Schedule**

**None**

Schedule 5 - 1

---



**Ormat Technologies, Inc.**  
**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yehudit Bronicki, certify that as of the date hereof:

1. I have reviewed this quarterly report on Form 10-Q of Ormat Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under his/her supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2008

By: /s/ YEHUDIT BRONICKI  
Yehudit Bronicki  
Chief Executive Officer

---



**Ormat Technologies, Inc.**  
**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph Tenne, certify that as of the date hereof:

1. I have reviewed this quarterly report on Form 10-Q of Ormat Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under his/her supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2008

By: /s/ JOSEPH TENNE  
Joseph Tenne  
Chief Financial Officer

---



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yehudit Bronicki, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report of Ormat Technologies, Inc. on Form 10-Q for the three months ended March 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such quarterly report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ormat Technologies, Inc. as of and for the periods presented in such quarterly report on Form 10-Q. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such quarterly report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934.

Date: May 6, 2008

By: /s/ YEHUDIT BRONICKI  
Name: Yehudit Bronicki  
Title: Chief Executive Officer

---



**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Tenne, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report of Ormat Technologies, Inc. on Form 10-Q for the three months ended March 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such quarterly report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ormat Technologies, Inc. as of and for the periods presented in such quarterly report on Form 10-Q. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such quarterly report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934.

Date: May 6, 2008

By: /s/ JOSEPH TENNE  
Name: Joseph Tenne  
Title: Chief Financial Officer

---