

ORMAT TECHNOLOGIES, INC.

FORM 10-Q (Quarterly Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2005

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)

980 Greg Street, Sparks, Nevada 89431
(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 an accelerated filer (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 31,562,496, par value \$0.001 per share.

ORMAT TECHNOLOGIES, INC

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2005

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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. The "Senior Secured Notes" refers to the 8¼ % Senior Secured Notes due 2020 that were issued in February 2004 by Ormat Funding Corp., one of our subsidiaries.

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>June 30</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	<u>(in thousands, except share and per share amounts)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,224	\$ 36,750
Marketable securities	57,756	89,166
Restricted cash, cash equivalents and marketable securities	34,908	3,676
Receivables:		
Trade	35,344	26,913
Related entities	863	2,413
Other	2,146	1,816
Inventories, net	9,141	6,046
Costs and estimated earnings in excess of billings on uncompleted contracts	3,457	3,164
Deferred income taxes	1,235	1,001
Prepaid expenses and other	2,141	2,377
Total current assets	<u>194,215</u>	<u>173,322</u>
Restricted cash, cash equivalents and marketable securities	8,950	19,339
Unconsolidated investments	48,362	48,818
Deposits and other	12,677	13,759
Deferred income taxes	4,345	3,044
Property, plant and equipment, net	455,893	466,826
Construction-in-process	104,085	60,177
Deferred financing and lease costs, net	18,557	15,873
Intangible assets, net	47,540	48,930
Total assets	<u>\$ 894,624</u>	<u>\$ 850,088</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,819	\$ 37,565
Billings in excess of costs and estimated earnings on uncompleted contracts	10,844	6,139
Current portion of long-term debt:		
Limited and non-recourse	9,082	8,295
Full recourse	1,000	24,361
Senior secured notes (non-recourse)	7,814	6,090
Due to Parent, including current portion of notes payable to Parent	37,520	40,531
Total current liabilities	<u>116,079</u>	<u>122,981</u>
Long-term debt, net of current portion:		
Limited and non-recourse	154,836	159,370
Full recourse	2,000	3,000
Senior secured notes (non-recourse)	178,692	183,399
Notes payable to Parent, net of current portion	155,198	171,809
Other liabilities	1,349	1,389
Deferred lease income	70,713	—
Deferred income taxes	19,913	18,368
Liabilities for severance pay	11,202	11,129
Asset retirement obligation	11,045	10,665
Total liabilities	<u>721,027</u>	<u>682,110</u>
Minority interest in net assets of subsidiaries	<u>64</u>	<u>64</u>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 31,562,496 shares issued and outstanding	31	31
Additional paid-in capital	124,008	124,008
Unearned stock-based compensation	(194)	(244)
Retained earnings	50,549	44,441
Accumulated other comprehensive loss	(861)	(322)
Total stockholders' equity	<u>173,533</u>	<u>167,914</u>

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

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Revenues:				
Electricity:				
Energy and capacity	\$ 25,458	\$ 24,682	\$ 49,967	\$ 48,048
Lease portion of energy and capacity	<u>16,650</u>	<u>12,074</u>	<u>32,593</u>	<u>22,167</u>
Total electricity	42,108	36,756	82,560	70,215
Products	<u>13,631</u>	<u>15,345</u>	<u>27,075</u>	<u>29,491</u>
Total revenues	<u>55,739</u>	<u>52,101</u>	<u>109,635</u>	<u>99,706</u>
Cost of revenues:				
Electricity:				
Energy and capacity	20,111	14,863	36,384	29,440
Lease portion of energy and capacity	<u>7,394</u>	<u>6,359</u>	<u>14,733</u>	<u>11,172</u>
Total electricity	27,505	21,222	51,117	40,612
Products	<u>11,427</u>	<u>11,794</u>	<u>22,110</u>	<u>23,122</u>
Total cost of revenues	<u>38,932</u>	<u>33,016</u>	<u>73,227</u>	<u>63,734</u>
Gross margin	16,807	19,085	36,408	35,972
Operating expenses:				
Research and development expenses	714	900	1,094	1,202
Selling and marketing expenses	1,651	2,092	3,859	3,946
General and administrative expenses	<u>2,975</u>	<u>2,887</u>	<u>6,602</u>	<u>5,219</u>
Operating income	11,467	13,206	24,853	25,605
Other income (expense):				
Interest income	1,075	187	1,885	431
Interest expense	(9,502)	(10,952)	(19,800)	(19,475)
Foreign currency translation and transaction gains (losses)	39	(76)	(44)	(397)
Other non-operating income	<u>72</u>	<u>169</u>	<u>112</u>	<u>145</u>
Income before income taxes, minority interest, and equity in income of investees	3,151	2,534	7,006	6,309
Income tax provision	(1,154)	(478)	(2,634)	(1,957)
Minority interest in earnings of subsidiaries	—	—	—	(108)
Equity in income of investees	<u>2,097</u>	<u>1,486</u>	<u>3,630</u>	<u>2,035</u>
Net income	4,094	3,452	8,002	6,279
Other comprehensive income (loss), net of related taxes:				
Loss in respect of derivative instruments designated for cash flow hedge (net of tax of \$508,000 and \$354,000 for the three and six-month periods ended June 30, 2005, respectively)	(828)	—	(574)	—
Unrealized gain (loss) on marketable securities available-for-sale (net of tax of \$(15,000) and \$23,000 for the three and six-month periods ended June 30, 2005, respectively)	<u>(27)</u>	<u>—</u>	<u>35</u>	<u>—</u>
Comprehensive income	<u>\$ 3,239</u>	<u>\$ 3,542</u>	<u>\$ 7,463</u>	<u>\$ 6,279</u>

Basic and diluted income per share:

Net income	\$ 0.13	\$ 0.15	\$ 0.25	\$ 0.27
Weighted average number of shares outstanding	<u>31,563</u>	<u>23,227</u>	<u>31,563</u>	<u>23,227</u>

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

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

	<u>Common Stock</u>		<u>Additional</u>	<u>Unearned</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>stock-based</u>	<u>Earnings</u>	<u>Other</u>	
			<u>Capital</u>	<u>compensation</u>		<u>Loss</u>	
	(in thousands, except per share amounts)						
Balance at December 31, 2004	31,563	\$ 31	\$ 124,008	\$ (244)	\$44,441	\$ (322)	\$167,914
Amortization of unearned stock-based compensation	—	—	—	50	—	—	50
Cash dividend declared, \$0.06 per share	—	—	—	—	(1,894)	—	(1,894)
Net income (unaudited)	—	—	—	—	8,002	—	8,002
Other comprehensive income, net of related taxes:							
Loss in respect of derivative instruments designated for cash flow hedge (net of tax of \$354,000)	—	—	—	—	—	(574)	(574)
Unrealized gain on marketable securities available-for-sale (net of tax \$23,000)	—	—	—	—	—	35	35
Balance at June 30, 2005	<u>31,563</u>	<u>\$ 31</u>	<u>\$ 124,008</u>	<u>\$ (194)</u>	<u>\$50,549</u>	<u>\$ (861)</u>	<u>\$173,533</u>

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

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

	<u>Six Months Ended</u>	
	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 8,002	\$ 6,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,264	14,258
Minority interest in earnings of subsidiaries	—	108
Equity in income of investees	(3,630)	(2,035)

Distributions from unconsolidated investments	3,187	5,182
Deferred income tax provision (benefit)	(221)	1,592
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(8,761)	(4,568)
Costs and estimated earnings in excess of billings on uncompleted contracts	(293)	(1,664)
Inventories	(3,095)	(3,744)
Prepaid expenses and other	236	16
Deposits and other	(410)	1,526
Accounts payable and accrued expenses	14,754	4,771
Due from/to related entities, net	1,550	446
Billings in excess of costs and estimated earnings on uncompleted contracts	4,705	199
Other liabilities	(40)	—
Deferred rental income	(287)	
Liability for severance pay	859	142
Asset retirement obligation	380	152
Net cash provided by operating activities	<u>35,200</u>	<u>22,660</u>
Cash flows from investing activities:		
Distributions from unconsolidated investments	1,020	—
Marketable securities, net	31,455	—
Net change in restricted cash, cash equivalents and marketable securities	(20,828)	(50,724)
Capital expenditures	(48,773)	(6,615)
Decrease of cash resulting from deconsolidation of OLCL	—	(1,800)
Increase in severance pay fund asset, net	(224)	(217)
Repayment from joint ventures	441	485
Cash paid for acquisitions, net of cash received	—	(174,258)
Net cash used in investing activities	<u>(36,909)</u>	<u>(233,129)</u>
Cash flows from financing activities:		
Due to Parent, net	(19,622)	36,848
Proceeds from issuance of long-term debt	—	210,000
Repayments of short-term and long-term debt	(31,091)	(10,408)
Deferred debt issuance and lease costs	(3,710)	(9,448)
Proceeds from lease transaction	71,000	—
Payment for interest rate caps	—	(3,820)
Deferred stock offering costs	—	(349)
Cash dividends paid	(4,394)	—
Net cash provided by financing activities	<u>12,183</u>	<u>222,766</u>
Net increase in cash and cash equivalents	10,474	12,297
Cash and cash equivalents at beginning of period	<u>36,750</u>	<u>8,873</u>
Cash and cash equivalents at end of period	<u>\$ 47,224</u>	<u>\$ 21,170</u>
Supplemental non-cash investing and financing activities:		
Conversion of amounts due to Parent to notes payable to Parent	\$ —	\$ 20,000
Accounts payable related to purchases of property, plant and equipment	2,655	1,306

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 – 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 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 accounting principles generally accepted in the United States of America 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 June 30, 2005, consolidated results of operations for the three and six-month periods ended June 30, 2005 and 2004, and condensed consolidated cash flows for the six-month periods ended June 30, 2005 and 2004.

The financial data and other information disclosed in these notes to the condensed consolidated interim financial statements related to these periods are unaudited. The results for the three and six-month periods ended June 30, 2005 are not necessarily indicative of the results to be expected for the year ending December 31, 2005.

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/A for the year ended December 31, 2004. The condensed consolidated balance sheet as of December 31, 2004 is derived from the audited consolidated financial statements for the year ended December 31, 2004.

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments 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 June 30, 2005 and December 31, 2004, the Company had deposits totaling \$13,937,000 and \$30,988,000, respectively, in five U.S. financial institutions that were federally insured up to \$100,000 per account. At June 30, 2005 and December 31, 2004, the Company's deposits in foreign countries of approximately \$6,400,000 and \$9,184,000, respectively, were not insured.

At June 30, 2005 and December 31, 2004, accounts receivable related to operations in foreign countries amounted to approximately \$13,193,000 and \$7,963,000, respectively. At June 30, 2005 and December 31, 2004, accounts receivable from the Company's major customers that have generated 10% or more of its revenues amounted to approximately 72% and 80% of the Company's accounts receivable, respectively.

Southern California Edison Company accounted for 38.8% and 42.4% of the Company's total revenues for the three months ended June 30, 2005 and 2004, respectively, and 36.2% and 41.6% of the Company's total revenues for the six months ended June 30, 2005 and 2004, respectively. Southern California Edison Company is also the power purchaser and revenue source for the Company's Mammoth project, which is accounted for under the equity method of accounting.

Sierra Pacific Power Company accounted for 14.1% and 14.3% of the Company's total revenues for the three months ended June 30, 2005 and 2004, respectively, and 15.5% and 13.1% of the Company's total revenues for the six months ended June 30, 2005 and 2004, respectively.

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

Following the acquisition of the Puna project in June 2004, Hawaii Electric Light Company became one of the Company's key customers, accounting for 12.7% and 13.5% of the Company's total revenues for the three and six-month periods ended June 30, 2005, respectively.

The Company performs ongoing credit evaluations of its customers' financial condition. The Company requires its customer in Nicaragua to provide a cash security arrangement for its payment obligations. 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 – STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in respect of options issued to its employees based on the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and Financial Accounting Standards Board ("FASB") Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, and other related interpretations which state that no compensation expense is required to be recorded for stock options or other stock-based awards to employees that are granted with an exercise price equal to or above the estimated fair value per share of common stock on the grant date. In the event that stock options are granted at a price lower than the fair market value at that date, the difference between the fair market value of the common stock and the exercise price of the stock options is recorded as unearned stock-based compensation. Unearned compensation is amortized to compensation expense over the vesting period applicable to the stock option. The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, as it relates to stock options granted to employees, which requires pro forma net income be disclosed based on the fair value of the options granted at the date of the grant.

Had compensation cost for the options granted to employees of the Company been determined based on the fair value method prescribed by SFAS No. 123, using the Black-Scholes option pricing model, the Company's pro forma net income and net income per share would have been as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share amounts)			
Net income:				
As reported	\$ 4,094	\$ 3,542	\$ 8,002	\$ 6,279
Add: Total stock-based employee compensation expense included in reported net income, net of tax	25	6	50	12
Deduct: Total stock-based employee compensation expense in respect of the Company's stock options determined under fair value based method, net of tax	(11)	—	(23)	—
Deduct: Total stock-based employee compensation expense in respect of the Parent's stock options determined under fair value based method, net of tax	(87)	(51)	(167)	(113)
Pro forma net income	<u>\$ 4,021</u>	<u>\$ 3,497</u>	<u>\$ 7,862</u>	<u>\$ 6,178</u>
Basic and diluted net income per share:				
As reported	\$ 0.13	\$ 0.15	\$ 0.25	\$ 0.27
Pro forma	\$ 0.13	\$ 0.15	\$ 0.25	\$ 0.27

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – REFINANCING OF THE PUNA PROJECT

On May 19, 2005, the Company's subsidiary in Hawaii, Puna Geothermal Ventures ("PGV") completed a refinancing of the cost of its June 2004 acquisition of the Puna geothermal power plant located on the Big Island of Hawaii (the "Puna Project"). The refinancing was concluded with financing parties by means of the lease transactions described below.

Pursuant to a 31-year head lease (the "Head Lease"), PGV leased its geothermal power plant to an unrelated company (the "Lessor") in return for a prepaid lease payment in the amount of \$71 million (the "Deferred Lease Income"). PGV's rights in the geothermal resource and the related power purchase agreement will not be leased to the Lessor as part of the Head Lease but will be part of the Lessor's security package. PGV simultaneously

leased-back the Puna facilities from the Lessor under a 23-year lease (the "Project Lease"). PGV's rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Project under a power purchase agreement that PGV has with Hawaii Electric Light Company Inc. ("HELCO"). The Head Lease and the Project Lease are non-recourse lease obligations to the Company.

Neither the Head Lease nor the Project Lease meet one or more of the criteria set forth in paragraph 7 of SFAS No. 13, *Accounting for Leases*, for classification as capital leases and, therefore, are accounted for as operating leases. The Deferred Lease Income will be amortized, using the straight-line method, over the 31-year term of the Head Lease. Deferred transaction costs amounting to \$4.2 million will be amortized, using the straight-line method, over the 23-year term of the Project Lease. The net annual lease expenses will be \$2.6 million (which is net of the \$2.3 million annual amortization of the Deferred Lease Income).

Future minimum lease payments under the Project Lease, as of June 30, 2005, are as follows:

	<u>(dollars in thousands)</u>
Six months ending December 31, 2005	\$ 2,021
Year ending December 31:	
2006	6,218
2007	6,000
2008	6,641
2009	5,912
2010	5,284
Thereafter	79,138
Total	<u>\$ 111,214</u>

A secondary stage of the lease transaction is anticipated to refinance two new geothermal wells that PGV plans to drill during the remainder of 2005 (for production and injection). Upon the completion of the drilling of such wells and meeting certain other operation conditions, the Lessor and PGV will supplement the Head Lease and Project Lease agreements to include the additional wells in a manner similar to the original Head Lease and Project Lease. The total amount to be received is approximately \$11.8 million.

Reserve accounts

As required under the terms of the refinancing agreements, there are certain reserve funds that need to be managed by the indenture trustee in accordance with certain balance requirements, and which are included in the balance sheet as of June 30, 2005 in restricted cash accounts, as mentioned below:

PGV maintains accounts to fund the full amount of the next rent payment according to the payment schedule.

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

PGV maintains an account to fund well field work that is not included in the annual budget, including the drilling of new wells (except for the 2005 wells which have separate accounts as described below). The reserve should be met on a monthly basis, in amounts equal to 1/12 of a scheduled annual contribution.

PGV maintains accounts, which are deposited with the indenture trustee until December 30, 2005 to serve as

make-whole payments, in case the secondary stage does not occur. As of June 30, 2005, the balance of such accounts is approximately \$1.4 million.

In anticipation of the above refinancing, on February 25, 2005, the Company entered into a treasury rate lock agreement with a financial institution, at a locked-in treasury rate of 4.31%, with a notional amount of \$52.0 million, which terminated on March 31, 2005. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. On March 31, 2005, the Company received from the counterparty to the Rate Lock Agreement an amount of \$658,000. This amount net of related taxes of \$250,000 is recorded as "Gain in respect of derivative instruments designated for cash flow hedge, net of related taxes" under "Other comprehensive income (loss)" and is amortized over the 23-year term of the Project Lease.

On April 20, 2005, the Company entered into a new treasury rate lock agreement with the abovementioned financial institution, at a locked-in treasury rate of 4.22%, with a notional amount of \$52.0 million and originally scheduled to terminate on May 2, 2005. The new rate lock agreement's termination date was extended until May 18, 2005 at a new locked-in treasury rate of 4.25%. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. There was no consideration paid by either party as a result of the extension. On May 18, 2005, the Company paid the counterparty to the new rate lock agreement the amount of \$762,000. This amount net of related taxes of \$290,000 is recorded as "Loss in respect of derivative instruments designated for cash flow hedge, net of related taxes" under "Other comprehensive income (loss)" and is amortized over the 23-year term of the Project Lease.

NOTE 4 – NEW ACCOUNTING PRONOUNCEMENTS

SFAS No. 123R (Revised 2004) – Share-Based Payments

In December 2004, the FASB issued the revised SFAS No. 123, *Share-Based Payments* ("SFAS No. 123R"), which addresses the accounting for share-based payment transactions in which a company obtains employee services in exchange for: (i) equity instruments of the company, or (ii) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for employee share-based payment transactions using APB No. 25 and requires instead that such transactions be accounted for using the grant date fair value based method. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS No. 123R. In accordance with the new rule, the accounting provisions of SFAS No. 123R will be applicable to the Company for the fiscal year ending December 31, 2006. Early adoption of SFAS No. 123R is encouraged. SFAS No. 123R applies to all awards granted or modified after its effective date. In addition, compensation cost for the unvested portion of previously granted awards that remain outstanding on SFAS No. 123R's effective date shall be recognized on or after such date, as the related services are rendered, based on the awards' grant date fair value as previously calculated for the pro forma disclosure under SFAS No. 123.

The Company estimates that the cumulative effect of adopting SFAS No. 123R as of its effective date by the Company (January 1, 2006), based on the awards outstanding as of June 30, 2005, will be immaterial. This estimate does not include the impact of additional awards, which may be granted, or forfeitures, which may occur subsequent to June 30, 2005 and prior to the Company's adoption of SFAS No. 123R. The Company expects that upon adoption of SFAS No. 123R, it will apply the modified prospective application transition method, as permitted thereunder. Under such transition

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

method, upon the adoption of SFAS No. 123R, the Company's consolidated financial statements for periods prior to the effective date will not be restated. The Company does not expect SFAS No. 123R to have a material impact on its results of operations and financial position in future periods.

SFAS No. 151 – Inventory Costs

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs – An Amendment of ARB 43, Chapter 4*. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. This Statement requires

that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005 (January 1, 2006 for the Company). Earlier application of SFAS No. 151 is permitted. The provisions of SFAS No. 151 shall be applied prospectively. The Company does not expect SFAS No. 151 to have a material impact on its results of operations and financial position in future periods.

SFAS No. 153 – Exchange of Nonmonetary Assets

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets – An Amendment of APB Opinion No. 29*. SFAS No. 153 amends APB Opinion No. 29, *Accounting for Nonmonetary Transactions*. The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the exception for nonmonetary exchanges of similar productive assets and replace it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The provisions in SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 (July 1, 2005 for the Company). Early application of SFAS No. 153 is permitted. The provisions of SFAS No. 153 shall be applied prospectively. The Company does not expect SFAS No. 153 to have a material impact on its results of operations and financial position in future periods.

FIN No. 47 – Accounting for Conditional Retirement Obligations, an Interpretation of FASB Statement No. 143

In March of 2005, FASB issued FASB Interpretation No. 47, *Accounting for Conditional Retirement Obligations, an Interpretation of FASB Statement No. 143* ("FIN No. 47"), which requires companies to recognize a liability for the fair value of a legal obligation to perform asset-retirement activities that are conditional on a future event, if the amount can be reasonably estimated. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for the Company). Retrospective application for interim financial information is permitted but is not required. Early adoption of FIN No. 47 is encouraged. The Company does not expect FIN No. 47 to have a material impact on its results of operations and financial position in future periods.

SFAS No. 154 – Accounting Changes and Error Corrections

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes* and FAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005 (January 1, 2006 for the Company). The Company does not expect SFAS No. 154 to have a material impact on its results of operations and financial position in future periods.

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NOTE 5 – INCOME PER SHARE

Basic income per share is computed by dividing income available to common stock shareholders 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 which were granted on November 10, 2004 and whose dilutive effect on the net income per share for the three and six-month periods ended June 30, 2005 is immaterial. The stock options granted to employees of the Company in Ormat industries Ltd. (the "Parent") stock are not dilutive to the Company's income per share.

NOTE 6 – INVENTORIES

Inventories consist of the following:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	(in thousands)	
Raw materials and purchased parts for assembly	\$ 3,642	\$ 1,664
Self-manufactured assembly parts and finished products	5,499	4,382
Total	<u>\$ 9,141</u>	<u>\$ 6,046</u>

NOTE 7 – UNCONSOLIDATED INVESTMENTS

Unconsolidated investments in power plant projects consist of the following:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	(in thousands)	
Orzunil:		
Investment	\$ 3,812	\$ 3,391
Advances	4,099	4,478
	<u>7,911</u>	<u>7,869</u>
Mammoth	35,279	36,361
OLCL	5,172	4,588
Total	<u>\$ 48,362</u>	<u>\$ 48,818</u>

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

The Zunil Project

The Company has a 21% ownership interest in Orzunil I de Electricidad, Limitada ("Orzunil"), a limited responsibility company incorporated in Guatemala and established for the purpose of generation and co-generation of power by means of a geothermal power plant in the Province of Quetzaltenango in Guatemala. The Company operates and maintains the geothermal power plant and the power purchaser supplies geothermal fluid to the power plant. The Company's 21% ownership interest in Orzunil is accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control, over Orzunil.

The Company's equity in income of Orzunil was not significant for each of the periods presented in these condensed financial statements.

The Mammoth Project

The Company has a 50% interest in the Mammoth Project, which is comprised of three geothermal power plants. A \$9.3 million basis difference is amortized over the remaining useful life of the property, plant and equipment and the power purchase agreements, 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.

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

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	(in thousands)	
Condensed balance sheets:		
Current assets	\$ 10,588	\$ 11,088
Non-current assets	81,715	83,944
Current liabilities	780	924
Non-current liabilities	3,820	3,774
Partners' Capital	87,703	90,334

	<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
	(in thousands)	
Condensed statements of operations:		
Revenues	\$ 7,880	\$ 7,690
Gross margin	2,465	1,771
Net income	2,369	1,778
Company's equity in income of Mammoth:		
50% of Mammoth net income	\$ 1,184	\$ 889
Plus amortization of basis difference	297	297
	1,481	1,186
Less income taxes	(563)	(438)
Total	<u>\$ 918</u>	<u>\$ 748</u>

The Leyte Project ("OLCL")

The Company holds an 80% interest in OLCL (which owns the Leyte Project). Upon the adoption of FIN No. 46R, however, the balance sheet of OLCL was deconsolidated as of March 31, 2004, and the income and cash flow statements were deconsolidated effective April 1, 2004.

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

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
	(in thousands)	
Condensed balance sheets:		
Current assets	\$ 7,924	\$ 7,178
Non-current assets	13,836	16,864

Current liabilities	6,215	6,035
Non-current liabilities	6,349	8,889
Stockholders' equity	9,196	9,118

	Six Months Ended June 30, 2005	Period from April 1, 2004 to June 30, 2004
	(in thousands)	
Condensed statements of operations:		
Revenues	7,313	3,184
Gross margin	3,937	1,477
Net income	2,207	877
Company's equity in income of OLCL:		
80% of OLCL net income	1,766	702
Plus amortization of deferred revenue on intercompany profit (\$2.4 million unamortized balance at June 30, 2005)	526	263
Total	<u>\$ 2,292</u>	<u>\$ 965</u>

OLCL's operating results for all periods prior to March 31, 2004 have been accounted for on the consolidated method of accounting. Effective April 1, 2004, the Company's ownership interest in OLCL is being accounted for using the equity method of accounting.

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NOTE 8 – LONG-TERM DEBT

Long-term debt consists of notes payable under the following agreements:

	June 30, 2005	December 31, 2004
	(in thousands)	
Limited and non-recourse agreements:		
Non-recourse agreements:		
Beal Bank Credit Agreement	\$ 148,334	\$ 150,637
Limited recourse agreement:		
Credit facility agreement	15,584	17,028
	<u>163,918</u>	<u>167,665</u>
Less current portion	(9,082)	(8,295)
Total	<u>\$ 154,836</u>	<u>\$ 159,370</u>
Full recourse agreements with banks:		
Loan one	\$ 3,000	\$ 4,000
Loan three	—	3,333
Bridge loan two	—	20,000
Other	—	28
	<u>—</u>	<u>28</u>

	3,000	27,361
Less current portion	(1,000)	(24,361)
Total	<u>\$ 2,000</u>	<u>\$ 3,000</u>
Senior secured notes (non recourse)	<u>\$ 186,506</u>	<u>\$ 189,489</u>
Less current portion	(7,814)	(6,090)
Total	<u>\$ 178,692</u>	<u>\$ 183,399</u>

Loan three

On March 10, 2005, the Company repaid a \$10 million loan from a bank in full. The outstanding amount that was paid off on such date was \$3.3 million.

Bridge loan two

In June 2004, the Company entered into a \$20 million revolving credit agreement. On February 10, 2005, the Company repaid the then outstanding balance under the agreement. The full amount of the line of credit remains available through December 31, 2005 and is guaranteed by the Parent. The interest on the line of credit is computed at LIBOR plus 1.45% and is payable quarterly.

Senior secured notes

On February 13, 2004, the Company, through Ormat Funding Corp. ("Ormat Funding"), a wholly owned subsidiary, completed the issuance of \$190 million 8¼% senior secured notes (the "Notes" or "Senior Secured Notes") pursuant to an exempt offering under Rule 144A and Regulation S of the Securities Act of 1933, as amended (the "Offering"), from which it received net cash proceeds of approximately \$179.7 million after deduction of deferred issuance costs of approximately \$10.3 million. Such net proceeds have been included in deferred financing costs at December 31, 2004. The Notes have a final maturity date of December 30, 2020. Principal and interest on the Notes are payable in semi-annual payments that commenced in June 30, 2004. The Notes are collateralized by substantially

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all of the assets of Ormat Funding and fully and unconditionally guaranteed by all of the wholly owned subsidiaries of Ormat Funding, and (with certain exceptions) by all real property, contractual rights, revenues and bank accounts, intercompany notes, certain insurance policies and guarantees of Ormat Funding and its subsidiaries. There are various restrictive covenants under the Notes, which include limitations on additional indebtedness and payment of dividends.

Ormat Funding may redeem the Notes, in whole or in part, at any time at redemption price equal to the principal amount of the Notes to be redeemed plus accrued interest, premium and liquidated damages, if any, plus a "make-whole" premium. Upon certain events, as defined in the indenture governing the Notes, Ormat Funding may be required to redeem a portion of the Notes at a redemption price ranging from 100% to 101% of the principal amount of the Notes being redeemed plus accrued interest, premium and liquidated damages, if any.

A registration statement on Form S-4 relating to the Notes was declared effective by the Securities and Exchange Commission on February 9, 2005. Pursuant to the registration statement, Ormat Funding made an offer to the holders of the Notes to exchange them for publicly registered exchange notes with substantially identical terms until March 11, 2005. On March 16, 2005 the exchange offer was completed.

As required under the terms of the Notes, Ormat Funding has restricted cash accounts, consisting of the following:

Galena's construction reserve

As required under the terms of the Notes, Ormat Funding set aside approximately \$25.8 million (\$8.9 million at June 30, 2005) to replace the existing equipment at the Steamboat 1/1A project with more

efficient equipment, in order to optimize the geothermal resources available. After such replacement, the Company will rename the Steamboat 1/1A project as the Galena project. The Company expects the construction will be complete and the project will achieve commercial operations by the end of 2005.

Debt service reserve

Ormat Funding maintains an account, which may be funded by cash or backed by letters of credit (see Note 10), to fund an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the Notes in the following six months. As of June 30, 2005, the balance of such account was \$10.8 million in cash.

Revenue reserve

Ormat Funding deposits all revenues received into the revenue account. Such amounts are used to pay operating expenses and fund the debt service reserve account, but the funds are only available to Ormat Funding upon submission of draw requests by Ormat Funding to the bank. As such amounts are not fully unrestricted for use by Ormat Funding, they have been classified as restricted (current) in the balance sheets. As of June 30, 2005, the balance of such account was \$4.1 million.

NOTE 9 – BUSINESS SEGMENTS

The Company has two reporting segments that are aggregated based on similar products, market and operating factors: 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 pursuant to power purchase agreements. 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

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sources. Transfer prices between the operating segments are determined based on current market values or cost plus markup of the seller's business segment.

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

	<u>Electricity</u>		<u>Products</u>		<u>Consolidated</u>
					(in thousands)
Three months ended June 30, 2005					
Net revenues from external customers	\$ 42,108	\$	13,631	\$	55,739
Intersegment revenues	—		10,625		10,625
Operating income	11,104		363		11,467
Segment assets at period end	844,130		50,494		894,624
Three months ended June 30, 2004					
Net revenues from external customers	\$ 36,756	\$	15,345	\$	52,101
Operating income	12,022		1,184		13,206
Segment assets at period end	750,673		27,510		778,183
Six months ended June 30, 2005					
Net revenues from external customers	\$ 82,560	\$	27,075	\$	109,635
Intersegment revenues	—		21,726		21,726
Operating income	23,565		1,288		24,853

Segment assets at period end		844,130		50,494		894,624
Six months ended June 30, 2004						
Net revenues from external customers	\$	70,215	\$	29,491	\$	99,706
Operating income		23,149		2,456		25,605
Segment assets at period end		750,673		27,510		778,183

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

	Three Months Ended		Six Months Ended					
	June 30,		June 30,					
	2005	2004	2005	2004				
	(in thousands)		(in thousands)					
Operating income:								
Operating income	\$	11,467	\$	13,206	\$	24,853	\$	25,605
Interest expenses, net		(8,427)		(10,765)		(17,915)		(19,044)
Non-operating income and other, net		111		93		68		(252)
Total consolidated income before income taxes, minority interest, and equity in income of investees	\$	<u>3,151</u>	\$	<u>2,534</u>	\$	<u>7,006</u>	\$	<u>6,309</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Letters of credit

In the ordinary course of business with customers, vendors and lenders, the Company is contingently liable for performance under letters of credit totaling \$22.8 million and \$25.8 million at June 30, 2005 and December 31, 2004, respectively (out of these amounts, letters of credit totaling \$8.8 million and

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\$25.8 million at June 30, 2005 and December 31, 2004, respectively, have been obtained by the Parent on behalf of the Company). Management does not expect any material expense to result from these letters of credit because performance is not expected to be required and, therefore, is of the opinion that the fair value of these instruments is zero.

LOC Agreement

In addition, a wholly owned subsidiary, Ormat Nevada, Inc., has a letter of credit and loan agreement ("LOC Agreement") with Hudson United Bank pursuant to which Hudson United Bank agreed to issue one or more letters of credit for an aggregate amount of up to \$15.0 million. The LOC Agreement expires on June 30, 2007, which expiry date shall be extended for successive one-year periods unless notice is provided by either the Company or the bank to the contrary. In the event that the bank is required to pay on a letter of credit drawn by the beneficiary thereof, such letter of credit converts into a loan, bearing interest at LIBOR plus 4.0%, to be repaid in equal installments at the end of each of the next four quarters. There are various restrictive covenants in the LOC Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, and minimum coverage ratio. As of June 30, 2005, management believes that the Company was in compliance with the covenants under the LOC Agreement. At December 31, 2004, letters of credit amounting to \$10.8 million and \$3.6 million were issued under the LOC Agreement, which were used to replace cash on deposit in reserve funds

pledged against the Ormat Funding Notes and the Beal Bank Credit Agreement, respectively. As of June 30, 2005, such letters of credit have not been renewed by the Company.

Phase II of the Olkaria III Project in Kenya

The Company has waived the receipt of a letter from the Kenyan government that would have supported the payment obligations of Kenya Power & Lighting Co. Ltd. ("KPLC") as a necessary prerequisite for proceeding with Phase II of the Olkaria III project in Kenya, and therefore did not provide a notice of cancellation of Phase II to KPLC. As a result, the Company is required to construct Phase II and to reach commercial operations by May 31, 2007, in order to avoid financial penalties, or by April 17, 2008, at the latest, to avoid termination of the entire power purchase agreement.

Contingencies

In response to an order issued by a California State Court of Appeal, the California Public Utilities Commission ("CPUC"), has commenced an administrative proceeding in order to address short run avoided cost ("SRAC") pricing for Qualifying Facilities for the period from December 2000 to March 2001. The court directed that the CPUC modify SRAC pricing on a retroactive basis to the extent that the CPUC determined that SRAC prices were not sufficiently "accurate" or "correct". On February 15, 2005, the CPUC issued a draft decision affirming that SRAC pricing during the disputed period was correct and compliant with the Public Utility Regulated Policies Act ("PURPA") requirements and that no retroactive adjustments are warranted. Comments on the draft may be filed and a final decision from the CPUC has not yet been issued. If the SRAC prices charged during the period in question were determined by the CPUC to not be "accurate" or "correct", retroactive price adjustments could be required with respect to payments by any of the Company's Qualifying Facilities in California that are tied to SRAC pricing, including the Heber 1, Mammoth and Ormesa projects. Currently it is not possible to predict the final outcome of such proceeding; however, any retroactive price adjustments required to be made in relation to any of the Company's projects may require such projects to make refund payments or charge less for future sales, which could materially and adversely effect the business, financial condition, future results and cash flow of the Company.

In connection with the power purchase agreements for the Ormesa project, Southern California Edison Company ("SCE") has challenged the contract rate for the power supplied by the GEM 2 and

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GEM 3 plants to the Ormesa project for auxiliary purposes. SCE contends that California ISO real-time prices should apply, while management believes that SP-15 prices quoted by NYMEX should apply. According to SCE's estimation, the amount under dispute is approximately \$2.5 million. Management is in early discussions with SCE and does not believe that the resolution will materially affect the Company's financial results.

Steamboat Geothermal LLC ("SG"), a wholly owned subsidiary that owns the Steamboat 1/1A Project is a defendant in litigation related to a dispute over amounts owed to the plaintiffs under certain operating agreements. SG has initiated settlement discussions with the plaintiff and the Company believes that any outcome will not have a material impact on the Company's results of operations.

The Company is a defendant in various other legal suits 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.

Certain of the Company's projects are subject to contested Federal Energy Regulatory Commission ("FERC") rulings whereby an adverse outcome could result in the refunding of a portion of previously-recognized revenues to customers and/or a reduction in future revenues from those projects. The outcome of these matters cannot be predicted at this time.

NOTE 11 – CASH DIVIDEND

On October 21, 2004, the Company's Board of Directors declared, approved and authorized the payment of a

cash dividend in the aggregate amount of \$2.5 million (\$0.1025 per share). Such dividend was paid on March 2, 2005.

On March 22, 2005, the Company's Board of Directors declared, approved and authorized the payment of a dividend of \$947,000 (\$0.03 per share), on account of fourth quarter of 2004 profits, to all holders of the Company's issued and outstanding shares of common stock on April 4, 2005. Such dividend was paid on April 18, 2005.

On May 10, 2005, the Company's Board of Directors declared, approved and authorized the payment of a dividend of \$947,000 (\$0.03 per share), on account of first quarter of 2005 profits, to all holders of the Company's issued and outstanding shares of common stock on May 23, 2005. Such dividend was paid on June 6, 2005.

NOTE 12 – SUBSEQUENT EVENT

On August 11, 2005, the Company's Board of Directors declared, approved and authorized the payment of a dividend of \$947,000 (\$0.03 per share), on account of second quarter of 2005 profits, to all holders of the Company's issued and outstanding shares of common stock on August 22, 2005, payable on September 1, 2005.

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

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based upon our current expectations and projections about future events. When used in this report, the words "believe", "anticipate", "intend", "estimate", "expect", "should", "may" and similar expressions, or the negative of such words and expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this report are primarily located in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations", but may be found in other locations as well. Such statements reflect our judgment as of the date of this quarterly report with respect to future events, the outcome of which is subject to certain risks and uncertainties, including but 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;
- 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, 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 risk factors set forth in our annual report on Form 10-K/A for the year ended December 31, 2004 and any updates contained herein which may have a significant impact on our business, operating results or financial condition;

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- 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.

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors" section of our annual report on Form 10-K/A for the year ended December 31, 2004 and any updates contained herein as well as those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission.

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 power plants, and we also design, develop and build, and plan to own and operate, recovered energy-based power plants, in each case, using equipment that we design and manufacture. In addition, we sell the equipment we design and manufacture for geothermal electricity generation, recovered energy-based electricity generation, and other equipment for electricity generation to third parties. Our operations consist of two principal business segments. The first consists of the sale of electricity from our power plants, which we refer to as the Electricity Segment. The second consists of the design, manufacturing and sale of equipment for electricity generation, the installation thereof and the provision of services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy power plants, which we refer to as the Products Segment.

Our Electricity Segment currently consists of our investment in power plants producing electricity from geothermal resources. It will also include our planned investment in power plants producing electricity from recovered energy resources. Our geothermal power plants include both power plants that we have built and power plants that we have acquired. Our Products Segment consists of the design, manufacture and sale of equipment that generates electricity, principally from geothermal and recovered energy resources, but also using other fuel sources as well. Our Products Segment also includes, to the extent requested by our customers, the installation of our equipment and other related power plant installations and the provision of services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy power plants. For the six months ended June 30, 2005, our Electricity Segment represented approximately 75.3% of our total revenues, while our Products Segment represented approximately 24.7% of our total revenues during such period.

In the six months ended June 30, 2005, total Electricity Segment revenues from the sale of electricity by our wholly owned power plants were \$82.6 million. In addition, revenues from our 50% ownership of the Mammoth Project and from our 80% ownership of the Leyte Project were \$9.8 million. The investments in such projects are accounted for in our consolidated financial statements under the equity method.

Our Electricity Segment operations are conducted in the United States and throughout the world. We have increased our net ownership interest in generating capacity by 164 MW between December

31, 2002 and June 30, 2005, of which 150 MW was attributable to our acquisition of geothermal power plants from third parties and 14 MW was attributable to increased generating capacity of our existing geothermal power plants resulting from plant technology upgrades and improvements to our geothermal reservoir operations. Since January 1, 2001, we have completed various acquisitions of geothermal power plants in the United States with an aggregate acquisition cost, net of cash received, of \$503.9 million. We also own or control as well as operate geothermal projects in Guatemala, Kenya, Nicaragua and the Philippines.

Our Products Segment operations are also conducted in the United States and throughout the world. For the six months ended June 30, 2005, revenues attributable to our Products Segment were \$27.1 million. We have identified recovered energy-based power generation as a significant market opportunity for us in the United States and throughout the world. In the second quarter of this year we entered into supply and construction agreements valued at approximately \$9.1 million with a pipeline company in Western Canada for an Ormat Recovered Energy Generation ("REG") facility system. We also have signed a letter of intent and are currently negotiating a definitive agreement with a utility company located in the northwest region of the United States regarding the proposed acquisition by the utility of a REG facility for a purchase price of approximately \$13.0

million. We expect that an important component of our Products Segment will be the design, manufacturing and sale of recovered energy products that we expect will allow us (in our Electricity Segment) and potential customers (in our Products Segment) to utilize waste heat for the purpose of producing electricity.

Our Electricity Segment is characterized by relatively predictable revenues generated by our power plants pursuant to long-term power purchase agreements, with terms which are generally up to 20 years. By contrast, revenues attributable to our Products Segment, which are based on the sale of equipment and the provision of various services to our customers are far less predictable and may vary significantly from period to period. 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, our management typically focuses on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. Additionally, as part of our Electricity Segment, our management evaluates our operating projects based on the performance of such projects in terms of revenues and expenses in contrast to projects that are under development, which our management evaluates based on costs attributable to each such project. By contrast, our management evaluates 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.

During the three and six-month periods ended June 30, 2005, our total revenues increased by 7.0% (from \$52.1 to \$55.7 million) and 10.0% (from \$99.7 to \$109.6 million), respectively, over the same periods last year. Revenues from the Electricity Segment increased by 14.6% and 17.6%, respectively, while revenues from the Product Segment decreased by 11.2% and 8.2%, respectively, from the same periods last year. It is important to note, however, that revenues in the three and six-month periods ended June 30, 2005 included all revenues generated by the Steamboat 2/3 project that we acquired on February 13, 2004 and the Steamboat Hills and Puna projects that we acquired during the second quarter of 2004. Accordingly, our results for the three and six-month periods ended June 30, 2005 may not be comparable with our results for the same periods in 2004.

During the three and six-month periods ended June 30, 2005, our U.S. projects generated 443,856 MWh and 914,347 MWh, respectively, which include our 50% share in the Mammoth project. During the three and six-month periods ended June 30, 2004, our U.S. projects generated 411,499 MWh and 796, 453 MWh, respectively, which include our 50% share in the Mammoth project.

Recent Developments

On June 30, 2005, Puna Geothermal Ventures ("PGV") completed the re-drilling of an existing production well at the Puna project. The well re-drilling increased net generating capacity of the power plant by approximately 4 MW, bringing the total net generating capacity to approximately 29 MW.

On June 20, 2005, our 25-year power purchase agreement with Basin Electric Power Corporation became effective, pursuant to which we will supply approximately 22 MW from REG power plants. The power plants are to be constructed between 15 and 18 months from the effectiveness of the power purchase agreement. The power plants will be constructed on gas compressor stations along a natural gas pipeline in North and South Dakota.

On June 1, 2005, two of our subsidiaries entered into supply and construction contracts with a pipeline company in Western Canada for an Ormat REG power plant in the amount of approximately \$9.1 million. The power plant will have design capacity of 5 MW net and will utilize recovered waste heat from gas turbines driving compressors on a natural gas pipeline.

On May 19, 2005, our subsidiary in Hawaii, Puna Geothermal Ventures PGV, completed a refinancing of the cost of its June 2004 acquisition of the Puna geothermal power plant located on the Big Island of Hawaii (the "Puna Project"). The refinancing was concluded with financing parties by means of the lease transactions described below. The proceeds from the refinancing will be used for future capital expenditures and for general corporate purposes.

Pursuant to a 31-year head lease (the "Head Lease"), PGV leased its geothermal power plant to an unrelated company (the "Lessor") in return for a payment of \$71 million (the "Deferred Lease Income"). PGV's rights in the geothermal resource and the related power purchase agreement will not be leased to the Lessor as part of the Head Lease but will be part of the Lessor's security package. PGV simultaneously leased-back the Puna facilities from the Lessor under a 23-year lease (the "Project Lease"). PGV's rent obligations under the Project Lease will

be paid solely from revenues generated by the Puna Project under a power purchase agreement that PGV has with Hawaii Electric Light Company Inc. ("HELCO"). The Head Lease and the Project Lease are non-recourse lease obligations to us.

Both the Head Lease and the Project Lease are accounted for as operating leases. The Deferred Lease Income will be amortized, using the straight-line method, over the 31-year term of the Head Lease. Deferred transaction costs amounting to \$4.2 million will be amortized, using the straight-line method, over the 23-year term of the Project Lease. The net annual lease expenses will be \$2.6 million (which is net of the \$2.3 million annual amortization of the Deferred Lease Income).

A secondary stage of the lease transaction is anticipated to refinance two new geothermal wells that PGV plans to drill during the remainder of 2005 (for production and injection). Upon the completion of the drilling of such wells and meeting certain other operation conditions, the Lessor and PGV will supplement the Head Lease and Project Lease agreements to include the additional wells in a manner similar to the original Head Lease and Project Lease. The total amount to be received is of approximately \$11.8 million.

On May 6, 2005, we completed negotiations for two new 25-year power purchase agreements (which were described as being under negotiation with a third party in our annual report on Form 10-K/A for the year ended 2004) with Southern California Public Power Authority ("SCPPA") for the purchase of energy from each of our Ormesa and Heber Complex projects. Under each agreement, 10 MW of power will be delivered from Ormesa or Heber, as applicable, to SCPPA for a fixed price of \$57.50/MWh. This price will escalate annually at a rate of 1.5% and includes the value for the environmental attributes, known as renewable energy credits, which will assist the SCPPA member cities to comply with their respective renewable portfolio standards. In addition, if and when available, 30% of the production tax credits generated from the applicable project will be shared with SCPPA. Deliveries pursuant to the Ormesa power purchase agreement are expected to begin in the fourth quarter of 2006 and deliveries pursuant to the Heber power purchase agreement are scheduled to begin by the end of 2005. The parties are expected to enter into definitive agreements in the coming weeks.

On April 14, 2005, our wholly owned subsidiary, Ormat Nevada, Inc., entered into a letter of intent with a utility company located in the northwest region of the United States regarding the proposed acquisition by the utility of an Ormat REG facility for a purchase price of approximately \$13 million. The facility will have a design capacity of 4.95 MW net and will utilize recovered waste heat from gas turbines driving compressors on a major interstate gas pipeline located in Washington State. The utility will also be entitled to elect to enter into an agreement with Ormat Nevada whereby Ormat Nevada would provide all corrective and major maintenance ("extended services agreement") for the facility for a period of not less than five years and not more than ten years. The transaction is subject to the execution of definitive agreements, which the parties are currently negotiating and intend to finalize by September 15, 2005. The expected completion date for the facility would be 22 months from the date of the definitive agreements.

In April 2005, we have waived the receipt of a letter from the Kenyan government that would have supported the payment obligations of Kenya Power & Lighting Co. Ltd. ("KPLC") as a necessary prerequisite for proceeding with Phase II of the Olkaria III project in Kenya and therefore did not provide a notice of cancellation of Phase II KPLC. As a result, we are required to construct Phase II and to reach commercial operations by May 31, 2007, in order to avoid financial penalties, or, by April 17, 2008, at the latest, to avoid termination of the entire power purchase agreement.

On February 14, 2005, two of our subsidiaries entered into a contract for the supply of equipment and construction of a geothermal power plant on Sao Miguel Island in the Azores in the total amount of Euro 19.2 million (approximately \$24 million).

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 due to increasing natural gas prices and as a result of newly enacted legislative and regulatory incentives, such as state renewable portfolio standards and the

Energy Policy Act of 2005. 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:

- In the United States, we expect to continue to benefit from the increasing demand for renewable energy as a result of favorable legislation adopted by 18 states and the District of Columbia, including California, Nevada and Hawaii (where we have been the most active in our geothermal development and in which all of our U.S. projects are located). In each of these states, relevant legislation currently requires 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. Outside of the United States, we expect that a variety of governmental initiatives, including 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, will create new opportunities for the development of new projects as well as create additional markets for our remote power units and other products.

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- We have identified recovered energy-based power generation as a significant market opportunity for us in the United States and throughout the world. We are initially targeting the North American market thereafter, we intend to leverage our success in that market in order to expand such operations throughout the world. If our expectations regarding the growth in demand for our recovered energy units are not met, we may not be able to generate the revenues we expect from such operations.
- We expect the revenues from our Products Segment in 2005 to be similar to the revenue level we achieved in 2004. In pursuing new orders, we participate in tenders for projects and proposals for installations and identify and monitor markets which utilize or plan to utilize geothermal energy and in which geothermal resources are available. Over the long-term, we intend to continue to pursue growth in our recovered energy business, and we expect that the portion of revenues from our recovered energy business as a percentage of the total revenues from our Products Segment will increase.
- We expect to continue to generate the majority of our revenues from 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.
- The viability of the geothermal resources utilized by our 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.
- Our foreign operations are subject to significant political, economic and financial risks, which vary by country. Such risks include the ongoing privatization of the electricity industry in the Philippines, the partial privatization of the electricity sector in Guatemala, labor unrest and strengthening of unions in Nicaragua and the political uncertainty currently prevailing in Kenya. Although we maintain some

political risk insurance as an attempt to mitigate such risks, such insurance does not provide complete coverage with respect to all such risks.

- We expect current interest rates to gradually increase in the short-term. Any increases in interest rates that impact our existing financings or future financings could increase the aggregate amount of our interest expenses and thus could have an adverse effect on our results of operations
- We have experienced recent increases in the cost of raw materials required for our equipment manufacturing activities, which we believe have resulted primarily from increased demand in the Chinese market for such raw materials, and increases in the cost to transport our products. Additionally, we have experienced an increase in drilling costs and a shortage in drilling equipment, which we believe is the result of the high oil prices resulting in increased drilling activity in the marketplace. We also have experienced an increase in construction costs, particularly in the United States, due to rising prices attendant to a significant increase in activities in the construction industry. An increase in such costs may have an adverse effect on our financial condition and results of operations.
- The United States extended a tax subsidy and increased the amount 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" of 1.9 cents per kWh. It may be claimed on the electricity output of new geothermal power plants put into service during a "window period" that runs from October 23, 2004 through December 31, 2007. The window had been scheduled to close at the end of this year, but the new act extended it. Credit may be claimed for five years on the output from any new geothermal power plants put into service during the first part of the window period, from October 23,

2004 to August 8, 2005. Plants put into service during the remainder of the "window period" qualify for 10 years of tax credits. Production tax credits may significantly improve our financial results. We, as the owner of projects that may be put into service during this window period, must choose between this production tax credit and a 10% investment tax credit. Some of our power purchase agreements allow the power purchaser to benefit from part of such production tax credits, if and when they become available to us.

- The Energy Policy Act of 2005, as mentioned above, authorizes FERC to revise PURPA so as to terminate the obligation of electric utilities to enter into new contracts 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 (our Steamboat 1 project, which has a contract with Sierra Pacific Power Co. that expires in 2006) of the contracts are long-term.

Revenues

We generate our revenues primarily from the sale of electricity from our geothermal 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". Our power purchase agreements generally provide for the payment of capacity payments, energy payments, or both. 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).

As required by Emerging Issues Task Force Issue No. 01-8, *Determining Whether an Arrangement Contains a Lease*, we assessed all of our power purchase agreements acquired since July 1, 2003, and concluded that all such agreements related to our Heber 1 and 2, Steamboat 2/3, Steamboat Hills, and Puna projects contained a lease element requiring lease accounting. Accordingly, revenues related to the lease element of the agreements are 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 unpredictable 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 June 30,		Six Months ended June 30,		Three Months ended June 30,		Six Months ended June 30,	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues								
Electricity Segment	\$ 42,108	\$ 36,756	\$ 82,560	\$ 70,215	75.5%	70.5%	75.3%	70.4%
Products Segment	13,631	15,345	27,075	29,491	24.5%	29.5%	24.7%	29.6%
Total	<u>\$ 55,739</u>	<u>\$ 52,101</u>	<u>\$ 109,635</u>	<u>\$ 99,706</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Geographical Breakdown of Revenues

For the three months ended June 30, 2005, 86.9% of our revenues attributable to our Electricity Segment were generated in the United States, as compared to 85.3% for the same period in 2004, and for the six months ended June 30, 2005, 86.5%, as compared to 80.3% for the same period in 2004. The following table sets forth the geographic breakdown of the revenues attributable to our Electricity Segment for the periods indicated:

	Three Months ended June 30,		Six Months ended June 30,	
	2005	2004	2005	2004
	United States	86.9%	85.3%	86.5%
Foreign	13.1	14.7	13.5	19.7
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Historically, revenues attributable to our Products Segment, after giving effect to the elimination of

intercompany transactions, have been derived primarily from outside of the United States. Since 2003, we have begun to generate revenues attributable to our Products Segment in the United States as well. However, as a result of the fluctuation and unpredictability of the revenues attributable to our Products Segment and the impact that a few sales or engineering, procurement and construction ("EPC") contracts can have on the geographic distribution of such revenues, the geographical distribution of such revenues may not be indicative of any developing trends or of our future results.

Seasonality

The demand for the electricity generated by our domestic projects and the prices paid for such electricity pursuant to our power purchase agreements are subject to seasonal variations. The demand for electricity from the Heber 1 and 2 project, the Mammoth project and the Ormesa project is the highest in the summer months of June through September, because the power purchaser for those projects, Southern California Edison Company, delivers more electricity to its California markets during such period in order to meet demand for air conditioning and other energy-intensive cooling systems utilized during such summer months. The demand for electricity from the Steamboat complex and the Brady project is more balanced, consisting of both summer and winter peaks that reflect the greater temperature variations in Nevada. The demand for electricity from the Puna project is balanced due to the equatorial temperature in Hawaii (with less pronounced temperature variations during the year). In California, the capacity rates payable pursuant to the applicable power purchase agreement are higher in the summer months and as a result we receive higher revenues during such months. In contrast, there are no significant changes in prices during the year payable pursuant to our power purchase agreements for the Puna project and the Nevada projects. 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 the power purchaser in California in the summer months as a result of the increase in demand and in prices have a more significant impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency, and as a result our revenues are generally higher in the summer than in the winter.

Breakdown of Expenses

Electricity Segment

The principal expenses attributable to our operating projects include operation and maintenance expenses such as salaries, 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 and third-party services, are not incurred on a regular basis, which results in fluctuations in our expenses and our results of operations for individual projects from quarter to quarter.

Payments made to government agencies and private entities as compensation for the use of the relevant geothermal resources and site leases where plants are located are included in cost of revenues.

Royalty payments are payments made as compensation for the right to use certain geothermal resources and are included as a component of operating expenses in cost of revenues, and are paid as a percentage of the revenues derived from the associated geothermal resources. For the three and six-month periods ended June 30, 2005, royalties were approximately 4% of the electricity revenues.

Products Segment

The principal expenses attributable to our Products Segment include materials, salaries and related employee benefits, expenses related to subcontracting activities, transportation expenses, sales commissions to sales representatives and royalties pertaining to government participation in our research and development programs at a rate of 3.5% to 5.0% of the proceeds recovered from the sale of products which were developed pursuant to such research and development programs.

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 and, in order to maintain our current production and construction capability, must be incurred, notwithstanding the revenues attributable to our Products Segment. As a result, the cost of revenues attributable to our Products Segment, expressed as a percentage of total revenues,

fluctuates. To date, our management has made the strategic decision to maintain our production and construction capacity and, therefore, maintain the fixed cost component of the total costs attributable to our Products Segment at the current level. 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 June 30, 2005 decreased to \$105.0 million from \$125.9 million as of December 31, 2004, principally due to the repayment of long-term debt to our parent and to third parties and the designation to restricted cash of amounts that will be used to maintain debt service reserves and for capital expenditures, offset by an increase of \$71.0 million as a result of the refinancing of the Puna project acquisition on May 19, 2005.

Critical Accounting Policies

A comprehensive discussion of our critical accounting policies is included in the "Management's Discussion and Analysis of Financial Conditions and Results of Operations" section in our annual report on Form 10-K/A for the year ended December 31, 2004.

New Accounting Pronouncements

Share-Based Payments

In December 2004, the Financial Accounting Standards Board ("FASB") issued the revised Statement of Financial Accounting Standards ("SFAS") No. 123, *Share-Based Payments*, which we

refer to as SFAS No. 123R and which addresses the accounting for share-based payment transactions in which a company obtains employee services in exchange for: (i) equity instruments of the company, or (ii) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for employee share-based payment transactions using APB Opinion No. 25, and requires instead that such transactions be accounted for using the grant date fair value based method. On April 14, 2005, the Securities and Exchange Commission adopted a new rule amending the compliance date for SFAS No. 123R. In accordance with the new rule, the accounting provision of SFAS No. 123R will be applicable to us for the fiscal year ending December 31, 2006. Early adoption of SFAS No. 123R is encouraged. SFAS No. 123R applies to all awards granted or modified after its effective date. In addition, compensation cost for the unvested portion of previously granted awards that remain outstanding on the SFAS No. 123R's effective date shall be recognized on or after such date, as the related services are rendered, based on the awards' grant date fair value as previously calculated for the pro forma disclosure under SFAS No. 123.

We estimate that the cumulative effect of our adoption of SFAS No. 123R as of its effective date (January 1, 2006), based on the awards outstanding as of June 30, 2005, will be immaterial. This estimate does not include the impact of additional awards, which may be granted, or forfeitures, which may occur subsequent to June 30, 2005 and prior to our adoption of SFAS No. 123R. We expect that upon adoption of SFAS No. 123R, we will apply the modified prospective application transition method, as permitted thereunder. Under such transition method, upon the adoption of SFAS No. 123R, our consolidated financial statements for periods prior to the effective date will not be restated. We do not expect SFAS No. 123R to have a material impact on our results of operations and financial position in future periods.

Inventory Costs

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs – an amendment of ARB 43, Chapter 4*. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. This Statement requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005 and applicable to our fiscal year ending December 31, 2006. Earlier application of SFAS No.

151 is permitted. The provisions of SFAS No. 151 shall be applied prospectively. We do not expect SFAS No. 151 to have a material impact on our results of operations and financial position in future periods.

Exchange of Non-monetary Assets

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Non-monetary Assets – An Amendment of APB Opinion No. 29*. SFAS No. 153 amends APB Opinion No. 29, *Accounting for Non-monetary Transactions*. The amendments made by SFAS No. 153 are based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the exception for non-monetary exchanges of similar productive assets and replace it with a general exception for exchanges of non-monetary assets that do not have commercial substance. The provisions in SFAS No. 153 are effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 (July 1, 2005 for us). Early application of SFAS No. 153 is permitted. The provisions of SFAS No. 153 shall be applied prospectively. We do not expect SFAS No. 153 to have a material impact on our results of operations and financial position in future periods.

Accounting for Conditional Retirement Obligations

In March of 2005, FASB issued FASB Interpretation No. 47, *Accounting for Conditional Retirement Obligations*, an Interpretation of FASB Statement No. 143 ("FIN No. 47"), which requires

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companies to recognize a liability for the fair value of a legal obligation to perform asset-retirement activities that are conditional on a future event, if the amount can be reasonably estimated. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for us). Retrospective application for interim financial information is permitted but is not required. Early adoption of FIN No. 47 is encouraged. We do not expect FIN No. 47 to have a material impact on our results of operations and financial position in future periods.

Accounting Changes and Error Corrections

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes* and FAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005 (January 1, 2006 for us). We do not expect SFAS No. 154 to have a material impact on our results of operations and financial position in future periods.

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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 acquisitions and enhancements of acquired projects, and (ii) fluctuation in revenues of our Products Segment.

<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
(in thousands, except per share data)			

Statements of Operations Historical Data:**Revenues:**

Electricity Segment	\$ 42,108	\$ 36,756	\$ 82,560	\$ 70,215
Products Segment	<u>13,631</u>	<u>15,345</u>	<u>27,075</u>	<u>29,491</u>
	<u>55,739</u>	<u>52,101</u>	<u>109,635</u>	<u>99,706</u>

Cost of revenues:

Electricity Segment	27,505	21,222	51,117	40,612
Products Segment	<u>11,427</u>	<u>11,794</u>	<u>22,110</u>	<u>23,122</u>
	<u>38,932</u>	<u>33,016</u>	<u>73,227</u>	<u>63,734</u>

Gross margin:

Electricity Segment	14,603	15,534	31,443	29,603
Products Segment	<u>2,204</u>	<u>3,551</u>	<u>4,965</u>	<u>6,369</u>
	<u>16,807</u>	<u>19,085</u>	<u>36,408</u>	<u>35,972</u>

Operating expenses:

Research and development expenses	714	900	1,094	1,202
Selling and marketing expenses	1,651	2,092	3,859	3,946
General and administrative expenses	<u>2,975</u>	<u>2,887</u>	<u>6,602</u>	<u>5,219</u>
Operating income	<u>11,467</u>	<u>13,206</u>	<u>24,853</u>	<u>25,605</u>

Other income (expense):

Interest income	1,075	187	1,885	431
Interest expense	(9,502)	(10,952)	(19,800)	(19,475)
Foreign currency translation and transaction gain (loss)	39	(76)	(44)	(397)
Other non-operating income	<u>72</u>	<u>169</u>	<u>112</u>	<u>145</u>
Income before income taxes, minority interest and equity in income of investees	3,151	2,534	7,006	6,309
Income tax provision	(1,154)	(478)	(2,634)	(1,957)
Minority interest in earnings of subsidiaries	—	—	—	(108)
Equity in income of investees	<u>2,097</u>	<u>1,486</u>	<u>3,630</u>	<u>2,035</u>
Net income	<u>\$ 4,094</u>	<u>\$ 3,542</u>	<u>\$ 8,002</u>	<u>\$ 6,279</u>
Basic and diluted income per share:				
Net income	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>
Weighted average number of shares outstanding	<u>31,563</u>	<u>23,227</u>	<u>31,563</u>	<u>23,227</u>

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Statements of Operations Percentage Data:**Revenues:**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Electricity Segment	75.5%	70.5%	75.3%	70.4%
Products Segment	<u>24.5</u>	<u>29.5</u>	<u>24.7</u>	<u>29.6</u>
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Cost of revenues:

Electricity Segment	65.3	57.7	61.9	57.8
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Products Segment	83.8	76.9	81.7	78.4
	<u>69.8</u>	<u>63.4</u>	<u>66.8</u>	<u>63.9</u>
Gross margin:				
Electricity Segment	34.7	42.3	38.1	42.2
Products Segment	<u>16.2</u>	<u>23.1</u>	<u>18.3</u>	<u>21.6</u>
	30.2	36.6	33.2	36.1
Operating expenses:				
Research and development expenses	1.3	1.7	1.0	1.2
Selling and marketing expenses	3.0	4.0	3.5	4.0
General and administrative expenses	<u>5.3</u>	<u>5.5</u>	<u>6.0</u>	<u>5.2</u>
Operating income	20.6	25.3	22.7	25.7
Other income (expense):				
Interest income	1.9	0.4	1.7	0.4
Interest expense	(17.0)	(21.0)	(18.1)	(19.5)
Foreign currency translation and transaction gain (loss)	0.1	(0.1)	(0.0)	(0.4)
Other non-operating income	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>
Income before income taxes, minority interest and equity in income of investees	5.7	4.9	6.4	6.3
Income tax provision	(2.1)	(0.9)	(2.4)	(2.0)
Minority interest in earnings of subsidiaries	0.0	0.0	0.0	(0.1)
Equity in income of investees	<u>3.8</u>	<u>2.9</u>	<u>3.3</u>	<u>2.0</u>
Net income	<u><u>7.3%</u></u>	<u><u>6.8%</u></u>	<u><u>7.3%</u></u>	<u><u>6.3%</u></u>

Comparison of the Three Months Ended June 30, 2005 and the Three Months Ended June 30, 2004

Total Revenues

Total revenues for the three months ended June 30, 2005 were \$55.7 million, as compared with \$52.1 million for the three months ended June 30, 2004, which represented a 7.0% increase in total revenues. This increase is primarily attributable to our Electricity Segment whose revenues increased by 14.6% over the same period in 2004. This increase was partially offset by a decrease of 11.2% in our Product Segment revenues from the same period in 2004.

Electricity Segment

	Three Months ended June 30,	
	2005	2004
	(in millions)	
Steamboat Project	\$ 3.9	\$ 3.9
Puna Project	7.1	1.8
Steamboat Hills Project	1.0	0.6
Other Projects	<u>30.1</u>	<u>30.5</u>
Total	<u><u>\$ 42.1</u></u>	<u><u>\$ 36.8</u></u>

Revenues attributable to our Electricity Segment for the three months ended June 30, 2005 were \$42.1 million, as compared with \$36.8 million for the three months ended June 30, 2004, which represented a 14.6% increase in such revenues. This increase is primarily attributable to additional revenues being generated from the Steamboat Hills project, which we acquired on May 20, 2004, and the Puna project, which we acquired on June 3, 2004. The decrease in revenues from Other Projects is primarily due to a lower availability of the Ormesa well field as described under "Total Cost of Revenues — Electricity Segment".

Products Segment

Revenues attributable to our Products Segment for the three months ended June 30, 2005 were \$13.6 million, as compared with \$15.3 million for the three months ended June 30, 2004, which represented a 11.2% decrease in such revenues. This decrease of \$1.7 million in the three months ended June 30, 2005 is principally attributable to the usual quarterly fluctuations in the revenues generated from our Products Segment.

Total Cost of Revenues

Total cost of revenues for the three months ended June 30, 2005 was \$38.9 million, as compared with \$33.0 million for the three months ended June 30, 2004, which represented a 17.9% increase in total cost of revenues. As a percentage of total revenues, our total cost of revenues for the three months ended June 30, 2005 and the three months ended June 30, 2004 were 69.8% and 63.4%, respectively. The increase is principally attributable to increased costs in our Electricity Segment during the second quarter of 2005.

Electricity Segment

Total cost of revenues attributable to our Electricity Segment for the three months ended June 30, 2005 was \$27.5 million, as compared with \$21.2 million for the three months ended June 30, 2004, which represented a 29.6% increase in total cost of revenues for such segment. This increase is primarily due to costs of \$0.7 million and \$3.6 million attributable to the Steamboat Hills project (which was acquired on May 20, 2004) and the Puna project (which was acquired on June 3, 2004), respectively, for the second quarter of 2005 as compared with \$0.3 million and \$1.1 million, respectively, for the second quarter of 2004. The remainder of the increase is mainly due to a significant increase in the geothermal field costs within the Ormesa project due to a higher-than-average rate of failure of production pumps and wells. This failure required us to replace a relatively large number of pumps during the quarter and to abandon one production well. As a percentage of total electricity revenues, the total cost of revenues attributable to our Electricity Segment for the three months ended June 30, 2005 (65.3%) was higher than the percentage for the three months ended June 30, 2004 (57.7%). Such 7.6% increase is primarily due to the increased costs in the Ormesa project as described above. It should be noted that the Puna project incurred additional costs of \$0.3 million in the period from May 19, 2005 to June 30, 2005 in the form of net lease payments pursuant to the operating lease transaction described under "Recent Developments". The net quarterly lease expenses going forward are expected to be \$0.7 million.

Products Segment

Total cost of revenues attributable to our Products Segment for the three months ended June 30, 2005 was \$11.4 million, as compared with \$11.8 million for the three months ended June 30, 2004, which represented a 3.1% decrease in total cost of revenues related to such segment. Such \$0.4 million decrease in total cost of revenues for the three months ended June 30, 2005 reflects a decrease in production volume, as compared with the corresponding period in 2004. As a percentage of total products revenues, our total cost of revenues attributable to our Products Segment for the three months ended June 30, 2005 was 83.8% compared with 76.9% for the three months ended June 30, 2004. Such 6.9% increase was primarily attributable to an 11.2% decrease in our Product Segment revenues while the fixed portion of our cost of product revenues, such as salaries, depreciation, expenses related to maintaining operations, utilities and property expenses, remained constant.

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2005 were \$0.7 million, as compared with \$0.9 million for the three months ended June 30, 2004, which represented a 20.7% decrease in research and development expenses. Such decrease was in the ordinary course of our operations and does not represent any significant change in our research and development program or our ability to maintain and continue to develop our technologies and operations and reflects fluctuations in the period in which actual expenses were incurred.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended June 30, 2005 were \$1.7 million, as compared with \$2.1 million for the three months ended June 30, 2004, which represented a 21.1% decrease in selling and marketing expenses due to the timing of incurring such expenses. Selling and marketing expenses for the three months ended June 30, 2005 constituted 3.0% of total revenues for such period, as compared with 4.0% for the three months ended June 30, 2004. Such decrease is principally attributable to a decrease in commissions and delivery costs relating to the Products Segment and the fixed cost nature of certain of our selling and marketing expenses against a larger total revenue base.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2005 were \$ 3.0 million, as compared with \$2.9 million for the three months ended June 30, 2004, which represented a 3.0% increase in general and administrative expenses. Such increase was principally attributable to the increased administrative expenses associated with being a public company whose shares are traded on the New York Stock Exchange. General and administrative expenses for the three months ended June 30, 2005 decreased slightly to 5.3% of total revenues for such period, from 5.5% for the three months ended June 30, 2004.

Interest Expense

Interest expense for the three months ended June 30, 2005 was \$9.5 million, as compared with \$11.0 million for the three months ended June 30, 2004, which represented a 13.2% decrease in such interest expense. The main reasons for such decrease are: (i) interest expense for the three months ended June 30, 2004 included \$0.9 million related to the decrease in the fair value of the interest rate caps in respect of the Beal Bank financing; beginning in October 2004, the caps qualified for hedge accounting under SFAS No. 133, and as such we have recorded the decrease in the value of the caps in respect of such transactions for the three months ended June 30, 2005 in the amount of \$0.6 million in other comprehensive income. (ii) a decrease in interest expenses of \$0.4 million as a result of the repayment of the Ormesa loan which was repaid on December 31, 2004, and (iii) \$1.1 million interest capitalized to projects under construction as compared with only \$0.4 million in the same period last year. Such decrease was offset by an increase of \$0.4 million in the applicable LIBOR rate for the Beal Bank financing.

Income Taxes

Income taxes for the three months ended June 30, 2005 and 2004 were \$1.2 million and \$0.5 million, respectively. The effective tax rates for the three months ended June 30, 2005 and June 30, 2004 were 36.6% and 18.9%, respectively. Our effective tax rate was lower in the three months ended June 30, 2004 compared to the three months ended June 30, 2005 as a result of application of investment tax credits.

Equity in Income of Investees

Our participation in the income generated from our investees for the three months ended June 30, 2005 was \$2.1 million, as compared with \$1.5 million for the three months ended June 30, 2004. Such increase was principally attributable to an increase of \$0.4 million in income generated in connection with our 80% equity interest in the Leyte project and our collection of an insurance claim in relation to the project in the second quarter of 2005.

Net Income

Net income for the three months ended June 30, 2005 was \$4.1 million, as compared with \$3.5 million for the three months ended June 30, 2004, which represented a 15.6% increase in such net income. Net income as a percentage of our total revenues for the three months ended June 30, 2005 was 7.3%, as compared with 6.8% for the three months ended June 30, 2004. Such increase in net income was principally attributable to: (i) a decrease in our net interest expense of \$2.5 million, (ii) an increase of \$0.6 million in equity in income of investees, and (iii) a \$0.5 million decrease in operating expenses, offset by a \$2.3 million decrease in gross margin and a \$0.7 million increase in our income tax provision.

Comparison of the Six Months Ended June 30, 2005 and the Six Months Ended June 30, 2004

Total Revenues

Total revenues for the six months ended June 30, 2005 were \$109.6 million, as compared with \$99.7 million for the six months ended June 30, 2004, which represented a 10.0% increase in total revenues. This increase is primarily attributable to our Electricity Segment whose revenues increase by 17.6% over the same period in 2004. This increase was partially offset by a decrease of 8.2% in our Product Segment revenues as compared to the same period in 2004.

Electricity Segment

	Six Months ended June 30,	
	2005	2004
	(in millions)	
Steamboat Project	\$ 9.0	\$ 6.9
Puna Project	14.8	1.8
Steamboat Hills Project	1.9	0.6
Other Projects	56.9	60.9
Total	<u>\$ 82.6</u>	<u>\$ 70.2</u>

Revenues attributable to our Electricity Segment for the six months ended June 30, 2005 were \$82.6 million, as compared with \$70.2 million for the six months ended June 30, 2004, which represented a 17.6% increase in such revenues. This increase is primarily attributable to additional revenues being generated from the Steamboat 2/3 project, which we acquired on February 11, 2004, the Steamboat Hills project, which we acquired on May 20, 2004, and the Puna project, which we acquired on June 3, 2004. The decrease in revenues from Other Projects is primarily due to deconsolidation of the Leyte project as of April 1, 2004, which represented \$3.1 million of our revenues in the second quarter of 2004, and the lower availability of the well field in the Ormesa project, as described above.

Products Segment

Revenues attributable to our Products Segment for the six months ended June 30, 2005 were \$27.1 million, as compared with \$29.5 million for the six months ended June 30, 2004, which represented an 8.2% decrease in such revenues. This decrease of \$2.4 million in the six months ended June 30, 2005 is principally attributable to the usual quarterly fluctuations in the revenues generated from our Products Segment.

Total Cost of Revenues

Total cost of revenues for the six months ended June 30, 2005 was \$73.2 million, as compared with \$63.7 million for the six months ended June 30, 2004, which represented a 14.9% increase in total cost of revenues. As a percentage of total revenues, our total cost of revenues for the six months ended June 30, 2005 and the six months ended June 30, 2004 were 66.8% and 63.9%, respectively. The increase is principally attributable to increased costs in our Electricity Segment during the first half of 2005.

Electricity Segment

Total cost of revenues attributable to our Electricity Segment for the six months ended June 30, 2005 was \$51.1 million, as compared with \$40.6 million for the six months ended June 30, 2004, which represented a 25.9% increase in total cost of revenues for such segment. This increase is primarily due to costs of \$4.0 million, \$1.4 million and \$6.6 million attributable to the Steamboat 2/3 project (which was acquired on February 11, 2004), the Steamboat Hills project (which was acquired on May 20, 2004) and the Puna project (which was acquired on June 3, 2004), respectively, for the first half of 2005 as compared with \$2.8 million, \$0.3 million and \$1.1 million, respectively, for the first half of 2004. The remainder of the increase is mainly due to the increased

costs within the Ormesa project, as described above. As a percentage of total electricity revenues, the total cost of revenues attributable to our Electricity Segment for the six months ended June 30, 2005 (61.9%) was higher than the percentage for the six months ended June 30, 2004 (57.8%). Such increase is primarily due to the deconsolidation of the Leyte project as of April 1, 2004, whose total cost of revenues as a percentage of the project's revenues for the six months ended June 30, 2004 was 46.3%, which is lower than the average cost of revenues for this segment, as well as the increased costs in the Ormesa project. It should be noted that the Puna project incurred additional costs of \$0.3 million in the period from May 19, 2005 to June 30, 2005 in the form of net lease payments pursuant to the operating lease transaction described under "Recent Developments". The net semi-annual lease expenses going forward are expected to be \$1.3 million.

Products Segment

Total cost of revenues attributable to our Products Segment for the six months ended June 30, 2005 was \$22.1 million, as compared with \$23.1 million for the six months ended June 30, 2004, which represented a 4.4% decrease in total cost of revenues related to such segment. Such \$1.0 million decrease in total cost of revenues for the six months ended June 30, 2005 reflects a decrease in production volume, as compared with the corresponding period in 2004. As a percentage of total products revenues, our total cost of revenues attributable to our Products Segment for the six months ended June 30, 2005 was 81.7% and for the six months ended June 30, 2004 was 78.4%. Such increase was primarily attributable to an 8.2% decrease in our Products Segment revenues while the fixed portion of our cost of product revenues, such as salaries, depreciation, expenses related to maintaining operations, utilities and property expenses, remained constant.

Research and Development Expenses

Research and development expenses for the six months ended June 30, 2005 were \$1.1 million, as compared with \$1.2 million for the six months ended June 30, 2004, which represented a 9.0% decrease in research and development expenses. Such decrease was in the ordinary course of our

operations and does not represent any significant change in our research and development program or our ability to maintain and continue to develop our technologies and operations and reflects fluctuations in the period in which actual expenses were incurred.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended June 30, 2005 decreased by \$0.1 million, as compared with the six months ended June 30, 2004, which represented a 2.2% decrease in selling and marketing expenses due to the timing of incurring such expenses. Selling and marketing expenses for the six months ended June 30, 2005 constituted 3.5% of total revenues for such period, as compared with 4.0% for the six months ended June 30, 2004. Such decrease is principally attributable to the fixed cost nature of certain of our selling and marketing expenses against a larger total revenue base.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2005 were \$6.6 million, as compared with \$5.2 million for the six months ended June 30, 2004, which represented a 26.5% increase in general and administrative expenses. Such increase was principally attributable to an increase in professional services fees, additional personnel expenses and other administrative expenses, all as a result of being a public company whose shares are traded on the New York Stock Exchange. General and administrative expenses for the six months ended June 30, 2005 constituted 6.0% of total revenues for such period, as compared with 5.2% for the six months ended June 30, 2004. In addition, the general and administrative expenses in the six months ended June 30, 2004 did not fully reflect the increase in such expenses that was required as a result of the increased activity that occurred in connection with the acquisitions made in 2004.

Interest Expense

Interest expense for the six months ended June 30, 2005 was \$19.8 million, as compared with \$19.5 million for the six months ended June 30, 2004, which represented a 1.7% increase in such interest expense. The net increase of \$0.3 million resulted from the following: (i) a \$0.8 million increase in the applicable LIBOR rate for the Beal Bank financing, (ii) a \$1.9 million interest expense incurred in connection with the issuance by Ormat

Funding, on February 13, 2004, of \$190.0 million of Senior Secured Notes and (iii) a \$0.7 million increase in interest payments to our parent. Such increases were offset by: (i) interest expense for the six months ended June 30, 2004 included \$0.9 million related to the decrease in the fair value of the interest rate caps in respect of the Beal Bank financing; beginning in October 2004 the caps qualified for hedge accounting under SFAS No. 133, and as such we have recorded the decrease in the value of the caps in respect of such transactions for the three months ended June 30, 2005 in the amount of \$0.8 million in other comprehensive income. (ii) a decrease in interest expenses of \$0.7 million as a result of the repayment of the Ormesa loan which was repaid on December 31, 2004. (iii) \$1.8 million interest capitalized to projects under construction as compared with only \$0.4 million in the same period last year, and (iv) the elimination of interest expenses of the Leyte loan in the amount of \$0.3 million as a result of the deconsolidation of the Leyte project in April 1, 2004 (as a result of the application of FIN No. 46R).

Income Taxes

Income taxes for the six months ended June 30, 2005 were \$2.6 million, as compared with \$2.0 million for the six months ended June 30, 2004, which represents a 34.6% increase in such income taxes. The effective tax rates for the six months ended June 30, 2005 and June 30, 2004 were 37.6% and 31.0%, respectively. Our effective tax rate was lower in the six months ended June 30, 2004 compared with the six months ended June 30, 2005 as a result of application of investment tax credits.

Equity in Income of Investees

Our participation in the income generated from our investees for the six months ended June 30, 2005 was \$3.6 million, as compared with \$2.0 million for the six months ended June 30, 2004. Such

increase was principally attributable to the income generated in connection with our 80% equity interest in the Leyte project, which was deconsolidated as of April 1, 2004 (as a result of the application of FIN No. 46R), which accounted for \$0.9 million, and our collection of an insurance claim in that project in the second quarter of 2005.

Net Income

Net income for the six months ended June 30, 2005 was \$8.0 million, as compared with \$6.3 million for the six months ended June 30, 2004, which represented a 27.4% increase in such net income. Net income as a percentage of our total revenues for the six months ended June 30, 2005 was 7.3%, as compared with 6.3% for the six months ended June 30, 2004. Such increase in percentage was principally attributable to: (i) an increase of \$1.6 million in equity in income of investees, (ii) a decrease in our net interest expense of \$1.5 million, and (iii) a \$0.4 million increase in gross margin, offset by a \$1.2 million increase in operating expenses and a \$0.7 million increase in our income tax provision.

Liquidity and Capital Resources

To date, our principal sources of liquidity have been cash from operations, proceeds from parent company loans, third party debt in the form of borrowing under credit facilities, issuance by Ormat Funding of its Senior Secured Notes, project financing, and the issuance of shares of common stock on the public markets. We have utilized this cash to fund our acquisitions, develop and construct power generation plants and meet our other cash and liquidity needs. Our management believes that the outstanding cash, cash equivalents, marketable securities and cash generated from our operations will address our liquidity and other investment requirements.

Loan Agreements with our Parent

In 2003, we entered into a loan agreement with Ormat Industries Ltd. (the 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 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 rate per annum equal to Ormat Industries' average effective cost of funds plus

0.3% percent in dollars, which represented a rate of 7.5% for the advances made during 2003. All computations of interest shall be made by Ormat Industries on the basis of a year consisting of 360 days. As of June 30, 2005, the outstanding balance of the loan was approximately \$ 136.2 million compared to \$143.2 million as of December 31, 2004.

In addition to the above loan, pursuant to the terms of a capital note, as further amended on September 20, 2004, Ormat Industries converted outstanding balances owed by us to Ormat Industries into a subordinated non-interest bearing loan in an amount equal to New Israeli Shekels (NIS) 240.0 million. At any time after November 30, 2007 upon demand by Ormat Industries, we will be required to repay the loan in full. The final maturity of the loan is December 30, 2009. In accordance with the terms of such note, we will not be required to repay any amount in excess of \$50.7 million (using the exchange rate existing on the date of such note).

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. The second category consists of debt incurred by us or our subsidiaries for general corporate purposes.

Limited and Non Recourse Debt

OrCal Geothermal, one of our subsidiaries, entered into a non-recourse project finance loan from Beal Bank for the purpose of financing the acquisition of the Heber 1 and 2 projects and our 50%

ownership interest in the Mammoth project, of which \$148.3 million was outstanding as of June 30, 2005, bearing an interest rate of the greater of 7.125% or LIBOR plus 5.125% per annum. The Bank Hapoalim project finance debt, of which \$15.6 million was outstanding as of June 30, 2005, bearing an interest rate of LIBOR plus 2.375% per annum on tranche one of the loan and LIBOR plus 3.0% per annum on tranche two of the loan, and the Export-Import Bank of the United States project finance debt, of which \$11.4 million was outstanding as of June 30, 2005, bearing an interest rate of 6.54% per annum, were entered into by our relevant subsidiaries to finance the Momotombo project and the Leyte project (which was deconsolidated as of April 1, 2004), respectively.

Senior Secured Notes – Non Recourse

On February 13, 2004, Ormat Funding, one of our subsidiaries, issued 8¼% Senior Secured Notes in a capital markets 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, of which \$186.5 million was outstanding as of June 30, 2005. The Senior Secured Notes are collateralized by substantially all of the assets of Ormat Funding and fully and unconditionally guaranteed by all of the wholly owned subsidiaries of Ormat Funding, and (with certain exceptions) by all real property, contractual rights, revenues and bank accounts, intercompany notes, certain insurance policies and guarantees of Ormat Funding and its subsidiaries.

There are various restrictive covenants under the Senior Secured Notes, which include limitations on additional indebtedness and payment of dividends.

A registration statement on Form S-4 relating to the Senior Secured Notes was filed with and declared effective by the Securities and Exchange Commission on February 9, 2005. On March 16, 2005, we exchanged these unregistered notes for Senior Secured Notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended. As of the date of this report, there are \$186.5 million of Senior Secured Notes outstanding.

New financing of our projects

Financing of the Amatitlan Project

We currently intend to finance the construction cost of the Amatitlan project by the end of 2005. In connection with such financing, we are in discussions with a local bank in Guatemala to obtain a 10-year construction and term loan in an amount of approximately \$41 million.

Financing of Phase II of Olkaria III Project

We are currently negotiating the financing of Phase II of Olkaria III project. In connection with such financing we signed a mandate letter with a financial institution to arrange a long term-loan.

Full Recourse Debt

Our full recourse third party debt includes the following loans: (i) a \$20.0 million credit facility from United Mizrahi Bank, of which we repaid the outstanding balance of \$20.0 million on February 10, 2005; the full amount of the line of credit remains available through December 31, 2005 and is guaranteed by our parent. (ii) A medium term loan from Israel's Industrial Development Bank, the \$3.3 million outstanding balance of which was fully repaid on March 10, 2005, and (iii) a medium term loan from Bank Hapoalim, of which \$3.0 million was outstanding as of June 30, 2005, bearing an interest rate of LIBOR plus 1.7% per annum.

In connection with our acquisition through Ormat Systems Ltd. of the power generation business from our parent, we entered into certain agreements of which only those with each of Bank Hapoalim, Bank Leumi and United Mizrahi Bank remain. Under these agreements, in exchange for such banks' release of our parent's guarantee (which has not yet been finalized for United Mizrahi

Bank) and a release of their security interest over the assets of our subsidiary, 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 and Ormat Systems 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.

Some of the 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.

Our management believes that we are currently in compliance with our covenants with respect to our third-party debt.

Letters of Credit

From time to time, Bank Leumi and Bank Hapoalim have issued, as security for certain of our obligations, performance letters of credit in favor of our customers. In some cases, our parent is the obligor in respect of any reimbursement obligations to the bank with respect to such letters of credit. Pursuant to certain existing agreements with our parent described elsewhere in this quarterly report, we are required to pay to our parent a fee with respect to such letters of credit and we are responsible to reimburse our parent for any draw or payment made under these letters of credit. As of June 30, 2005, Bank Leumi and Bank Hapoalim have agreed to make available to us letters of credit in the amount of \$20.3 million and \$8.1 million, respectively. As of such date, Bank Leumi and Bank Hapoalim have issued letters of credit in the amount of \$15.8 million and \$6.9 million, respectively. Accordingly, a further \$4.5 million and \$1.2 million remain available under the arrangement with Bank Leumi and Bank Hapoalim, respectively.

Our subsidiary, Ormat Nevada, has also entered into a letter of credit agreement with Hudson United Bank, which is described in further detail under "Off-Balance Sheet Arrangements" below.

Refinancing of the Puna Project

On May 19, 2005, our subsidiary in Hawaii, PGV, completed a refinancing of the cost of its June 2004 acquisition of the Puna project geothermal power plant located on the Big Island of Hawaii. The refinancing was concluded with financing parties by means of a leveraged lease transaction as described under "Recent developments". The proceeds from the refinancing will be used for future capital expenditures and for general

corporate purposes.

Pursuant to a 31-year head lease, PGV leased its geothermal power plant to an unrelated company in return for a prepaid lease payment in the amount of \$71 million. Deferred transaction costs amounted to \$4.2 million.

Dividend

In accordance with our dividend policy, prior to our initial public offering we declared an interim dividend of \$2.5 million (\$0.1025 per share) for 2004 to our parent company, Ormat Industries, which was paid on March 2, 2005. In accordance with such dividend policy, on March 22, 2005, we declared, approved and authorized the payment of a quarterly dividend of \$947,000 (\$0.03 per share), which was paid on April 18, 2005. On May 10, 2005, we declared, approved and authorized payment of a

quarterly dividend of \$947,000 (\$0.03 per share) to all holders of our issued and outstanding shares of common stock on May 23, 2005, which was paid on June 6, 2005. On August 11, 2005, we declared, approved and authorized payment of a quarterly dividend of \$947,000 (\$0.03 per share) to all holders of our issued and outstanding shares of common stock on August 22, 2005, payable on September 1, 2005. We expect to pay a similar dividend for the third quarter of the fiscal year 2005.

Historical Cash Flows

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

	Six Months ended June 30	
	2005	2004
	(in thousands)	
Net cash provided by operating activities	\$ 35,200	\$ 22,660
Net cash used in investing activities	(36,909)	(233,129)
Net cash provided by financing activities	12,183	222,766
Net increase in cash and cash equivalents	10,474	12,297

For the Six Months Ended June 30, 2005

Net cash provided by operating activities for the six months ended June 30, 2005 was \$35.2 million, as compared with net cash provided by operating activities of \$22.7 million for the six months ended June 30, 2004. Such net increase of \$12.5 million resulted primarily from the following: (i) an increase of \$14.8 million in accounts payable and accrued expenses for the six months ended June 30, 2005 as compared with an increase of \$4.8 million for the six months ended June 30, 2004 due to the increase of our activities relating mainly to projects under construction for third parties, (ii) an increase of \$4.0 million in depreciation and amortization to \$18.3 million for the six months ended June 30, 2005 from \$14.3 million for the six months ended June 30, 2004 as a result of the acquisitions of the Steamboat 2/3 project, the Steamboat Hills project and the Puna project, and (iii) an increase of \$8.8 million in accounts receivable for the six months ended June 30, 2005 due to increased revenues in the Electricity Segment, as compared to an increase of \$4.6 million for the six months ended June 30, 2004.

Net cash used in investing activities for the six months ended June 30, 2005 was \$36.9 million, as compared with \$233.1 million used in investing activities for the six months ended June 30, 2004. The principal factor that affected our cash flow used in investing activities during the first half of 2005 was capital expenditures of \$48.8 million primarily for our power facilities under construction. Such cash used in investing activities was offset by a decrease of \$31.5 million in marketable securities of which \$20.8 million was allocated to restricted cash. The cash used in investing activities for the six months ended June 30, 2004 primarily included \$174.3 million of cash used for the acquisition of the Steamboat 2/3, Steamboat Hills and Puna projects. In addition our restricted cash and cash equivalents during the six months ended June 30, 2004 increased by \$50.7 million resulting primarily from the issuance by Ormat Funding of \$190.0 million of its 8 1/4% Senior Secured Notes. A portion of the

proceeds from the issuance of such Senior Secured Notes was escrowed and reserved for additional investments in the Galena project and to repay the loan from United Capital to fund the acquisition of the Ormesa project.

Net cash provided by financing activities for the six months ended June 30, 2005 was \$12.2 million, as compared with \$222.8 million provided by financing activities for the six months ended June 30, 2004. The principal factors that affected the cash flow provided by financing activities during the six months ended June 30, 2005 were the prepaid lease payment of \$71.0 million pursuant to the leveraged lease transaction (less \$3.7 million deferred cost related to such lease transaction), the repayment of short-term and long-term debt in the amount of \$31.1 million, repayment of debt to our parent in the amount of \$19.6 million, and the payment of a dividend to our shareholders in the amount of \$4.4 million. The principal factors that affected the cash flow provided by financing activities for the six months ended June 30, 2004 were the \$190.0 million in proceeds (less \$8.9 million

in debt issuance costs) from the issuance of Ormat Funding 81/4% Senior Secured Notes, which were used to finance the acquisition of the Steamboat 2/3 project and to refinance the acquisition of the Ormesa, Brady, Mammoth and Steamboat 1/A projects.

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. In addition, we have budgeted approximately \$5.0 million for 2005 and 2006 for buildings and for the acquisition of machinery and equipment.

To the extent not otherwise described below, we expect that the following enhancements of our existing power plants will be funded from internally generated cash or other available corporate resources, which we expect to subsequently refinance with non or limited recourse debt at the project level. Initially, we intend to fund the construction projects described below from internally generated cash or other available corporate resources. We currently do not contemplate obtaining any new loans from our parent company.

Mammoth Project. We commenced drilling activities at the Mammoth project under an approximately \$8.3 million enhancement program (\$4.15 million to be funded by us), which we believe will result in an increase in the output of the project by 4 MW. Such enhancement program is expected to be completed in 2006. A substantial portion of the funds required for such enhancement have been earmarked from the project's funds by us and our partners.

Heber Complex. In connection with the Heber 1 and 2 projects and the Goulds Plant, we are currently pursuing a program consisting of geothermal field optimization, the drilling of an additional well and the addition of Ormat Energy Converter (OEC") units at the Heber projects in order to increase the generating capacity of the Heber 1 and 2 projects by an estimated 18 MW, for an estimated total budgeted investment of approximately \$30.5 million. As of June 30, 2005, approximately \$20.7 million in costs had been incurred related to the Heber project. On May 6, 2005, we completed negotiations and we expect to enter into a definitive agreement in the coming few weeks for a new 25-year power purchase agreement with SCPPA for the purchase of 10 MW of energy for a fixed price of \$57.50/MWh which will escalate annually at a rate of 1.5%. Delivery of energy under this power purchase agreement is scheduled to begin at the end of 2005. Equipment manufacturing is in progress, the well drilling is almost completed and site construction has recently started.

Puna Project. In connection with the Puna project, we are currently pursuing an approximately \$19.0 million enhancement program which is designed to increase the output of the project by an estimated 5 MW and to improve its reliability. As of June 30, 2005, approximately \$4.8 million in costs had been incurred related to the enhancement project. On June 30, we completed the re-drilling of an existing well, which increased the output by approximately 4 MW and we started the drilling of a new well. We expect that such enhancement program will be completed in the fourth quarter of 2005. Currently the project sells approximately 29 MW during peak hours and has a contractual commitment to sell 22 MW during off-peak hours.

Ormesa Project. In connection with the Ormesa project, we have drilled two additional wells, plan to add additional OEC units and replace existing units in order to increase the output of the project by an estimated 10 MW. We estimate that the costs of such enhancements will be up to \$36.0 million. As of June 30, 2005, approximately \$4.3 million in costs had been incurred related to the enhancement project. On May 6, 2005, we

completed negotiations and we expect to enter into definitive agreement in the coming few weeks for a new 25-year power purchase agreement with SCPA for the purchase of 10 MW of energy for a fixed price \$57.50/MWh which will escalate annually at a rate of 1.5%. Delivery of energy under this power purchase agreement is expected to begin in the fourth quarter of 2006.

Galena Project. We commenced construction of the Galena project during the third quarter of 2004, started site construction in the first quarter of 2005 and expect to complete construction and

commence commercial operations in the fourth quarter of 2005. Construction costs of \$25.4 million are being funded from the proceeds of Ormat Funding's offering of Senior Secured Notes, \$8.9 million of which is currently deposited in an escrow account, and will be released in accordance with the progress of the construction phase for such enhancement. As of June 30, 2005, approximately \$16.4 million in costs had been incurred related to the Galena project. Based on the final design of the project, we plan to increase the Steamboat complex output by 13 MW.

Desert Peak 2 Project. In connection with the Desert Peak 2 project, we have already drilled the necessary production wells and we began the manufacturing and construction of the associated power plant, which is expected to be completed at the end of 2005 or the first quarter of 2006. The total construction cost for the construction of the 15 MW power plant is estimated to be \$35.0 million. As of June 30, 2005, approximately \$18.1 million in costs had been incurred related to the Desert Peak 2 project.

Galena 2 Project (formerly Desert Peak 3 Project). In connection with the Galena 2 project, we plan to construct a power plant in the Steamboat complex, which will supply electricity under the Galena 2 power purchase agreement. We commenced drilling of the wells. The total construction cost for the construction of the 10 MW power plant is estimated to be \$22.0 million. We estimate that the construction of the Galena 2 project will be performed during 2005 and 2006.

Amatitlan Project. The Amatitlan project is scheduled to be completed in 2006 at an aggregate construction cost for the 20 MW plant of approximately \$32.5 million. We commenced construction of the plant and as of June 30, 2005, approximately \$6.8 million in costs had been incurred related to the Amatitlan project. The municipal local authorities have claimed that a construction license is required for the project while our local counsel has advised us that no such license is required under the applicable laws and regulations. We are simultaneously proceeding to challenge the claim of the local municipal authorities and to obtain the construction license.

OREG 1 Project. The recovered energy project is scheduled to be completed in 2006 at an aggregate construction cost for the 22 MW plant of approximately \$35.0 million. As of June 30, 2005, approximately \$5.1 million in costs had been incurred related to this project.

Phase II of Olkaria III Project. In connection with Phase II of Olkaria III project, we have completed the drilling of the wells and are currently producing a conceptual design of the power plant. We expect the construction costs of the 35 MW power plant to range somewhere between \$60 and \$80 million.

In addition to the above projects we plan to start the construction and enhancement of additional projects in a total amount of approximately \$10.0 million.

Other than the enhancements and new projects described above, and a possible further enhancement to the Ormesa project which is in the early stages of conceptual design, we do not anticipate any other material capital expenditures in the near term for any of our operating projects, other than ordinary maintenance requirements, which we typically fund with internally generated cash.

Exposure to Market Risks

One market risk to which power plants are typically exposed is the volatility of electricity prices. 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 2007, 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 its short run avoided costs. We estimate that energy payments will represent approximately two-thirds of those projects' revenues after 2007 and as a result, expect that there will be some volatility in the revenues received from such projects.

As of June 30, 2005, 52.8% of our consolidated long-term debt (excluding 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, 47.2% of our debt was in the form of a floating rate instrument, exposing us to changes in interest rates in connection therewith. In order to mitigate such risks, we have acquired an interest rate cap of 6.0% with respect to the LIBOR component of the interest rate applicable to the Beal Bank loan from 2007 to 2011. We do not expect that a 300 basis point increase or decrease from current interest rates would have a material adverse effect on our financial position, but will have an effect on our results of operations and cash flows. As of June 30, 2005, \$303.1 million of our debt, including \$136.2 million owed to our parent, remained subject to some floating rate risk. As such, we are exposed to changes in interest rates with respect to our long-term obligations. The detrimental effect on our pre-tax earnings of a hypothetical 50 basis point increase in interest rates would be approximately \$1.5 million. See "Liquidity and Capital Resources" above for further discussion of our debt instruments.

In anticipation of the refinancing of the acquisition cost of our Puna project, on February 25, 2005, we entered into a rate lock agreement with Lehman Brothers Special Financing, Inc. at a locked-in treasury rate of 4.31%, with a notional amount of \$52.0 million, which was terminated on March 31, 2005. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. On March 31, 2005, we received from the counterparty to the rate lock agreement the amount of \$658,000. This amount net of related taxes of \$250,000 is recorded in our financial statements as "Gain in respect of derivative instruments designated for cash flow hedge, net of related taxes" under "Other comprehensive income (loss)" and will be amortized over the 23-year term of the Project Lease.

On April 20, 2005, we entered into a new rate lock agreement with the abovementioned financial institution, at a locked-in treasury rate of 4.22%, with a notional amount of \$52.0 million, and originally scheduled to terminate on May 2, 2005. The new rate lock agreement's termination date was extended until May 18, 2005 at a new locked-in treasury rate of 4.25%. The rate lock was based on a 10-year treasury security that matures on February 15, 2015. On May 18, 2005, we paid the counterparty to the rate lock agreement the amount of \$762,000. This amount net of related taxes of \$290,000 is recorded in our financial statements as a "Loss in respect of derivative instruments designated for cash flow hedge, net of related taxes" under "Other comprehensive income (loss)" and will be amortized over the 23-year term of the Project Lease.

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. 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 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. For example, in February 2005 we signed a contract in the amount of approximately \$24 million for construction of a power plant which is denominated in Euros. A substantial portion of such contract will be matched by costs denominated in Euros. 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. Currently, 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.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits and Preferred Auctioned Rate Securities, which we refer to as PARS (deposits of entities with a minimum investment grade rating of AA (by Standard & Poor's Ratings Services)).

Off-Balance Sheet Arrangements

On June 30, 2004, our subsidiary, Ormat Nevada, entered into a Letter of Credit Agreement with Hudson United Bank, pursuant to which Hudson United Bank agreed to issue one or more letters of credit in an aggregate face amount of up to \$15.0 million. As of the date hereof, two letters of credit have been issued pursuant to this facility. The first was issued in favor of the trustee for the 8¼% Senior Secured Notes, for a face amount of \$8.1 million, which was increased by an additional amount of \$2.7 million on December 30, 2004. The second was issued in favor of Beal Bank, for a face amount of \$3.6 million. Such letters of credit have been issued to substitute for current cash balances in respective reserve accounts. The unrestricted cash resulting from this exchange was used for working capital and reductions of outstanding bank debt. As of June 30, 2005, such letters of credit have not been renewed by us. Under this Letter of Credit Agreement, in the event that the bank is required to pay on a letter of credit drawn by the beneficiary thereof, such letter of credit converts to a loan, bearing interest at LIBOR plus 4.0%, and matures on the next expiration date of the Letter of Credit Agreement. There are various restrictive covenants under the Letter of Credit Agreement, which include maintaining certain levels of tangible net worth, leverage ratio, and minimum coverage ratio. Our management believes that we are currently in compliance with our covenants.

On July 15, 2004, we entered into a reimbursement agreement with Ormat Industries, pursuant to which we agreed to reimburse Ormat Industries for any draws made on any standby letter of credit under which Ormat Industries is obligor and which is subject to the guarantee fee agreement between us and Ormat Industries. Interest on any amounts owing pursuant to the reimbursement agreement is paid in U.S. dollars at a rate per annum equal to Ormat Industries' average effective cost of funds plus 0.3%, which currently amounts to 7.5%.

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. Initially, our parent, Ormat Industries, was the obligor in respect of any reimbursement obligations on such letters of credit and we paid our parent a guarantee fee and were responsible to reimburse our parent for any draw under these letters of credit. In connection with the acquisition of the power generation business by Ormat Systems from our parent, we have assumed such letters of credit and are now the direct obligor of Bank Leumi and Bank Hapoalim on most of such letters of credit. As of June 30, 2005, Bank Leumi and Bank Hapoalim have agreed to make available to us letters of credit totaling \$20.3 million and \$8.1 million, respectively. As of such date, Bank Leumi and Bank Hapoalim have issued letters of credit in the amount of \$15.8 million and \$6.9 million, respectively. Out of these amounts, letters of credits totaling \$7.1 million and \$1.7 million from Bank Leumi and Bank Hapoalim, respectively, have been obtained by our parent and issued on our behalf.

As of the date hereof, we have not had a draw presented against any letter of credit issued or provided on our behalf.

Concentration of Credit Risk

Our credit risk is currently concentrated with a limited number of major customers: Sierra Pacific Power Company, Southern California Edison Company, Hawaii Electric Light Company, PNOC-Energy Development Corporation, The Kenya Power and Lighting Company Limited and two

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 Company accounted for 38.8% and 42.4% of our total revenues for the three months ended June 30, 2005 and 2004, respectively, and 36.2% and 41.6% of our total revenues for the six months ended June 30, 2005 and 2004, respectively. Southern California Edison Company is also the power purchaser and revenue source for our Mammoth project, which we account for separately under the equity method of accounting.

Sierra Pacific Power Company accounted for 14.1% and 14.3% of our total revenues for the three months ended June 30, 2005 and 2004, respectively, and 15.5% and 13.1% of our total revenues for the six months ended June 30, 2005 and 2004, respectively.

Following the acquisition of the Puna project in June 2004, Hawaii Electric Light Company became one of our key customers, accounting for 12.7% and 13.5% of our total revenues for the three and six-month periods ended June 30, 2005, respectively.

PNOC-Energy Development Corporation accounted for 3.1% of our total revenues for the six months ended June 30, 2004. The results of operations of the Leyte project which sells electricity to PNOC were deconsolidated as of April 1, 2004.

The two electric distribution companies which are assignees of Empresa Nicaraguense de Electricidad accounted for 5.2% and 5.7% of our total revenues for the three months ended June 30, 2005 and 2004, respectively, and 5.5% and 6.0% of our total revenues for the six months ended June 30, 2005 and 2004, respectively. The Kenya Power & Lighting Co. Ltd. accounted for 4.6% and 4.6% of our total revenues for the three months ended June 30, 2005 and 2004, respectively, and 4.7% and 4.8% of our total revenues for the six months ended June 30, 2005 and 2004, respectively.

Government Grants and Tax Benefits

Our subsidiary, Ormat Systems, has received "Approved Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959, with respect to two of its investment programs. One such approval was received in 1996 and the other was received in May 2004. As an Approved Enterprise, our subsidiary is exempt from Israeli income taxes with respect to income derived from the approved investment program for a period of two years commencing on the year it first generates profits from the approved investment program, 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 set forth in the certificate of approval from Israel's Investment Center that include, among other things, a requirement that Ormat Systems comply with Israeli intellectual property law, that all transactions between Ormat Systems and our affiliates be at arms length, and that there will be no change in control of, on a cumulative basis, more than 49% of Ormat Systems' capital stock (including by way of a public offering) without the prior written approval of the Investment Center.

Prior to 2003, our research and development efforts were partially funded through grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor. We currently have no such grants available or outstanding. Under Israeli law, we are required to pay royalties to the Israeli government based on revenues derived from the sale of products developed with the assistance of such grants. The applicable royalty rate is between of 3.5% to 5.0%, and the amount of royalties required to be paid are capped at the amount of the grants received (in U.S. dollars). The outstanding balance of grants provided after January 1, 1999 accrue interest at a rate equal to the 12-month LIBOR, as published on the first day of the calendar year in which the particular grant was approved. Because the royalties are payable only from revenues, if any, derived from the relevant products, we only recognize a royalty expense to the government upon delivery of the product to our customers.

Risk Factors

A comprehensive discussion of our risk factors is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our annual report on Form 10-K/A for the year ended December 31, 2004.

We incorporate by reference the information appearing under "Exposure to Market Risks" and "Concentration of Credit Risk" in Part I, Item 2 of this 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 pursuant to Rule 13a-15 under the Securities and Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report. The evaluation included certain control areas in which we have made, and are continuing to make, changes to improve and enhance controls. Based on that evaluation as of June 30, 2005, 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 to ensure that the information required to be disclosed by us in this quarterly report on Form 10-Q was recorded, processed, summarized and reported accurately and within the time periods specified within the SEC's rules and instructions for Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

b. Changes in internal controls over financial reporting

There were no changes in our internal controls over financial reporting in the first six months of 2005 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

We are further enhancing our documentation and analyzing our system of internal controls. We have initially identified areas of our internal controls requiring improvement, and are in the process of designing enhanced processes and controls to address issues identified through this review. Areas of improvement include enhancing and streamlining our domestic and international financial reporting procedures. We plan to continue this initiative, as well as prepare for our first management report on internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, on December 31, 2005.

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 first six months of fiscal year 2005 from those previously reported in Part I, Item 3 of our annual report on Form 10-K/A for the year ended December 31, 2004.

From time to time, we (and our subsidiaries) are a party to various other 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 U.S. generally accepted accounting principles. 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On November 10, 2004, the SEC declared effective our registration statement on Form S-1 (File No. 333-117527) (Registration Statement") for our Initial Public Offering. Under the Registration Statement, we registered and sold 7,187,500 shares of our common stock. All of the 7,187,500 shares sold in that offering were sold at \$15.00 per share. The offering closed on November 16, 2004. The underwriting syndicate was managed by Lehman Brothers Inc., Deutsche Bank Securities Inc., RBC Capital Markets Corporation, and Wells Fargo

Securities LLC.

The aggregate gross proceeds from the sale of 7,187,500 shares of common stock were \$107.8 million. The aggregate net proceeds to us after the offering were \$97.0 million, after deducting an aggregate of \$7.5 million in underwriting discounts and commissions paid to the underwriters and \$3.3 million in other expenses incurred in connection with the offering.

As of the date of this filing, we invested \$14.0 million out of the net proceeds in interest-bearing investment-grade instruments and bank deposits; we repaid third party loans in the amount of \$23.3 million and used \$59.7 million for corporate purposes, including \$31.0 million for capital expenditures and \$7.0 million to repay loans from our parent, Ormat Industries Ltd.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On May 9, 2005, we held our 2005 Annual Meeting of Stockholders. At the Annual Meeting, two matters were voted upon: (i) the election of two directors, each for a three-year term expiring at the 2008 Annual Meeting of Stockholders and until their successors are elected and qualified; and (ii) the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year 2005.

The results of the votes electing the two director nominees, Yoram Bronicki and Edward Muller, and ratifying the appointment of PricewaterhouseCoopers LLP as our independent auditor for fiscal year 2005 were as follows:

Proposal	Votes For	Votes Against/		Broker Non-votes
		Withheld	Abstentions	
Election of Director Yoram Bronicki	28,619,502	1,558,662	N/A	N/A
Election of Director Edward Muller	30,144,064	34,100	N/A	N/A
Ratification of Appointment of PricewaterhouseCoopers LLP	30,176,569	915	680	-0-

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.
4.1	Form of Common Share Stock Certificate, incorporated by reference to Exhibit 4.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
4.2	Form of Preferred Share Stock Certificate, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
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.

- 10.1 Financing Agreements
- 10.1.1 Foreign Currency Loan Agreement, dated June 1, 2004, between Ormat Technologies, Inc. and United Mizrahi Bank LTD., incorporated by reference to Exhibit 10.1.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.1.2 Amended and Restated Bridge Loan Agreement, dated October 2, 2003, by and between Ormat Nevada, Inc. and Bank Leumi USA, incorporated by reference to Exhibit 10.1.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.3 Credit Facility Agreement, dated September 5, 2000, between Ormat Momotombo Power Company and Bank Hapoalim B.M., incorporated by reference to Exhibit 10.1.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.4 Credit Agreement, dated as of December 18, 2003, among OrCal Geothermal Inc. and Beal Bank, S.S.B. and the financial institutions party thereto from time to time, incorporated by reference to Exhibit 10.1.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.5 Credit Agreement, dated May 13, 1996, between Ormat-Leyte and Export-Import Bank of the United States, incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.1.6	Indenture, dated February 13, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.7	First Supplemental Indenture, dated May 14, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.8	Loan Agreement, dated October 1, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.9	Amendment No. 1 to Loan Agreement, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.10 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.10	Capital Note, dated December 22, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.11	Amendment to Capital Note, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

- 10.1.12 Guarantee Fee Agreement, dated January 1, 1999, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.13 Reimbursement Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.14 Services Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.1.15 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.1.15	Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 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.
10.1.16	First Amendment to Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.17 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.
10.1.17	Subordination Agreement, dated June 30, 2004, by and between Ormat Technologies, Inc. and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 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.
10.2	Purchase Agreements
10.2.1	Purchase and Sale Agreement, dated April 22, 2004, by and among Constellation Power, Inc. and Cosi Puna, Inc. and ORNI 8 LLC and Ormat Nevada, Inc., incorporated by reference to Exhibit 10.2.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.2	Purchase Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.2.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3	Power Purchase Agreements
10.3.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc., incorporated by reference to Exhibit 10.3.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal, incorporated by reference to Exhibit 10.3.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc., incorporated by reference to Exhibit 10.3.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company, incorporated by reference to Exhibit 10.3.4 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.3.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.6	Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.12 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.14	Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.16	Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc., incorporated by reference to Exhibit 10.3.16 to Ormat

- Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.17 Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.18 Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.19 Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.20 Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II), incorporated by reference to Exhibit 10.3.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.21 Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.21 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.22 Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company incorporated by reference to Exhibit 10.3.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.23 Plant Connection Agreement for the Heber Geothermal Plant No.1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company incorporated by reference to Exhibit 10.3.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No.1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE incorporated by reference to Exhibit 10.3.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH incorporated by reference to Exhibit 10.3.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated,

March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.30 Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.31 Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.32	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.33	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.33 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.34 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.35 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc. incorporated by reference to Exhibit 10.3.36 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.37 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.38 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.39	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.39 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.40	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.40 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.41	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.41 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.42	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.42 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.43	Energy Services Agreement, dated February 2003, by and between Imperial Irrigation District and ORMESA, LLC incorporated by reference to Exhibit 10.3.43 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.44	Purchase Power Contract, dated March 24, 1986, by and between Hawaii Electric Light Company and Thermal Power Company incorporated by reference to Exhibit 10.3.44 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.45	Firm Capacity Amendment to Purchase Power Contract, dated July 28, 1989, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.45 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.46	Amendment to Purchase Power Contract, dated October 19, 1993, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.46 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.47	Third Amendment to the Purchase Power Contract, dated March 7, 1995, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.47 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.48	Performance Agreement and Fourth Amendment to the Purchase Power Contract, dated February 12, 1996, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.48 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.49	Agreement to Design 69 KV Transmission Lines, a Substation at Pohoiki, Modifications to Substations at Puna and Kaumana, and a Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase II and III), dated June 7, 1990, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.49 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4	Leases incorporated by reference to Exhibit 10.4 to Ormat Technologies, Inc. Registration

Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

- 10.4.1 Ormesa BLM Geothermal Resources Lease CA 966 incorporated by reference to Exhibit 10.4.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.2 Ormesa BLM License for Electric Power Plant Site CA 24678 incorporated by reference to Exhibit 10.4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.3 Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee incorporated by reference to Exhibit 10.4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.4 Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee incorporated by reference to Exhibit 10.4.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.5 Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee incorporated by reference to Exhibit 10.4.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.6 Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee incorporated by reference to Exhibit 10.4.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.7 Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.7 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.8 Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.9	Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee incorporated by reference to Exhibit 10.4.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.10	Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.11	Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.11 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.12	Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.13	Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee

incorporated by reference to Exhibit 10.4.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

- 10.4.14 Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.14 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.15 Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.16 Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.16 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.17 Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.17 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.21 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee incorporated by reference to Exhibit 10.4.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee incorporated by reference to Exhibit 10.4.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-

117527) to the Securities and Exchange Commission on September 28, 2004.

10.4.25 Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.4.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.26	Geothermal Resources Lease, dated June 27, 1988, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.27	Amendment to Geothermal Resources Lease, dated January, 1992, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.28	Second Amendment to Geothermal Resources Lease, dated June 25, 1993, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc. and its Assignee, Steamboat Development Corp., as Lessee incorporated by reference to Exhibit 10.4.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.29	Geothermal Resources Sublease, dated May 31, 1991, by and between Fleetwood Corporation, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.30	KLP Lease and Agreement, dated March 1, 1981, by and between Kapoho Land Partnership, as Lessor, and Thermal Power Company, as Lessee incorporated by reference to Exhibit 10.4.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.31	Amendment to KLP Lease and Agreement, dated July 9, 1990, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.32	Second Amendment to KLP Lease and Agreement, dated December 31, 1996, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.33	Participation Agreement, dated May 18, 2005, by and among Puna Geothermal Venture, SE Puna, L.L.C., Wilmington Trust Company, S.E. Puna Lease, L.L.C., AIG Annuity Insurance Company, American General Life Insurance Company, Allstate Life Insurance Company and Union Bank of California, filed herewith.
10.4.34	Project Lease Agreement, dated May 18, 2005, by and between SE Puna, L.L.C. and Puna Geothermal Venture, filed herewith.

Exhibit No.	Document
10.5	General
10.5.1	Engineering, Procurement and Construction Contract, dated August 23, 2002, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc incorporated by reference to Exhibit 10.5.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.2	Amendment No. 1, to Engineering, Procurement and Construction Contract, dated, 2003, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.5.3	Engineering, Procurement and Construction Contract, dated 2003, by and between Contact Energy Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.4	Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.5.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.5	Form of Registration Rights Agreement by and between Ormat Technologies, Inc. and Ormat Industries Ltd. incorporated by reference to Exhibit 10.5.5 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.
10.6.1	Ormat Technologies, Inc. 2004 Incentive Compensation Plan incorporated by reference to Exhibit 10.6.1 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.
10.6.2	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 10.6.2 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.
10.6.3	Form of Nonqualified Stock Option Agreement incorporated by reference to Exhibit 10.6.3 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.
10.7	Form of Executive Employment Agreement of Lucien Bronicki incorporated by reference to Exhibit 10.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.8	Form of Executive Employment Agreement of Yehudit Bronicki incorporated by reference to Exhibit 10.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.9	Form of Executive Employment Agreement of Yoram Bronicki incorporated by reference to Exhibit 10.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.10.1	Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.1 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 20, 2004
10.10.2	Amendment No. 1 to Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.2 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 20, 2004
10.10.11	Form of Indemnification Agreement incorporated by reference to Exhibit 10.11 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 20, 2004
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.
- 99.1 Material terms with respect to BLM geothermal resources leases incorporated by reference to Exhibit 99.1 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 20, 2004.
- 99.2 Material terms with respect to BLM site leases incorporated by reference to Exhibit 99.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 99.3 Material terms with respect to agreements addressing renewable energy pricing and payment issues incorporated by reference to Exhibit 99.3 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

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: August 11, 2005

By: /s/ JOSEPH TENNE

Name: Joseph Tenne

Title: Chief Financial Officer

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.
4.1	Form of Common Share Stock Certificate, incorporated by reference to Exhibit 4.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
4.2	Form of Preferred Share Stock Certificate, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
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.

- 10.1 Financing Agreements
- 10.1.1 Foreign Currency Loan Agreement, dated June 1, 2004, between Ormat Technologies, Inc. and United Mizrahi Bank LTD., incorporated by reference to Exhibit 10.1.1 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.1.2 Amended and Restated Bridge Loan Agreement, dated October 2, 2003, by and between Ormat Nevada, Inc. and Bank Leumi USA, incorporated by reference to Exhibit 10.1.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.3 Credit Facility Agreement, dated September 5, 2000, between Ormat Momotombo Power Company and Bank Hapoalim B.M., incorporated by reference to Exhibit 10.1.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.4 Credit Agreement, dated as of December 18, 2003, among OrCal Geothermal Inc. and Beal Bank, S.S.B. and the financial institutions party thereto from time to time, incorporated by reference to Exhibit 10.1.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.1.5 Credit Agreement, dated May 13, 1996, between Ormat-Leyte and Export-Import Bank of the United States, incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.1.6	Indenture, dated February 13, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.7	First Supplemental Indenture, dated May 14, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.8	Loan Agreement, dated October 1, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.9	Amendment No. 1 to Loan Agreement, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.10 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.10	Capital Note, dated December 22, 2003, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.11	Amendment to Capital Note, dated September 20, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.12	Guarantee Fee Agreement, dated January 1, 1999, by and between Ormat Technologies, Inc.

and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.1.13 Reimbursement Agreement, dated July 15, 2004, by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.1.14 Services Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.1.15 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.1.15	Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 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.
10.1.16	First Amendment to Letter of Credit and Loan Agreement, dated June 30, 2004, by and between Ormat Nevada, Inc., and Hudson United Bank, incorporated by reference to Exhibit 10.1.17 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.
10.1.17	Subordination Agreement, dated June 30, 2004, by and between Ormat Technologies, Inc. and Hudson United Bank, incorporated by reference to Exhibit 10.1.16 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.
10.2	Purchase Agreements
10.2.1	Purchase and Sale Agreement, dated April 22, 2004, by and among Constellation Power, Inc. and Cosi Puna, Inc. and ORNI 8 LLC and Ormat Nevada, Inc., incorporated by reference to Exhibit 10.2.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.2	Purchase Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 10.2.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3	Power Purchase Agreements
10.3.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc., incorporated by reference to Exhibit 10.3.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal, incorporated by reference to Exhibit 10.3.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc., incorporated by reference to Exhibit 10.3.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company, incorporated by reference to Exhibit 10.3.4 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.3.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.6	Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.12 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.14	Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.16	Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc., incorporated by reference to Exhibit 10.3.16 to Ormat

- Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.17 Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.17 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.18 Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.19 Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.20 Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II), incorporated by reference to Exhibit 10.3.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.21 Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.21 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.22 Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company incorporated by reference to Exhibit 10.3.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.3.23 Plant Connection Agreement for the Heber Geothermal Plant No.1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company incorporated by reference to Exhibit 10.3.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No.1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE incorporated by reference to Exhibit 10.3.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH incorporated by reference to Exhibit 10.3.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated,

March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.30 Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

10.3.31 Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.32	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.33	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.33 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.34 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.35 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.36	Leyte Optimization Project BOT Agreement, dated August 4, 1995, by and between PNOC-Energy Development Corporation and Ormat Inc. incorporated by reference to Exhibit 10.3.36 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.37	First Amendment to Leyte Optimization Project BOT Agreement, dated February 29, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.37 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.38	Second Amendment to Leyte Optimization Project BOT Agreement, dated April 1, 1996, by and between PNOC-Energy Development Corporation and Ormat Leyte Co. Ltd. incorporated by reference to Exhibit 10.3.38 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.3.39	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.39 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.40	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.40 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.41	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.41 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.42	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.42 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.43	Energy Services Agreement, dated February 2003, by and between Imperial Irrigation District and ORMESA, LLC incorporated by reference to Exhibit 10.3.43 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.44	Purchase Power Contract, dated March 24, 1986, by and between Hawaii Electric Light Company and Thermal Power Company incorporated by reference to Exhibit 10.3.44 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.45	Firm Capacity Amendment to Purchase Power Contract, dated July 28, 1989, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.45 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.46	Amendment to Purchase Power Contract, dated October 19, 1993, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.46 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.47	Third Amendment to the Purchase Power Contract, dated March 7, 1995, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.47 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.3.48	Performance Agreement and Fourth Amendment to the Purchase Power Contract, dated February 12, 1996, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.48 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.3.49	Agreement to Design 69 KV Transmission Lines, a Substation at Pohoiki, Modifications to Substations at Puna and Kaumana, and a Temporary 34.5 Facility to Interconnect PGM's Geothermal Electric Plant with HELCO's System Grid (Phase II and III), dated June 7, 1990, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.49 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4	Leases incorporated by reference to Exhibit 10.4 to Ormat Technologies, Inc. Registration

Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

- 10.4.1 Ormesa BLM Geothermal Resources Lease CA 966 incorporated by reference to Exhibit 10.4.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.2 Ormesa BLM License for Electric Power Plant Site CA 24678 incorporated by reference to Exhibit 10.4.2 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.3 Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee incorporated by reference to Exhibit 10.4.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.4 Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee incorporated by reference to Exhibit 10.4.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.5 Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee incorporated by reference to Exhibit 10.4.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.6 Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee incorporated by reference to Exhibit 10.4.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
- 10.4.7 Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.7 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.8 Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.8 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.9	Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee incorporated by reference to Exhibit 10.4.9 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.10	Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.10 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.11	Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.11 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.12	Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.12 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.13	Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee

incorporated by reference to Exhibit 10.4.13 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

- 10.4.14 Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.14 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.15 Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.16 Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.16 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 10.4.17 Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.17 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.18 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.19 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.20 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.21 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.4.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.22 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee incorporated by reference to Exhibit 10.4.23 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee incorporated by reference to Exhibit 10.4.24 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-

117527) to the Securities and Exchange Commission on September 28, 2004.

10.4.25 Unprotected Lease Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.4.25 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

Exhibit No.	Document
10.4.26	Geothermal Resources Lease, dated June 27, 1988, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.26 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.27	Amendment to Geothermal Resources Lease, dated January, 1992, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.27 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.28	Second Amendment to Geothermal Resources Lease, dated June 25, 1993, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc. and its Assignee, Steamboat Development Corp., as Lessee incorporated by reference to Exhibit 10.4.28 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.29	Geothermal Resources Sublease, dated May 31, 1991, by and between Fleetwood Corporation, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.29 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.30	KLP Lease and Agreement, dated March 1, 1981, by and between Kapoho Land Partnership, as Lessor, and Thermal Power Company, as Lessee incorporated by reference to Exhibit 10.4.30 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.31	Amendment to KLP Lease and Agreement, dated July 9, 1990, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.31 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.32	Second Amendment to KLP Lease and Agreement, dated December 31, 1996, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.32 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.4.33	Participation Agreement, dated May 18, 2005, by and among Puna Geothermal Venture, SE Puna, L.L.C., Wilmington Trust Company, S.E. Puna Lease, L.L.C., AIG Annuity Insurance Company, American General Life Insurance Company, Allstate Life Insurance Company and Union Bank of California, filed herewith.
10.4.34	Project Lease Agreement, dated May 18, 2005, by and between SE Puna, L.L.C. and Puna Geothermal Venture, filed herewith.

Exhibit No.	Document
10.5	General
10.5.1	Engineering, Procurement and Construction Contract, dated August 23, 2002, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc incorporated by reference to Exhibit 10.5.1 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.2	Amendment No. 1, to Engineering, Procurement and Construction Contract, dated, 2003, by and between Tuaropaki Power Company Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.5.3	Engineering, Procurement and Construction Contract, dated 2003, by and between Contact Energy Limited and Ormat Pacific Inc. incorporated by reference to Exhibit 10.5.3 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.4	Patent License Agreement, dated July 15, 2004, by and between Ormat Industries Ltd. and Ormat Systems Ltd. incorporated by reference to Exhibit 10.5.4 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.5.5	Form of Registration Rights Agreement by and between Ormat Technologies, Inc. and Ormat Industries Ltd. incorporated by reference to Exhibit 10.5.5 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.
10.6.1	Ormat Technologies, Inc. 2004 Incentive Compensation Plan incorporated by reference to Exhibit 10.6.1 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.
10.6.2	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 10.6.2 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.
10.6.3	Form of Nonqualified Stock Option Agreement incorporated by reference to Exhibit 10.6.3 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.
10.7	Form of Executive Employment Agreement of Lucien Bronicki incorporated by reference to Exhibit 10.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.8	Form of Executive Employment Agreement of Yehudit Bronicki incorporated by reference to Exhibit 10.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

Exhibit No.	Document
10.9	Form of Executive Employment Agreement of Yoram Bronicki incorporated by reference to Exhibit 10.9 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.10.1	Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.1 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 20, 2004
10.10.2	Amendment No. 1 to Form of Executive Employment Agreement of Hezy Ram incorporated by reference to Exhibit 10.10.2 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 20, 2004
10.10.11	Form of Indemnification Agreement incorporated by reference to Exhibit 10.11 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 20, 2004
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.
- 99.1 Material terms with respect to BLM geothermal resources leases incorporated by reference to Exhibit 99.1 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 20, 2004.
- 99.2 Material terms with respect to BLM site leases incorporated by reference to Exhibit 99.2 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
- 99.3 Material terms with respect to agreements addressing renewable energy pricing and payment issues incorporated by reference to Exhibit 99.3 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.

EXECUTION COPY

PARTICIPATION AGREEMENT

Dated as of May 18, 2005

among

PUNA GEOTHERMAL VENTURE,
as Lessee,

SE PUNA, L.L.C.,
as Owner Lessor,

WILMINGTON TRUST COMPANY,
in its individual capacity,

SE PUNA LEASE, L.L.C.,

as Equity Investor,

AIG ANNUITY INSURANCE COMPANY, AMERICAN GENERAL LIFE
INSURANCE COMPANY and ALLSTATE LIFE INSURANCE COMPANY

as Noteholders

and

UNION BANK OF CALIFORNIA, N.A.,
not in its individual capacity, but solely
as Indenture Trustee

PUNA GEOTHERMAL GENERATION PROJECT

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PARTICIPATION AGREEMENT

This PARTICIPATION AGREEMENT, dated as of May 18, 2005 (this "Participation Agreement" or this "Agreement"), is among (i) Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"), (ii) SE Puna, L.L.C., a Delaware limited liability company (the "Owner Lessor"), (iii) Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), (iv) SE Puna Lease, L.L.C., a Delaware limited liability company (the "Equity Investor"), (v) AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and (vi) Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee").

WITNESSETH:

WHEREAS, KLDC is the owner in fee simple of the Project Site, subject to the rights of the State of Hawaii in the Geothermal Resource, and KLDC leased the Project Site to KLP pursuant to the Master Surface Lease;

WHEREAS, the State of Hawaii leased the right to develop the Geothermal Resource to KLP pursuant to the Master Resource Lease;

WHEREAS, KLP subleased the Project Site to the Lessee pursuant to the Power Plant Sublease and granted certain easements relating to the Project Site to the Lessee pursuant to the Delivery System Grant of Easements;

WHEREAS, KLP subleased the right to develop the Geothermal Resource to the Lessee pursuant to the Resource Sublease;

WHEREAS, the Lessee is the owner of the Project located on the Project Site;

WHEREAS, the Lessee desires to (i) transfer all right, title and interest (other than legal title) in its interest in the Project to the Owner Lessor pursuant to the Head Lease, (ii) sublease the Project Site to the Owner Lessor for the term of the Head Lease pursuant to the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, (iii) sublease its rights to develop the Geothermal Resource to the Owner Lessor pursuant to the Sublease of Resource Sublease, (iv) assign as security the Lessee's interest in certain Project Documents to the Owner Lessor pursuant to the Lessee Security Agreement, (v) assign as security the Lessee's right, title and interest in

and to the Project Site and certain third party consents related thereto to the Owner Lessor pursuant to certain Security Documents, (vi) lease the Project from the Owner Lessor pursuant to the Project Lease, (vii) sublease the Project Site from the Owner Lessor for the term of the Project Lease pursuant to the Sub-Sublease of the Power Plant Sublease and the Sub-Sub-Grant of Delivery

System Grant of Easements and (viii) sub-sublease the rights of the Owner Lessor to develop the Geothermal Resource from the Owner Lessor pursuant to the Sub-Sublease of Resource Sublease;

WHEREAS, the Owner Lessor desires to (i) accept the transfer of all right, title and interest (other than legal title) in the Lessee's interest in the Project from the Lessee pursuant to the Head Lease, (ii) sublease the Project Site from the Lessee for the term of the Head Lease pursuant to the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, (iii) sublease the Lessee's rights to develop the Geothermal Resource from the Lessee pursuant to the Sublease of Resource Sublease, (iv) receive a security interest in the Lessee's right, title and interest in certain Project Documents from the Lessee pursuant to the Lessee Security Agreement, (v) receive a security interest in the Lessee's right, title and interest in and to the Project Site and receive certain third party consents related thereto pursuant to certain Security Documents, (vi) lease the Project to the Lessee pursuant to the Project Lease, (vii) sub-sublease the Project Site to the Lessee for the term of the Project Lease pursuant to the Sub-Sublease of the Power Plant Sublease and the Sub-Sub-Grant of Delivery System Grant of Easements and (viii) sub-sublease its rights to develop the Geothermal Resource to the Lessee pursuant to the Sub-Sublease of Resource Sublease;

WHEREAS, concurrently with the execution and delivery of this Participation Agreement, the Pledgor has entered into the Lessee Partners Interest Pledge Agreement and the Lessee Partners have entered into the PGV Interests Pledge Agreement each in favor of the Owner Lessor to secure the obligations of the Lessee under the Operative Documents;

WHEREAS, concurrently with the execution and delivery of this Participation Agreement, the Equity Investor has entered into the LLC Agreement with the Trust Company, pursuant to which the Owner Lessor has been created and is authorized to, among other things and subject to the terms and conditions thereof and hereof, lease the Project from the Lessee for the Head Lease Term pursuant to the Head Lease, sublease the Project Site from the Lessee for the Head Lease Term pursuant to the Sublease of the Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, take a security interest in the Lessee's right, title and interest in certain Project Documents pursuant to the Lessee Security Agreement, take a security interest in the Lessee's right, title and interest in and to the Project Site and certain, third party consents related thereto pursuant to certain Security Documents, lease the Project to the Lessee for the Project Lease Term pursuant to the Project Lease and sub-sublease the

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Project Site to the Lessee for the Project Lease Term pursuant to the Sub-Sublease of the Power Plant Sublease and the Sub-Sub-Grant of Delivery System Grant of Easements;

WHEREAS, in order to obtain a portion of the funds necessary to pay the Head Lease Rent pursuant to the Head Lease, the Owner Lessor desires to issue and sell to the Noteholders on the Closing Date Senior Notes pursuant to the Indenture and secure its obligations thereunder by assigning to the Indenture Trustee, among other things, its interests in the Project, the Project Site, the Geothermal Resource and the Project Documents and certain of the Operative Documents executed in connection therewith, all in accordance with the terms and conditions of the Operative Documents;

WHEREAS, subject to the terms and conditions hereof, the Noteholders are willing to purchase the relevant Senior Notes from the Owner Lessor on the Closing Date;

WHEREAS, concurrently with the execution and delivery of the Head

Lease and the Project Lease, the Lessee, the Owner Lessor, the Equity Investor and the Indenture Trustee will enter into the Depositary Agreement with the Depositary Bank, pursuant to which certain Accounts will be created, and the Lessee will deposit into the Senior Rent Reserve Account and the Junior Rent Reserve Account, the amounts required pursuant to Section 4 of the Depositary Agreement; and

WHEREAS, the parties hereto desire to make certain deposits on the Closing Date in accordance with the terms of the Depositary Agreement; and

WHEREAS, the parties hereto desire to consummate the transactions contemplated hereby and by the other Operative Documents.

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

SECTION 1. DEFINITIONS; INTERPRETATION OF THIS PARTICIPATION AGREEMENT

The capitalized terms used in this Participation Agreement, including the foregoing recitals, and not otherwise defined herein shall have the respective meanings specified in Appendix A hereto. The general provisions of Appendix A shall apply to this Participation Agreement.

SECTION 2. PARTICIPATION; CLOSING DATE; TRANSACTION COSTS

Section 2.1. Agreement to Participate.

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Subject to the terms and conditions of this Agreement, and in reliance on the agreements, representations and warranties made herein, the parties agree to participate in the Transaction as described in this Section 2.1 on the Closing Date as follows:

(a) the Equity Investor agrees to provide funds to the Owner Lessor in an amount sufficient to (i) fund the Equity Investment and (ii) pay the Transaction Costs that the Owner Lessor is responsible to pay pursuant to Section 2.4 hereof (together, the "Equity Investor's Commitment");

(b) the Lessee agrees to (i) lease its interest in the Project to the Owner Lessor pursuant to the Head Lease, (ii) sublease the Project Site to the Owner Lessor for the term of the Head Lease pursuant to the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, (iii) assign as security the Lessee's right, title and interest in certain Project Documents to the Owner Lessor pursuant to the Lessee Security Agreement (iv) assign as security the Lessee's right, title and interest in and to the Project Site to the Owner Lessor pursuant to certain Security Documents and (u) sublease to the Owner Lessor certain interests with respect to the Geothermal Resource which has been leased to the Lessee pursuant to the Resource Sublease, such sublease to be made pursuant to the Sublease of Resource Sublease; the Owner Lessor agrees to (v) lease the Lessee's interest in the Project from the Lessee pursuant to the Head Lease, (w) sublease the Project Site from the Lessee for the term of the Head Lease pursuant to the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, (x) receive a security interest in the Lessee's right, title and interest in certain Project Documents from the Lessee pursuant to the Lessee Security Agreement (y) accept an assignment as security for the Lessee's right, title and interest in and to the Project Site pursuant to certain Security Documents and (z) sublease the Lessee's interest in the Geothermal Resource from the Lessee pursuant to the Sublease of Resource Sublease;

(c) the Owner Lessor agrees to (i) lease the Project to the Lessee pursuant to the Project Lease, (ii) sub-sublease the Project Site to the Lessee for the term of the Project Lease pursuant to the Sub-Sublease of Power Plant Sublease and Sub-Sub-Grant of Delivery System Grant of Easements and (iii) sub-sublease its interest in the Geothermal Resource to the Lessee pursuant to the Sub-Sublease of Resource Sublease; the Lessee agrees to (x) lease the Project from the Owner Lessor pursuant to the Project Lease, (y) sub-sublease the Project Site from the Owner Lessor for the term of the Project Lease pursuant to the Sub-Sublease of the Power Plant Sublease and the Sub-Sub-Grant of Delivery System Grant of Easements and (z) sublease the Owner Lessor's interest in the Geothermal Resource from the Owner Lessor pursuant to the Sub-Sublease of Resource Sublease;

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(d) the Indenture Trustee agrees to enter into and act as the trustee under the Indenture pursuant to which the Senior Notes will be issued;

(e) the Owner Lessor agrees to (i) enter into the Indenture, (ii) issue the Senior Notes pursuant to the Indenture, and (iii) grant to the Indenture Trustee liens and security interests in the Project, the Project Site, the Project Document Interest and certain of the Operative Documents executed in connection therewith (including the Lessee Partners Interest Pledge Agreement and the PGV Interests Pledge Agreement) to secure its obligations thereunder;

(f) the Initial Noteholders agree to purchase the Senior Notes, issued pursuant to the Indenture for a purchase price, in the case of each Noteholder, not to exceed such Noteholder's Commitment;

(g) the Lessee, the Owner Lessor, the Equity Investor and the Indenture Trustee agree to enter into the Depositary Agreement with the Depositary Bank, pursuant to which, among other things, the Lessee will create a security interest in favor of the Owner Lessor in the Accounts created thereby, and the Owner Lessor will assign its rights in respect of certain Accounts to the Indenture Trustee;

(h) the Owner Lessor agrees to use the funds received from the Equity Investor and the Noteholders pursuant to clauses (a)(i) and (f), respectively, of this Section 2.1 to (i) pay the Head Lease Rent, (ii) make the deposits on the Closing Date as set forth in the Depositary Agreement;

(i) the Equity Investor and the Lessee agree to enter into the Tax Indemnity Agreement;

(j) the Owner Lessor agrees to pay all Transaction Costs payable by it pursuant to Section 2.4 hereof;

(k) the Lessee agrees to deposit into the Senior Rent Reserve Account and the Junior Rent Reserve Account, the amounts required pursuant to Section 4 of the Depositary Agreement; and

(l) the parties agree to enter into the agreements referred to above and the other Operative Documents in form and substance satisfactory to the Participants.

Section 2.2. Closing Date; Procedure for Participation.

(a) Closing Date. The closing of the Transaction (the "Closing") shall take place commencing at 10:00 a.m., New York City time, on the Scheduled Closing Date, or such other date as the Lessee shall specify pursuant to Section 2.3(a) (the

"Closing Date"). The Closing shall take place at the offices of Chadbourne & Parke LLP in New York, NY.

(b) Procedures for Funding. Unless the Closing Date shall have been postponed pursuant to Section 2.3(a), subject to the terms and conditions of this Participation Agreement, the Equity Investor shall make the Equity Investor's Commitment available not later than 10:00 a.m., New York City time, on the Closing Date, by transferring or delivering such amount, in funds immediately available on such Closing Date, to the Trust Company.

(c) Expiration of Commitments. The obligation of the Equity Investor to make its Equity Investment and the obligations of the Initial Noteholders to purchase Senior Notes shall expire at 11:59 p.m., New York City time, on May 31, 2005. If the Closing Date has not occurred on or before May 31, 2005, the Transaction Parties shall have no obligation to consummate the Transaction and, except as provided in Sections 2.3, 2.4, 9.1 and 9.2, and in any funding indemnity letter between the Lessee and the Initial Noteholders, all obligations of the Transaction Parties shall cease and terminate.

Section 2.3. Postponement of Closing; Investment of Funds.

(a) Postponement of the Closing. The Closing may be postponed from time to time to a date no later than May 31, 2005 for any reason if the Lessee gives the Equity Investor, the Owner Lessor, the Indenture Trustee and the Initial Noteholders a facsimile or telephonic (confirmed in writing) notice of such postponement and notice of the date to which the Closing has been postponed, and such notice of postponement shall, for purposes of Section 2.3(b), be deemed to be received by the Equity Investor prior to making the Equity Investor's Commitment available if it is received by the Equity Investor on or before 10:00 a.m., New York City time, on the date the Closing was scheduled to occur. If the Equity Investor shall have provided funds in accordance with Section 2.2(b) and the Closing is postponed, such funds shall be returned to the Equity Investor, as soon as reasonably practicable but in no event later than the Business Day following the date of such notice, unless the Equity Investor shall have otherwise directed. All funds made available pursuant to Section 2.2(b) will be held by the Trust Company in trust for the Equity Investor and shall not be part of the Indenture Estate or the Lessor Estate, and such funds shall remain the sole property of the Equity Investor unless and until (i) released by the Equity Investor and made available to the Owner Lessor and applied by the Owner Lessor to pay the Head Lease Rent or the Transaction Costs related to the Closing, or (ii) returned to the Equity Investor, as provided in this Section 2.3(a).

(b) Investment of Funds. If the Equity Investor has made the Equity Investor's Commitment available to the Trust Company in accordance with Section

2.2(b) prior to receipt of a postponement notice under Section 2.3(a), the Closing does not occur on the date such funds were required to be deposited, and the Trust Company is unable to return such funds to the Equity Investor on such date, the Trust Company shall, subject to Section 2.3(a) above, use reasonable efforts to invest such funds from time to time at the written direction of the Lessee and at the Lessee's sole expense and risk, in Permitted Investments until such funds can be returned to the Equity Investor. If on the date the Equity Investor's Commitment was required to be deposited, the Equity Investor has made the Equity Investor's Commitment available to the Trust Company in accordance with Section 2.2(b), the Closing does not occur on such date, and the Trust

Company has not returned such funds to the Equity Investor on or before 1:00 p.m., New York City time, on such date, then the Lessee shall reimburse the Equity Investor for loss of the use of such funds at the Applicable Rate for each day, from and including the day that such funds were made available to the Trust Company by the Equity Investor to, but excluding, the earlier of (i) the day that such funds have been returned to the Equity Investor pursuant to Section 2.3(a) (funds received by the Equity Investor after 1:00 p.m., New York City time, on any day shall be deemed to be returned on the next succeeding Business Day) and (ii) the Closing Date. Subject to payment for the account of the Equity Investor of any reimbursement for loss of use of funds due to it at the Applicable Rate, any net gain realized on the investment of such funds (including interest) shall be paid to the Lessee by the Trust Company on the earlier of (i) the date such funds are returned to the Equity Investor pursuant to Section 2.3(a) and (ii) the Closing Date. The Trust Company shall not be liable for any interest on or loss resulting from such investments and, if such funds are made available to the Owner Lessor and utilized to pay the Head Lease Rent or Transaction Costs on the Closing Date, the Lessee shall reimburse the Trust Company for any net loss realized on the investment of such funds. If such funds are not so utilized, the Lessee shall, in addition to its obligation to reimburse the Equity Investor for loss of use as provided above, reimburse the Equity Investor on the date such funds are returned to the Equity Investor for any net loss realized on the investment of such funds. In order to obtain funds for payment of the Head Lease Rent or Transaction Costs or to return funds made available to the Owner Lessor by the Equity Investor, the Trust Company is authorized to sell any investments or obligations purchased as aforesaid.

Section 2.4. Transaction Costs. If the Transaction is consummated, Transaction Costs substantiated or otherwise supported in reasonable detail shall be paid by the Owner Lessor (with funds provided by the Equity Investor); provided, however, that the Owner Lessor's obligation to pay such Transaction Costs shall not exceed \$2,500,000 and the Lessee shall pay all Transaction Costs in excess of \$2,500,000. If the transaction is consummated, all other fees, costs and expenses not constituting Transaction Costs but incurred by the Lessee, the Owner Lessor and the Equity Investor on or prior to the Closing Date shall be for such party's respective account. If the transaction is not

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consummated, the Lessee shall pay all Transaction Costs in accordance with any applicable fee letters or other agreements regarding fees.

SECTION 3. REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of the Lessee. The Lessee represents and warrants that, as of the date hereof:

(a) Due Organization; Conduct of Business, Etc. It is a general partnership duly formed, validly existing, and in good standing under the laws of the State of Hawaii, is duly licensed or qualified and in good standing in each jurisdiction where the character of its properties or nature of its activities makes such qualification necessary and has the partnership power and authority to (i) own or hold under lease the property it purports to own or hold under lease, (ii) carry on its business as now being conducted and as presently proposed to be conducted and (iii) enter into and perform its obligations under each of the Operative Documents to which it is or will be a party. The Lessee Partners are the only partners of the Lessee. It is engaged solely in the business of electricity generation and sales, the leasing, operation, electricity sales, maintenance and financing of the Project, and the leasing and/or financing of facilities, equipment or any other assets related thereto.

(b) Due Authorization; Enforceability, Etc. This Agreement and each of the other Operative Documents to which the Lessee is or will be a party have been or, when executed and delivered, will be duly authorized, executed and

delivered by all necessary action by the Lessee and, assuming the due authorization, execution and delivery by and enforceability against each other party thereto, this Agreement constitutes and, when executed and delivered, the other Operative Documents to which the Lessee is or will be a party will constitute, the legal, valid and binding obligations of the Lessee, enforceable against it in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity. None of the Project Documents to which the Lessee is a party have been amended or modified, except as described in the respective definitions thereof.

(c) Non-Contravention. The execution, delivery and performance by the Lessee of this Agreement and each of the other Operative Documents to which it is or will be a party and the consummation by the Lessee of the transactions contemplated hereby and thereby, do not and will not (i) contravene any Applicable Law binding on the Lessee or its property, (ii) contravene any of the Lessee's organizational documents, (iii) require any action, consent or approval by any trustee or holder of Indebtedness of the Lessee or the Lessee Partners or any Affiliate of such Person or under any other contract,

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agreement or instrument to which the Lessee is a party or by which the Lessee or any of its property is bound or (iv) constitute a violation of or a default by the Lessee under, or result in the creation of any Lien upon the property of the Lessee (other than as permitted pursuant to any Operative Document) under, any indenture, mortgage or other contract, agreement or instrument to which the Lessee is a party or by which the Lessee or any of its property is bound provided that if any such contravention or violation exists, such contravention or violation would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(d) Governmental Approvals; Governmental Actions.

(i) All Governmental Approvals which are required to be obtained as of the Closing Date by or on behalf of the Lessee in connection with (A) the acquisition, construction, operation and maintenance of the Project, (B) the performance by the Lessee or the Owner Lessor of the Operative Documents or (C) the leasing of the Project have been duly obtained or made, were validly issued and are in full force and effect and are not subject to any appeal or other judicial review. Except as set forth in the Environmental Report, the Lessee is in compliance with all Governmental Approvals required to be obtained as of the Closing Date.

(ii) No authorization, determination or approval or other action by, and no notice to or filing or registration with, any Governmental Entity or under any Applicable Law is required for the due execution or delivery by the Lessee of the Operative Documents to which the Lessee is or will be a party.

(e) Project Documents. Each of the Project Documents is in full force and effect, and no default or breach exists under any Project Document that permits the Lessee or, to the Lessee's Actual Knowledge, any other party thereto, to terminate such Project Document or suspend its performance thereunder or excuses such non-breaching party from any failure to perform thereunder.

(f) Litigation. There is no pending or, to the Actual Knowledge of the Lessee, threatened, arbitration, action, suit or proceeding against the Lessee, or to the Actual Knowledge of the Lessee, no pending or threatened

action, suit or proceeding against the Project or any party to a Project Document which, if adversely determined, would render this Participation Agreement or any of the other Operative Documents ineffective or invalid or would result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

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(g) Chief Executive Office and Principal Place of Business of Lessee and Location of the Project, Records, Etc.

(i) The chief executive office of the Lessee is located at c/o Ormat Nevada Inc., 980 Greg Street, Sparks, Nevada 89431. The Lessee is a registered Hawaiian general partnership that is "located" (as such term is used in Section 9-307 of the Hawaiian UCC) in the State of Hawaii.

(ii) The Project is located on and surrounded by the Project Site in Puna on the island of Hawaii and is accessible by public road.

(h) Title; Liens.

(i) The Lessee has (A) valid legal title to the Project, free and clear of all Liens other than Permitted Liens, described in clauses (a) through (c) of the definition thereof and (B) a valid leasehold interest in and to the Project Site, free and clear of all Liens, other than, Permitted Liens described in clauses (a) through (c) and (j) of the definition thereof and, in the case of both clauses (A) and (B) above, any liens set forth in Schedule 3.1(h)(i) hereto and Permitted Encumbrances.

(ii) Upon execution and delivery of the Financing Documents and recording or filing (as appropriate) of the documents and instruments referred to in Schedule 3.1(h)(ii) in accordance with Section 4, (A) all right, title and interest (other than legal title) to the Project will be duly, validly and effectively conveyed and transferred to the Owner Lessor, free and clear of all Liens other than Permitted Liens described in clauses (a) through (c) of the definition thereof, (B) a valid leasehold interest in the Project Site will be duly, validly and effectively leased or conveyed, as applicable, to the Owner Lessor upon the terms and conditions in the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easement, free and clear of all Liens, other than Permitted Liens described in clauses (a) through (c) and (j) of the definition thereof and (C) the Owner Lessor will be the sublessee of the Lessee's interest in the Resource Sublease after giving effect to the Sublease of Lessee's Interest in the Resource Sublease, and, in the case of clauses (A), (B) and (C) above, subject to any liens set forth in Schedule 3.1(h)(i) hereto and Permitted Encumbrances.

(iii) When duly authorized, executed and delivered by each of the parties thereto, the Indenture will create a valid Lien in favor of the Indenture Trustee in the Indenture Estate and no filing, recording, registration or notice with any federal or state Governmental Entity will be necessary to establish or, except for such filings and recordings as will be made pursuant to Section 4(r), to perfect,

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or give record notice of, the Lien in favor of the Indenture Trustee in the Indenture Estate to the extent such Lien may be perfected by filings or

recordings.

(iv) When duly authorized, executed and delivered by each of the parties thereto, the Lessee Security Agreement will create a valid Lien in favor of the Owner Lessor in the Security Agreement Collateral (as defined in the Lessee Security Agreement) and no filing, recording, registration, or notice with any federal or state Governmental Entity will be necessary to establish or, except for such filings and recordings as will be made pursuant to Section 4(r), to perfect, or give record notice of, the Lien in favor of the Owner Lessor in the Security Agreement Collateral (as defined in the Lessee Security Agreement) to the extent that such Lien may be perfected by filings or recordings.

(v) When duly authorized, executed and delivered by each of the parties thereto, the Lessee Partners Interest Pledge Agreement and the PGV Interests Pledge Agreement will create valid Liens in favor of the Owner Lessor in the ownership interests covered thereby and no filing, recording, registration, or notice with any federal or state Governmental Entity will be necessary to establish or, except for such filings and recordings as will be made pursuant to Section 4(r), to perfect, or give record notice of, the Liens in favor of the Owner Lessor in such ownership interests to the extent that such Liens may be perfected by filings or recordings.

(vi) When duly authorized, executed and delivered by each of the parties thereto, the Depositary Agreement will create a valid Lien in the Accounts in favor of the Owner Lessor and, in turn, in favor of the Indenture Trustee, and no filing, recording, registration, or notice with any federal or state Governmental Entity will be necessary to establish or, except for such filings and recordings as will be made pursuant to Section 4(r), to perfect, or give record notice of, the Lien in favor of the Owner Lessor and, in turn, in favor of the Indenture Trustee in the Accounts, to the extent that such Lien may be perfected by filings or recordings.

(vii) None of the Permitted Liens (excluding any Owner Lessor's Liens, Equity Investor's Liens or other Permitted Liens relating to the Indenture Trustee) will adversely interfere with the ownership, use, operation or possession of the Project or the Project Site or the use or exercise by the Owner Lessor of its rights under the Project Lease, the Sublease of Power Plant Sublease, the Sub-Grant of Delivery System Grant of Easements, the Lessee Partners Interest Pledge Agreement, the PGV Interests Pledge Agreement, the Sublease of Resource Sublease or the Lessee Security Agreement.

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(viii) The Lessee has made all payments required to be made by it under the Project Documents; and no landlord Lien has been filed, and no claim is being asserted, with respect to any such payments.

(i) Regulation. The use by the Lessee of the Head Lease Rent will not violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including Regulations T, U and X of the regulations of the Board of Governors of the Federal Reserve System.

(j) Utility Representations

(i) Holding Company. The Lessee is not a "public-utility company" or a "holding company", or an "affiliate" of a "holding company" or of a "public-utility company", or a "subsidiary company" of a "holding company", within the meaning of PUHCA nor is Lessee subject to regulation under PUHCA.

(ii) The Lessee is not a "public utility" or a "transmission utility" under the Federal Power Act.

(iii) Status. The Lessee is an EWG (as defined in PUHCA). As such, the Lessee is not, nor will any of the Owner Lessor, the Equity Investor, the Indenture Trustee or the Noteholders be, solely as a result of its or their execution, delivery or performance of this Agreement or the other Operative Documents or the transactions contemplated thereby (other than with respect to the exercise of any remedies thereunder that would result in direct ownership or control of the Project by any of the Owner Lessor, the Equity Investor, the Indenture Trustee or the Noteholders, rather than ownership or control of the Lessee by any of these entities), be subject to regulation as a "public-utility company", a "holding company" or a "subsidiary company" or an "affiliate" of any of the foregoing, under PUHCA.

(iv) The Project is either (A) a qualifying, small power production facility under Subchapter 2 of the Hawaii Public Utilities Commission's Standards for Small Power Production and Cogeneration in the State of Hawaii, Chapter 74 of Title 6 of the State of Hawaii's Administrative Rules or (B) a "non-fossil fuel producer" within the meaning of Section 269-27.2, Hawaii Revised Statutes.

(v) Public Utility. The Lessee is not, nor will any of the Owner Lessor, the Equity Investor, the Indenture Trustee or the Noteholders be, solely as a result of the execution, delivery or performance of this Agreement or the other Operative Documents by any of them or the transactions contemplated thereby, so

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long as such Person does not operate the Project and is not otherwise engaged in the business of producing, selling or transmitting electric power, subject to regulation: (i) respecting the rates of electric utilities or material financial and organizational regulation of electric utilities under the Applicable Law of the State of Hawaii or (ii) otherwise as an electric or other regulated utility, however denominated, under the Applicable Law of the United States of America, including for the avoidance of doubt the Federal Power Act, or the State of Hawaii.

(k) Investment Company Act. The Lessee is not an "investment company" as defined in the Investment Company Act of 1940 and the rules and regulations of the SEC promulgated thereunder.

(l) Securities Act. Neither the Lessee or any Affiliate thereof nor anyone authorized by the Lessee or any Affiliate thereof has directly or indirectly offered or sold any interest in the Project, the Member Interest, the Senior Notes or any part thereof, or in any similar security or lease, or in any security or lease the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering of the Member Interest or the Senior Notes or any part thereof or solicited any offer to acquire any of the same in violation of the registration requirements of Section 5 of the Securities Act. Neither the Lessee, any Affiliate thereof, nor any agent, advisor or representative thereof, has engaged in general advertising or general solicitation (as such terms are used in Rule 502(c) of Regulation D of the Securities Act) with respect to the Senior Notes.

(m) Environmental Matters.

(i) Except as disclosed in the Environmental Report, (A) the Lessee has not used, handled, generated, stored or Released any Hazardous Materials in a manner that could reasonably be expected to subject the Indenture Trustee, the Owner Lessor, the Equity Investor, any Noteholder or

the Lessee to liability under any Environmental Law; (B) there are no Hazardous Materials used, stored, present or Released at or on the Project or the Project Site, other than in compliance with Environmental Law; and (C) there is no pending action, proceeding, investigation or inquiry by any Person with respect to or asserting liability for the presence or Release of Hazardous Materials in, on, from or to the Project or the Project Site, or at any other location for which the Lessee could reasonably be liable, provided that if such liability exists, such liability would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

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(ii) Except as disclosed in the Environmental Report, the Lessee is complying with, and since June 3, 2004 has complied with, and the Project has been constructed and is being operated in compliance with, all Environmental Laws, provided that if such failure to so comply exists, such failure would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000, and there is no pending action, proceeding or, to the Lessee's Actual Knowledge, investigation or inquiry by any Person with respect to asserting liability for a violation of or noncompliance with any Environmental Laws, and there are no capital expenditures currently required under applicable Environmental Laws in order to maintain such compliance, provided that, in each case, if such a Claim exists, such Claim when combined with any Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would not result in Total Aggregate Claims in excess of \$1,500,000.

(iii) Except as disclosed in the Environmental Report, to the Lessee's Actual Knowledge, there is not and has not been any Environmental Condition (A) at, on, under or from the Project or the Project Site or (B) resulting from or arising in connection with the operation of the Project, or any other circumstances, actions, activities or events that could reasonably be expected to (x) result in any danger of foreclosure, sale, forfeiture or loss of, or imposition of a Lien on, the Project or Project Site, (y) result in the impairment of the ownership, construction, operation, use, leasing or maintenance of the Project or the Project Site, or (z) reasonably form the basis of any liability under an Environmental Law to the Lessee, or any liability (civil or criminal) to the Indenture Trustee, the Equity Investor, the Owner Lessor or any Noteholder, provided that if any such lien, impairment or liability exists, they would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(iv) Except as disclosed in the Environmental Report, no Governmental Approvals are required under Environmental Laws to own, construct, operate, use, lease or maintain the Project in accordance with the Operative Documents. All Governmental Approvals necessary to operate the Project have been obtained and are in full force and effect and none of such Governmental Approvals are subject to any appeal, or any other judicial review and the Lessee is in compliance with the provisions of all such Governmental Approvals, which involve any danger of impairment of the use, operation or maintenance of the Project or the Project Site in any respect, including the

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rescission, termination or modification of any such Governmental Approvals, provided that if such a failure to obtain, maintain the effectiveness of, or comply with such Governmental Approvals exists, such failure is not reasonably likely to result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(n) Applicable Law. The Lessee is in compliance with all Applicable Laws (excluding Environmental Laws which is covered in Section 3.1(m) hereunder) relating to the operation, maintenance, use or ownership of the Project, except where noncompliance is not reasonably likely to result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(o) ERISA. Assuming the correctness of the representations of the Equity Investor in Section 3.4(g) and of the Noteholders in Section 3.5(d), the Transaction will not constitute a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Code, and will not involve any transaction in connection with which a penalty could be imposed under Section 502(i) of ERISA or a tax could be imposed pursuant to Section 4975 of the Code.

(p) No Lease Event of Default; No Event of Loss. No Lease Default or Lease Event of Default has occurred or will occur upon or as a consequence of the execution and delivery of the Operative Documents. No Event of Loss has occurred or will occur upon the execution and delivery of the Operative Documents.

(q) Property Rights, Utilities, Etc; Sufficiency and Delivery of Project Documents.

(i) All utility services necessary for the use and operation of the Project at the levels of performance contemplated by the Operative Documents for the period from the date hereof through the term of the Project Lease (it being understood that such level shall be up to 30 MW unless the Owner Lessor has purchased the Expansion Project) (including electrical, water and sewage services and facilities) are available to the Project pursuant to the Project Documents or otherwise on commercially reasonable terms.

(ii) The services to be performed, the materials to be supplied and the property interests, easements and other rights granted pursuant to the Project Documents or otherwise publicly available on commercially reasonable terms comprise all of the services, materials and property interests required for the

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acquisition, development, installation, completion, operation and maintenance of the Project (including access to, and transmission of electricity from, the Project Site) in accordance with Applicable Laws and the Project Documents.

(r) Eminent Domain. There is no action pending or, to the Lessee's Actual Knowledge, threatened by a Governmental Entity or other Person to initiate a taking or use of the Project or the Project Site through condemnation, seizure, requisition of title, power of eminent domain or otherwise, which is reasonably likely to have an adverse effect on the value (current and residual), utility or useful life of the Project or would prevent

or interfere with the use or operation of the Project, provided that if such interference exists, it would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(s) Permitted Encumbrances. There are no violations of or proceedings or actions pending or, to the Lessee's Actual Knowledge, threatened with respect to any easements, reciprocal easement agreements, declarations, development agreements or recorded restrictions or covenants which (i) would result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000 or (ii) enjoin or prevent (A) the use, occupancy or operation of the Project or the Project Site for the purposes contemplated by the Operative Documents or (B) the performance by the Lessee of its obligations under this Agreement or any other Operative Document the failure of which performance would result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(t) Power Purchase Agreements; Transmission Agreements. Except for the Power Purchase Agreement and the Transmission Agreements, there are no contracts or agreements to which Lessee is a party providing for the sale of the energy produced by the Project.

(u) Geothermal Resource. Except for the Resource Sublease, the Resource Sublease Partial Assignment, the Sublease of Resource Sublease and the Sub-Sublease of Resource Sublease, there are no contracts or agreements to which Lessee is a party providing for the sale or transfer of the Geothermal Resource.

(v) Financial Statements; Accuracy of Information; Projections.

(i) The unaudited financial statements of the Lessee dated as of December 31, 2004 for the period starting on June 3, 2004 and ending on

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December 31, 2004 and the unaudited pro forma balance sheet of the Lessee as of the quarter ended not more than sixty (60) days prior to the Closing Date and, in each case, delivered to the Participants pursuant to Section 4(cc), are the most recent financial statements prepared by the Lessee prior to the execution and delivery of this Participation Agreement, and are true and correct, and fairly present the financial condition, results of operations and changes in cash flows of the Lessee on such date and for such period then ended, in conformity with GAAP applied on a consistent basis (subject to normal year-end audit adjustments). Except as have been disclosed in writing by the Lessee to the Participants, there are no liabilities, direct or contingent, which have accrued since the date of such financial statements or such subsequent disclosure, except for any liability that, if disclosed to any Participant, as the case may be, would not be likely to adversely affect the decision of such Participant to enter into the Transaction. Since the date of such financial statements, there has been no change in the financial condition of the Lessee which has resulted in a reduction of the tangible net worth of the Lessee in an amount of \$500,000 or more, taking into account all changes previously disclosed to the Participants.

(ii) All factual information (other than projections or other "forward-looking" statements) provided by or on behalf of the Lessee to the Participants was true and correct, as of the date delivered or as of the specific date of any particular items of information, and such

information did not, and as of the date hereof, does not omit to state any fact necessary to make the statements contained in the information providing not misleading in a way which would be likely to adversely affect the decision of such Participant to enter into the Transaction. Any historical factual information used in making such projections and other "forward-looking" statements is, to the Lessee's Actual Knowledge, true and accurate in all material respects. The Annual Operating Budget for 2005 and the Projections delivered pursuant to Sections 4(h) and (o) herein (i) are based on reasonable assumptions as to all legal and factual matters material to the estimates set forth therein and (ii) have been prepared in good faith and with due care, it being understood that the Projections were prepared on the assumption that the Well Improvements are included in the Project. To the Lessee's Actual Knowledge, any such information provided with respect to any party to a Project Document (other than the Power Purchaser) does not, as of the date delivered, omit to state any fact, except for any fact that, if true or if disclosed to any Participant, as the case may be, would not be likely to adversely affect the decision of such Participant to enter into the Transaction.

(w) No Fees. Neither the Lessee nor any Person authorized or employed by the Lessee as agent or otherwise has taken any action the effect of which would be to cause any Participant to be liable for any brokers', finders', agents' or

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advisors' fees or commissions or costs of any nature or kind claimed by or on behalf of brokers, finders, agents or advisors in respect of the transactions contemplated by the Operative Documents.

(x) Adequate Rights.

(i) Subject to the Owner Lessor's obtaining any necessary Governmental Approvals and fulfilling all applicable requirements under the Project Documents, it is the good faith belief of the Lessee as of the Closing Date that the rights and interest to be made available to the Owner Lessor pursuant to the Operative Documents permit, or will permit at such time, during the period commencing on the expiration or termination of the Project Lease Term and ending on the expiration of the Head Lease Term (A) the location, occupation, interconnection, maintenance and repair of the Project, (B) the use, operation and possession of the Project in accordance with the Projections, (C) appropriate ingress to and egress from the Project and the Project Site for any reasonable purpose in connection with the exercise of rights under the Operative Documents and (D) the transmission of electricity from the Project substantially in the manner currently transmitted as of the Closing Date; provided, however, that this representation is based solely upon the facts as they exist on the Closing Date and Applicable Laws in effect on the Closing Date and existing market conditions, and no representation, projection or other statement is being made in this paragraph with respect to any change in law or regulations including Environmental Laws (whether or not proposed or contemplated), any change in market conditions, any other change in facts or circumstances after the Closing Date; or any modification, improvement or change to the Project or the Project Site after the expiration of the Project Lease Term.

(ii) There are no subleases, rental agreements or other agreements conferring on any Person other than the Lessee the right to use or occupy all or any portion of the Project or the Project Site except those, if any, reflected in the Title Policies or permitted or arising pursuant to the Operative Documents.

(y) Qualification to do Business. The qualification of the Owner Lessor, the Equity Investor, the Trust Company, the Indenture Trustee or any Noteholder to do business under the laws of the State of Hawaii or any political

subdivision thereof is not required solely as a consequence of the execution and delivery of the Operative Documents, the making of the Equity Investment or the Loans or, prior to expiration or termination of the Project Lease, the performance by the Owner Lessor, the Equity Investor, the Trust Company, the Indenture Trustee or the Noteholders of this Agreement or any other Operative Document to which it is or will be a party; provided that no

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representation is made as to the necessity for qualification in connection with the exercise by any such party of any remedy under the Operative Documents or prior to exercising any rights or remedies in a Hawaii court of competent jurisdiction.

(z) ERISA and Employees. The Lessee does not sponsor, maintain, administer, contribute to, participate in, or have any obligation to contribute to or any liability under, any employee benefit plan within the meaning of Section 3(3) of ERISA nor since the date which is six years immediately preceding the Closing Date has Lessee established, sponsored, maintained, administered, contributed to, participated in, had any obligation to contribute to or liability under, any such plan. The Lessee does not have, nor is the Lessee reasonably expected to have, any liability in respect to any defined benefit pension plan of any ERISA Affiliate that is subject to Title IV of ERISA.

(aa) Priority. Other than Permitted Liens described in clauses (a) through (c) of the definition thereof, the Lessee has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral under the Lessee Security Agreement. The Lessee has not authorized the filing of and is not aware of any financing statements against the Lessee that include a description of collateral covering the Collateral under the Lessee Security Agreement other than any financing statement relating to Permitted Liens described in clauses (a) through (c) of the definition thereof. Other than Permitted Liens, the Lessee is not aware of any judgment or tax liens against the Lessee.

(bb) Insurance. All insurance required under Section 11 of the Project Lease or any Operative Document is in full force and effect.

(cc) Pledge of the Accounts. Other than the security interest granted to the Owner Lessor and, until the Lien of the Indenture has been discharged, collaterally assigned to the Indenture Trustee pursuant to the Depositary Agreement, the Lessee has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Accounts.

(dd) Taxes. All Taxes, if any, due and payable on or before the Closing Date in connection with the execution, delivery, recording and filing of this Agreement or any other Operative Document or any other document or instrument contemplated hereby or thereby, have been duly paid in full by, or on behalf of, the Lessee.

(ee) Access; Egress. Access to and egress from the Project and the Project Site are available and provided by public and/or private roads fully accessible by Lessee. To the Lessee's Actual Knowledge, there are no plans of any Governmental Entity to change the highway or road system in the vicinity of the Project or Project Site,

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or to restrict or change access from any such highway or road to the Project or

Project Site, in either case, in any manner that would be likely to adversely affect the decision of a Participant to enter into the Transaction.

(ff) Notices. To the Lessee's Actual Knowledge, there are no outstanding written notices from any Governmental Entity or by any insurance company which currently issues any insurance to the Lessee or by any board of fire underwriters or other body exercising similar functions that any repairs or work or capital improvements are required to be done at or with respect to the Project or the Project Site provided that if such repairs or other work or improvements referred to in such notices are required they would not result in one or Claims against or being incurred by the Lessee or against or in respect of the Project, which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(gg) Business, Debt, Contracts, Etc. The Lessee is not a party to or bound by any contract other than (a) the Operative Documents to which it is a party, and the Puna Geothermal Venture partnership agreement and (b) any other contract to which it is a party that, if disclosed to the Participants, would not be likely to affect the decision of a Participant to enter into the Transaction.

(hh) Intellectual Property. To the Lessee's Actual Knowledge, the Lessee owns, possesses or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property necessary to operate the Project as contemplated by the Project Lease, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any such intellectual property rights provided that if such a failure exists, it would not result in one or more Claims against or being incurred by the Lessee or against or in respect of the Project which when added to all other Total Aggregate Claims, would result in Total Aggregate Claims in excess of \$1,500,000.

(ii) No Fraudulent Conveyance. Lessee is consummating the transactions contemplated hereby, including transfer of certain assets and properties to the Owner Lessor, in good faith and without any intent to defraud creditors of Lessee or subsequent purchasers.

(jj) Abandonment. The Lessee has not abandoned the Project.

(kk) Bank Balances. As of the Closing Date, the aggregate balance for the bank accounts identified on Schedule 5.22 hereto is at least \$500,000 and such balance is sufficient to pay all Operating Costs which are or may become due and

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payable prior to the first Monthly Determination Date (as defined in the Depositary Agreement) following the Closing Date.

Section 3.2. Representations and Warranties of the Owner Lessor. The Owner Lessor represents and warrants that, as of the date hereof:

(a) Due Organization. The Owner Lessor is a duly organized and validly existing limited liability company under the laws of the State of Delaware of which the Equity Investor is the sole member, and has the power and authority to enter into and perform its obligations under this Agreement and each of the other Operative Documents to which it is or will be a party.

(b) Due Authorization; Enforceability; Etc.

(i) (A) This Agreement and each of the other Operative Documents (other than the Senior Notes) to which the Owner Lessor is or

will be a party have been or when executed and delivered will be duly authorized, executed and delivered by the Owner Lessor, and (B) assuming the due authorization, execution and delivery by and enforceability against each party hereto other than the Owner Lessor, this Agreement constitutes and when executed and delivered each of the other Operative Documents (other than the Senior Notes) to which it is or will be a party will constitute the legal, valid and binding obligations of the Owner Lessor, enforceable against the Owner Lessor in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(ii) Upon the execution of the Senior Notes by the Owner Lessor and authentication thereof by the Indenture Trustee in accordance with the Indenture and delivery of such Senior Notes against payment therefor, the Senior Notes will constitute legal, valid and binding obligations of the Owner Lessor, enforceable against the Owner Lessor in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) Non-Contravention. The execution, delivery and performance by the Owner Lessor of this Agreement and the other Operative Documents to which it is or will be a party, and the consummation by the Owner Lessor of the transactions contemplated hereby and thereby, do not and will not contravene (A) any Applicable Law binding on the Owner Lessor or its property, (B) the LLC Agreement or the Owner

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Lessor's other organizational documents, or (C) the provisions of, or constitute a default by the Owner Lessor under, or result in the creation of any Owner Lessor's Lien under any indenture, mortgage or other material contract, agreement or instrument to which the Owner Lessor is a party or by which the Owner Lessor or any of its property is bound.

(d) Governmental Actions. Assuming the representations and warranties of the Lessee contained in clauses (d), (i), (j), (k), (l), (m), (n), (o), and (z) of Section 3.1 are true, no authorization, determination or approval or other action by, and no notice to or filing or registration with, any Governmental Entity is required for the due execution, delivery or performance by, or the validity or enforceability as against, the Owner Lessor of the LLC Agreement, this Agreement or any of the other Operative Documents to which the Owner Lessor is or will be a party, other than any such authorization or approval or other action or notice or filing as has been duly obtained, taken or given.

(e) Litigation. There is no pending or, to the Actual Knowledge of the Owner Lessor, threatened action, suit, investigation, arbitration or proceeding against the Owner Lessor before any Governmental Entity that (i) questions the validity of the Operative Documents or (ii) would, if determined adversely to it, materially adversely affect the ability of the Owner Lessor to perform its obligations under the LLC Agreement, this Agreement or any of the other Operative Documents to which it is or will be a party or would materially adversely affect the Project, the Project Site or any interest therein or part thereof or the Lien of the Indenture on the Indenture Estate.

(f) Liens. The Indenture Estate is free of any Owner Lessor's Liens created by or through Owner Lessor or any of its Affiliates (other than the Equity Investor).

(g) Investment Company Act. The Owner Lessor is not an "investment company" as defined in the Investment Company Act of 1940 and the rules and regulations of the SEC promulgated thereunder.

(h) Securities Act. Neither the Owner Lessor nor anyone authorized by it has directly or indirectly offered or sold any interest in the Member Interest, the Senior Notes or any part thereof, or in any similar security or lease, or in any security or lease the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering of the Member Interest, the Senior Notes or any part thereof or solicited any offer to acquire any of the same in violation of the registration requirements of Section 5 of the Securities Act; it being understood for purposes of this clause (h) that neither the Advisor to the Lessee nor the Noteholders have acted or are acting on behalf of the Owner Lessor in connection with the Senior Notes, the Member Interest, or otherwise.

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Section 3.3. Representations and Warranties of the Trust Company. The Trust Company hereby represents and warrants that, as of the date hereof:

(a) Due Incorporation; Etc. The Trust Company is a banking corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the corporate power and authority to enter into and perform its obligations under the LLC Agreement and this Agreement.

(b) Due Authorization; Enforceability; Etc.

(i) (A) The LLC Agreement has been duly authorized, executed and delivered by the Trust Company and (B) assuming the due authorization, execution and delivery by and the enforceability against the Equity Investor, the LLC Agreement constitutes the legal, valid and binding obligation of the Trust Company, enforceable against it in its capacity as Owner Manager, in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(ii) (A) This Agreement has been duly authorized, executed and delivered by the Trust Company, and (B) assuming the due authorization, execution and delivery by and the enforceability against each party hereto other than the Trust Company, this Agreement constitutes a legal, valid and binding obligation of the Trust Company, enforceable against the Trust Company in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) Execution. Each of the Operative Documents to which the Trust Company is or will be a party has been or when executed and delivered will be duly authorized, executed and delivered by the Trust Company.

(d) Non-Contravention. The execution and delivery by the Trust Company of the LLC Agreement and this Agreement do not and will not contravene (i) (A) any Applicable Law of the State of Delaware governing the Trust Company or any United States federal law governing the banking or trust powers of the Trust Company, (B) the LLC Agreement or (C) its organizational documents or bylaws, or (ii) the provisions of, or constitute a default by the Trust Company under, or result in the creation of any Owner Lessor's Lien created by or through the Trust Company or any of its Affiliates under, any indenture, mortgage or other contract, agreement or instrument to

which the Trust Company is a party or by which the Trust Company or its property is bound.

(e) Governmental Actions. No authorization, determination or approval or other action by, and no notice to or filing or registration with, any Governmental Entity is required for the due execution, delivery or performance by the Trust Company of the LLC Agreement or this Agreement, other than any such authorization or approval or other action or notice or filing as has been duly obtained, taken or given.

(f) Litigation. There is no pending or, to the Actual Knowledge of the Trust Company, threatened action, suit, investigation, arbitration or proceeding against the Trust Company before any Governmental Entity that (i) questions the validity of the Operative Documents, or (ii) would, if determined adversely to it, materially, adversely affect the ability of the Trust Company to perform its obligations under the LLC Agreement or this Agreement or would adversely affect the Project, the Project Site or any interest therein or part thereof or the security interest of the Indenture Trustee in the Indenture Estate.

(g) Liens. The Indenture Estate is free of any Owner Lessor's Liens created by or through the Trust Company or any of its Affiliates.

Section 3.4. Representations and Warranties of the Equity Investor. The Equity Investor represents and warrants that, as of the date hereof:

(a) Due Organization. The Equity Investor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power and authority to enter into and perform its obligations under each Operative Document to which it is a party (the "Equity Investor Agreements").

(b) Due Authorization; Enforceability; Etc. Each of the Equity Investor Agreements has been or when executed and delivered will be duly authorized, executed and delivered by the Equity Investor and, assuming the due authorization, execution and delivery by and enforceability against each other party thereto, each such Equity Investor Agreement constitutes or when executed and delivered will constitute the legal, valid and binding obligations of the Equity Investor, enforceable against the Equity Investor in accordance with its respective terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) Non-Contravention. The execution, delivery and performance by the Equity Investor of each of the Equity Investor Agreements, and the consummation by the Equity Investor of the transactions contemplated thereby, do not and will not (i) contravene (A) any Applicable Law binding on the Equity Investor or its property, or (B) any of its organizational documents, or (ii) constitute a violation of or a default under, any indenture, mortgage or other material contract, agreement or instrument to which the Equity Investor is a party or by which the Equity Investor or its property is bound (it being understood that, other than its representations set forth in Section 3.4(g), no representation or warranty is being made relating to ERISA or Section 4975 of the Code) which, in any case, individually or in the aggregate, is reasonably likely to have a material adverse effect upon the Equity Investor or the Equity Investor's ability to perform its obligations under the Operative Documents, or

result in the creation of any Equity Investor's Lien.

(d) Governmental Action. No authorization, determination or approval or other action by, and no notice to or filing or registration with, any Governmental Entity is required for the due execution, delivery or performance by the Equity Investor of any of the Equity Investor Agreements other than any authorization or approval or other action or notice or filing as has been duly obtained, taken or given (it being understood that no representation or warranty is being made as to any Applicable Laws relating to the Project or the Project Site).

(e) Litigation. There is no pending or, to the Actual Knowledge of the Equity Investor, threatened action, suit, investigation, arbitration or proceeding against the Equity Investor before any Governmental Entity that (i) questions the validity of the Operative Documents, or (ii) would, if determined adversely to it, materially, adversely affect the Equity Investor's ability to perform its obligations under any of the Equity Investor Agreements or would adversely affect the Project or the Project Site or any interest therein or part thereof or the Lien of the Indenture Trustee in the Indenture Estate.

(f) Liens. The Indenture Estate is free of any Equity Investor's Liens.

(g) ERISA. No part of the funds to be used by the Equity Investor to make or hold its investment pursuant to this Agreement, directly or indirectly, constitutes or is deemed to constitute assets (within the meaning of ERISA and any applicable rules, regulations and court decisions thereunder) of any Plan.

(h) Acquisition for Investment. The Equity Investor is purchasing the Member Interest to be acquired by it for its own account with no present intention of distributing such Member Interest or any part thereof in any manner that would require registration under the Securities Act, but without prejudice, however, to the right of the Equity Investor at all times to sell or otherwise dispose of all or any part of such Member

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Interest in accordance with the Operative Documents and under an exemption from registration available under such Securities Act.

(i) Securities Act. Neither the Equity Investor nor anyone authorized by it has directly or indirectly offered or sold any interest in the Member Interest, the Senior Notes or any part thereof, or in any similar security or lease, or in any security or lease the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering of the Member Interest, the Senior Notes or any part thereof or solicited any offer to acquire any of the same in violation of the registration requirements of Section 5 of the Securities Act; it being understood for purposes of this clause (i) that neither the Advisor to the Lessee nor the Debt Placement Agent nor the Noteholders have acted or are acting on behalf of the Equity Investor in connection with the Senior Notes, the Member Interest, or otherwise.

Section 3.5. Representations and Warranties of the Noteholders. Each Initial Noteholder hereby severally represents and warrants that as of the date hereof:

(a) Purchase for Investment. Such Noteholder is purchasing the Senior Notes for its own account for investment purposes and not with a view to resale or distribution thereof in contravention of the requirements of the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction, but without prejudice, however, to the right of

the Noteholder at all times to sell or otherwise dispose of such Senior Notes in accordance with the Operative Documents and under an exemption from registration available under such Securities Act.

(b) Registration. Such Noteholder acknowledges that the Senior Notes have not been registered under the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction, and may not be offered, sold, pledged or otherwise transferred, except as set forth in Section 2.8 of the Indenture.

(c) Securities Laws. (A) Such Noteholder is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act (an "IAI"), has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of the purchase of the Senior Notes and is able and prepared to bear the economic risk of investing in and holding the Senior Notes and is presently able to afford a complete loss of such investment and (B) such purchase of the Senior Notes is either for its own account, or for the account of one or more IAIs as to each of which it exercises sole investment discretion with authority to bind each such other IAI, and not with a view to any public resale or distribution thereof.

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(d) Source of Funds. Each Initial Noteholder severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Initial Noteholder to pay the purchase price of the Senior Notes to be purchased by such Initial Noteholder hereunder:

(i) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus asset forth in the NAIC Annual Statement filed with such Noteholder's state of domicile; or

(ii) the Source is a separate account that is maintained solely in connection with such Initial Noteholder's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii) the Source is either (x) an insurance company pooled separate account, within the meaning of PTE 90-1 or (y) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Initial Noteholder to the Lessee and the Equity Investor in writing, at least five (5) days prior to the date of purchase, pursuant to this clause (iii), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit

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plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Lessee or the Equity Investor and, at least (5) days prior to the date of purchase (x) the identity of such QPAM and (y) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Lessee and the Equity Investor in writing pursuant to this clause (iv); or

(v) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "INHAM Exemption")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Lessee or the Equity Investor and, at least five (5) days prior to the date of purchase, (x) the identity of such INHAM and (y) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Lessee and the Equity Investor in writing pursuant to this clause (v); or

(vi) the Source is a governmental plan; or

(vii) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 3.5(d), the terms "employee benefit plan", "governmental plan", and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

During the entire period that any Initial Noteholder holds the Senior Notes, it shall disclose to the Lessee and the Equity Investor any information (not previously provided) which it would have to have disclosed to the Lessee and the Equity Investor pursuant to this Section 3.4(f) had the representation contained in this Section 3.4(f) been made on any such date on which it continues to hold the Senior Notes.

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(e) Due Diligence. Such Initial Noteholder acknowledges that (i) it has made, either alone or together with its advisors, such independent investigation of the Project, the Project Site and the Collateral and of the Lessee and its management, assets and related matters as such Initial Noteholder deems to be, or such advisors have advised to be, necessary or advisable in connection with an investment in the Senior Notes pursuant to the transactions

contemplated by this Agreement and the other Operative Documents, (ii) it and its advisors have been afforded the opportunity to ask questions of the Lessee, (iii) it and its advisors have been afforded access, and received all information and data, that it and such advisors believe to be necessary or sufficient in order to evaluate and reach an informed decision as to the advisability of an investment in the Senior Notes pursuant to the transactions contemplated by this Agreement and the other Operative Documents and (iv) it has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision as to the advisability of an investment in the Senior Notes pursuant to the transactions contemplated by this Agreement and the other Operative Documents. The foregoing acknowledgments shall in no way derogate from, or reduce the rights of any Initial Noteholder in respect of, or constitute or be used as any form of defense (or basis therefor) in respect of, all or any of the representations, warranties, covenants and agreements of the Lessee or any other Person set forth or referred to in the Operative Documents, the accuracy and completeness of each of which representations, warranties, covenants and agreements has been assumed by each Initial Noteholder in making, and as the basis for, the foregoing acknowledgments.

(f) Due Authorization; Enforceability; Etc. Such Initial Noteholder has all necessary power and authority to execute and deliver this Agreement and perform its obligations hereunder; and this Agreement has been duly authorized, executed and delivered by such Noteholder and, assuming the due authorization, execution and delivery by each other party hereto, this Agreement constitutes the legal, valid and binding obligation of such Noteholder, enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

Section 3.6. Representations of the Indenture Trustee. The Indenture Trustee represents and warrants that, as of the date hereof:

(a) Due Incorporation; Etc. It is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has full power and authority, as Indenture Trustee and/or in its individual capacity to the extent expressly provided herein or in the Indenture, to enter into and perform its obligations under the Indenture, the Depositary Agreement and this Agreement (the "Indenture Trustee Agreements").

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(b) Due Authorization; Enforceability; Etc. (i) Each of the Indenture Trustee Agreements has been duly authorized, executed and delivered by the Indenture Trustee and (ii) assuming the due authorization, execution and delivery by each other party thereto, each of such Indenture Trustee Agreement constitutes the legal, valid and binding obligation of the Indenture Trustee, enforceable against it in its individual capacity or as Indenture Trustee, as the case may be, in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

(c) Non-Contravention. The execution and delivery by the Indenture Trustee, in its individual capacity or as Indenture Trustee, as the case may be, of the Indenture Trustee Agreements, and the consummation by the Indenture Trustee, in its individual capacity or as Indenture Trustee, as the case may be, of the transactions contemplated thereby, do not and will not (i) contravene any Applicable Law of the State of California governing the Indenture Trustee or any United States federal law governing the banking or trust powers of the Indenture Trustee, (ii) contravene its organizational documents or bylaws, (iii) contravene or constitute a violation of, or a default by the Indenture Trustee under, any indenture, mortgage or other material contract,

agreement or instrument to which the Indenture Trustee is a party or by which the Indenture Trustee or any of its property is bound or (iv) result in the creation of any Indenture Trustee's Lien upon any property included in the Indenture Estate.

(d) Governmental Actions. No authorization or approval or other action by, and no notice to or filing or registration with, any federal or state Governmental Entity governing the banking or trust powers of the Indenture Trustee is required for the due execution, delivery or performance by the Indenture Trustee of any Indenture Trustee Agreement, other than any such authorization or approval or other action or notice or filing as has been duly obtained, taken or given

(e) Eligibility. It is a trust company or bank authorized under the laws of the State of California and the United States of America to exercise trust powers, and (i) has a combined capital and surplus of at least \$250,000,000.

(f) Liens. The Indenture Estate is free of any Indenture Trustee's Lien.

SECTION 4. CLOSING CONDITIONS; CONDITIONS TO PURCHASE OF SENIOR NOTES

The obligations of the Equity Investor, the Owner Lessor, the Indenture Trustee, each Initial Noteholder and the Lessee to consummate the Transaction on the

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Closing Date shall be subject to satisfaction or waiver of the following conditions at or prior to the Closing (except that the obligations of any Person shall not be subject to such Person's own performance or compliance):

(a) Operative Documents. (i) Each of the Financing Documents shall have been duly authorized by the parties thereto, shall have been duly executed and delivered by the parties thereto, and shall each be in full force and effect, and executed counterparts of each shall have been delivered to each of the parties hereto (other than the Tax Indemnity Agreement, which shall only be delivered to the parties thereto and the Senior Notes, which shall only be delivered to the Noteholders).

(ii) Copies of each of the Project Documents shall have been delivered to the Equity Investor, the Owner Lessor, the Indenture Trustee and the Initial Noteholders, certified by the Lessee as being true, accurate and complete copies of such Project Documents and each of such Project Documents shall be in full force and effect.

(b) Equity Investment. The Equity Investor shall have made the Equity Investment to the Owner Lessor at the place and in the manner contemplated by Section 2.

(c) Senior Notes. All conditions precedent to the issuance of the Senior Notes to be issued on the Closing Date and the purchase thereof by the Noteholders shall have been satisfied or waived, all as evidenced by the issuance of such Senior Notes, and the Noteholders shall have purchased the Senior Notes.

(d) Corporate Documents. Each of the Financing Parties shall have received copies of the organizational documents of each of the Lessee, the Owner Lessor, the Owner Manager, the Equity Investor, each Lessee Partner and the Pledgor, and resolutions of the board of directors or appropriate committee of each such Person duly authorizing the Transaction and such documents and such

evidence as each party may reasonably request in order to establish the authority of each such other party to consummate the Transaction, the taking of all corporate or other proceedings in connection therewith and compliance with the conditions herein or therein set forth and the incumbency of all officers signing any of the Financing Documents. Each of the foregoing documents and evidence shall be reasonably satisfactory to the recipient.

(e) Representations and Warranties; Conditions Precedent. The representations and warranties of the parties hereto set forth in Section 3 hereof shall be true and correct on and as of the Closing Date with the same effect as though made on and as of the Closing Date and each of the Financing Parties shall have received an Officer's Certificate from each of the other parties hereto to such effect other than the

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Initial Noteholders whose purchase of the Senior Notes on the Closing Date shall be deemed to be a confirmation of their respective representations as of such date.

(f) Events of Loss, Defaults, Events of Default; Project Documents. No Event of Loss, Lease Default, Lease Event of Default, Indenture Default, Indenture Event of Default or event that with notice or lapse of time or both would constitute an Event of Loss shall have occurred and be continuing. Each of the Project Documents shall be in full force and effect, and (i) no default or breach shall exist under any Project Document that permits any party thereto to terminate any Project Document or suspend its performance thereunder or excuses such non-breaching party from any failure to perform thereunder and (ii) no event of force majeure under any Project Document shall have occurred and be continuing that is reasonably likely to result in a Material Adverse Effect.

(g) No Threatened Proceedings. No action, suit or proceeding shall have been instituted nor, to the Actual Knowledge of any party hereto, threatened, before any Governmental Entity against the Lessee, nor shall any action, suit or proceeding have been instituted, or to the Actual Knowledge of any party hereto, threatened, before any Governmental Entity against or affecting the Project or any party to a Project Document, which could reasonably be expected to have a Material Adverse Effect.

(h) Projections. The Participants shall have received the Projections dated the Closing Date, the substance of which shall be satisfactory to the Participants.

(i) Receipt of Permits and Approvals. All Governmental Approvals necessary to operate and maintain the Project in accordance with the terms and conditions of the Operative Documents, shall have been duly obtained or made and validly issued and shall be in full force and effect and shall not be the subject of any pending or threatened judicial or administrative proceedings. To the extent the Lessee has received copies of such Governmental Approvals, each Financing Party shall have received true and complete copies thereof.

(j) Insurance Coverage. The Participants shall have received and found satisfactory certificates of, or binders for, each policy of insurance required under Section 11 of the Project Lease dated as of May 18, 2005, accompanied by a report of the Insurance Consultant addressed to the Participants in form and substance satisfactory to such parties stating that insurance complying with the provisions of Section 11 of the Project Lease, covering the risks and in the amounts referred to therein, has been obtained and is in full force and effect, is not subject to cancellation without prior notice and that all currently due premiums therefor have been paid in full.

(k) Engineering Report. Each of the Participants shall have received the Engineering Report addressed to the Participants dated as of April 4, 2005, in form and substance satisfactory to such parties confirming that the Project has an electrical capacity and is able to produce electric energy at levels which would be required in order to comply with the Projections.

(l) Environmental Report. Each of the Participants shall have received the Environmental Report addressed to the Participants dated as of April 4, 2005 in form and substance satisfactory to such parties to the effect that there are no conditions present which could reasonably be likely to result in a Material Adverse Effect.

(m) Reports of the Geothermal Consultant. Each of the Participants shall have received reports from the Geothermal Consultant addressed to the Participants in form and substance satisfactory to such parties dated the Closing Date to the effect that the Project has access to geothermal resources which would be required to operate the Project at levels which would be required in order to comply with the Projections.

(n) Appraisal. The Equity Investor shall have received the Closing Appraisal addressed to the Equity Investor in form and substance satisfactory to the Equity Investor. The Lessee and the Initial Noteholders shall have received a letter from the Appraiser with regard to the fair market value and remaining useful life of the Project dated as of the Closing Date.

(o) Annual Operating Budget. The Participants shall have received a copy of the Annual Operating Budget for calendar year 2005, in form and substance reasonably satisfactory to the Participants.

(p) Opinion with Respect to Certain Tax Aspects. The Equity Investor shall have received (i) the opinion, dated the Closing Date, of Dewey Ballantine LLP addressed and delivered only to the Equity Investor as to certain tax matters in form and substance reasonably satisfactory to the Equity Investor and (ii) the opinion dated the Closing Date of McCorriston Miller Mukai MacKinnon LLP addressed and delivered only to the Equity Investor as to certain state and local tax matters in form and substance reasonably satisfactory to the Equity Investor.

(q) Opinions of Counsel. Each of the parties shall have received an opinion or opinions, dated the Closing Date, of (i) Chadbourne & Parke LLP, special counsel to the Lessee and the Pledgor, (ii) Carlsmith Ball LLP, Hawaii counsel to the Lessee, (iii) Dewey Ballantine LLP, counsel to the Equity Investor, (iv) Kilpatrick Stockton LLP, local counsel to Equity Investor, (v) Morris, James, Hitchens & Williams LLP, counsel to the Owner Lessor, the Trust Company, and the Owner Manager and (vi) Kathleen C. Johnson, Attorney at Law, counsel to the Depositary Bank and the Indenture

Trustee, in each case, addressed to such Persons and in form and substance satisfactory to such Persons. Each of the parties, excluding the Lessee, shall have also received the opinion, dated the Closing Date, of McCorriston Miller Mukai MacKinnon LLP, Hawaii counsel to the Noteholders and the Equity Investor. Each such Person expressly consents to the rendering by its counsel of the opinion referred to in this Section 4(q) and acknowledges that such opinion shall be deemed to be rendered at the request and upon the instructions of such Person, each of whom has consulted with and has been advised by its counsel as to the consequences of such request, instructions and consent. Furthermore, each such counsel shall, to the extent requested, (x) include as addressees Persons

which may become Noteholders in the future or (y) permit such Noteholders to rely on its opinion as if such opinion were addressed to such Persons.

(r) Perfection of Liens and Security Interests. The financing statements, instruments (including recordation memoranda) and other documents with respect to the filings and recordings described in Schedule 3.1(h)(ii) shall be in form and substance reasonably satisfactory to the Indenture Trustee, the Initial Noteholders and the Equity Investor and all such filings and recordings and all other filings and recordings and other actions (including the Owner Lessor and/or Indenture Trustee taking possession or control of such collateral in which a security interest may be perfected by possession or control) that are necessary in order to establish, protect, preserve and perfect (i) the Lien of the Owner Lessor on, and perfected security interest in, all right, title, estate and interest of the Lessee, the Pledgor or the Lessee Partners, as applicable, in and to the assets and property which form the collateral, under the Lessee Security Agreement, the Lessee Partners Interest Pledge Agreement and the PGV Interests Pledge Agreement and in and to the Accounts under the Depositary Agreement and the Bank of Hawaii Control Agreements, and (ii) the Lien of the Indenture Trustee on, and perfected security interest in, all right, title, estate and interest of the Owner Lessor in and to the Indenture Estate and the Accounts, prior and superior to all other Liens, existing or future (other than any future lien which by statute would have priority), in each case, shall have been duly executed (if required to be executed by the Lessee, the Pledgor, the Lessee Partners or the Owner Lessor, as applicable, by Applicable Law) and delivered to the Indenture Trustee or its designee in proper form for filing, registration or recordation, and all fees, taxes and other charges relating to such filings and recordings and other actions shall have been paid (or provision thereof shall be made) by the Owner Lessor; and when such documents are filed or recorded, or other actions taken (including the Owner Lessor and/or Indenture Trustee taking possession or control of such collateral in which a security interest may be perfected by possession or control), as applicable, (i) the Owner Lessor shall have a first Lien on, and prior perfected security interest in (A) all right, title, estate and interest of the Lessee, the Lessee Partners or the Pledgor, as applicable, in and to the assets and property which form the collateral under the Lessee Security Agreement, the Lessee Partners Interest Pledge Agreement and the PGV Interests Pledge Agreement and (B) all

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right, title and interest of the Lessee in and to the Accounts under the Depositary Agreement and the Bank of Hawaii Control Agreements and (ii) the Indenture Trustee shall have a first Lien on, and prior perfected security interest in, all right, title, estate and interest of the Owner Lessor in and to the Indenture Estate and the Accounts, in each case, prior and superior to all other Liens, existing or future (other than any future lien which by statute would have priority). In addition, the Indenture Trustee and the Equity Investor shall have received copies of Uniform Commercial Code, judgment and tax lien search reports with respect to each "Debtor" specified in Schedule 3.1(h)(ii) in each jurisdiction requested by the Indenture Trustee, the Initial Noteholders or the Equity Investor confirming that no Uniform Commercial Code filing or judgment or tax lien exists with respect to the properties or assets of such Person.

(s) Funding Request. The Lessee shall have delivered a properly executed funding request, in form and substance satisfactory to the Participants.

(t) No Changes in Applicable Law. No change shall have occurred in Applicable Law or the interpretation thereof by any competent court or other Governmental Entity that would (i) make it illegal for any of the Lessee, the Owner Lessor, the Indenture Trustee or any Participant to participate in the Transaction or (ii) subject any of the Lessee, the Owner Lessor, the Indenture

Trustee or any Participant to regulation as a "public utility," or "electric utility" or a "public utility holding company" (within the meaning of PUHCA or any applicable regulatory law of Hawaii) solely as a result of the transactions contemplated by the Operative Documents.

(u) [Intentionally omitted].

(v) Private Placement Number. A private placement number shall have been issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) for the Senior Notes.

(w) Title Insurance. The Indenture Trustee shall have received a lender's policy of title insurance and the Owner Lessor shall have received an owner's policy of title insurance issued by the Title Company, or binding commitments by the Title Company (in the form of a signed closing letter or an ALTA Commitment) to issue such lender's and owner's policies of title insurance (insuring as of the Closing Date), that meet the following requirements: (i) a lender's policy in favor of the Indenture Trustee which shall (a) be in form and substance reasonably satisfactory to the Indenture Trustee or any Initial Noteholders, (b) contain such endorsements and affirmative coverage as the Indenture Trustee or any Initial Noteholder may reasonably request up to an amount equal to one hundred percent (100%) of the aggregate principal amount of the Senior Notes, including (to the extent applicable with respect to the Project and the Project Site

and available at a reasonable cost from the Title Company in the jurisdiction in which the Project is located) the following: variable rate; survey; comprehensive; access; creditor's rights (which may be provided without an endorsement if a 1970 form of jacket is used); contiguity coverage; usury; doing business; environmental protection lien; modified versions of CLTA 119.2 and CLTA 119.3 and such other endorsements as the Indenture Trustee or any Initial Noteholder may reasonably request, (c) insure (A) the Indenture Trustee for the benefit of each of the Noteholders, in the amount of \$52,000,000 and (B) that the Indenture constitutes a valid first (1) leasehold mortgage lien of record or (2) mortgage lien, as applicable, on the Owner Lessor's right, title and interest as lessee or grantee, as applicable, of the Project Site, subject only to such exceptions to title that are Permitted Liens and that, in any event, would not reasonably be expected to have a Material Adverse Effect, (d) provide for no survey exceptions as to the Project Site exclusive of beneficial easements (other than matters shown by the survey described in Section 4.1(y)) and (e) provide coverage against all mechanics' and materialmen's liens existing on the Closing Date, other than those for which Adequate Reserves have been provided by the Lessee; and (ii) an owner's (or leasehold owner's) policy of title insurance in favor of the Owner Lessor which shall (a) be in form and substance reasonably satisfactory to the Equity Investor, (b) contain such endorsements and affirmative coverage as the Equity Investor may reasonably request, including (to the extent applicable with respect to the Project and Project Site and available at a reasonable cost from the Title Company in the jurisdiction in which the Project is located) the following: survey; comprehensive; access; contiguity coverage; environmental protection lien; and such other endorsements as the Equity Investor may reasonably request, (c) insure the Owner Lessor's right, title and interest as lessee or grantee, as applicable, of the Project Site in the amount of \$52,000,000, (d) provide for no survey exceptions as to the Project Site exclusive of beneficial easements (other than matters shown by the survey described in Section 4.1(y)) and (e) provide coverage against all mechanics' and materialmen's liens existing on the Closing Date, other than those for which Adequate Reserves have been provided by the Lessee. The Indenture Trustee shall also have received evidence that the premiums in respect of such commitments and/or policies, all charges for mortgage taxes (if any), and all related expenses, if any, have been paid or

shall be paid concurrently with the Closing. Each of the Equity Investor and the Indenture Trustee shall have received a copy of all recorded documents referred to, or listed as exceptions to title in, the title policy or policies referred to in this Section.

(x) Material Adverse Effect. Since June 3, 2004, no event shall have occurred which could reasonably be expected to have a Material Adverse Effect.

(y) Survey. The Equity Investor, the Owner Lessor, the Indenture Trustee and the Title Company shall have received an ALTA/ACSM land title survey of the Project Site, certified to the Indenture Trustee, the Owner Lessor and the Title Company in the manner prescribed by paragraph 8 of the Minimum Standard Details

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referred to below, dated not more than 180 days prior to the Closing Date, prepared by an independent professional licensed land surveyor reasonably satisfactory to the Equity Investor, the Indenture Trustee and the Title Company, which survey shall be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association, American Congress on Surveying & Mapping and National Society of Professional Surveyors in 1999 and meeting the accuracy requirements set forth therein, and which survey shall be reasonably satisfactory to the Equity Investor, the Indenture Trustee and the Title Company. Without limiting the generality of the foregoing, the survey shall: (a) show the location of any easements, fences, restriction setback lines, rights-of-way, encroachments and adjoining streets; (b) locate all means of ingress and egress and contain a location sketch of the Project Site; (c) show the location of all improvements as constructed on the Project Site; and (d) indicate the flood zone designation, if any, in which the Project Site is located.

(z) Reserve Accounts. Each of the Accounts shall have been established in accordance with the Depositary Agreement and an amount equal to the Capex Account (Debt) Deposit, the Senior Rent Reserve Requirement and the Junior Rent Reserve Requirement, as applicable, shall have been deposited in the Capex Account (Debt), the Senior Rent Reserve Account and the Junior Rent Reserve Account, as applicable.

(aa) Letter as to Number of Offerees. The Equity Investor and the Indenture Trustee shall have received a certification from the Debt Placement Agent in form and substance reasonably satisfactory to such Persons, as to the number of offerees by it of the Senior Notes, and the nature of such offerees.

(bb) Financial Statements. The Lessee shall have delivered the financial statements referred to in Section 3.1(v)(i) herein.

(cc) Transaction Costs. Each of the parties hereto shall have received satisfactory evidence that all Transaction Costs have been paid in full by the applicable party.

(dd) Consents to Assignment. Each of the Transaction Parties shall have received a duly executed copy of the Consents to Assignment, in form and substance satisfactory to the Participants.

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Section 5.1. Maintenance of Existence. The Lessee shall at all times preserve and maintain in full force and effect its existence and its good standing under the laws of the State of Hawaii.

Section 5.2. Maintenance of Permits. The Lessee shall obtain and maintain, or cause to be obtained and maintained, in full force and effect all Governmental Approvals required to be obtained from time to time in connection with (i) the use, operation and maintenance of the Project as contemplated by the Project Documents (for up to 30 MW), and the Expansion Project if purchased by the Owner Lessor, and (ii) the execution, delivery and performance by the Lessee of the Operative Documents to which it is a party, except, in each case, where failure to so obtain or maintain any such Governmental Approval would not be expected to result in a loss of revenues attributable to the use of the Project in excess of \$1,500,000, taking into account any Claims arising under Sections 5.3, 5.9 and 5.28 hereunder.

Section 5.3. Compliance with Laws and Governmental Approvals. The Lessee shall comply with all Applicable Laws (including Environmental Laws) and Governmental Approvals, except where noncompliance could not reasonably be expected to result in one or more Claims against or being incurred by the Lessee in excess of \$1,500,000, taking into account any Claims arising under Sections 5.2, 5.9 and 5.28 hereunder.

Section 5.4. Information. The Lessee shall deliver to the Equity Investor, the Owner Lessor, and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee:

(a) within 60 days after the close of each of the first three quarterly accounting periods in each fiscal year of the Lessee (commencing with the quarter ending June 30, 2005), unaudited quarterly consolidated financial statements of the Lessee;

(b) within 120 days after the close of each fiscal year (commencing with the fiscal year ending December 31, 2005), audited annual consolidated financial statements for such fiscal year, with an unqualified opinion (other than in respect of financial controls and procedures and similar requirements of the Sarbanes-Oxley Act) of an internationally recognized independent accounting firm (the "Auditors");

(c) at the time of the delivery of the financial statements provided for in clause (b) immediately above, a certificate of a Responsible Officer of the Lessee to the effect that, to such officer's Actual Knowledge, no Lease Default or Lease Event of Default has occurred and is continuing;

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(d) within sixty (60) days after each Rent Payment Date, a certificate of a Responsible Officer of the Lessee, setting forth a calculation of the Lease Rent Coverage Ratio for the two preceding semiannual periods and the Projected Lease Rent Coverage Ratio for the then-current semiannual period and the immediately following semiannual period in form and substance as set forth in Exhibit A, provided, however, that if the Lease Rent Coverage Ratio for any semi-annual period is below 1.20 to 1.00, the Equity Investor shall have the right to request (i) detailed information regarding major maintenance and other items in the Annual Operating Budget as it deems reasonable and (ii) additional information and explanations with respect to the semiannual operating report referred to in Section 5.4(e) until the next such semiannual period as the Lease Rent Coverage Ratio for the two preceding semiannual periods and the Projected Lease Rent Coverage Ratio for the then-current semiannual period and the immediately following semiannual period are at least 1.20 to 1.00; provided, further, that the Lessee shall provide the Indenture Trustee with a copy of any such information provided to the Equity Investor pursuant to this clause (d);

(e) within sixty (60) days after each Rent Payment Date, a semiannual operating report in the form attached hereto as Exhibit B and promptly after any forced outage that lasts for more than fourteen (14) consecutive days, notice of such forced outage;

(f) (A) as soon as practicable, but in any event within 10 Business Days after the Lessee obtains Actual Knowledge thereof, notice of any event which constitutes a Lease Default or a Lease Event of Default or an Event of Loss, specifying the nature of such Lease Default, Lease Event of Default or Event of Loss and any steps the Lessee is taking or proposes to take to remedy or otherwise address the same, and (B) promptly, and in any event within 30 days after the Lessee obtains Actual Knowledge thereof, notice of:

(i) any litigation, arbitration or governmental proceeding (other than any governmental proceeding in the ordinary course of business) pending (A) against the Lessee or the Project or (B) with respect to any Project Document to which the Lessee is a party or with respect to the Project Site, which, in each case, individually or in the aggregate could reasonably be expected to result in a Claim in excess of \$500,000;

(ii) the occurrence and continuance of any Requisition (without regard to the existence of any good faith contest in respect thereof);

(iii) any change in the Responsible Officers of the Lessee, accompanied by certified specimen signatures of any Responsible Officers so appointed;

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(iv) the existence of any Lien against the Indenture Estate;

(v) any notice received by the Lessee purporting to cancel or materially alter the terms of any insurance policy which the Lessee is required to maintain pursuant to the Project Lease; or

(vi) other than those which occur in the ordinary course of business, any casualty, damage or loss, whether or not insured, through fire, theft, other hazard or casualty, or any act or omission of the Lessee or of any other Person if such casualty, damage or loss effects the Project, the Project Site or the Geothermal Resource in the amount of \$100,000 or more.

(g) no later than ten Business Days after the effectiveness of any amendment, supplement, modification or termination (other than by its terms) of any Project Document, notice of such amendment, supplement or modification, together with a copy thereof.

Section 5.5. Annual Operating Budget. On November 15 of each calendar year, commencing on November 15, 2005, the Lessee shall deliver to the Equity Investor, and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee and the Noteholders, an annual operating budget of Project Revenues and Operating Costs expected to be incurred by the Lessee during the relevant fiscal year to which such budget applies in the form attached hereto as Exhibit C (the "Annual Operating Budget") together with an Officer's Certificate of the Lessee certifying that such Annual Operating Budget has been prepared in good faith. The Equity Investor and the Noteholders will have the right to review and approve (such approval not to be unreasonably withheld or delayed) such Annual Operating Budget by December 15 of such year; provided, however, the Equity Investor's and the Noteholders' approval of the Annual Operating Budget shall not be required (A) if the aggregate Operating Costs set forth in such Annual Operating Budget do not exceed by 15% or more the

sum of the (i) actual aggregate Operating Costs for the Project from January 1 of the then current fiscal year to October 31 of such year and (ii) the aggregate costs and expenses budgeted for the Project from November 1 of such year to December 31 of such year and (B) so long as on every fourth year (beginning in 2009), the aggregate Operating Costs set forth in the Annual Operating Budget for such year do not exceed by 45% or more the sum of the actual aggregate Operating Costs for the Project incurred in the calendar year that is four years prior to such year; provided further, that notwithstanding the foregoing, the Equity Investor's and the Indenture Trustee's approval of the Annual Operating Budget shall be required if, at any relevant time, the Lease Rent Coverage Ratio for either of the immediately preceding two semiannual periods was less than 1.20 to 1.00.

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Section 5.6. Conduct of Business. Except as contemplated by Section 5.23 and Section 12.18, the Lessee shall not enter into or engage at any time in any business other than the ownership, occupation, construction, testing, starting, repair, operation, maintenance and use of the Project and the financing of the Project and the sale of electric power or other products and byproducts of the Project by the Lessee, and all other activities related thereto necessary for the development, construction, operation and maintenance of the Project and as otherwise contemplated or permitted by the Operative Documents.

Section 5.7. Books and Records; Inspections. The Lessee shall maintain appropriate logs with respect to the Project and books, records and accounts in which full, true and correct entries in accordance with GAAP consistently applied, shall be made of all of its dealings and transactions.

Section 5.8. Taxes; Utility Charges. The Lessee shall, prior to the time penalties shall attach thereto, (i) file, or cause to be filed, all tax and information returns that are required to be, or are required to have been, filed by it in any jurisdiction, and (ii) pay or cause to be paid all Taxes and utility charges shown to be, or to have been, due and payable on such returns and all other Taxes and utility charges lawfully imposed and payable by it, to the extent the same shall have become due and payable, except to the extent there is a good faith contest thereof by the Lessee and the Lessee has maintained adequate reserves for such Taxes or utility charges to be funded out of either (i) capital contributions from the Pledgor or (ii) distributions from the Distribution Account made in accordance with the Depositary Agreement.

Section 5.9. Performance and Enforcement. The Lessee shall duly (i) perform and observe in all respects its covenants and obligations under all Operative Documents and (ii) operate and maintain the Project in accordance with Prudent Industry Practice and Applicable Law, except to the extent that the applicability thereof is being contested in good faith unless in the case of clause (i), the failure to perform or observe such covenant or such obligation or (ii) in the case of clause (ii), such contest, in each case, would be expected to result in a loss of revenues attributable to the use of the Project as contemplated by the Operative Documents in excess of \$1,500,000, taking into account any Claims arising under Sections 5.2, 5.3 and 5.28 hereunder.

Section 5.10. Utility Status.

The Lessee will not take any action that would result in the Owner Lessor or any Participant being subject to any utility regulation.

Section 5.11. Subsidiaries. The Lessee will not establish or maintain any subsidiary.

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Section 5.12. Notice of Change of Jurisdiction of Formation Address; No Change of Name. The Lessee shall provide the Equity Investor, the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, prompt written notice of any anticipated change in its address or jurisdiction of formation, which notice shall, in any event, be provided no later than 30 days prior to such change. The Lessee shall not change its name without the prior written consent of the Equity Investor and the Noteholders.

Section 5.13. Further Assurances. The Lessee, at its own cost, expense and liability, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances reasonably requested by the Equity Investor, the Owner Lessor or, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, as may be necessary in order to carry out the intent and purposes of this Participation Agreement and the other Operative Documents to which it is a party, and the transactions contemplated hereby and thereby. The Lessee, at its own cost, expense and liability, will cause such financing statements and fixture filings (and continuation statements with respect thereto) as may be necessary and such other documents as the Equity Investor, the Owner Lessor or, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, shall reasonably request to be recorded or filed at such places and times and in such manner, and will take all such other actions or cause such actions to be taken, as may be necessary or advisable in order to establish, preserve, protect and perfect the right, title and interest of the Owner Lessor in and to the Project, the Project Document Interest, the Lessee's Interest in the Geothermal Resource, the Project Site, or any portion of any thereof or any interest therein and the first priority Lien intended to be created by the Indenture and the other Security Documents therein. The Lessee shall promptly from time to time furnish to the Equity Investor, the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, such information with respect to the Project, the Project Site, the Project Document Interest, the Geothermal Resources or the transactions contemplated by the Operative Documents to which it is a party as may be required to enable the Equity Investor, the Owner Lessor or, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, as the case may be, to timely file with any Governmental Entity any reports and obtain any licenses or permits required to be filed or obtained by the Owner Lessor under any Operative Document or the Equity Investor as the owner of the Member Interest or the Indenture Trustee.

Section 5.14. Limitation on Indebtedness. The Lessee shall not create, incur, assume or permit to exist any Indebtedness, except as follows, without duplication (all such Indebtedness being referred to hereinafter as "Permitted Indebtedness"):

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(a) Indebtedness permitted pursuant to the terms of the Operative Documents (including the Reserve Letters of Credit);

(b) Indebtedness of the Lessee, so long as the obligations of the Lessee thereunder are (i) to the Pledgor and (ii) evidenced by an instrument or instruments subordinated to the payment of Periodic Lease Rent by provisions substantially in the form of Exhibit D hereto;

(c) surety bonds, performance bonds or similar arrangements with third-party sureties or indemnitors or similar Persons in connection with a good faith contest or otherwise permitted by the Project Lease or any other Operative Document, with reimbursement obligations of the Lessee not in an aggregate amount at any time outstanding in excess of \$500,000;

(d) indemnities and similar obligations, if any, arising under the Operative Documents, to the extent the same constitute Indebtedness;

(e) Indebtedness incurred to finance Modifications which are not otherwise financed with Additional Senior Notes and/or additional investments by the Equity Investor in accordance with the terms of the Project Lease, provided that such Indebtedness (i) shall be payable solely from amounts distributable to the Lessee pursuant to Section 5.9 of the Depositary Agreement and be subordinated to the payment of the Periodic Lease Rent in accordance with the subordination provisions set forth in Exhibit D;

(f) additional Indebtedness with the written prior consent of the Owner Lessor and the Indenture Trustee.

Section 5.15. Limitation on Liens. The Lessee shall not create, incur or suffer to exist or permit any Lien upon or with respect to any of its properties or assets, other than Permitted Liens.

Section 5.16. Restricted Payments. The Lessee shall not make any distribution to the Lessee Partners or ONI or any other payments from the Distribution Account (including by transfer of assets or assumption or incurrence of any other Indebtedness or liability) other than (i) as permitted under Section 5.9 of the Depositary Agreement or (ii) as permitted under Section 8(b) of the PGV Interests Pledge Agreement following a Lease Event of Default which is a Limited Recourse Event.

Section 5.17. Permitted Investments, Loans and Advances. The Lessee shall not make any investments, advances or loans other than Permitted Investments.

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Section 5.18. Merger, Consolidation, Sale of Substantially All Assets. The Lessee shall not enter into any transaction of merger or consolidation, change its form of organization or its business, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) without the consent of the Owner Lessor and the Indenture Trustee. The Lessee shall not sell, assign, convey, lease, transfer or otherwise dispose of any of its assets or purchase or otherwise acquire all or substantially all of the assets or the businesses of any other Person without the consent of the Owner Lessor and the Indenture Trustee.

Section 5.19. Amendments to Project Documents. The Lessee shall not terminate, amend, waive, modify or assign (other than pursuant to the Operative Documents), or consent to the assignment of the rights or obligations of any party to, any Project Document, unless such termination, amendment, waiver, modification, assignment or consent to assignment of a Project Document could not reasonably be expected to impair the rights of the Lessee in the Project or the operation and maintenance of the Project or the rights of the Owner Lessor or any of the Participants; provided, that the Lessee may make amendments to the Project Documents that are of a routine, ministerial, administrative or de minimis nature in order to cure any ambiguities correct or supplement any defects or inconsistencies with respect thereto.

Section 5.20. Certain Contracts and Agreements. The Lessee shall not enter into any agreements, contracts or other arrangements or commitments other than (a) the Operative Documents existing on the Closing Date; (b) any additional agreements for sale of excess capacity or energy or fuel (to the extent not required for the operation of the Project) otherwise permitted by the Operative Documents, the performance of which could not reasonably be expected to impair the rights of the Owner Lessor or any of the Participants; (c) contracts contemplated by any Operative Document, including contracts with Affiliates that are permitted pursuant to Section 5.21, 5.23 and 12.18; (d) contracts for

emergency repairs or to avoid or minimize unplanned outages; and (e) agreements, contracts or other arrangements or commitments which are (w) contemplated by the Operative Documents (including as contemplated by Section 12.18), (x) entered into by the Lessee with respect to the disposition of assets which the Lessee is permitted to sell, transfer, assign, lease or sublease pursuant to the terms of the Operative Documents, (y) entered into by the Lessee in the ordinary course of business and which are included in the Annual Operating Budget consistent with Section 5.5, or (z) in substitution for existing agreements, contracts or other arrangements (other than the PPA) which are on substantially similar or more favorable terms and conditions to the agreements, contracts or arrangements being replaced.

Section 5.21. Limitation on Transactions with Affiliates. The Lessee shall not enter into any transaction or series of related transactions with any Affiliate except (i) as contemplated by Section 5.23 and 12.18 or(ii) on terms no less favorable to the Lessee

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than those in comparable third party, arm's length transactions and as contemplated by the Operative Documents on the Closing Date (including, for the avoidance of doubt, the Administrative Services Agreement).

Section 5.22. Depositary Agreement Accounts; Bank Accounts. The Lessee shall maintain the amounts in the Accounts as set forth in the Depositary Agreement. The amounts on deposit in each of the Accounts shall be subject to the terms of, and disbursed in accordance with, this Participation Agreement and the Depositary Agreement. The Lessee shall not maintain any other accounts other than those specified therein and the bank accounts held in Hawaii as set forth on Schedule 5.22, Part 1 hereto and any other bank accounts as set forth on Schedule 5.22, Part 2 and Part 3. The Lessee shall close all of the bank accounts set forth in Schedule 5.22, Part 2 within three (3) months of the Closing Date. For the avoidance of doubt, the accounts set forth in Schedule 5.22, Part 3 will not be closed and will not be subject to any security agreements or control agreements (it being understood that the Lessee has no right to the monies in such accounts).

Section 5.23. Sharing of Facilities. The Lessee shall not share its facilities or assets with any other entity or project, except as permitted in Section 5.21. Notwithstanding the foregoing, the Lessee may share Severable Modifications or certain facilities including, without limitation, substation, interconnection and transmission facilities, back-up generators, emergency equipment and administrative facilities, for the Phase II Project, so long as (i) any construction is conducted by entities other than the Lessee Partners or the Lessee, (ii) with respect to the Severable Modifications, the Lessee shall comply with Section 11.1 hereto and Section 8 of the Project Lease, and (iii) any such sharing shall not reduce by more than a de minimis amount, the rights and benefits of the Owner Lessor, and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, with respect to the Project or adversely affect the ability of the Project to generate and transmit power to the limit of 33 MW, therefrom.

Section 5.24. Capital Expenditures. The Lessee shall not make capital expenditures in excess of \$2,000,000 in any calendar year with respect to Optional Modifications (it being understood that this limitation shall not apply to the Expansion Project, Required Modifications or the Well Improvements (so long as capital expenditures incurred with respect to the Well Improvements are incurred in the 2005 calendar year and are made solely from distributions from the Distribution Account made in accordance with the Depositary Agreement or from equity contributions made to the Lessee by the Pledgor)); provided, however, such capital expenditures, if incurred, shall not exceed the aggregate spending limitations with respect to all expenditures set forth in the Annual Operating Budget for such year.

Section 5.25. Contingent Liabilities. Lessee shall not become liable as a surety, guarantor, accommodation endorser or otherwise, for or upon the obligation of any other Person; provided, however, that this Section 5.25 shall not be deemed to prohibit:

(a) the acquisition of goods, supplies or merchandise in the normal course of business or normal trade credit; or

(b) the endorsement of negotiable instruments received in the normal course of its business.

Section 5.26. Abandonment of Project. Lessee shall not voluntarily abandon the operation, maintenance, or repair of the Project except in connection with the exercise, if any, by the Lessee of its termination option under Section 14 of the Project Lease.

Section 5.27. Accounts Receivable. Lessee agrees to use commercially reasonable efforts to diligently pursue collection of all material accounts receivable owing to it and all other material amounts that may from time to time be owing to it for services rendered or goods sold.

Section 5.28. Intellectual Property. Lessee shall maintain adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property necessary to operate the Project as contemplated by the Project Lease except where failure to do so would result in one or more Claims in excess of \$1,500,000 against the Lessee, taking into account any Claims under Sections 5.2, 5.3 and 5.9.

Section 5.29. EWG Status. The Lessee shall maintain its status as an EWG (as defined in PUHCA).

Section 5.30. Spare Drive Train Equipment. Lessee shall maintain a spare steam drive train (which consists of a spare steam turbine without its housing, spare steam turbine gearbox and associated couplings, spare pentane turbine, and spare pentane turbine gearbox and associated couplings) on the Project Site by December 31, 2005. For the avoidance of doubt, it is understood and agreed that the spare drive train equipment included in the Project as of the Closing Date constitutes the required spare drive train as of the Closing Date. In the event that it becomes necessary to utilize any or all of such spare steam drive train, the Lessee shall replace any parts used as soon as is commercially reasonable so that there will be one complete spare steam drive train on the premises at all times.

Section 5.31. Well Completion Efforts. Lessee shall use all commercially reasonable efforts to make the Well Improvements and satisfy the Completion Tests relating to such Well Improvements by December 30, 2005.

Section 5.32. ERISA. At no time shall Lessee use or attempt to use any assets which would be deemed to be "plan assets" under the "plan asset regulations" promulgated pursuant to ERISA to satisfy any or all obligations under the Operative Documents.

Section 5.33. Partial Assignment. The Lessee shall enforce its rights (and the rights of the Owner Lessor and the Indenture Trustee) under the Partial Assignment and shall provide a copy to each of the Owner Lessor, Equity Investor

and Indenture Trustee of any material notice it receives from PGV-II pursuant to the Partial Assignment.

Section 5.34. Withdrawals from Well Maintenance Reserve Account. At any time prior to a withdrawal from the Well Maintenance Reserve Account in excess of \$200,000 or, if the aggregate withdrawals from such account in the calendar year in which such additional withdrawal is to be incurred, would exceed \$500,000, Lessee shall provide to the Equity Investor the following: (i) a plan, specifying the nature of the Well Maintenance Costs proposed to be incurred, the need therefor and the effect of the proposed work on the Project and its associated geothermal wells, (ii) a detailed budget specifying by line item each major category of expenditures, together with information supporting the overall amount of the budget, and (iii) a schedule of work to be performed, including estimated commencement and completion dates as well as estimated dates for completion of major milestones (the "Work Plan"). If the Equity Investor does not object to any aspect of the Work Plan within 14 days of receipt thereof (the "14 Day Period"), it will be deemed to have accepted such Work Plan at the end of such 14 Day Period; provided, however, that if within the 14 Day Period, the Equity Investor shall reasonably request additional information, such 14 Day Period shall be extended to add an additional 7 days to such 14 Day Period beginning on the day that the Equity Investor shall have been provided with the additional information requested by it (the "Additional Period"). If, however, the Equity Investor objects to such Work Plan within the 14 Day Period or the Additional Period, the Equity Investor shall have the option of retaining GeothermEx, Inc. to review such Work Plan and who will act in accordance with the standards and procedures specified in the penultimate sentence of this Section 5.34 and submit changes, if any to such Work Plan within 5 Business Days; provided, however, that (a) if GeothermEx, Inc. is no longer in existence or is unable or unwilling to prepare such analysis or give such opinion, then the Lessee and the Equity Investor shall attempt in good faith to agree upon another reputable, recognized and independent resource consultant (GeothermEx Inc. or such other independent resource consultant, the "Geothermal Consultant") to prepare such analysis and give such opinion (pursuant to an engagement letter that meets the requirements set forth below), and if such parties are

unable to so agree within thirty (30) days, then such other consultant shall be selected by the procedure set forth in the immediately succeeding sentence of this Section 5.34, (b) the costs of preparing such analysis shall be paid by Lessee, and (c) the opinion of Geothermal Consultant shall in any case be binding and conclusive on the parties. The procedure for selecting such other Geothermal Consultant shall be as follows: (1) each party shall designate a reputable, recognized and independent resource consultant who is not affiliated with the other party, (2) such consultants shall together designate a third reputable, recognized, and independent resource consultant who is not affiliated with any party, (3) such third consultant shall prepare such analysis and give such opinion, and (4) the Lessee shall pay the reasonable fees and expenses of all the consultants. If the Geothermal Consultant determines that changes are necessary, the Lessee shall incorporate such changes into a revised Work Plan (the "Revised Work Plan") which the Geothermal Consultant shall approve within three Business Days. After the Lessee has completed the work, it shall certify the same to the Equity Investor and Geothermal Consultant. If the work was not completed in accordance in all material respects with the Work Plan or, if a Revised Work Plan has been implemented, in accordance with the Revised Work Plan as determined by the Geothermal Consultant (acting in accordance with the standards and procedures specified in the penultimate sentence of this Section 5.34), (it being understood that any cost overruns shall not be considered deviations from the Work Plan or the Revised Work Plan and may be funded from either a contribution by ONI or by withdrawals from the Well Maintenance Reserve Account, provided that any such withdrawals in respect of cost overruns shall be replenished from funds in the Distribution Account) then the amount of Well Reserve Contributions to be made by the Lessee for the immediately succeeding

calendar year shall be increased by the difference between (x) the amount actually withdrawn from the Well Maintenance Reserve Account in connection with such work (without taking into account any cost overruns, which shall be addressed as set forth above) and (y) the amount that Geothermal Consultant believed should have been spent in connection with such work in accordance with the Work Plan or, if implemented, Revised Work Plan, as the case may be (the "Section 5.34 Differential"). In connection with resolving any dispute pursuant to this Section, the Geothermal Consultant shall act pursuant to an engagement letter to which (a) the Lessee and the Equity Investor are parties and (b) the Geothermal Consultant is held harmless by the parties to the engagement letter for its conclusions reached pursuant thereto, subject to exceptions for gross negligence and willful misconduct, and that requires the Geothermal Consultant to act objectively, with no bias toward any party. Notwithstanding anything to the contrary set forth in the foregoing, the parties agree and acknowledge that the Lessee shall have the right to (i) withdraw funds from the Well Maintenance Reserve Account in accordance with Section 5.4 of the Depositary Agreement without regard to the provisions of this Section 5.34 and (ii) make any expenditures necessary in connection with addressing any safety or regulatory issues that

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require immediate action. The Lessee and the Equity Investor shall promptly provide the Indenture Trustee with a copy of each document delivered under this Section 5.34.

SECTION 6. COVENANTS OF THE TRUST COMPANY AND THE OWNER LESSOR

Section 6.1. Compliance with the LLC Agreement. The Trust Company in its capacity as the Owner Manager, hereby covenants and agrees that it will:

(a) comply with all of the terms of the LLC Agreement applicable to it; and

(b) not amend, supplement, or otherwise modify Sections 1, 2.5, 5, 8, 9, 10, 12.1, 13, 14, 15.2 and 15.3 of the LLC Agreement without the prior written consent of (i) so long as the Project Lease has not terminated or expired and no Lease Event of Default has occurred and is continuing, the Lessee, and (ii) so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee.

Section 6.2. Owner Lessor's Liens. Each of the Trust Company and the Owner Lessor hereby severally and not jointly covenants that it will not directly or indirectly create, incur, assume or suffer to exist any Owner Lessor's Lien created by or through it or its Affiliates (other than in the case of the Owner Lessor, the Equity Investor) and will promptly notify the Lessee, the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee of the imposition of any such Lien of which it has Actual Knowledge and shall promptly, at its own expense, take such action as may be necessary to duly discharge such Owner Lessor's Lien created by or through to it or its Affiliates (other than, in the case of the Owner Lessor, the Equity Investor).

Section 6.3. Amendments to Operative Documents. Each of the Trust Company and the Owner Lessor hereby severally and not jointly covenants that it will not unless such action is expressly permitted by the Operative Documents (a) through its own action, terminate any Operative Document to which it is a party, (b) amend, supplement, waive or modify (or consent to any such amendment, supplement, waiver or modification) of such Operative Documents in any manner or (c) except as provided in Section 11 hereof or Section 2.10 of the Indenture, take any action to prepay or refund the Notes or amend any of the payment terms of the Notes without, in each case, the prior written consent of (i) so long as the Project Lease has not terminated or expired and no Lease Event of Default

shall have occurred and be continuing, the Lessee, or, (ii) in the case of clause (a) or (b), so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee (except with respect to Excepted Payments). Notwithstanding the foregoing, prior to any assumption of the Notes by the Equity

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Investor pursuant to Section 11.4, the Owner Lessor will not, so long as no Lease Event of Default shall have occurred and be continuing and no dispossessionary remedies are being exercised, exercise its option to repay the Notes pursuant to Section 2.10 of the Indenture prior to maturity without the consent of the Lessee.

Section 6.4. Transfer of the Owner Lessor's Leasehold Interest. Other than as contemplated by the Operative Documents, the Owner Lessor covenants that it will not assign, pledge, sell, lease, convey or otherwise transfer any of its then existing right, title or interest in and to the Owner Lessor's Leasehold Interest, the Lessor Estate, or its rights in the Real Estate Documents or the other Operative Documents without the prior written consent of the Lessee, (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessionary remedies are being exercised), the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee. Nothing in this Section 6.4 shall limit the ability of the Equity Investor to appoint a successor Owner Manager pursuant to Section 12 of the LLC Agreement.

Section 6.5. Owner Lessor; Lessor Estate. The Owner Manager covenants that it will not voluntarily take any action to subject the Owner Lessor or the Lessor Estate to the provisions of any applicable bankruptcy or insolvency law (as now or hereafter in effect).

Section 6.6. Limitation on Indebtedness and Actions. The Owner Lessor covenants that it will not incur any Indebtedness or enter into any business or activity except as required or expressly permitted or contemplated by any Operative Document and the LLC Agreement.

Section 6.7. Change of Jurisdiction of Organization. The Owner Lessor shall give the Equity Investor, the Lessee and, so long as the Lien of the Indenture has not been fully terminated and fully discharged, the Indenture Trustee not less than 30 days' prior written notice of any change in the jurisdiction of organization of the Owner Lessor from the jurisdiction set forth in Section 3.2(a) and of any change in its name.

Section 6.8. Approvals in Writing. If and to the extent approval or direction is required at any time from the Owner Lessor under the Operative Documents or otherwise, the Owner Lessor shall only give such approval or direction in writing.

Section 6.9. Warranties of the Trust Company. Upon the sale of the Project pursuant to Section 10, 13, 14 or 22 of the Project Lease, the Trust Company agrees to provide a warranty that the Owner Lessor's Leasehold Interest being transferred by the Owner Lessor is being transferred free and clear of all Owner Lessor's Liens created by or through the Trust Company and any of its Affiliates.

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Section 7.1. Restrictions on Transfer of Member Interest. (a) The Equity Investor covenants and agrees that during the Project Lease Term it shall not, directly or indirectly, assign, convey or transfer any of its right, title or interest in the Member Interest without the prior written consent of the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised), and, so long as the Lien of the Indenture has not been terminated and fully discharged, without the prior written consent of the Indenture Trustee; provided, however, that the Equity Investor may assign, convey or transfer all (but not less than all) of its interest in the Member Interest without such consent to a Person (the "Equity Investor Transferee") that shall assume the duties and obligations of the Equity Investor under the Operative Documents pursuant to a Transfer Agreement substantially in the form of Exhibit F hereto, or otherwise in form and substance reasonably satisfactory to the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised) and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, if the following conditions shall have been satisfied:

(i) prior written notice has been delivered to the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised) and the Indenture Trustee in accordance with clause (e) below;

(ii) the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised), and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee shall have received an opinion of counsel of the Equity Investor Transferee, which opinion is reasonably satisfactory to the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised), and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, confirming (A) that all regulatory approvals required in connection with such transfer or necessary for the Equity Investor Transferee to assume the Equity Investor's obligations under the Operative Documents shall have been obtained, (B) the existence, power and authority of, and due authorization, execution and delivery of all relevant documentation by, the Equity Investor Transferee and the Equity Investor Guarantor and (C) that each of the Transfer Agreement and the Equity Investor Guaranty referred to below is the legal, valid, binding and enforceable obligation of the Equity Investor Transferee or the Equity Investor Guarantor, as appropriate (subject to customary qualifications as to bankruptcy

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and equitable principles), and the Indenture Trustee and the Noteholders shall have received a copy of, and be permitted to rely upon, such opinion;

(iii) the Equity Investor Transferee shall be a "United States Person" within the meaning of section 7701(a)(30) of the Code;

(iv) the Equity Investor Transferee shall be Solvent;

(v) the Equity Investor Transferee shall be either (A) a directly or indirectly wholly-owned Affiliate of the Equity Investor that does not otherwise qualify under clause (B) below, provided that all of the payment and performance obligations of the Equity Investor Transferee under the Operative Documents shall be guaranteed by the Equity Investor (pursuant to an Equity Investor Guaranty substantially in the form of Exhibit G hereto or otherwise in form and substance reasonably satisfactory to the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised) and, so

long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee), or (B) a Person that has, or the payment and performance obligations of which with respect to the interest being transferred under the Operative Documents are guaranteed (pursuant to an Equity Investor Guaranty substantially in the form of Exhibit G hereto or otherwise in form and substance reasonably satisfactory to the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised) and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee) by an Equity Investor Guarantor that has, a tangible net worth of at least \$50,000,000;

(vi) such transfer is in compliance with the Securities Act;

(vii) (A) with respect to a transfer by the initial Equity Investor (or any Affiliate thereof), the Equity Investor Transferee is not itself, nor is any of its Affiliates, a Competitor of the Lessee or an Affiliate thereof, (B) neither the Equity Investor Transferee nor any Affiliate of the Equity Investor Transferee shall be in material litigation with the Lessee or any Affiliate thereof, and (C) no Noteholder shall be prohibited from transacting business with the Equity Investor Transferee or any Affiliate of the Equity Investor Transferee.

(b) For purposes of the preceding Section 7.1(a), a "Competitor" of the Lessee or any Affiliate thereof shall be an entity, or an Affiliate thereof, that is engaged in the generation of geothermal energy, but excluding for this purpose any entity (i) that owns any such generation facility in a passive capacity (such as, e.g., the interests

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owned by the Owner Lessor or the Equity Investor in the Project), either directly or through a partnership, limited liability company or other investment vehicle, so long as such entity does not have any Affiliates that are engaged in the generation of geothermal energy (unless referred to in clause (ii) hereof) or (ii) whose ownership of any such generating facility is incidental to its principal line of business.

(c) Notwithstanding anything to the contrary contained herein, any transfer by the Equity Investor of any portion of the Member Interest shall include a transfer of an interest in any direct or indirect parent of the Equity Investor up to but excluding the Equity Investor; provided, that, as long as any required Equity Investor Guaranty remains in full force and effect, the transfer restrictions set forth in clause (a)(vii) will not apply to any transfers of an interest in such direct or indirect parent of the Equity Investor to other entities that are at all times wholly owned, directly or indirectly, by a parent of the Equity Investor.

(d) The Lessee shall not be responsible for any Taxes arising out of or caused by any transfer pursuant to (or in breach of) this Section 7.1 and the Pricing Assumptions shall not be changed as a result of any such transfer.

(e) The Equity Investor shall give the Owner Lessor, the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised) and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee no more than ninety (90) days' and no less than thirty (30) days' (or fifteen (15) days' in the case of a transfer to an Affiliate of the Equity Investor) prior written notice of any transfer pursuant to this Section 7.1. Such written notice shall be in the form of a certificate stating the name and address of any proposed Equity Investor Transferee and that the proposed transfer satisfies the requirements of this Section 7.1. If requested by the Equity Investor or the Indenture Trustee, the Lessee will acknowledge qualifying transfers.

(f) All reasonable, documented out-of-pocket costs, fees and expenses of the Indenture Trustee, the Noteholders, the Lessee and the Owner Lessor, including reasonable attorneys' fees and expenses in connection with any such transfer or proposed transfer, including any of the foregoing relating to any amendments to the Operative Documents required in connection therewith, shall be paid by the Equity Investor, without any right of indemnification from the Lessee or any other Person; provided, however, that the Equity Investor shall have no obligation to pay such costs, fees or expenses incurred by the Lessee as a result of any transfer while a Significant Lease Default or Lease Event of Default is continuing.

(g) Upon any such transfer in compliance with this Section 7.1, (i) such Equity Investor Transferee shall (x) be deemed the "Equity Investor" for all

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purposes, and (y) enjoy the rights and privileges and perform the obligations of the Equity Investor hereunder and under the Transfer Agreement, the Equity Investor Guaranty and each other Operative Document to which the Equity Investor is a party, and each reference in this Agreement, the Transfer Agreement, the Equity Investor Guaranty and each other Operative Document to the "Equity Investor" shall thereafter be deemed to include such Equity Investor Transferee for all purposes and (ii) the transferring Equity Investor and the Equity Investor Guarantor of such transferring Equity Investor's obligations shall be released from all obligations hereunder and under each other Operative Document to which such transferring Equity Investor or its Equity Investor Guarantor is a party or by which such transferring Equity Investor and its Equity Investor Guarantor is bound; provided, however, that in no event shall any such transfer waive or release the transferring Equity Investor or its Equity Investor Guarantor from any liability existing immediately prior to or occurring simultaneously with such transfer, including its obligations referenced in paragraph (f) above.

Section 7.2. Equity Investor's Liens. The Equity Investor covenants that it will not directly or indirectly create, incur, assume or suffer to exist any Equity Investor's Lien and the Equity Investor shall promptly notify the Lessee and the Indenture Trustee of the imposition of any such Lien of which the Equity Investor has Actual Knowledge and shall promptly, at its own expense, take such action as may be necessary to duly discharge such Equity Investor's Lien.

Section 7.3. Amendments or Revocation of LLC Agreement. Notwithstanding anything to the contrary contained in the LLC Agreement, the Equity Investor covenants that it will not (a) amend, supplement, or otherwise modify (i) any section of the LLC Agreement if such amendment, supplement or modification would materially adversely affect the Lessee, the Indenture Trustee or the Noteholders or (ii) Sections 1, 2.5, 5, 8, 9, 10, 12.1, 13, 14, 15.2 and 15.3 of the LLC Agreement (in each case, except for amendments required by the Operative Documents or by Applicable Laws) without the prior written consent of (x) so long as the Lease has not terminated or expired and no Lease Event of Default has occurred and is continuing, the Lessee, and (y) so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, or (b) rescind, or otherwise waive compliance with or terminate the LLC Agreement without the prior written consent of (x) so long as the Lease has not terminated or expired and no Lease Event of Default has occurred and is continuing, the Lessee, and (y) so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee.

Section 7.4. Bankruptcy Filings. The Equity Investor agrees that it will not file a petition, or join in the filing of a petition, seeking reorganization, arrangement, adjustment or composition of, or in respect of, the Owner Lessor under the Bankruptcy Code, or any other applicable federal or state

Section 7.5. Instructions. The Equity Investor agrees that it will not instruct the Owner Lessor to take any action prohibited by this Agreement or any other Operative Document.

Section 7.6. Appointment of Successor Owner Manager. Notwithstanding any other provision of this Agreement, a successor Owner Manager shall not be appointed by the Equity Investor without the consent of the Lessee, so long as no Lease Event of Default has occurred and is continuing (such consent not to be unreasonably withheld or delayed) and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, unless (a) such successor Owner Manager meets the requirements of the LLC Agreement and has a combined capital and surplus or tangible net worth of at least \$150,000,000, and (b) the Lessee (so long as no Lease Event of Default shall have occurred and be continuing and no dispossessory remedies are being exercised), and the Indenture Trustee, so long as the Lien of the Indenture shall not have been terminated and fully discharged, shall have received at the expense of the Equity Investor (i) an opinion or opinions of counsel, such counsel and such opinion to be reasonably acceptable to such parties, to the effect that no regulatory consents or approvals are required, or (ii) such other evidence thereof as is reasonably satisfactory to the Lessee, so long as no Lease Event of Default has occurred and is continuing, and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee; provided, however, that if the Trust Company resigns as Owner Manager, is terminated for cause, or shall become incapable of acting as Owner Manager or shall be adjudged a bankrupt or insolvent or a receiver of the Owner Manager or its properties shall be appointed or any public officer shall take charge or control of the Owner Manager or its property or affairs for the purpose of rehabilitation, conservation or liquidation, the opinion required by clause (c) shall be at the expense of the Lessee.

SECTION 8. COVENANTS OF THE INDENTURE TRUSTEE AND NOTEHOLDERS

(a) The Indenture Trustee will not directly or indirectly create, incur, assume or suffer to exist any Indenture Trustee's Lien, and will promptly notify the Equity Investor, the Owner Lessor, the Noteholders and the Lessee of the imposition of any such Lien of which it has Actual Knowledge and shall promptly, at its own expense, take such action as may be necessary to duly discharge such Indenture Trustee's Lien.

(b) The Indenture Trustee shall, at the written request and expense of the Lessee, execute and deliver to the Lessee and cooperate with the Lessee to cause to be filed, if not already filed, such financing statements or other documents and such continuation statements or other documents with respect to financing statements or other documents previously filed relating to the Lien created by the Indenture on the Indenture Estate as may be supplied to the Indenture Trustee by the Lessee. The Indenture Trustee

shall promptly provide to the Lessee and the Owner Lessor copies of all financing statements caused to be filed by it.

(c) Each Noteholder hereby severally covenants and agrees that in no event shall such Noteholder transfer any Senior Note (or any beneficial interest in any Senior Note) to the Lessee or knowingly transfer any Senior Note or beneficial interest therein to any Affiliate of the Lessee, in each case

without the consent of the Equity Investor.

(d) Each Noteholder hereby severally covenants and agrees that such Noteholder will not transfer any Senior Note (or any beneficial interest in any Senior Note) it holds, except in compliance with Section 2.8 of the Indenture.

SECTION 9. INDEMNIFICATION

Section 9.1. General Indemnity.

(a) Claims Indemnified. Subject to the exclusions stated in Section 9.1(b) below, the Lessee hereby indemnifies each Noteholder, the Indenture Trustee, the Owner Lessor, the Owner Manager, the Trust Company and the Equity Investor, their respective Affiliates (and the respective agents, employees, servants, directors, members and shareholders of each such Person and, for purposes of Section 9.2, all affiliates and any members of any combined, consolidated and/or unitary return) (each an "Indemnitee") for, holds each such Indemnitee harmless from, and defends each such Indemnitee against, all Claims that may be imposed on, incurred or suffered by or asserted against such Indemnitee in any way arising out of, in connection with, or relating to, any of the following:

(i) the construction, financing (including the offering or sale of the Senior Notes), refinancing, acquisition, operation, use, non-use, warranty, ownership, possession, maintenance, repair, lease, condition, alteration, modification, restoration, refurbishing, return, purchase, sale or other disposition, insuring, sublease, or other use of the Project, the Project Site, the Geothermal Resource, the Project Document Interest or any Component or any portion thereof or any interest therein;

(ii) the conduct of the business or affairs of the Lessee;

(iii) the manufacture, design, purchase, acceptance, rejection, delivery or condition of, or improvement to, the Project, the Project Site, any Component or any Modification, or any portion of any thereof or any interest therein;

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(iv) the Project Lease, the Power Plant Sublease, the Sublease of Power Plant Sublease, the Sub-Grant of Delivery System Grant of Easements or any other Operative Document or the performance or enforcement of any terms thereof;

(v) the Environmental Condition of the Project, the Project Site or any portion or Component thereof or any Release or threatened Release of Hazardous Materials from the Project, the Project Site or any portion or Component thereof or the Master Surface Lease;

(vi) the offer, issuance, sale, acquisition or delivery of the Senior Notes or any Additional Senior Notes;

(vii) the offer, sale or delivery of all or a portion of the Member Interest by the Equity Investor;

(viii) the reasonable costs and expenses of each Indemnitee in connection with any amendment, supplement, modification to, or any waiver to the Operative Documents (whether or not actually entered into);

(ix) the imposition of any Lien other than, with respect to a particular Indemnitee, a Lien arising by or through such Indemnitee or a

Related Party (or any of their agents, employees, servants or Affiliates) that is prohibited under the terms of the Operative Documents;

(x) any violation by, or liability relating to, the Lessee of, or under, any Applicable Law (including Environmental Laws), whether now or hereafter in effect or any action of any Governmental Entity or other Person taken with respect to the Project, the Geothermal Resource or the Project Site, the Operative Documents or the interests of the Indenture Trustee, the Noteholders, the Owner Lessor or the Equity Investor under the Operative Documents or the presence, or use, storage, transportation, treatment, disposal, generation, manufacture, Release or threatened Release of any Hazardous Materials in, at, under or from the Project or the Project Site or any portion or Component thereof;

(xi) responding with respect to the Transaction to any subpoenas, document requests or other inquiries of Government Authorities relating to any party to the Transaction other than such Indemnitee;

(xii) the non-performance or breach by the Lessee or the Pledgor of any obligation contained in this Agreement or any other Operative Document

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or the falsity or inaccuracy of any representation or warranty of the Lessee or the Pledgor contained in this Agreement or any other Operative Document;

(xiii) the continuing fees (if any) and expenses of the Owner Manager, the Indenture Trustee, the Noteholders and the Depositary Bank (including the reasonable fees and expenses of their respective counsel, accountants and other professional persons) arising out of their acceptance of the Operative Documents and the discharge of their respective duties under or in connection with the Operative Documents; and

(xiv) in any other way relating to the Project, the Project Site or the Project Document Interest.

(b) Claims Excluded. Any Claim, to the extent (but only to the extent) (A) attributable to, (B) arising as a result of or (C) such Claim would not have occurred but for, any of the following, is excluded from the Lessee's agreement to indemnify the appropriate Indemnitee under this Section 9.1:

(i) acts, omissions or events (including violation of or change in law or any change in the Environmental Condition of the Project or the Project Site or any portion or Component thereof, or the use, storage, transportation, treatment or manufacture of any Hazardous Material in, at, under or from the Project or the Project Site) occurring after expiration or early termination of the Project Lease and, where required by the Project Lease, Sublease of Power Plant Sublease or the Sub-Grant of Delivery System Grant of Easements, surrender to the Owner Lessor or its successor of the Lessee's interest in the Project in compliance with the provisions of the Project Lease and of the Lessee's subleasehold interest in the Project Site in accordance with the provisions of the Sublease of Power Plant Sublease and the Sub-Grant of Delivery System Grant of Easements, as the case may be;

(ii) with respect to a particular Indemnitee and Related Parties, any offer, sale, assignment, transfer or other disposition (voluntary or involuntary) by or on behalf of (A) in the case of the Equity Investor, the Equity Investor of any of its interest in the Member Interest, (B) in the case of the Owner Lessor, if such action is taken at the written direction of the Equity Investor, the Equity Investor and

Related Parties, the Owner Lessor of all or any of its interest in the Owner Lessor's Leasehold Interest, or (C) in the case of the Indenture Trustee or the Noteholders of any of their respective interests in the Senior Notes, unless in any of the foregoing cases such transfer is required by the terms of the Operative Documents or occurs in connection with the exercise of remedies following the

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occurrence and continuance of a Lease Event of Default and no dispossessory remedies are being exercised;

(iii) in the case of any Indemnitee, fraud, gross negligence or willful misconduct of such Indemnitee or a Related Party of the Indemnitee seeking indemnification;

(iv) [Intentionally Omitted];

(v) with respect to any Indemnitee, the breach of any agreement, covenant, representation or warranty of, such Indemnitee (or a Related Party of such Indemnitee) seeking indemnification set forth in the Operative Documents unless attributable to a breach by the Lessee of its obligations under the Operative Documents;

(vi) any obligation or liability expressly borne, assumed or to be paid in any Operative Document by the Indemnitee (or a Related Party of such Indemnitee) seeking indemnification;

(vii) with respect to any Indemnitee (other than the Indenture Trustee and the Noteholders), any Claim constituting or arising from an Owner Lessor's Lien created by or through such Indemnitee or to a Related Party of such Indemnitee (excluding for the purpose of this paragraph the liens created pursuant to the Indenture);

(viii) except to make payments on an After-Tax Basis, any Claim that is a Tax, or is a cost of contesting a Tax imposed on such Indemnitee or an Affiliate thereof, whether or not the Lessee is required to indemnify therefor under Section 9.2 or the Tax Indemnity Agreement;

(ix) any failure by the Owner Manager to distribute in accordance with the LLC Agreement any amounts received and distributable thereunder;

(x) any amendment, supplement, modification or waiver to a Financing Document not requested by the Lessee or not required by any Financing Document or by Applicable Law, except during and executed in connection with a Lease Event of Default;

(xi) any Claim that constitutes principal and/or interest on the Senior Notes; and

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(xii) with respect to the Owner Lessor, the Owner Manager and the Equity Investor only, any Claim resulting from any Indenture Event of Default not caused by or attributable to a Lease Event of Default;

provided that the terms "omission," "negligence," "gross negligence" and "willful misconduct," when applied with respect to the Owner Manager, the Trust Company, the Equity Investor, the Owner Lessor, the Indenture Trustee, the

Noteholders or any Affiliate of any thereof, shall not include any liability imputed as a matter of law to such Indemnitee solely by reason of any such entity's interest in the Project, the Project Site or the Geothermal Resource or the Project Document Interest or any such Indemnitee's failure to act in respect of matters which are or were the obligation of the Lessee under this Agreement or any other Operative Document.

(c) Insured Claims. Subject to the provisions of Section 9.1(e), in the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by the Lessee, each Indemnitee agrees, unless it and each other Indemnitee shall waive its rights to indemnification (for itself and each Related Party thereto) in a manner reasonably acceptable to the Lessee, to cooperate, at the sole cost and expense of the Lessee, with insurers in exercise of their rights to investigate, defend or compromise such Claim.

(d) After-Tax Basis. The Lessee agrees that any payment or indemnity pursuant to this Section 9.1 in respect of any Claim shall be made on an After-Tax Basis to the Indemnitees.

(e) Claims Procedure. Each Indemnitee shall promptly after such Indemnitee shall have Actual Knowledge thereof notify the Lessee of any Claim as to which indemnification is sought; provided, that the failure so to notify the Lessee shall not reduce or affect the Lessee's liability which it may have to such Indemnitee under this Section 9.1, and no payment hereunder by the Lessee to an Indemnitee shall be deemed to constitute a waiver or release of any right or remedy that the Lessee may have against any such Indemnitee for actual damages resulting directly from such failure or delay of such Indemnitee to give the Lessee such notice. Any amount payable to any Indemnitee pursuant to this Section 9.1 and not being contested by the Lessee pursuant to this Section 9.1(e) shall be paid within thirty (30) days after receipt of such written demand therefor from such Indemnitee, accompanied by a certificate of such Indemnitee stating in reasonable detail the basis for the indemnification thereby sought and (if such Indemnitee is not a party hereto) an agreement to be bound by the terms of this Section 9 as if such Indemnitee were such a party. The foregoing shall not, however, constitute an obligation to disclose confidential information of any kind without the execution of an appropriate confidentiality agreement. Promptly after the Lessee receives notification of such Claim accompanied by a written statement describing in reasonable detail the

Claims which are the subject of and basis for such indemnity and the computation of the amount so payable, the Lessee shall, without affecting its obligations hereunder, notify such Indemnitee whether it intends to pay, object to, compromise or defend any matter involving the asserted liability of such Indemnitee. Any such contest shall be initiated within 30 days after the giving of such notice. The Lessee shall have the right to investigate and so long as no Significant Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee shall have the right, in its sole discretion, to defend, or, so long as the Lessee has acknowledged in writing its obligation to indemnify such Indemnitee with respect thereto, compromise any Claim for which indemnification is sought under this Section 9.1; provided that no such defense or compromise (i) is reasonably likely to involve any material danger of foreclosure, sale, forfeiture or loss of, or imposition of a Lien on any part of the Project, the Project Site, the Project Document Interest, the Lessor Estate or the impairment of the Project or (ii) could result in any criminal liability being incurred by, or could reasonably be expected to have any material adverse effect on, such Indemnitee; provided, further, that no Claim shall be compromised by the Lessee on a basis that admits any criminal violation or gross negligence or willful misconduct on the part of such Indemnitee without the express written consent of such Indemnitee (which consent may be withheld by the Indemnitee in its sole discretion); and provided, further, that to the extent

that other Claims unrelated to the transactions contemplated by the Operative Documents are part of the same proceeding involving such Claim, the Lessee may assume responsibility for the contest or compromise of such Claim only if the same may be and is severed from such other Claims (and each Indemnitee agrees to use reasonable efforts to obtain such a severance). If the Lessee elects, subject to the foregoing, to compromise or defend any such asserted liability, it may do so at its own expense and by counsel selected by it and reasonably satisfactory to such Indemnitee. Upon the Lessee's election to compromise or defend such asserted liability and notification to such Indemnitee of its intent to do so, such Indemnitee shall cooperate at the Lessee's expense with all reasonable requests of the Lessee in connection therewith and will provide the Lessee with all information not within the control of the Lessee as is reasonably available to such Indemnitee which the Lessee may reasonably request; provided, however, that such Indemnitee shall not, unless otherwise required by Applicable Law, be obligated to disclose to the Lessee or any other Person, or permit the Lessee or any other Person to examine (i) any income tax returns of such Indemnitee or (ii) any confidential information or pricing information not generally accessible by the public possessed by such Indemnitee (and, in the event that any such information is made available, the Lessee shall treat such information as confidential and shall take all actions reasonably requested by such Indemnitee for purposes of obtaining a stipulation from all parties to the related proceeding providing for the confidential treatment of such information from all such parties). Where the Lessee, or the insurers under a policy of insurance maintained by the Lessee, undertake the defense of such Indemnitee with respect to a Claim (with counsel reasonably satisfactory to such

Indemnitee in the case of the Lessee or its Affiliates and without reservation of rights against such Indemnitee), no additional legal fees or expenses of such Indemnitee in connection with the defense of such Claim shall be indemnified hereunder unless such fees or expenses were incurred at the request of the Lessee or such insurers. Notwithstanding the foregoing, an Indemnitee may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions, but only to the extent that such party's participation does not in the reasonable opinion of counsel to the Lessee interfere with such control; provided, however, that such party's participation does not constitute a waiver of the indemnification provided in this Section 9.1; provided further, that if and to the extent that (i) such Indemnitee is advised by counsel in writing that an actual conflict of interest exists where it is advisable for such Indemnitee to be represented by separate counsel or (ii) there is a material risk that such Indemnitee may be indicted or otherwise charged in a criminal complaint and such Indemnitee informs the Lessee that such Indemnitee desires to be represented by separate counsel, such Indemnitee shall have the right to control its own defense of such Claim and the reasonable fees and expenses of such defense (including the reasonable fees and expenses of such separate counsel) shall be borne by the Lessee. No Indemnitee shall enter into any settlement or other compromise with respect to any Claim without the prior written consent of the Lessee unless (i) the Indemnitee waives its rights to indemnification hereunder or (ii) the Lessee has not acknowledged its indemnity obligation with respect thereto and there is a significant risk that a default judgment will be entered against such Indemnitee. Nothing contained in this Section 9.1(e) shall be deemed to require an Indemnitee to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto. The Lessee shall pay all amounts determined to be payable after such contest is completed within 15 days after the completion of such contest.

(f) Subrogation. To the extent that a Claim indemnified by the Lessee under this Section 9.1 is in fact paid in full by the Lessee or an insurer under an insurance policy maintained by the Lessee, the Lessee or such insurer shall be subrogated to the rights and remedies of the Indemnitee on whose behalf such Claim was paid to the extent of such payment (other than

rights of such Indemnitee under insurance policies maintained at its own expense or rights of the Owner Manager under the LLC Agreement) with respect to the transaction or event giving rise to such Claim. Should an Indemnitee receive any refund, in whole or in part, with respect to any Claim paid by the Lessee hereunder, it shall promptly pay over to the Lessee the lesser of (i) the amount refunded reduced by the amount of any Tax incurred by reason of the receipt or accrual of such refund and increased by the amount of any Tax saved as a result of the payment under this Section 9.1(f) or (ii) the amount the Lessee or any of its insurers has paid in respect of such Claim (including any Tax gross up amount).

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(g) Minimize Claims. The Equity Investor, the Owner Lessor, the Owner Manager, and each of the other Transaction Parties will, to the extent within their control, use their respective reasonable efforts to minimize Claims relating to them, respectively, and indemnifiable by the Lessee under this Section 9.1, including by complying with reasonable requests by the Lessee to do or to refrain from doing any act if such compliance is of a purely ministerial nature or, in the good faith opinion of the Equity Investor, the Owner Lessor, the Owner Manager, or such other Transaction Party, as the case may be, otherwise has no material adverse impact on the Equity Investor, the Owner Lessor, the Owner Manager, or such Transaction Party, as the case may be, or any Affiliate of any thereof or on the business or operations of any of the foregoing.

Section 9.2. General Tax Indemnity.

(a) Indemnity. Except as provided in Section 9.2(b), the Lessee agrees to indemnify on an After-Tax Basis each of the Indemnitees and to hold each Indemnitee harmless from and defend each Indemnitee against all Taxes imposed upon or with respect to or borne by or asserted against any Indemnitee, the Lessee, the Project or the Project Site or any portion or Component or Modification thereof or any interest therein, or upon any Operative Document or interest therein, or otherwise arising out of, in connection with or relating to, any of the following:

(i) the Project, the Project Site, the Lessor Estate or any Collateral or any part thereof or interest therein;

(ii) the construction, financing, refinancing, acquisition, operation, warranty, ownership, use, possession, maintenance, repair, lease, condition, alteration, modification, restoration, refurbishing, return, purchase, sale or other disposition, insuring, sublease, or other use or non-use of the Project or the Project Site, or any portion or Component or Modification thereof or any interest therein;

(iii) the conduct of the business or affairs of the Lessee or any other operator at or in connection with the Project or the Project Site;

(iv) the manufacture, design, purchase, acceptance, rejection, delivery or condition of, or improvement of or to the Project or the Project Site, or any portion or Component thereof or Modification thereto, or any interest therein;

(v) the Head Lease or the Project Lease, the Sublease of Power Plant Sublease or the Sub-Sublease of Power Plant Sublease or any other Operative Document, the execution or delivery thereof, or the performance or enforcement of any terms thereof or any Amendment thereto;

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(vi) the payment of Periodic Lease Rent, Renewal Lease Rent, Supplemental Lease Rent or any other payment under the Project Lease, the Sublease of Power Plant Sublease or the Sub-Sublease of Power Plant Sublease; or

(vii) otherwise in connection with the transactions contemplated by the Operative Documents or any document or instrument in connection with the Project related to any Operative Document or the exercise of rights or remedies under any Operative Document or the enforcement of any Operative Document.

(b) Excluded Taxes. The indemnity provided for in Section 9.2(a) shall not extend to any Tax that is attributable to or arises as a result of or is described in any of the following ("Excluded Taxes"):

(i) Taxes imposed by the United States federal government (including income and withholding taxes and any future value added, consumption or other Taxes resulting from federal legislation subsequent to the Closing Date), other than Taxes imposed under ERISA or under section 4975 of the Code;

(ii) Taxes imposed by any United States state or local government or the District of Columbia or any possession of the United States or any taxing authority of or in any thereof on, based on or measured by gross or net income or gross or net receipts or capital or net worth, including Taxes in the nature of capital gain, accumulated earnings, personal holding company, excess profits, succession or estate, minimum, alternative minimum, preference, franchise (including those based on capital or net worth, loans or other investments), conduct of business and other similar taxes (other than Taxes that are, or are in the nature of, sales, use, stamp, license, ad valorem, value added, rental or property Taxes, including Hawaii General Excise Taxes), including Hawaii Corporate Income and Franchise Taxes;

(iii) Taxes other than Taxes imposed by the United States or any United States state or local government or the District of Columbia or any possession of the United States or any taxing authority of or in any thereof ("U.S. Taxes") that would not have been imposed but for the activities of an Indemnitee or any Affiliate thereof in such jurisdiction unrelated to the transactions contemplated by the Operative Documents or any document or instrument related thereto;

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(iv) Taxes other than U.S. Taxes to the extent such non-U.S. Taxes are a result of a nexus between the taxing jurisdiction and the Indemnitee or an Affiliate that is not attributable to the transactions contemplated by the Operative Documents;

(v) Taxes attributable to any period after the expiration or sooner termination of the Project Lease and, if required, surrender of the Project to the Owner Lessor or its successor and, as to Taxes in respect of the payment of Rent, the payment of all Rent (or, in the case of the Indenture Trustee, after the repayment of the Senior Notes and all other amounts due and owing the Indenture Trustee and the Noteholders) other than, in either case, during the exercise of remedies in connection with a Lease Event of Default;

(vi) Taxes imposed on an Indemnitee attributable to or that would not have occurred but for the gross negligence or willful misconduct

of such Indemnitee or any Affiliate thereof;

(vii) Taxes imposed on an Indemnitee attributable to or that would not have occurred but for (A) any act or omission of such Indemnitee or any Affiliate thereof that is expressly prohibited (or, in the case of a failure to act, required to be performed) by the Operative Documents or any document or instrument related thereto, or (B) a breach by such Indemnitee (or any Affiliate thereof) of, or the inaccuracy of any of its representations, warranties or covenants under, any Operative Document, unless, in each case, attributable to the breach by the Lessee or any Affiliate thereof of its obligations under a Operative Document;

(viii) Taxes attributable to or that would not have occurred but for any voluntary transfer by the Indemnitee or any Affiliate thereof (or, in the case of the Equity Investor, by the Owner Lessor at the written direction of the Equity Investor) other than a transfer resulting from an exercise by the Lessee of its rights under the Operative Documents; or any involuntary transfer resulting from a bankruptcy of such Indemnitee or any Affiliate thereof or a foreclosure by a creditor of such Indemnitee or Affiliate thereof which bankruptcy or foreclosure is not attributable to the breach by the Lessee or any Affiliate thereof of its obligations under an Operative Document;

(ix) in the case of an Indemnitee that is the Equity Investor or an Affiliate thereof, Taxes arising in connection with Equity Investor's Liens; or in the case of an Indemnitee that is the Owner Lessor or an Affiliate thereof, Taxes arising in connection with Owner Lessor's Liens;

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(x) Hawaii General Excise Taxes imposed on an Indemnitee that is a Noteholder or the Indenture Trustee except to the extent such Taxes are imposed as the result of a change in Applicable Law after the Closing Date;

(xi) Taxes properly included in Transaction Costs or Head Lease Rent;

(xii) Taxes imposed on, based on, or measured by any compensation that any Owner Lessor, Indenture Trustee, Depository Bank or Paying Agent receives for its services;

(xiii) Taxes imposed on any Indemnitee attributable to or that would not have occurred but for the Indemnitee's or any Affiliate's being treated as other than a U.S. Person (as defined in section 7701(a)(30) of the Code);

(xiv) Taxes attributable to or that would not have occurred but for the failure of an Indemnitee or an Affiliate thereof to comply on a timely basis with certification, information, documentation, reporting or other similar requirements concerning taxation, nationality, residence, identity or connection with the jurisdiction or other similar matters, provided, that the foregoing exclusion shall only apply if such Indemnitee or Affiliate is eligible to comply with such requirement and shall have been given timely written notice of such requirement by the Lessee;

(xv) Taxes imposed on an Indemnitee to the extent that the Indemnitee's or an Affiliate's breach of its contest obligations under Section 9.2(d) precludes the Lessee's ability to contest such Taxes, provided that the Lessee shall have the right to bring suit for damages resulting from any such breach;

(xvi) Taxes imposed on any Indemnitee attributable to or that would not have occurred but for an Amendment to any Operative Document which was not requested by the Lessee unless such Amendment (A) was required by Applicable Law or the Operative Documents, (B) is necessary or appropriate to conform with any Amendment to any Operative Document requested by the Lessee in writing or (C) is made while a Lease Event of Default shall have occurred and is continuing;

(xvii) Taxes imposed under section 4975 of the Code or under ERISA or any comparable law of any Governmental Entity resulting from (A) a breach by such Indemnitee of any representation, warranty or covenant made

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hereunder or (B) a violation of Sections 406(b) of ERISA or Section 4975(c)(1)(E) or (F) of the Code by such Indemnitee; and

(xviii) Penalties, additions to Tax or interest imposed on an Indemnitee attributable to such Indemnitee's or any Affiliate's failure to comply with any requirements imposed on it under section 6011, 6111 or 6112 of the Code or the Treasury Regulations thereunder, unless such failure results from the Lessee's breach of Section 9.2(f)(ii).

Notwithstanding the foregoing exclusions in this Section 9.2(b), no exclusions shall apply to the determination of amounts needed to make a payment on an After-Tax Basis.

(c) Payment.

(i) No Tax that is being contested in good faith in an appropriate proceeding shall be payable while such proceeding is pending or subject to any appeal pending a final judgment, subject to the Equity Investor's right to obtain a Tax Advance in accordance with Section 9.2(d)(iii)(4).

(ii) So long as no Lease Event of Default and, in the case of the Noteholders, no Indenture Event of Default, is continuing, each Indemnitee will pay to the Lessee, without duplication, up to the amount of the indemnity paid by the Lessee, (1) any refund of amounts with respect to which the Lessee has made a general tax indemnity payment, and (2) any current tax benefit realized by the Indemnitee in connection with the payment under clause (1) and this clause (2) (net of any current Taxes payable by the Indemnitee in respect of such refund). To the extent the aggregate amount computed pursuant to clauses (1) and (2) is in excess of the indemnity previously paid by the Lessee, such excess shall be used as an offset against future general tax indemnity payments, if any, owed by the Lessee to the Indemnitee. Any subsequent loss of any such refund or tax benefit shall be an indemnified Tax hereunder without regard to the exclusions in Section 9.2(b). In calculating tax losses and benefits, each Indemnitee shall be presumed to be subject to federal, state and local income tax at the highest marginal tax brackets applicable to the Indemnitee, taking into account the deductibility of state and local taxes for federal income tax purposes and the inclusion, if any, for federal income tax purposes, of the refund referred to in clause (1) above.

(iii) If, in connection with a refund or credit of all or part of any Taxes paid, reimbursed or advanced by the Lessee pursuant to this Section 9.2, an Indemnitee receives an amount representing interest on such refund or credit (or would have received such an amount but for offset by unrelated matters), the

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Indemnatee promptly shall pay to the Lessee the amount of such interest that shall be fairly attributable to such Taxes paid, reimbursed or advanced by the Lessee (net of Taxes payable in respect of the receipt or accrual of such interest to the extent the payment of such interest by the Indemnatee to the Lessee is not deductible for purposes of such Tax).

(iv) Each payment required to be made by the Lessee to an Indemnatee pursuant to this Section 9.2 shall be paid either (1) when due directly to the applicable taxing authority, by the Lessee if it is permitted to do so, or (2) where direct payment is not permitted and with respect to gross up amounts, in immediately available funds to such Indemnatee by the later of (A) 30 days following the Lessee's receipt of the Indemnatee's written demand for the payment (which demand shall be accompanied by a statement of the Indemnatee describing in reasonable detail the Taxes for which the Indemnatee is demanding indemnity and the computation of such Taxes), (B) in the case of amounts which are being contested pursuant to Section 9.2(d), at the time and in accordance with a final determination of such contest or (C) in the case of any indemnity demand for which the Lessee has requested review and determination pursuant to Section 9.2(c)(v), the completion of such review and determination; provided, however, in no event later than the date which is two Business Days prior to the date on which such Taxes are required to be paid to the applicable taxing authority (but subject to the Lessee's option under Section 9.2(d)(iii)(4) hereof).

(v) The Lessee may request in writing that an independent public accounting firm (which, in the case of the Noteholders, shall be the regular outside auditing firm used by each Noteholder) selected by the Indemnatee and reasonably acceptable to the Lessee review and determine the amount of any indemnity payment by the Lessee to the Indemnatee pursuant to this Section 9.2 (including any tax savings of the Equity Investor associated with any indemnity obligation pursuant to this Section 9.2) or any payment by an Indemnatee to the Lessee pursuant to Section 9.2(c)(ii). The Lessee and the Indemnatee shall cooperate with such accounting firm and supply it with all information (other than income tax returns) reasonably necessary for the accounting firm to conduct such review and determination, provided that such accounting firm shall agree in writing in a manner satisfactory to the Indemnatee to maintain the confidentiality of such information. The fees and disbursements of such accounting firm will be paid by the Lessee; provided that such fees and disbursements will be paid by the Indemnatee if the verification results in an adjustment in the Lessee's favor of five percent or more of the present value of indemnity payment or payments computed by the Indemnatee (determined using the Discount Rate). In the event such accounting firm determines that such computations are incorrect, then such firm shall determine what it believes to be the correct computations. The computations

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of the accounting firm shall be final, binding and conclusive upon the Lessee and the Indemnatee (absent manifest error). The parties hereto agree that the accounting firm's sole responsibility shall be to verify the computation of any payment pursuant to this Section 9.2(c) and that matters of interpretation of this Participation Agreement or any other Operative Document or applicable law are not within the scope of the accounting firm's responsibility. Such accounting firm shall be requested to make its determination within 30 days.

(vi) If the Lessee has paid an indemnity to an Indemnatee pursuant to Section 9.1 or 9.2 (which payment shall include any Tax Advance

to the extent applied toward such indemnity), or if the Lessee has paid to an Indemnitee an amount needed to make a payment on an After-Tax Basis, and such Indemnitee realizes (or would have realized had such Indemnitee had sufficient taxable income and tax liability) a reduction in U.S. federal, state or local income taxes (including any offset or refund) ("Tax Savings") that it would not have realized but for the relevant indemnified Claim or Taxes or payment on an After-Tax Basis, and such Tax Savings shall not previously have been taken into account in computing the amount of the indemnity or payment on an After-Tax Basis to be paid by the Lessee, such Indemnitee shall pay the Lessee (i) an amount equal to such Tax Savings and (ii) any tax benefit realized by the Indemnitee in connection with the payment under clause (i) and this clause (ii) net of any related tax detriment, provided no Lease Event of Default is continuing. In calculating the amount of any Tax Savings, and in calculating the amount of any tax benefit described in clause (ii) of the preceding sentence, each Indemnitee shall be presumed to be subject to federal, state and local income tax at the highest marginal tax brackets applicable to the Indemnitee, taking into account the deductibility of state and local taxes for federal income tax purposes. Anything in this Section 9.2(c)(vi) to the contrary notwithstanding, such Indemnitee shall not be required to make payments to the Lessee in an amount exceeding the indemnities or After-Tax Basis amounts previously paid by the Lessee to such Indemnitee.

(d) Contest.

(i) If a written claim is made by any taxing authority against an Indemnitee or an Affiliate thereof for any Taxes with respect to which the Lessee may be liable for indemnity hereunder (a "Tax Claim"), such Indemnitee shall give the Lessee written notice of such Tax Claim as soon as practicable (and in all events within 30 days), and shall furnish the Lessee with copies of such Tax Claim and all other writings received from the taxing authority to the extent relating to such Tax Claim, provided that failure so to notify the Lessee shall not relieve the Lessee of any obligation to indemnify the Indemnitee hereunder except

to the extent that such failure precludes the Lessee's ability to conduct a contest of such Taxes (provided further, that the Lessee shall have the right to bring suit for damages resulting from any such failure). Subject to Section 9.2(d)(iii), the Lessee shall be entitled for a period of 30 days from the receipt of such written notice (or such shorter period as is reasonably specified by the Indemnitee if any contest of the Taxes must be commenced prior to the expiration of thirty days) to request in writing that the Indemnitee contest the imposition of such Taxes at the Lessee's sole cost and expense and the Indemnitee shall not pay such Tax within such period. The Indemnitee shall not pay such Tax Claim until at least 30 days after providing the Lessee with such written notice unless (a) the Indemnitee is required to do so by law or regulation and (b) in the written notice described above, the Indemnitee has notified the Lessee of such requirement.

(ii) Subject to Section 9.2(d)(iii), the Lessee will be entitled to contest (acting through counsel selected by the Lessee and reasonably satisfactory to the Indemnitee), and control the contest of, any Tax Claim in good faith if (i) the contest of the Tax Claim may be pursued in the name of the Lessee; (ii) such Tax Claim must be pursued in the name of the Indemnitee but may be pursued independently from Tax Claims for which the Lessee is not obligated to indemnify the Indemnitee (with each Indemnitee agreeing to cooperate with the Lessee in its reasonable efforts to sever the contest of any indemnified Tax from the contest of the unindemnified Tax, so that the Lessee may control the contest of the indemnified Tax); or (iii) the Indemnitee requests in writing that the

Lessee control such contest. In the case of all other Tax Claims, the Indemnitee shall contest the Tax Claim including seeking judicial review of any adverse administrative determination as requested by the Lessee, and appealing any adverse judicial determination except as otherwise provided in Section 9.2(d)(iii), and the Indemnitee shall control the contest of such Tax Claim in good faith (acting through counsel selected by the Indemnitee and reasonably satisfactory to the Lessee).

(iii) In the case of any contest pursuant to clause (i) or (ii) above, the Lessee shall use reasonable efforts to contest such claim in its own name and the Indemnitee shall use reasonable efforts to allow the Lessee to contest such claim in the name of the Lessee. In the case of a Tax Claim contested by the Lessee in the Lessee's name, the Lessee shall consult in good faith with, and keep reasonably informed, the Indemnitee and its counsel and shall provide the Indemnitee with copies of any documents, reports or claims issued by or sent to the relevant auditing agent or taxing authority, but the decisions regarding what actions to be taken shall be made by the Lessee in its sole judgment. In the case of all other Tax Claims, the Indemnitee shall contest the Tax Claim at the Lessee's sole cost and expense if the Lessee shall request the

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Tax Claim be contested and the following rules shall apply to such contest: (1) the Indemnitee will control the contest (and all decisions with respect to such contest shall be made in its sole judgment exercised in good faith) acting through counsel selected by the Indemnitee and reasonably satisfactory to the Lessee; (2) at the Lessee's written request, if payment is made to the applicable tax authority, the Indemnitee shall use all reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings; (3) the Indemnitee conducting such contest shall consult with and keep reasonably informed the Lessee and its designated counsel with respect to such Tax Claim, shall provide the Lessee with copies of any documents, reports or claims issued by or sent to the relevant auditing agent or taxing authority to the extent relating to such Tax Claim (provided that the Indemnitee shall have the right to redact items relating to the privileged or unrelated tax matters of the Indemnitee or its Affiliates) and shall consult in good faith with the Lessee regarding any request (a) to resist payment of Taxes if practical and (b) not to pay such Tax except under protest if protest is necessary and proper, but the decision regarding what actions to be taken shall be made by the Indemnitee in its sole judgment.

(iv) Notwithstanding the foregoing, no contest with respect to a Tax Claim will be required or permitted pursuant to this Section 9.2 and the Lessee shall be required to pay the applicable Taxes without contest unless:

(1) no Lease Event of Default has occurred and is continuing;

(2) there is no material risk of sale, forfeiture or loss of, or the creation of a material Lien (other than a Permitted Lien) on the Project or any portion or Component or Modification thereof unless the Lessee has posted and maintained a bond or other security (taking into account the amount of the Tax Claim and the likelihood of success of a contest) (which may include Adequate Reserves) reasonably satisfactory to the relevant Indemnitee or the Taxes shall have been paid as provided in clause (4) below;

(3) the contest of such Tax Claim does not involve a risk of imposition of any criminal liability on the Indemnitee;

(4) if such contest involves payment of the Tax, the Lessee either advances to the Indemnitee on an interest-free basis with no after-tax cost to such Indemnitee (a "Tax Advance") or pays, on an After-Tax Basis to such Indemnitee, the amount payable by the Lessee pursuant to Section 9.2(a) with respect to such Tax;

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(5) the Lessee shall have agreed to pay and shall pay to such Indemnitee on an After-Tax Basis all reasonable out-of-pocket costs and expenses that the Indemnitee may incur in connection with the contest of such Tax Claim (including all reasonable legal, accounting and investigatory fees and disbursements);

(6) the amount of the Taxes in controversy, taking into account the amount of all similar and logically related Taxes with respect to the transactions contemplated by the Operative Documents that could be raised in any other year (including any future year) not barred by the statute of limitations, exceeds \$25,000;

(7) the contest would not require the Indemnitee to extend the statute of limitations in respect of other Taxes not indemnifiable by the Lessee hereunder;

(8) the Indemnitee has been provided at the Lessee's expense with an opinion of independent tax counsel selected by the Lessee and reasonably acceptable to the Indemnitee to the effect that there is a Reasonable Basis for contesting such Tax Claim;

(9) in the case of a judicial appeal, no appeal to the U.S. Supreme Court shall be required of the Indemnitee; and

(10) in the case of a contest conducted in the name of an Indemnitee, the Lessee shall have delivered to the Indemnitee a written acknowledgement of its liability under this Section 9.2 for such Taxes, provided however, that such acknowledgement shall not be required other than to the extent that the basis for the taxing authority's claim is or becomes reasonably clear; provided further, that Lessee shall not be bound by its acknowledgement of liability if the contest is resolved on the basis of a written opinion of the adjudicator that clearly indicates that the basis for the conclusion is one for which the Lessee has no liability under this Section 9.2 with respect to such Tax.

(e) Settlement. Notwithstanding anything to the contrary contained in this Section 9.2, the Indemnitee at any time may elect to decline to take any action or any further action with respect to a Tax Claim and may in its sole discretion settle any contest without the consent of the Lessee if such Indemnitee (i) shall waive its right to indemnity under this Section 9.2 with respect to such Tax Claim (and any Tax Claim with respect to any other taxable year the contest of which is precluded by such waiver) and (ii) shall pay

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to the Lessee any amount previously paid or advanced by the Lessee pursuant to Section 9.2 with respect to such Tax Claim other than amounts paid for expenses of the contest.

(f) Reports.

(i) If any report, statement or return is required to be filed by an Indemnitee with respect to any Tax that is subject to indemnification under this Section 9.2, the Lessee shall (1) promptly notify the Indemnitee (and the Indemnitee shall promptly notify the Lessee in writing if a Responsible Officer of such Indemnitee is actually aware of the filing, it being understood and agreed that no Indemnitee shall have any obligation to determine whether any filing is necessary) in writing of such requirement and (2) either (x) if permitted by Applicable Law, the Lessee shall, at the Lessee's sole cost and expense, prepare such report, statement or return and timely file such report, statement or return with the appropriate taxing authority (except for any such filing that an Indemnitee has notified the Lessee in writing that such Indemnitee intends to file) or (y) if the Lessee is not permitted by Applicable Law to file such report, statement or return or if so directed by the Indemnitee, prepare and furnish to such Indemnitee not later than 10 days prior to the date such report, statement or return is required to be filed a proposed form of such report, statement or return for filing by the Indemnitee; provided, however, that such Indemnitee shall have furnished the Lessee, at the Lessee's written request and expense, with such information, not within the control of the Lessee, as is in such Indemnitee's control or is reasonably available to such Indemnitee and is necessary for such filing.

(ii) Each Indemnitee and the Lessee will timely provide the other, at the Lessee's expense, with all information in its possession that the other party may reasonably require and request to satisfy its obligations under this Section 9.2(e) or otherwise to comply with any tax reporting or filing requirement in connection with the transactions contemplated by the Operative Documents.

(g) Non-Parties. If an Indemnitee is not a party to this Agreement, the Lessee may require such Indemnitee to agree in writing, in a form reasonably acceptable to the Lessee, to the terms of this Section 9.2 prior to making any payment to such Indemnitee under this Section.

SECTION 10. LESSEE'S RIGHT OF QUIET ENJOYMENT

Each party to this Agreement acknowledges notice of the Project Lease, the Power Plant Sublease and Sublease of Power Plant Sublease and expressly, severally and as to its own actions only, agrees that, notwithstanding any provision of any other

Operative Document, so long as no Lease Event of Default shall have occurred and be continuing, it shall not interfere with or interrupt the quiet enjoyment of the use, operation and possession by the Lessee of the Project in accordance with the terms of the Project Lease.

SECTION 11. SUPPLEMENTAL FINANCING; OPTIONAL REFINANCING; ASSUMPTION OF NOTES

Section 11.1. Financing Modifications. (a) Subject to the satisfaction of the provisions of Section 8 of the Project Lease, upon the written request of the Lessee delivered at least ninety (90) days prior to any proposed financing of the cost of any Modification, the Owner Lessor and the Indenture Trustee agree, subject to Section 11.1(b), to cooperate with the Lessee to issue Additional Senior Notes under the Indenture that will rank *pari passu* with the Senior Notes and/or any Additional Senior Notes then outstanding as to the Indenture Estate to finance such Modifications; provided, however, that the Equity Investor shall have been given the opportunity, but shall have no obligation, to provide all or part of the funds required to finance the cost of any such Modification by making an Additional Equity Investment in such amount, if any, as it may determine in its sole and absolute discretion, but the Lessee shall have no obligation to accept such Additional Equity Investment. In

connection with any such financing, the Owner Lessor and the Indenture Trustee will execute and deliver one or more supplements to the Indenture for the purpose of subjecting any such Modifications to the Lien of the Indenture; and the Lessee and the Owner Lessor will execute and deliver an amendment to the Project Lease to reflect the adjustments required by clause (b)(iii) below.

(b) The obligations of the Owner Manager and the Indenture Trustee to cooperate in the issuance of Additional Senior Notes pursuant to Section 11.1(a) (any financing of Modifications through the issuance of such Additional Senior Notes under the Indenture being called a "Supplemental Financing") is subject to the conditions set forth in Section 2.12 of the Indenture and to the following additional conditions:

(i) except with respect to Required Modifications, there shall be no more than one such financing in any calendar year;

(ii) the Additional Senior Notes (A) shall have a final maturity no later than the then-existing Lease Debt, and (B) will be fully repaid out of Periodic Lease Rent, as adjusted in accordance with clause (iii) below, pursuant to the Project Lease;

(iii) appropriate increases to Periodic Lease Rent and Termination Value (for incremental debt service associated with any Additional

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Senior Notes) shall be made to provide for the payment of the Additional Senior Notes and to protect the Equity Investor's Net Economic Return;

(iv) no Lease Default or Lease Event of Default shall have occurred and be continuing unless the Modifications to be constructed with the proceeds of the Additional Senior Notes shall cure such default, and such Modifications shall be made in compliance with the Operative Documents;

(v) such Additional Senior Notes represent an aggregate amount of not less than \$5,000,000, nor greater than 100% of the costs of the Modifications being financed; provided that the aggregate balance of the Lease Debt (after taking into account the Additional Senior Notes) shall not exceed 65% of the fair market value of the Project taking into account such Modifications (such fair market value shall, at the request of the Equity Investor or the Indenture Trustee, be determined by an appraiser selected by the Lessee, at the cost of the Lessee, and reasonably acceptable to the Equity Investor) and the Indenture Trustee;

(vi) the Equity Investor shall have received (A) an opinion of independent tax counsel selected by the Equity Investor and reasonably satisfactory to the Lessee to the effect that such financing will create no incremental tax risk to the Equity Investor, and (B) an indemnity, with verification, tax savings and contest rights provisions substantially the same as those set forth in the Tax Indemnity Agreement, against any incremental tax risks resulting from such financing in form and substance reasonably satisfactory to the Equity Investor from the Lessee;

(vii) the Lessee shall have made or delivered such representations, warranties, covenants, opinions, reports or certificates relating to such Supplemental Financing as the Equity Investor or the Indenture Trustee may reasonably request;

(viii) the Equity Investor shall not suffer any material adverse accounting effect under GAAP as a result of such Supplemental Financing; and

(ix) the Lease Rent Coverage Ratio for both of the immediately preceding two semiannual periods was greater than or equal to 1.20 to 1.00 and the Projected Lease Rent Coverage Ratio for each semiannual period occurring while such Additional Senior Notes are outstanding is reasonably estimated (on a basis consistent with estimates used in connection with preparing the Projections at closing) to be greater than or equal to 1.20 to 1.00, as certified by the Lessee in an Officer's Certificate delivered to the Equity Investor, the Owner Lessor, and

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the Indenture Trustee and confirmed by the Engineering Consultant in the form attached hereto as Exhibit E.

(c) The Lessee shall pay, on an After-Tax Basis, all reasonable out-of-pocket costs and expenses of the Transaction Parties, including the reasonable fees and expenses of counsel to the Equity Investor, the Owner Lessor, the Equity Investor, the Owner Manager, the Indenture Trustee and the Noteholders, in each case to the extent incurred in connection with any financing pursuant to this Section 11.1.

Section 11.2. Well Improvements.

(a) Subject to the satisfaction of the conditions set forth in Section 11.2(c) hereof on December 30, 2005, (i) the amounts on deposit in the Capex Account (Debt) shall be released to or at the direction of the Owner Lessor in accordance with Section 5.11 of the Depositary Agreement, subject to the conditions of such release set forth therein and (ii) the Equity Investor shall provide an Additional Equity Investment in an amount equal to the difference between (A) the fair market value of the Project as set forth in the appraisal delivered pursuant to Section 11.2(c)(v) hereof and (B) the Equity Investment plus the principal amount of the Notes issued on the Closing Date (the aggregate of the amounts in clauses (i) and (ii), the "Additional Head Lease Rent").

(b) Subject to the receipt of the amounts in Section 11.1(a) and the satisfaction of the conditions set forth in Section 11.2(c) hereof, upon the delivery by the Lessee of the Completion Notice, the Owner Lessor shall be obligated to pay the Additional Head Lease Rent to the Lessee in accordance with Head Lease Supplement No. 2.

(c) The obligations of the Equity Investor, Owner Lessor and the Depositary Bank pursuant to Sections 11.1(a) and (b) are subject to the following conditions:

(i) each Financing Party shall have received the Completion Notice in the form attached hereto as Exhibit H and certified by the Geothermal Consultant and the Engineering Consultant;

(ii) (x) (A) Head Lease Supplement No. 2 (superseding Head Lease Supplement No. 1), (B) Project Lease Supplement No. 2 (superseding Project Lease Supplement No. 1) and (C) a supplement to the Indenture in accordance with Section 2.16 of the Indenture, in each case shall have been duly authorized by the parties thereto, shall have been duly executed and delivered by the parties thereto, and shall each be in full force and effect, and executed counterparts thereof shall have been delivered to each of the parties hereto;

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(y) the Periodic Lease Rent, Termination Value, EBO Price and FPPO Price shall be adjusted to reflect the fair market value of the Project, as set forth in the appraisal delivered pursuant to Section 11.2(c)(v) hereof and otherwise in accordance with Section 3.4 of the Project Lease;

(iii) financing statements, instruments (including recordation memoranda) and other documents with respect to the filings and recordings in form and substance reasonably satisfactory to the Indenture Trustee, the Initial Noteholders and the Equity Investor and all such filings and recordings and all other filings and recordings and other actions (including the Owner Lessor and/or the Indenture Trustee taking possession or control of such collateral in which a security interest may be perfected by possession or control) that are necessary in order to establish, protect, preserve and perfect the Lien of the Indenture Trustee on, and perfected security interest in, all right, title, estate and interest of the Owner Lessor in and to the Well Improvements, prior and superior to all other Liens, existing or future (other than any future lien which by statute would have priority), in each case, shall have been duly executed (if required to be executed by the Lessee or the Owner Lessor, if applicable, by Applicable Law) and delivered to the Indenture Trustee or its designee in proper form for filing, registration or recordation, and all fees, taxes and other charges relating to such filings and recordings and other actions, shall have been paid (or provision thereof shall be made) by the Lessee or the Owner Lessor;

(iv) each of the parties hereto shall have received (A) an opinion or opinions, dated the date of the Head Lease Supplement No. 2, of (1) Chadbourne & Parke LLP, special counsel to the Lessee, (2) Carlsmith Ball LLP, Hawaii counsel to the Lessee, (3) Morris, James, Hitchens & Williams LLP, counsel to Owner Lessor, the Trust Company, and the Owner Manager and (4) Kathleen C. Johnson, Attorney at Law, counsel to the Indenture Trustee, in each case, addressed to such Persons and in form and substance satisfactory to such Persons, as to the authorization, validity and enforceability of, the supplements to the Head Lease, Project Lease and Indenture and the valid creation and perfection of a Lien over the Well Improvements under the Indenture, and (B) Officer's Certificates from the Lessee, the Owner Lessor, the Indenture Trustee and the Equity Investor, relating to such matters as counsel for such parties may reasonably request in connection with the delivery of their opinions required under clause (A) above; and

(v) (A) the Equity Investor shall have received an appraisal from the Appraiser with regard to the Project addressed to the Equity Investor and which appraisal shall (i) be based upon the assumptions attached hereto as Exhibit I, (ii) set forth the fair market value of the Project and (iii) be otherwise in form

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and substance satisfactory to the Equity Investor, and (B) the Lessee and the Initial Noteholders shall have received a letter from the Appraiser with regard to the fair market value and the remaining useful life of the Project dated as of the date of Head Lease Supplement No. 2.

(d) The Lessee shall pay, on an After-Tax Basis, all reasonable out-of-pocket costs and expenses of the Transaction Parties, including the reasonable fees and expenses of counsel to the Equity Investor, the Owner Lessor, the Equity Investor, the Owner Manager, the Indenture Trustee and the Noteholders, in each case to the extent incurred in connection with the matters contemplated by this Section 11.2.

(e) In the event the conditions set forth in Section 11.2(c) are not satisfied on December 30, 2005 (or such later date as the Equity Investor, the Lessee and the Indenture Trustee may agree), the Equity Investor shall have no obligation to contribute the Additional Equity Investment to the Owner Lessor pursuant to Section 11.2(a), the Lessee shall pay to the Indenture Trustee an amount equal to the excess, if any, of the Debt Payment Amount over the amount then in the Capex Account (Debt) in accordance with Section 5.11 of the Depositary Agreement, and the Depositary Bank shall apply the amount on deposit in the Capex Account (Debt) in accordance with Section 5.11(b) of the Depositary Agreement.

Section 11.3. Optional Refinancing of Lease Debt. (a) The Lessee will have the right at any time, exercisable on no more than two occasions, to request the Owner Lessor, and the Owner Lessor in such event shall reasonably consider, and shall not unreasonably refuse, to refund or refinance any Senior Note or any Additional Senior Note, in whole, through the issuance of Additional Senior Notes directly to the public provided that the public offering materials shall not identify the Equity Investor, to the Noteholders or to such other funding vehicle as may be used at that time. Any refinancing under this Section 11.3 shall be subject to the conditions to the issuance of Additional Senior Notes contained in Section 2.12 of the Indenture, including payment of any Make Whole Premium payable in connection therewith, which shall be paid by the Lessee as Supplemental Rent in accordance with the Project Lease and the other Operative Documents on an After-Tax Basis to the Owner Lessor and the Equity Investor, and satisfaction of the following additional conditions:

(i) the Owner Lessor shall be able to issue and sell such debt upon terms and conditions substantially the same as those then existing, or on such modified terms and conditions as may be reasonably acceptable to the Equity Investor, and in an amount adequate to accomplish such refunding or refinancing;

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(ii) the Additional Senior Notes shall have a final maturity and average life no later than that of the Senior Notes issued on the Closing Date and will be fully repaid out of Periodic Lease Rent during the Project Lease Term;

(iii) Periodic Lease Rent and Termination Value shall be changed to reflect the change in the interest rate;

(iv) no Significant Lease Default or Lease Event of Default shall have occurred and be continuing;

(v) the Equity Investor shall receive (A) a favorable legal opinion of independent tax counsel selected by the Equity Investor and reasonably satisfactory to the Lessee that the refinancing, including any payments to be made in connection therewith (as opposed to the right to request such refinancing), will not result in any incremental tax risk to the Equity Investor and (B) an indemnity, with verification, tax savings and contest rights provisions substantially the same as those set forth in the Tax Indemnity Agreement, against any incremental tax risks resulting from such refinancing in form and substance reasonably satisfactory to the Equity Investor from the Lessee;

(vi) the Equity Investor shall not suffer any adverse accounting effects under GAAP;

(vii) the refinancing, when taken as a whole, shall not have resulted in any other material adverse effect on the Owner Lessor and the Equity Investor, taken as a whole;

(viii) the Lessee shall have made or delivered such representations, warranties, opinions or certificates as the Equity Investor may reasonably request;

(ix) all documentation in connection with such refinancing shall be reasonably satisfactory to the Owner Lessor and the Equity Investor;

(x) all necessary authorizations, approvals and consents in connection with such refinancing shall have been obtained from each Person whose authorization, approval or consent is necessary to consummate such refinancing with respect to the Lessee, the Owner Lessor, the Equity Investor, the Equity Investor and the Indenture Trustee, and such authorizations, approvals and consents shall be in full force and effect on the closing date of such refinancing; and

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(xi) each of the Owner Lessor, the Equity Investor and the Indenture Trustee shall have received from the Lessee an Officer's Certificate dated the date of the issuance of the Additional Senior Notes stating that all conditions precedent to the issuance of such Additional Senior Notes have been satisfied or waived.

(b) The Lessee shall pay (or shall arrange for payment thereof to be made from the proceeds of the financing contemplated by this Section 11.3), on an After-Tax Basis, all reasonable out-of-pocket costs and expenses of the Transaction Parties, including the reasonable fees and expenses of counsel to the Equity Investor, the Owner Lessor, the Equity Investor, the Owner Manager, the Indenture Trustee and the Noteholders, in each case to the extent incurred in connection with any financing pursuant to this Section 11.3.

Section 11.4. Cooperation. The Equity Investor and the Lessee will cooperate in connection with any refinancing of the Lease Debt, and so long as such refinancing is in accordance with the terms of the Operative Documents, the Equity Investor will execute such agreements and documents as may be necessary with respect to any such refinancing and will instruct the Owner Lessor to act accordingly.

Section 11.5. Assumption of Senior Notes. Upon the occurrence and during the continuance of an Indenture Event of Default resulting from a Lease Event of Default (but in any event prior to the consummation of any sale by the Indenture Trustee of all or any portion of the Indenture Estate), the Equity Investor shall have the right (but not the obligation) to assume, on a recourse basis as joint obligor, all but not less than all of the obligations of the Owner Lessor then outstanding under the Senior Notes by providing written notice thereof to the Indenture Trustee, subject to the satisfaction of the following conditions:

(i) no Indenture Event of Default, nor any event that with the passage of time or the giving of notice or both would become a Indenture Event of Default, shall then exist other than such resulting from a then existing Lease Event of Default or any event that with the passage of time or the giving of notice or both would become a Lease Event of Default;

(ii) the Equity Investor shall become jointly and severally liable for all of the obligations of the Owner Lessor under the Senior Notes (including any Make Whole Premium that may become payable under the Lease Indenture after the assumption of the Senior Notes) and all such obligations shall become direct, primary, recourse obligations of the Equity Investor pursuant to an assumption agreement (which assumption agreement may be combined with the amendment of the Indenture in order to effectuate the assumption by the Equity

Investor, on a joint and several basis, of the obligations and liabilities of the Owner Lessor under the Senior Notes) which, among other things, (1) shall contain representations, warranties, covenants and defaults substantially the same as the representations, warranties, covenants and defaults (other than with respect to the payment of Rent) of the Lessee under the Project Lease and this Participation Agreement and (2) shall contain appropriate amendments to the provisions of the Indenture in order to (A) release the Project Lease from the Indenture Estate, (B) remove any cross-default to the Project Lease under the Indenture, (C) terminate all of the Indenture Trustee's rights in respect of the Project Lease, and (D) include the defaults referenced in clause (1) above, including applicable grace periods, as Indenture Events of Default under the Indenture;

(iii) after giving effect to such assumption and such amendment to the Indenture, the Lien of the Indenture shall be and remain a valid and first priority perfected security interest in the Indenture Estate securing the obligations of the Equity Investor and the Owner Lessor under the Senior Notes and the Equity Investor's obligations under such assumption agreement (as set forth in the opinion delivered pursuant to clause (v) below);

(iv) the Indenture Trustee shall have received one or more opinion(s) of counsel (which shall contain customary qualifications), which opinion(s) and counsel shall be reasonably satisfactory to each of them and their respective counsel, to the effect that (a) such assumption agreement has been duly authorized, executed and delivered on behalf of the Equity Investor, (b) such assumption agreement, the amended Indenture and the Senior Notes constitute legal, valid and binding obligations of the Equity Investor, enforceable against it in accordance with their respective terms (subject to customary bankruptcy and equitable qualifications) and (c) all Governmental Approvals and filings required in connection with such assumption have been obtained, and such opinion(s) shall address such other issues as the Indenture Trustee shall reasonably request, subject, in the case of the enforceability opinions to be rendered pursuant to clause (b), to the limitation that enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity;

(v) the Equity Investor shall have paid all amounts then due and owing (including overdue interest) under the Senior Notes (other than principal thereof then due and owing as a result of any acceleration of the Senior Notes);

(vi) after giving effect to such assumption (and the payment in clause (vi) above), no Indenture Event of Default shall have occurred and be continuing;

(vii) either (i) the Indenture Trustee receives an opinion of counsel of a nationally-recognized law firm in form and substance reasonably satisfactory to the Indenture Trustee stating that the Noteholders will not recognize income, gain or loss for U.S. federal tax purposes as a result of the assumption, or (ii) the Equity Investor shall indemnify the Noteholders against any potential adverse tax effect as a result of such assumption in form and substance reasonably acceptable to

the Indenture Trustee;

(viii) the Indenture Trustee shall have received a certificate of a Responsible Officer of the Equity Investor containing representations and warranties of the Equity Investor substantially similar to those given by the Lessee hereunder and reasonably satisfactory to the Indenture Trustee. Such certificate shall also state that (A) the conditions precedent required by this Participation Agreement for such assumption have been complied with (assuming that all documents, opinions and other matters which must be acceptable or reasonably acceptable to a receiving party are so acceptable to such party), (B) there is no pending or, to the knowledge of the Equity Investor, threatened, action, suit, investigation or proceeding against the Equity Investor that questions the validity of any documentation related to such assumption, the Senior Notes and the Indenture (each, an "Assumption Document") or the assumption contemplated thereby or which, if adversely determined, would have a material adverse effect on the ability of the Equity Investor to perform its obligations under any Assumption Document and (C) after giving effect to the assumption by the Equity Investor, (1) each representation and warranty of the Equity Investor made pursuant to the Assumption Documents is true and correct in all material respects and (2) the Equity Investor is not insolvent within the meaning of any applicable preferential transfer, fraudulent conveyance or bankruptcy law; and

(ix) the Equity Investor shall have paid, at no after-tax cost to such parties, all reasonable documented out-of-pocket expenses (including reasonable attorney's fees and expenses) of the Owner Lessor, the Owner Manager and the Indenture Trustee in connection with such assumption and other transactions referred to in this Section 11.5.

Notwithstanding the foregoing, the Equity Investor shall not have the right to assume the Senior Notes if the aggregate principal amount of Senior Notes which have been issued pursuant to the Indenture is more than \$45,000,000.

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(b) The rights of the Equity Investor under this Section 11.5 shall not be deemed to limit in any respect the Indenture Trustee's rights and remedies under the Indenture upon the occurrence of a Indenture Event of Default; provided that upon the foregoing conditions being satisfied prior to the consummation of any sale by the Indenture Trustee of all or any portion of the Indenture Estate, all Indenture Events of Default arising from Lease Events of Default shall be deemed cured and the Lien of the Indenture shall be terminated solely with respect to the Owner Lessor's right, title and interest to the Project Lease (and all Rent thereunder) and the Equity Investor and the Owner Lessor (to the exclusion of the Indenture Trustee) may exercise all rights of the Owner Lessor under the Project Lease.

SECTION 12. MISCELLANEOUS

Section 12.1. Consents. The Equity Investor covenants and agrees that it shall not unreasonably withhold its consent to any consent requested of the Owner Lessor under the terms of the Operative Documents that by its terms is not to be unreasonably withheld by the Owner Lessor.

Section 12.2. Bankruptcy of Lessor Estate. If (i) all or any part of the Lessor Estate becomes the property of a debtor subject to the provisions of Title 11 of the United States Code, as amended from time to time, (ii) pursuant to such reorganization provisions the Equity Investor is required, by reason of the Equity Investor being held to have recourse liability to the debtor or the trustee of the debtor directly or indirectly, to make payment on account of any amount payable as principal or interest on the Senior Notes, and (iii) the Indenture Trustee actually receives any Excess Amount, as defined below, which

reflects any payment by the Equity Investor on account of clause (ii) above, the Indenture Trustee shall, upon obtaining Actual Knowledge thereof or upon written request of the Equity Investor, promptly refund to the Equity Investor such Excess Amount. For purposes of this Section 12.2, "Excess Amount" means the amount by which such payment exceeds the amount that would have been received by the Indenture Trustee if the Equity Investor had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 12.2 shall prevent the Indenture Trustee from enforcing any personal recourse obligations (and retaining the proceeds thereof) of the Equity Investor as contemplated by this Participation Agreement (other than those referred to in clause (ii) above).

The Indenture Trustee agrees that should the Lessor Estate become a debtor subject to the provisions of the Bankruptcy Code, it shall, upon the written request of the Equity Investor, and provided that the making of the election hereinafter referred to is permitted to be made by it under Applicable Law and will not have any adverse impact on any Noteholder or the Indenture Estate, all as determined by the Equity Investor or the Indenture Trustee, other than as contemplated by the preceding paragraph, make the

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election referred to in Section 111 1(b)(1)(A)(i) of the Bankruptcy Code or any successor provision if, in the absence of such election, the Indenture Trustee would have recourse against the Equity Investor for the payment of the indebtedness represented by the Senior Notes in circumstances in which such Noteholders or the Indenture Trustee would not have recourse under the Indenture if the Lessor Estate had not become a debtor under the Bankruptcy Code.

Section 12.3. Amendments and Waivers. No term, covenant, agreement or condition of this Agreement may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto.

Section 12.4. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein to a party hereto shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by such a telecommunications device, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (a) and (b) above, in each case addressed to such party and copy party at its address set forth below or in the case of any such party or copy party hereto, at such other address as such party or copy party may from time to time designate by written notice to the other parties hereto:

If to the Lessee:

Puna Geothermal Venture
c/o Ormat Nevada Inc.
980 Greg Street
Sparks, Nevada 89431
Attention: President
Telephone No.: (775) 356-9029
Facsimile No.: (775) 356-9039

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If to the Owner Lessor:

c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001
Attention: Corporate Trust Administration
Telephone No.: 302-636-6000
Facsimile No.: 302-636-4140

with a copy to:

Southern Company
270 Peachtree Street NW
Atlanta, GA 30303
Attn: Mr. Chris Kysar
Director, Finance and Capital Markets
Telephone No.: (404) 506-5162
Facsimile No.: (404) 506-0708

If to the Owner Manager or the Trust Company:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001
Attention: Corporate Trust Administration
Telephone No.: 302-636-6000
Facsimile No.: 302-636-4140

If to the Equity Investor:

c/o Southern Company
270 Peachtree Street NW
Atlanta, GA 30303
Attn: Mr. Chris Kysar
Director, Finance and Capital Markets
Telephone No.: (404) 506-5162
Facsimile No.: (404) 506-0708

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If to the Indenture Trustee:

Union Bank of California, N.A.
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Attention: Corporate Trust Department
Telephone No.: (415) 296-6754
Facsimile No.: (415) 296-6757

A copy of all notices provided for herein shall be sent by the party giving such notice to each of the other parties hereto.

Section 12.5. Survival. All warranties, representations, indemnities and covenants made by any party hereto, herein or in any certificate or other instrument delivered by any such party or on the behalf of any such party under this Agreement shall be considered to have been relied upon by each other party hereto and shall survive the consummation of the transactions contemplated hereby and in the other Operative Documents regardless of any investigation made by any such party or on behalf of any such party. In addition, the indemnification obligations by the Lessee under Section 9.1 and Section 9.2 of

this Agreement shall, subject to Section 9.1(b) and Section 9.2(b), respectively, expressly survive the expiration or early termination (in either case, for whatever reason) of the Project Lease or the transfer or other disposition of the respective interests of the Equity Investor, the Owner Lessor, the Trust Company, the Owner Manager, the Indenture Trustee and the Noteholders in, to and under this Agreement, the Project Lease and the other Operative Documents. Upon expiration or early termination of the Project Lease (other than in connection with an assumption by the Lessee of the Notes), the covenants of the Lessee in Section 5 shall terminate.

Section 12.6. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns as permitted by and in accordance with the terms hereof, including each successive holder of the Equity Investor's Member Interest permitted under Section 7.1. Except as expressly provided herein or in the other Operative Documents, no party hereto may assign its interests herein without the consent of the other parties hereto.

Section 12.7. Governing Law. This Agreement has been delivered in the State of New York and shall be in all respects governed by and construed in accordance with the law of the State of New York including all matters of construction, validity and performance.

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Section 12.8. Severability. If any provision hereof shall be invalid, illegal or unenforceable under Applicable Law, the validity, legality and enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

Section 12.9. Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Lessee, the Indenture Trustee and the Equity Investor.

Section 12.10. Headings and Table of Contents. The headings of the sections of this Agreement and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

Section 12.11. Limitation of Liability.

(a) No party to this Agreement shall have any obligation or duty to the other parties with respect to the transactions contemplated hereby except those obligations or duties expressly set forth in this Agreement and the other Operative Documents to which it is a party, and none of the Trust Company or the Indenture Trustee shall be liable for performance by any other party hereto of such other party's obligations or duties hereunder or thereunder. In addition, under no circumstances whatsoever shall the Equity Investor be liable to the Lessee or any other Person in connection with the transactions contemplated hereby for any action or inaction on the part of any other party hereto, including the Owner Lessor or the Owner Manager, whether or not such action or inaction is caused by willful misconduct or gross negligence of the Owner Lessor or the Owner Manager, unless such action or inaction is at the written direction or with the written consent of the Equity Investor.

(b) The Trust Company is entering into the Operative Documents to which it is a party solely as manager under the LLC Agreement and not in its individual capacity, except as expressly provided herein or therein, and in no case whatsoever shall the Trust Company be personally liable for, or for any loss in respect of, any of the statements, representations, warranties, agreements or obligations of the Owner Lessor hereunder or under any other

Operative Document, as to all of which the other parties hereto agree to look solely to the Lessor Estate; provided, however, that the Trust Company shall be liable hereunder for its own gross negligence or willful misconduct or for a breach of its representations, warranties and covenants made in its individual capacity.

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(c) The Indenture Trustee is entering into the Operative Documents to which it is a party solely as trustee under the Indenture, and not in its individual capacity, and in no case whatsoever shall the Indenture Trustee be personally liable for, or for any loss in respect of, any of the statements, representations, warranties, agreements or obligations of the Owner Lessor hereunder or under any other Operative Document, as to all of which the other parties hereto agree to look solely to the Indenture Estate and the Lessor Estate, respectively; provided, however, that the Indenture Trustee shall be liable hereunder for its own negligence or willful misconduct.

(d) Notwithstanding anything contained herein to the contrary, the right of the Indenture Trustee to perform any discretionary act enumerated herein or in any other Operative Document to which it is a party (including the right to consent to or approve of any action or document which requires its consent or approval and the right to waive any provision of, or consent to any change or amendment to, any of the Operative Documents) shall not be construed as giving rise to any expressed or implied duty owed by such trustee, and the Indenture Trustee shall not be answerable in connection with any of the foregoing for, or have any liability whatsoever as a result of, (i) its refusal to perform, consent or approve of such discretionary acts without the prior consent or direction of the applicable percentage of the Noteholders that would be required if such consent or direction was obtained under the Indenture, or (ii) its performance of any such discretionary act (except for any negligence or willful misconduct in the performance of such acts). In connection with any such discretionary acts, the Indenture Trustee may in its sole discretion (but shall not, except as otherwise provided in the Indenture or as otherwise required by Applicable Law, have any obligation to) request the approval of the Noteholders, and each of the Noteholders may in its sole discretion (but shall not, except as otherwise provided in the Operative Documents to which it is a party or as otherwise required by Applicable Law, have any obligation to) request the approval of the Noteholders.

(e) The Equity Investor will give the Lessee and the Indenture Trustee at least 15 days' prior notice of any proposed amendment or supplement to Sections 2, 5.2, 6, 7, 8, 9, 10, 12, 13, 14 and 15 of the LLC Agreement and deliver true, complete and fully executed copies to the Lessee and the Indenture Trustee of any amendment or supplement to such Sections of the LLC Agreement. No amendment or supplement to the LLC Agreement that could materially adversely affect the interests of the Indenture Trustee shall become effective without the written consent of the Indenture Trustee.

(f) None of the Trust Company, the Owner Manager, the Equity Investor, the Equity Investor or the Indenture Trustee, or any Affiliates thereof (other than the Owner Lessor), will be personally liable to any holder of a Senior Note or in the case of the Owner Manager or the Equity Investor, to the Indenture Trustee, for any amounts payable with respect to the Senior Notes. All payments of principal of, premium,

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if any, and interest on, the Senior Notes (other than payments made in connection with an optional redemption or purchase by the Owner Lessor or Equity

Investor and except as provided in Section 11.5) will be made only from the Indenture Estate or the income and proceeds received by the Indenture Trustee therefrom (including Periodic Lease Rent payable by the Lessee pursuant to the Project Lease).

Section 12.12. Consent to Jurisdiction; Waiver of Trial by Jury; Process Agent.

(a) Each of the parties hereto (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York (and any court of appeals from either thereof) for the purposes of any suit, action or other proceeding arising out of this Agreement, the other Operative Documents, or the subject matter hereof or thereof or any of the transactions contemplated hereby or thereby brought by any of the parties hereto or their successors or assigns; (ii) hereby irrevocably agrees that all Claims in respect of such action or proceeding may be heard and determined in such New York State court, or in such federal court; and (iii) to the extent permitted by Applicable Law, hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that such party is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement, the other Operative Documents, or the subject matter hereof or thereof may not be enforced in or by such court.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES THE RIGHT TO DEMAND A TRIAL BY JURY, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, THE OTHER OPERATIVE DOCUMENTS, OR THE SUBJECT MATTER HEREOF OR THEREOF OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY BROUGHT BY ANY OF THE PARTIES HERETO OR THEIR SUCCESSORS OR ASSIGNS.

Section 12.13. Consent to Security Filings. Pursuant to Applicable Law, each of the Lessee and the Owner Lessor authorizes the Indenture Trustee to file or record, or cause to be filed or recorded, financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of the Lessee or the Owner Lessor in such form and in such offices as appropriate in order to carry out the intent and purpose of the Operative Documents and to establish and protect the rights and remedies created or intended to be created in favor of the Indenture Trustee

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thereunder. The Indenture Trustee shall promptly deliver, or cause to be delivered, to the Lessee copies of any such statements or amendments.

Section 12.14. Further Assurances. Each party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by any party to whom such first party is obligated, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Participation Agreement and the other Operative Documents.

Section 12.15. Effectiveness. This Agreement has been dated as of the date first above written for convenience only. This Agreement shall become effective on May 19, 2005, the date of execution and delivery by each of the parties hereto.

Section 12.16. Confidentiality. Each of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee and the Noteholders agrees

to maintain the confidential nature of, and shall not use or disclose the Lessee's financial information or confidential information identified by the Lessee as such (other than pursuant to a confidentiality agreement substantially similar to the terms of this Section 12.16) without first obtaining the Lessee's prior written consent; provided, that nothing in this Section 12.16 shall require the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders to obtain any consent of the Lessee in connection with and the Lessee hereby authorizes the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee and each of the Noteholders to freely disclose any financial information or confidential information with respect to the Lessee, the Project, any Project Document or any Operative Document or the parties thereto without any consent of the Lessee (a) in connection with (i) exercising any of their respective rights under the Operative Documents, including those exercisable upon the occurrence of a Lease Event of Default or an Indenture Event of Default, (ii) providing information about the Lessee, the Project, any Project Document or any Operative Document or the parties thereto to any Person acquiring, or potentially acquiring, any interest of the Owner Lessor or the Equity Investor under the Operative Documents and any such Person's directors, officers, employees, agents and consultants in connection with their credit evaluation of the Lessee or otherwise (if, in the case of any such Person potentially acquiring such an interest from the Owner Lessor or the Equity Investor, such Person agrees to be bound by the terms of a confidentiality agreement substantially similar to the terms of this Section 12.16), (iii) any situation in which any of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders is required by Applicable Law or required or requested by any Governmental Entity to disclose information, (iv) providing information to counsel to any of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders in connection with the Transaction, (v) providing information to independent auditors or other consultants retained by any of the Owner Lessor, the Owner Manager, the Equity Investor, the

Indenture Trustee or the Noteholders, or (b) that is in or becomes part of the public domain otherwise than through a wrongful act of any of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders or any employees or agents thereof, (c) that is independently developed by any of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders and (d) that is disclosed to any of the Owner Lessor, the Owner Manager, the Equity Investor, the Indenture Trustee or the Noteholders by a third party that has no obligation of confidentiality with respect to the information disclosed.

Section 12.17. Entire Agreement. This Agreement, together with the other Operative Documents, constitutes the entire agreement of the parties hereto and thereto with respect to the subject matter hereof and thereof and supercedes all oral and all prior written agreements and understandings with respect to such subject matter.

Section 12.18. Expansion Project; Phase II Project.

(a) Expansion Project. Each of the parties hereto acknowledges that the Lessee expects to add the Expansion Project to the Project in 2006 or 2007. The Expansion Project is expected to increase the capability of the Project to generate additional power. The Expansion Project (i) will constitute a Severable Modification and an Optional Modification which, unless such Expansion Project is financed with Additional Senior Notes and/or an Additional Equity Investment pursuant to and in accordance with the terms and conditions of, the Operative Documents, will be financed by ONI (in which case the Expansion Project will not be subject to the Head Lease or the Project Lease), (ii) will not be undertaken unless and until a new power purchase agreement is entered into with respect to such additional capacity of the Expansion Project,

(iii) will not be undertaken if the Improvement Conditions have not been satisfied and (iv) will not be undertaken if the implementation of the Expansion Project would reduce by more than a de minimis amount the rights and benefits of the Owner Lessor, and so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, with respect to the Project. To the extent that additional resource rights are needed for the Expansion Project, and PGV-II is willing to provide such resource rights, the parties agree to reasonably cooperate with the Lessee in securing an assignment by PGV-II back to the Lessee of such portion of the rights in the Geothermal Resource assigned to PGV-II pursuant to the Resource Sublease Partial Assignment as may be required for the Expansion Project.

(b) Phase II Project. Each of the parties hereto also acknowledges that ONI or PGV-II expects to undertake during the Basic Lease Term the Phase II Project either adjacent to the Project or at a different location on the Land (as defined in the Resource Sublease Partial Assignment). The Phase II Project and the Project in the aggregate, are expected to have a generation capacity of up to approximately 60 MW.

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The Phase II Project shall be subject to satisfaction of the conditions and limitations set forth in the Resource Sublease Partial Assignment (which conditions and limitations are incorporated herein) and shall only be permitted if the Person that has agreed to purchase the additional contemplated electrical output of the Phase II Project agrees that it shall have no right against the Project, the Lessee, the Owner Lessor, the Indenture Trustee, the Equity Investor or any Noteholder with respect to any matter relating to the Phase II Project or the power to be sold therefrom, it being understood that if the Power Purchaser shall purchase the output of the Phase II Project, it shall enter into a new power purchase agreement. The Phase II Project will not be undertaken if the implementation thereof would reduce by more than a de minimis amount the rights and benefits of the Owner Lessor, and so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, with respect to the Project. The parties agree that the Phase II Project will not be part of the Project or subject to the Head Lease or the Project Lease. The parties agree to reasonably cooperate with PGV to implement the Phase II Project including with respect to any third party consents necessary to implement such Phase II Project, it being understood that PGV-II and ONI are third party beneficiaries of this Section. The parties acknowledge that PGV and PGV-II may have to enter into co-tenancy agreements with PGV and/or the Owner Lessor with respect to certain shared facilities, as contemplated by Section 5.23. The parties agree to enter into or consent to such co-tenancy arrangements provided there is no adverse effect on the operation, fair market value, residual value or useful life of the Project.

Section 12.19. Assumption of the Notes. Notwithstanding the provisions of Section 13.2 of the Project Lease, if (a)(1) the Lessee submits a Qualifying Cash Bid, and the Owner Lessor accepts (or is deemed to have accepted) such Qualifying Cash Bid, or (2) the Lessee purchases the Project for scrap pursuant to Section 13.2(c) of the Project Lease, (b) the Lessee (or its designee) shall have executed and delivered an assumption agreement to assume in full the Senior Notes and the obligations and liabilities of the Owner Lessor under the Indenture as permitted by and in accordance with Section 2.10(B) of the Indenture, (c) the Indenture Trustee shall have been granted a first priority security interest in and to all assets and property which form the collateral under the Lessee Security Agreement and shall have received opinions of counsel, in form and substance satisfactory to the Indenture Trustee, with respect to the assumption of the Notes, (d) all other conditions contained in such Section 2.10(B) shall have been satisfied, and (d) no Lease Default or Lease Event of Default shall have occurred and be continuing after giving effect to such assumption, then the amounts otherwise payable by the Lessee pursuant to Section 13 of the Project Lease shall be reduced by the outstanding principal amount of

and accrued interest on the Notes so assumed by the Lessee. Notwithstanding the provisions of Section 10.1 of the Project Lease, in the case of a Regulatory Event of Loss, (i) if the Lessee (or its designee) shall have executed and delivered an assumption agreement to assume in full the Senior Notes and the obligations

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and liabilities of the Owner Lessor under the Indenture as permitted by and in accordance with Section 2.10(B) of the Indenture, (ii) all other conditions contained in such Section 2.10(B) shall have been satisfied, and (iii) no Significant Lease Default of Lease Event of Default shall have occurred or be continuing after giving effect to such assumption, then the obligation of the Lessee to pay Termination Value shall be reduced by an amount equal to the outstanding principal amount of and accrued interest on the Notes so assumed by the Lessee.

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IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be executed and delivered by their respective officers thereunto duly authorized.

PUNA GEOTHERMAL VENTURE

By: ORNI 8 LLC, its partner

By: Ormat Nevada Inc., its Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

By: OrPuna LLC, its partner

By: Ormat Nevada Inc., its Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

SE PUNA, L.L.C.

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Manager

By: /s/ Janel R. Harvilla

Name: Janel R. Harvilla
Title: Financial Services Officer

WILMINGTON TRUST COMPANY

By: /s/ Janel R. Harvilla

Name: Janel R. Harvilla
Title: Financial Services Officer

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SE PUNA LEASE, L.L.C.

By: SE Hawaii, Inc., its sole member

By: /s/ Christopher J. Kysar

Name: Christopher J. Kysar
Title: Vice President

AIG ANNUITY INSURANCE COMPANY,
as Noteholder

AMERICAN GENERAL LIFE INSURANCE COMPANY,
as Noteholder

By: AIG Global Investment Corp.,
investment adviser

By: /s/ John Henry Pollock

Name: John Henry Pollock
Title: Managing Director

ALLSTATE LIFE INSURANCE COMPANY,
as Noteholder

By: /s/ William R. Schmidt

Name: William R. Schmidt
Title:

By: /s/ Patricia W. Wilson

Name: Patricia W. Wilson
Title:

Authorized Signatories

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UNION BANK OF CALIFORNIA, N.A., as
Indenture Trustee

By: /s/ Sonia N. Flores

Name: Sonia N. Flores
Title: Vice President

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Appendix A to Participation Agreement

[See Attached]

Annex A to Participation Agreement

Pricing Assumptions

1. Head Lease Rent under Head Lease Supplement No. 1:	\$71,000,000
2. Senior Notes:	\$53,409,170.88
3. Transaction Costs:	\$2,500,000
4. Equity Investor's Commitment under Head Lease Supplement No. 1:	\$25,174,608.67 (excluding Transaction Costs)
5. Cost Recovery Deductions:	\$71,000,000 - 5 year MACRS on a half-year convention placed in service on the Closing Date Transaction Expenses - Straight Line over Basic Lease Term
6. Basic Lease Term:	From the Closing Date to the Basic Lease Term Expiration Date
7. Closing Date:	May 19, 2005
8. Basic Lease Term Expiration Date:	January 3, 2028
9. Rent Payment Date/s:	June 30 and December 30 of each year during the Basic Lease Term
10. Equity Investor Fiscal Year End:	December 31
11. Equity Investor Federal Income Tax Rate:	35%
12. Equity Investor State Income Tax Rate:	6.4%
13. Early Buyout Option Date:	December 30, 2010
14. Lease Debt Rate:	6.24%
15. Discount Rate for US GAAP:	8.00%

16. Semi-Annual Long-term AFR @ 110%:	5.25% p.a.
17. Minimum Lease Rent Coverage Ratio:	1.4:1
18. Hawaii General Excise Tax:	4.167% general excise tax on Periodic Lease Rent

Schedule 3.1(h)(ii) to Participation Agreement

RECORDINGS AND FILINGS

A. Recordings

- (1) Memorandum of Resource Sublease Partial Assignment
 - Assignor: Puna Geothermal Venture
 - Assignee: PGV-II
 - Property: Any property subject to the Memorandum of Resource Sublease Partial Assignment
 - To be filed w/: Bureau of Conveyances, Hawaii County, Hawaii
- (2) Memorandum of State Partial Assignment Consent
 - Lessor: State of Hawaii
 - Lessee: Puna Geothermal Venture
 - Lessee: PGV-II
 - Property: Any property subject to the Memorandum of State Partial Assignment Consent
 - To be filed w/: Bureau of Conveyances, Hawaii
- (3) Memorandum of KLDC Partial Assignment Consent
 - Master Lessor: KLDC
 - Lessor: KLP
 - Lessee: Puna Geothermal Venture
 - PGV-II PGV-II
 - Property: Any property subject to the Memorandum of KLDC Partial Assignment Consent
 - To be filed w/: Bureau of Conveyances, Hawaii
- (4) Memorandum of KLP Partial Assignment Consent
 - Lessor: KLP
 - Lessee: Puna Geothermal Venture
 - Lessee: PGV-II
 - Property: Any property subject to the Memorandum of KLP Partial Assignment Consent
 - To be filed w/: Bureau of Conveyances, Hawaii
- (5) Memorandum of Second Amendment to Lease (Master Lease)
 - Master Lessor: KLDC
 - Lessor: KLP
 - Property: Any property subject to the Memorandum of Second Amendment to Lease (Master Lease)
 - To be filed w/: Bureau of Conveyances, Hawaii
- (6) Memorandum to Third Amendment to Lease (Resource Sublease)
 - Lessor: KLP
 - Lessee: Puna Geothermal Venture
 - Property: Any property subject to the Memorandum to Third Amendment to Lease (Resource Sublease)
 - To be filed w/: Bureau of Conveyances, Hawaii

- (7) Memorandum of Head Lease
 Head Lessor: Puna Geothermal Venture
 Head Lessee: Owner Lessor
 Property: Any property subject to the Memorandum of Head Lease
 To be filed w/: Bureau of Conveyances, Hawaii
- (8) Memorandum of Project Lease
 Owner Lessor: SE Puna, L.L.C.
 Lessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of Project Lease
 To be filed w/: Bureau of Conveyances, Hawaii
- (9) Memorandum of Sublease of Power Plant Sublease
 Sublessor: Puna Geothermal Venture
 Sublessee: SE Puna, L.L.C.
 Property: Any property subject to the Memorandum of Sublease of Power Plant Sublease
 To be filed w/: Bureau of Conveyances, Hawaii
- (10) Memorandum of Sublease of Resource Sublease
 Sublessor: Puna Geothermal Venture
 Sublessee: SE Puna, L.L.C.
 Property: Any property subject to the Memorandum of Sublease of Resource Sublease
 To be filed w/: Bureau of Conveyances, Hawaii
- (11) Memorandum of Sub-Grant of Delivery System Grant of Easements
 Subgrantor: Puna Geothermal Venture
 Subgrantee: SE Puna, L.L.C.

Property: Any property subject to the Memorandum of Sub-Grant of Delivery System Grant of Easements
 To be filed w/: Bureau of Conveyances, Hawaii

- (12) Memorandum of Sub-Sublease of Power Plant Sublease
 Sub-Sublessor: SE Puna, L.L.C.
 Sub-Sublessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of Sub-Sublease of Power Plant Sublease
 To be filed w/: Bureau of Conveyances, Hawaii
- (13) Memorandum of Sub-Sublease of Resource Sublease
 Sub-Sublessor: SE Puna, L.L.C.
 Sub-Sublessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of Sub-Sublease of Resource Sublease
 To be filed w/: Bureau of Conveyances, Hawaii
- (14) Memorandum of Sub-Sub-Grant of Delivery System Grant of Easements
 Subgrantee: Puna Geothermal Venture
 Subgrantor: SE Puna, L.L.C.
 Property: Any property subject to the Memorandum of Sub-Sub-Grant of Delivery System Grant of Easements
 To be filed w/: Bureau of Conveyances, Hawaii

- (15) Memorandum of State Consent
 Lessor: State of Hawaii
 Lessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of State Consent
 To be filed w/: Bureau of Conveyances, Hawaii
- (16) Memorandum of KLDC Consent
 Master Lessor: KLDC
 Lessor: KLP
 Property: Any property subject to the Memorandum of KLDC Consent
 To be filed w/: Bureau of Conveyances, Hawaii
- (17) Memorandum of KLP Consent
 Lessor: KLP

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Lessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of KLP Consent
 To be filed w/: Bureau of Conveyances, Hawaii

- (18) Memorandum of KLDC Estoppel
 Master Lessor: KLDC
 Lessor: KLP
 Lessee: Puna Geothermal Venture
 Property: Any property subject to the Memorandum of KLDC Estoppel
 To be filed w/: Bureau of Conveyances, Hawaii
- (19) KLDC Mortgage
 Mortgagor: KLDC
 Mortgagee: Puna Geothermal Venture
 Property: Any property subject to the KLDC Mortgage
 To be filed w/: Bureau of Conveyances, Hawaii
- (20) KLP Mortgage
 Mortgagor: KLP
 Mortgagee: Puna Geothermal Venture
 Property: Any property subject to the KLP Mortgage
 To be filed w/: Bureau of Conveyances, Hawaii
- (21) Special Power of Attorney (PGV to Owner Lessor)
- (22) Special Power of Attorney (Owner Lessor to Indenture Trustee)
- (23) KLDC Mortgage Assignment
 Mortgagee: Puna Geothermal Venture
 Mortgagor: KLDC
 Assignor: Puna Geothermal Venture
 Assignee: SE Puna, L.L.C.
 Property: Any property subject to the KLDC Mortgage Assignment
 To be filed w/: Bureau of Conveyances, Hawaii
- (24) KLP Mortgage Assignment
 Mortgagor: KLP

Mortgagee: Puna Geothermal Venture

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Assignor: Puna Geothermal Venture
Assignee: SE Puna, L.L.C.
Property: Any property subject to the KLP Mortgage
Assignment
To be filed w/: Bureau of Conveyances, Hawaii

(25) Owner Lessor Assignment of Head Lease
Owner Lessor: SE Puna, L.L.C.
Indenture Trustee: Union Bank of California
Property: Any property subject to the Owner Lessor
Assignment of Head Lease
To be filed w/: Bureau of Conveyances, Hawaii

(26) Owner Lessor Assignment of Project Lease
Owner Lessor: SE Puna, L.L.C.
Indenture Trustee: Union Bank of California
Property: Any property subject to the Owner Lessor
Assignment of Project Lease
To be filed w/: Bureau of Conveyances, Hawaii

(27) Owner Lessor Assignment of Sublease of Power Plant Sublease
Assignor: SE Puna, L.L.C.
Assignee: Union Bank of California
Property: Any property subject to the Owner Lessor
Assignment of Sublease of Power Plant Sublease
To be filed w/: Bureau of Conveyances, Hawaii

(28) Owner Lessor Assignment of Sublease of Resource Sublease
Assignor: SE Puna, L.L.C.
Assignee: Union Bank of California
Property: Any property subject to the Owner Lessor
Assignment of Sublease of Resource Sublease
To be filed w/: Bureau of Conveyances, Hawaii

(29) Owner Lessor Assignment of Sub-Grant of Delivery System Grant of
Easements
Assignor: SE Puna, L.L.C.
Assignee: Union Bank of California
Property: Any property subject to the Owner Lessor
Assignment of Sublease of Sub-Grant of Delivery

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To be filed w/: System Grant of Easements
Bureau of Conveyances, Hawaii

(30) KLDC Mortgage Assignment (Indenture Trustee)
Mortgagee: Puna Geothermal Venture
Mortgagor: KLDC
Assignor: Puna Geothermal Venture
Assignee: Union Bank of California

Property: Any property subject to the KLDC Mortgage
Assignment (Indenture Trustee)
To be filed w/: Bureau of Conveyances, Hawaii

(31) KLP Mortgage Assignment (Indenture Trustee)
Mortgagor: KLP
Mortgagee: PGV
Assignor: SE Puna, L.L.C.
Assignee: Indenture Trustee
Property: Any property subject to the KLP Mortgage
Assignment (Indenture Trustee)
To be filed w/: Bureau of Conveyances, Hawaii

(32) Indenture of Trust Security Agreement
Owner Lessor: SE Puna, L.L.C.
Indenture Trustee: Union Bank of California
Property: Indenture Estate
To be filed w/: Bureau of Conveyances, Hawaii

B. Filings

(1) Filing of UCC-1 Financing Statement
Debtor: Puna Geothermal Venture
Secured Party: Union Bank of California, N.A., as Indenture
Trustee
Assignor : SE Puna, L.L.C.
Collateral: Collateral under the Lessee Security Agreement
To be filed w/: Bureau of Conveyances, Hawaii

(2) Filing of UCC-1 Financing Statement
Debtor: SE Puna, LLC

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Secured Party: Union Bank of California, N.A., as Indenture
Trustee
Collateral: Indenture Estate
To be filed w/: Secretary of State, Delaware

(3) Filing of UCC-1 Financing Statement
Debtor: SE Puna, L.L.C.
Secured Party: Union Bank of California, N.A., as Indenture
Trustee
Collateral: Indenture Estate (Fixture)
To be filed w/: Bureau of Conveyances, Hawaii

(4) Filing of UCC-1 Financing Statement
Debtor: ORNI 8 LLC
Secured Party: Union Bank of California, N.A., as Indenture
Trustee
Assignor: SE Puna, L.L.C.
Collateral: PGV Partnership Interest (Partnership Pledge
Agreement)
To be filed w/: Secretary of State, Delaware

(5) Filing of UCC-1 Financing Statement
Debtor: OrPuna LLC
Secured Party: Union Bank of California, N.A., as Indenture
Trustee
Assignor: SE Puna, L.L.C.

Collateral: PGV Partnership Interest (Partnership Pledge Agreement)
To be filed w/: Secretary of State, Delaware

(6) Filing of UCC-1 Financing Statement
Debtor: Ormat Nevada Inc.
Secured Party: Union Bank of California, N.A., as Indenture Trustee
Assignor: SE Puna, L.L.C.
Collateral: ORNI 8/OrPuna LLC Interests (LLC Pledge Agreement)
To be filed w/: Secretary of State, Delaware

(7) Filing of UCC-1 Financing Statement
Debtor: Puna Geothermal Venture

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Secured Party: Union Bank of California, N.A., as Indenture Trustee
Assignor : SE Puna, L.L.C.
Collateral: Project Lease
To be filed w/: Bureau of Conveyances, Hawaii

(8) Filing of UCC-1 Financing Statement
Debtor: Puna Geothermal Venture
Secured Party: Union Bank of California, N.A., as Indenture Trustee
Assignor : SE Puna, L.L.C.
Collateral: Assignment by Way of Security of the KLDC Real Property Mortgage
To be filed w/: Bureau of Conveyances, Hawaii

(9) Filing of UCC-1 Financing Statement
Debtor: SE Puna, L.L.C.
Secured Party: Union Bank of California, N.A., as Indenture Trustee
Collateral: Assignment by Way of Security of the KLDC Real Property Mortgage (Indenture Trustee)
To be filed w/: Secretary of State, Delaware

(10) Filing of UCC-1 Financing Statement
Debtor: Puna Geothermal Venture
Secured Party: Union Bank of California, N.A., as Indenture Trustee
Assignor : SE Puna, L.L.C.
Collateral: Assignment by Way of Security of the KLP Real Property Mortgage
To be filed w/: Bureau of Conveyances, Hawaii

(11) Filing of UCC-1 Financing Statement
Debtor: SE Puna, L.L.C.
Secured Party: Union Bank of California, N.A., as Indenture Trustee
Collateral: Assignment by Way of Security of the KLP Real Property Mortgage (Indenture Trustee)
To be filed w/: Secretary of State, Delaware

- (12) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Project Lease
 To be filed w/: Secretary of State, Delaware
- (13) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Head Lease
 To be filed w/: Secretary of State, Delaware
- (14) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Owner Lessor's
 Rights in Sublease of Resource Sublease
 To be filed w/: Secretary of State, Delaware
- (15) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Owner Lessor's
 Rights in Sub Grant of Delivery System Grant of
 Easements
 To be filed w/: Secretary of State, Delaware
- (16) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Owner Lessor's
 Rights in Sublease of Power Plant Sublease
 To be filed w/: Secretary of State, Delaware
- (17) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.

- Secured Party: Union Bank of California, N.A., as Indenture
 Trustee
 Collateral: Assignment by Way of Security of Owner Lessor's
 Rights in Sub Grant of Delivery System Grant of
 Easements (Fixture)
 To be filed w/: Bureau of Conveyances, Hawaii
- (18) Filing of UCC-1 Financing Statement
 Debtor: SE Puna, L.L.C.
 Secured Party: Union Bank of California, N.A., as Indenture

Trustee
Collateral: Assignment by Way of Security of Owner Lessor's
Rights in Sublease of Power Plant Sublease
(Fixture)
To be filed w/: Bureau of Conveyances, Hawaii

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Schedule 5.22 to Participation Agreement

Part 1

1. Bank Name: Bank of Hawaii
ABA Number: 121301028
Account Number: 0003-427145
Reference: PGV General Account
2. Bank Name: Bank of Hawaii
ABA Number: 121301028
Account Number: 0003-427153
Reference: PGV Petty Cash Account

Part 2

1. Bank Name: Bank of Hawaii
ABA Number: 121301028
Account Number: 0059-020846
Reference: PGV Employee Fund

2

Part 3

1. Bank Name: Bank of Hawaii
ABA Number: 121301028
Account Number: 59-019643
Reference: PGV Condition 50
2. Bank Name: Bank of Hawaii
ABA Number: 121301028
Account Number: 0006-112275
Reference: PGV Time Certificate of Deposit

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Exhibit A to Participation Agreement

[Form of Section 5.4(d) Certificate]

PUNA GEOTHERMAL VENTURE

Section 5.4(d) Officer's Certificate

Reference is made to that certain Participation Agreement (the "Participation Agreement"), dated as of May 18, 2005, by and among Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"), SE Puna, L.L.C., a Delaware limited liability company (the "Owner Lessor"), Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), SE Puna Lease, L.L.C., a Delaware limited liability company (the "Equity Investor"), AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in Appendix A to the Participation Agreement.

Pursuant to Section 5.4(d) of the Participation Agreement, the undersigned, acting solely as the [Insert title] of the Lessee, does hereby certify that the calculation of the Lease Rent Coverage Ratio for the two preceding semiannual periods as set forth in Exhibit A hereto is true and correct and the Projected Lease Rent Coverage Ratio for the then-current semiannual period and the immediately following semiannual period as set forth in Exhibit A hereto is (i) based on reasonable assumptions as to all legal and factual matters material to the estimates for such Projected Lease Rent Coverage Ratio and (ii) has been prepared in good faith and with due care.

[Remainder of Page Intentionally Left Blank]

Exhibit A to Participation Agreement

Puna Geothermal Venture

By:

Name:
Title:

Dated as of [_____] , 200[]

Exhibit A to Participation Agreement

Calculation of Lease Rent Coverage Ratio and
Projected Lease Rent Coverage Ratio

A. Lease Rent Coverage Ratio for period [7/1/XX] to [12/30/XX] and [1/1/XX] to [6/30/XX] or [1/1/XX] to [6/30/XX] and [7/1/XX] to [12/30/XX]

(1) Project Revenues for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

(2) Operating Costs for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

(3) Periodic Lease Rent on [6/30/XX] and [12/30/XX]: _____

Lease Rent Coverage Ratio* for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

* (1)-(2) / (3)

Exhibit A to Participation Agreement

B. Projected Lease Rent Coverage Ratio for period [7/1/XX] to [12/30/XX] and [1/1/XX] to [6/30/XX] or [1/1/XX] to [6/30/XX] and [7/1/XX] to [12/30/XX]

(4) Project Revenues for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

(5) Operating Costs for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

(6) Periodic Lease Rent on [6/30/XX] and [12/30/XX]: _____

Projected Lease Rent Coverage Ratio* for

[7/1/XX] to [12/30/XX] or [1/1/XX] to [6/30/XX]: _____

[1/1/XX] to [6/30/XX] or [7/1/XX] to [12/30/XX]: _____

* (1)-(2) / (3)

Exhibit B to Participation Agreement

[Form of Semiannual Operating Report]

SEMI-ANNUAL OPERATING REPORT FORMAT

- o Executive Summary
 - o Financial
 - o Operating
 - o Well Drilling Activities (as applicable)

OPERATING AND PERFORMANCE DATA

<TABLE>

CURRENT SIX MONTHS

YEA

OPERATING STATISTICS

Actual	Budget	% Var (1)	Actual	Bu
--------	--------	-----------	--------	----

Peak Energy Sold (MWh) - First 25MW
 Peak Energy Sold (MWh) - Additional 5MW
 Off-Peak Energy Sold (MWh) - First 22MW
 Off-Peak Energy Sold (MWh) - Additional MW
 TOTAL ENERGY SOLD (MWH)

Peak Capacity Factor (based on PPA on Peak Max)
 Off Peak Capacity Factor (based on PPA Off Peak Max)
 Total Capacity Factor (weighted on and off peak)
 Average Gross Power (MW)
 Average Net Power (MW)
 %OEC Availability
 Scheduled Outage Hours
 Forced Outage Hours
 Number of Plant Trips (per PPA)

Gross Generation (MWh)
 Parasitic Load (MWh)
 Parasitic Load / Gross Generation (%)
 </TABLE>

(1) In excess of 20% or \$10,000, whichever is greater

DISCUSSION SECTIONS WOULD INCLUDE:

- o Operating Highlights and Description of variances
- o Wellfield Operations
- o Lost Production
- o Description of Maintenance Activities (routine and major) for the period
- o Environmental / Safety activities for the period
- o Overview of Communications with Power Purchaser
- o Discussion of any Regulatory, Political, or Legal Issues
- o Community Relations

Exhibit B to Participation Agreement

- o Administrative / Other
- o Progress and Status of Drilling Activities (until new wells are contributing)

TRACER TEST (WHEN APPLICABLE)

- o Discussion of Tracer Tests in planning
- o Tracer Test Results (when available) as follows

<TABLE>

Production Wells	Wellhead Pressure (psig, ~average)	Estimated Total Mass Rate (kph)	Estimated Enthalpy (Btu/lbm)	Steam Fraction (%)	Steam Rate (kph)	Power (MWn)
KS - ____						
KS - ____						
Total						

Injection Wells	Wellhead Pressure (psig, range)	Average Injection Rate		Temperature Range (F)	Maximum Injection Rate at 450 psig	
		(kph)	(gpm)		(kph)	(gpm)
KS - ____						
KS - ____						
Total						

State performance basis (number of units running, injection pumps on or off).

Exhibit B to Participation Agreement

FINANCIAL DATA

<TABLE>

ENERGY RATE DATA	CURRENT SIX MONTHS			YEAR TO DAT		
	Actual	Budget	% Var (1)	Actual	Budget	%
Average On-Peak Power Price (25MW)						
Average On-Peak Power Price (Additional 5MW)						
Average Off-Peak Power Price (22MW)						
Average Off-Peak Power Price (Additional MW)						
REVENUES						
Total Capacity Revenues						
Total Energy Revenues						
TOTAL REVENUES						
OPERATING EXPENSES						
PLANT O&M						
Labor						
Chemicals, Parts, Tools						
Systems Maintenance						
Safety and General Expenses						
Administrative Services						
VARIABLE O&M						
Field Expenses						
Environmental Expenses						
MAJOR MAINTENANCE						
GENERAL LESSEE'S COSTS						
Resource Royalties						
Land Rent						
Terra Thermal Royalties						
Insurance						

Other G&A

PROPERTY & GE TAX

Property Tax

Revenues GE Tax

Rent GE Tax

AGENT FEES

Agent Fees

TOTAL OPERATING EXPENSES

OPERATING INCOME

</TABLE>

(1) In excess of 20% or \$10,000, whichever is greater.

Exhibit B to Participation Agreement

DISCUSSION SECTIONS WOULD INCLUDE:

- o Financial Highlights and Discussion of Variances
- o Well Maintenance Reserve Account detail, including the date and amount of any withdrawals and the balance at the end of the applicable period.
- o

APPENDIX TO BE PROVIDED

- o Turbine Vibration Monitoring Reports and data, for the applicable period.

Exhibit C to Participation Agreement

[Form of Annual Operating Budget]

PGV - FORM OF OPERATING BUDGET

Revenues _____

Plant O&M _____

Variable O&M _____

Major Maintenance _____

General Leasee's costs _____

Property & GE Tax _____

Agent Fees _____

TOTAL OPERATING COSTS _____

Exhibit C to Participation Agreement

BUDGET [YEAR] - ITEMS SUMMARY (\$K)

PLANT O&M	_____
Labor	_____
Chemichals, Parts, Tools	_____
Systems Maintenance	_____
Safety and General Expenses	_____
Administrative Services	_____
VARIABLE O&M	_____
Field Expenses	_____
Environmental Expenses	_____
MAJOR MAINTENANCE	_____
GENERAL LEASEE'S COSTS	_____
Resource Royalties	_____
Land Rent	_____
Terra Thermal Royalties	_____
Insurance	_____
Other G&A	_____
PROPERTY & GE TAX	_____
Property Tax	_____
Revenues GE Tax	_____
Rent GE Tax	_____
AGENT FEES	_____
Agent Fees	_____

Exhibit D to Participation Agreement

[Form of Subordination Provisions]

The indebtedness evidenced by this instrument (herein called the "Subordinated Debt") is junior, subordinated and subject in right of payment to the prior payment in full in cash of all Rent, as defined herein, payable by Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"). Each holder of this instrument, by its acceptance hereof, agrees to and shall be bound by all the provisions hereof.

As used herein, the term "Rent" shall mean all Periodic Lease Rent, Renewal Lease Rent and Supplemental Lease Rent (as each term is defined in the Participation Agreement defined below) payable by the Lessee under the Project Lease Agreement, dated as of May 18, 2005 (the "Project Lease") between SE Puna, L.L.C. (the "Owner Lessor") and the Lessee or arising out of or in connection with the Participation Agreement, dated as of May 18, 2005 (as the same may be amended, supplemented or otherwise modified from time to time, the "Participation Agreement"), among the by and between the Lessee, the Owner Lessor, Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), SE Puna Lease, L.L.C., a Delaware limited liability company (the "Equity Investor"), AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and Union Bank of California, N.A., not in its

individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee"), and all other Operative Documents (as such term is defined in the Participation Agreement).

Unless and until all Rent shall have been paid in full in accordance with the terms of the Operative Documents, the Lessee will not, directly or indirectly, make or agree to make:

(a) any payment (in cash or property, by set-off or otherwise), direct or indirect, of or on account of any principal, premium (if any) or interest in respect of any Subordinated Debt (or any indebtedness subordinated to any Subordinated Debt) and no such payment shall be accepted by any holder of Subordinated Debt, or

(b) any redemption, purchase or other acquisition, direct or indirect, of any Subordinated Debt (or any indebtedness subordinated to any Subordinated Debt), and no holder of any Subordinated Debt shall be a party to any such redemption, purchase or other acquisition,

in each case, other than from amounts that are permitted to be distributed to the Lessee in accordance with Section 5.9 of the Depositary Agreement.

Exhibit D to Participation Agreement

Upon (a) any acceleration of the principal amount due on the Subordinated Debt or (b) any payment or distribution of assets of the Lessee of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or total or partial liquidation or reorganization or similar proceeding of the Lessee or its property, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings or upon an assignment for the benefit of creditors, then and in any such event all Rent shall first be paid in full in cash before the holders of the Subordinated Debt shall be entitled to receive and retain any assets so paid or distributed in respect of the Subordinated Debt (for principal, premium (if any), interest or otherwise); and, upon any such acceleration, dissolution or winding up or liquidation or reorganization or similar proceeding, any payment or distribution of assets of the Lessee of any kind or character, whether in cash, property or securities, to which the holders of the Subordinated Debt would be entitled, except as otherwise provided herein, shall be paid by the Lessee or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by the holders of the Subordinated Debt if received by them, directly to the Owner Lessor, the Equity Investor, the Trust Company, the Indenture Trustee, the Noteholders or such other Person to whom such Rent is owed (collectively, the "Financing Parties"), provided that until the Lien of the Indenture has been terminated and fully discharged, the Financing Party shall be the Indenture Trustee, in accordance with the Operative Documents to the extent necessary to pay all Rent in full, after giving effect to any concurrent payment or distribution to the Financing Parties, before any payment or distribution is made to the holders of the Subordinated Debt.

The holder of this instrument hereby irrevocably authorizes and empowers (without imposing any obligation on) each Financing Party and such Financing Party's representatives, under the circumstances set forth in the immediately preceding paragraph, to demand, sue for, collect and receive every such payment or distribution described therein and give acquittance therefor, to file claims and proofs of claims in any statutory or nonstatutory proceeding, to vote such Financing Party's ratable share of the full amount of the Subordinated Debt evidenced by this instrument in its sole discretion in connection with any resolution, arrangement, plan of reorganization, compromise, settlement or extension and to take all such other action (including without limitation, the right to participate in any composition of creditors and the right to vote such Financing Party's ratable share of the Subordinated Debt evidenced by this

instrument at creditors' meetings for the election of trustees, acceptances of plans and otherwise), in the name of the holder of the Subordinated Debt evidenced by this instrument or otherwise, as such Financing Party's representatives may deem necessary or desirable for the enforcement of the subordination provisions of this instrument. The holder of this instrument shall execute and deliver to each Financing Party and such Financing Party's representatives all such further instruments confirming the foregoing authorization, and all such powers of

Exhibit D to Participation Agreement

attorney, proofs of claim, assignments of claim and other instruments, and shall take all such other action as may be requested by such Financing Party or such Financing Party's representatives in order to enable such Financing Party to enforce all claims upon or in respect of such Financing Party's ratable share of the Subordinated Debt evidenced by this instrument.

Should any payment or distribution be collected or received by the holder of this instrument and such collection or receipt is not expressly permitted by the foregoing provisions, such holder shall forthwith turn over the same to the Financing Parties or their representatives in the form received (except for the endorsement or the assignment of such holder when necessary) and, until so turned over, the same shall be held in trust by such holder as the property of the Financing Parties.

No holder of this instrument shall, without the prior written consent of the Financing Parties, have any right to demand payment of, or accelerate the maturity of, or institute any proceedings to enforce, or exercise any rights in respect of any indebtedness evidenced by this instrument until the Rent is paid in full.

Until the Rent shall have been paid in full, the holders of the Subordinated Debt will not, without the prior written consent of the Financing Parties, commence or join with any other Person in commencing any proceeding against the Lessee or any other Person with respect to the Subordinated Debt under any bankruptcy, reorganization, readjustment of debt, dissolution, receivership, liquidation or insolvency law or statute now or hereafter in effect in any jurisdiction, nor shall the holders of the Subordinated Debt, without the prior written consent of the Financing Parties, participate in any assignment for benefit of creditors, compositions, or arrangements with respect to the Lessee's debts with respect to the Subordinated Debt.

The Lessee shall give prompt written notice to the holders of Subordinated Debt of any dissolution, winding up, liquidation or reorganization of the Lessee.

Subject to the payment in full of all Rent, the holders of the Subordinated Debt shall be subrogated to the rights of the Financing Parties to receive payments or distributions of assets of the Lessee made with respect to the Rent until the Subordinated Debt shall be paid in full; provided, however, that nothing herein contained shall be deemed to assign or grant to any holder of Subordinated Debt, or subrogate any such holder to, any right of a Financing Party as a mortgagee, secured party or other lien or pledgeholder to any property of the Lessee which secures such Rent.

Nothing contained in this instrument is intended or shall impair as between the Lessee, its creditors other than the Financing Parties, and the holders of the Subordinated Debt, the obligation of the Lessee which is absolute and unconditional, to pay to the

holders of the Subordinated Debt, as and when the same shall become due and payable in accordance with its terms, principal and interest hereon, subject to the rights of the Financing Parties as herein provided, or to affect the relative rights of the holders of the Subordinated Debt and creditors of the Lessee other than the Financing Parties.

The terms of these subordination provisions, the subordination effected thereby, and the rights of the Financing Parties, shall not be affected by (a) any amendment of or addition or supplement to the Participation Agreement, the other Operative Documents or Rent or any instrument or agreement relating thereto, (b) any exercise or non-exercise of any right, power or remedy under or in respect of the Participation Agreement, the other Operative Documents or Rent or any instrument or agreement relating thereto, or (c) any waiver, consent, release, indulgence, extension, renewal, modification, delay, or other action, inaction or omission in respect of the Participation Agreement, the other Operative Documents or Rent or any instrument or agreement relating thereto; whether or not any holders of any Subordinated Debt shall have had notice or knowledge of any of the foregoing. The terms of these subordination provisions, the subordination effected thereby, and the rights of the Financing Parties shall continue to be effective or shall be reinstated, as the case may be, if, for any reason, any payment of the Rent by or on behalf of the Lessee shall be rescinded or must otherwise be restored by a Financing Party.

Each holder of this instrument by its acceptance hereof authorizes and directs the Lessee on its behalf to take such further action as may be necessary or appropriate to effectuate the subordination as provided herein and appoints the Lessee its attorney-in-fact for any and all such purposes.

Exhibit E to the Participation Agreement

[Form of Section 11.1(b)(ix) Certificate]

PUNA GEOTHERMAL VENTURE

Section 11.1(b)(ix) Officer's Certificate

Reference is made to that certain Participation Agreement (the "Participation Agreement"), dated as of May 18, 2005, by and among Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"), SE Puna, L.L.C., a Delaware limited liability company (the "Owner Lessor"), Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), SE Puna Lease, L.L.C., a Delaware limited liability company (the "Equity Investor"), AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in Appendix A to the Participation Agreement.

Pursuant to Section 11.1(b)(ix) of the Participation Agreement, the undersigned, acting solely as the [Insert Title] of the Lessee, does hereby certify that the Lease Rent Coverage Ratio for both of the immediately preceding two semiannual periods was greater than or equal to 1.20 to 1.00 as calculated pursuant to Exhibit A hereto and the Projected Lease Rent Coverage Ratio for the semiannual period occurring in the period from [_____] to [_____] (1) shall be at least 1.20 to 1.00, as calculated pursuant to Exhibit A hereto and (i) based on reasonable assumptions as to all legal and factual matters material to the estimates for such Projected Lease Rent Coverage Ratio and (ii) prepared in good faith and with due care.

The Engineering Consultant has reviewed this calculation and confirms the results thereof.

(1) Insert period during which Indebtedness will be outstanding per Section 5.14(f)

Exhibit E to the Participation Agreement

Puna Geothermal Venture

By: _____

Name:
Title:

Dated as of [_____] , 200[_]

Certified by:

[Engineering Consultant]

By: _____

Name:
Title:

Dated as of [_____] , 200[_]

Exhibit E to Participation Agreement

Calculation of Projected Lease Rent Coverage Ratio

Projected Lease Rent Coverage Ratio for period [7/1/XX] to [12/30/XX] or [12/31/XX] to [6/30/XX]*

(1) Project Revenues for period: _____

(2) Operating Costs for period: _____

(3) Periodic Lease Rent on [6/30/XX] or [12/30/XX]: _____

Projected Lease Rent Coverage Ratio** : _____

* Calculate for each semiannual period during term of Indebtedness

** (1)-(2) / (3)

Exhibit F to Participation Agreement

[Form of Transfer Agreement]

FORM OF EQUITY INVESTOR'S TRANSFER AGREEMENT

TRANSFER AGREEMENT dated as of _____, ____ (this "Agreement"), between _____, a _____ (the "Transferor"), and _____, a _____ (the "Transferee").

WHEREAS, the Transferor has, prior to or concurrently with the execution and delivery of this Agreement, by separate instrument, transferred unto the Transferee all of its right, title and interest in the Member Interest;

WHEREAS, the parties hereto desire to (a) evidence the transfer by the Transferor to the Transferee of all of the right, title and interest of the Transferor in and to the following documents (except as reserved below): (i) the Participation Agreement, dated as of May 18, 2005 (as at any time amended, the "Participation Agreement"), by and between Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"), SE Puna, L.L.C., a Delaware limited liability company (the "Owner Lessor"), Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), SE Puna Lease, L.L.C., a Delaware limited liability company (the "Equity Investor"), AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee"), (ii) the Tax Indemnity Agreement, dated as of May 18, 2005 (as at any time amended, the "Tax Indemnity Agreement"), between the Equity Investor and the Lessee, (iii) the Depositary Agreement, dated as of May 18, 2005 (as at any time amended, the "Depositary Agreement"), among the Lessee, the Indenture Trustee, Union Bank of California, N.A., in its capacity as Depositary Bank, the Equity Investor and the Owner Lessor, (iv) any other Operative Documents to which the Equity Investor has become a party or by which the Equity Investor has become bound, and (v) the proceeds from the foregoing, and (b) effect the assumption by the Transferee of the obligations of the Transferor, if any, arising or accruing under the Participation Agreement, the Tax Indemnity Agreement, the Depositary Agreement and any other Operative Documents from and after the effective date of this Agreement (with the documents described in such clauses (i), (ii), (iii) and (iv) of clause (a) above being herein referred to as the "Transferred Documents"); and

Exhibit F to the Participation Agreement

WHEREAS, Section 7.1 of the Participation Agreement permits such transfer and assumption to be effected upon the fulfillment of certain conditions, which conditions heretofore have been or concurrently with the execution and delivery hereof are being fulfilled.

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

SECTION 1. DEFINITIONS. FOR PURPOSES OF THIS AGREEMENT, CAPITALIZED TERMS USED HEREIN AND NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN APPENDIX A TO THE PARTICIPATION AGREEMENT AND THE GENERAL PROVISIONS OF APPENDIX A SHALL APPLY HERETO.

SECTION 2. ASSIGNMENT. THE TRANSFEROR HEREBY IRREVOCABLY TRANSFERS UNTO THE TRANSFEE AS OF THE DATE HEREOF, ALL OF ITS PRESENT AND FUTURE RIGHT, TITLE AND INTEREST IN AND TO THE TRANSFERRED DOCUMENTS AND ALL PROCEEDS OF THE FOREGOING, TOGETHER WITH ALL OTHER DOCUMENTS AND INSTRUMENTS EVIDENCING ANY SUCH RIGHT, TITLE AND INTEREST, EXCEPT SUCH RIGHTS OF THE TRANSFEROR AS HAVE ARISEN OR ACCRUED IN FAVOR OF THE TRANSFEROR PRIOR TO THE DATE OF THIS AGREEMENT (SUCH RETAINED RIGHTS TO INCLUDE, WITHOUT LIMITATION, [SPECIFIC ITEMS TO BE LISTED]).

SECTION 3. ASSUMPTION. THE TRANSFEE HEREBY ASSUMES, AND COVENANTS AND AGREES TO PAY, PERFORM AND DISCHARGE, ALL OF THE OBLIGATIONS AND LIABILITIES OF THE "EQUITY INVESTOR" ARISING OR ACCRUING FROM AND AFTER THE EFFECTIVE DATE OF THIS AGREEMENT UNDER THE TRANSFERRED DOCUMENTS AND ALL OF THE OBLIGATIONS AND LIABILITIES OF THE "EQUITY INVESTOR" ARISING OR ACCRUING FROM AND AFTER THE

EFFECTIVE DATE OF THIS AGREEMENT IN CONNECTION WITH THE MEMBER INTEREST. THE TRANSFEREE HEREBY CONFIRMS THAT IT SHALL, TO THE EXTENT OF ITS ASSUMPTION THEREOF SET FORTH HEREIN, BE BOUND BY ALL THE TERMS OF THE TRANSFERRED DOCUMENTS AND SHALL UNDERTAKE ALL OF THE OBLIGATIONS AND LIABILITIES OF THE TRANSFEROR AS IF THEREIN NAMED AS THE EQUITY INVESTOR.

Exhibit F to the Participation Agreement

SECTION 4. REPRESENTATIONS AND WARRANTIES. THE TRANSFEREE REPRESENTS AND WARRANTS THAT, AS OF THE DATE HEREOF:

Section 4.1. it is a _____ duly organized, validly existing and in good standing under the laws of _____, and has the power and authority to enter into and perform its obligations under this Agreement;

Section 4.2. this Agreement, has been or when executed and delivered will be, duly authorized, executed and delivered by the Transferee and, assuming the due authorization, execution and delivery by and enforceability against the Transferor, this Agreement constitutes or when executed and delivered will constitute the legal, valid and binding obligations of the Transferee, enforceable against the Transferee in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity;

Section 4.3. the execution, delivery and performance by the Transferee of this Agreement and the consummation by the Transferee of the transactions contemplated hereby, do not and will not (i) contravene (A) any Applicable Law binding on the Transferee or its property, or (B) any of its organizational documents, or (ii) constitute a violation of or a default under, any indenture, mortgage or other material contract, agreement or instrument to which the Transferee is a party or by which the Transferee or its property is bound which, in any case, individually or in the aggregate, is reasonably likely to have a material adverse effect upon the Transferee or the Transferee's ability to perform its obligations hereunder, or result in the creation of any Equity Investor's Lien attributable to the Transferee;

Section 4.4. assuming the representations and warranties of the Lessee contained in clauses (d), (i), (j), (k), (l), (m), (n), (o), (y) and (ff) of Section 3.1 of the Participation Agreement are true as of the date hereof, no authorization, determination or approval or other action by, and no notice to or filing or registration with, any Governmental Entity is required for the due execution, delivery or performance by the Transferee of this Agreement, other than any authorization or approval or other action or notice or filing as has been duly obtained, taken or given (it being understood that no representation or warranty is being made as to any Applicable Laws relating to the Project or the Project Site);

Section 4.5. there is no pending or, to the Actual Knowledge of the Transferee, threatened action, suit, investigation or proceeding against the

Exhibit F to the Participation Agreement

Transferee before any Governmental Entity that (i) questions the validity of this Agreement, or (ii) would, if determined adversely to it, materially, adversely affect the Transferee's ability to perform its obligations under this Agreement;

Section 4.6. the Indenture Estate is free of any Equity Investor's

Liens attributable to the Transferee;

Section 4.7. the Transferee is purchasing the Member Interest to be acquired by it for its own account with no present intention of distributing such Member Interest or any part thereof in any manner that would require registration under the Securities Act, but without prejudice, however, to the right of the Transferee at all times to sell or otherwise dispose of all or any part of such Member Interest in accordance with the Operative Documents and under an exemption from registration available under such Securities Act;

Section 4.8. neither the Transferee nor anyone authorized by it has directly or indirectly offered or sold any interest in the Member Interest, or any part thereof, or in any similar security or lease, or in any security or lease the offering of which for the purposes of the Securities Act would be deemed to be part of the same offering as the offering of the Member Interest or any part thereof or solicited any offer to acquire any of the same in violation of the registration requirements of Section 5 of the Securities Act;

Section 4.9. the Transferee is a "United States person" within the meaning of Section 7701(a)(30) of the Code;

Section 4.10. the Equity Investor Transferee shall be Solvent;

Section 4.11. *[the Transferee is a direct or indirect wholly-owned Affiliate of the Equity Investor and all of the payment and performance obligations of the Transferee under the Operative Documents are guaranteed by the Equity Investor] [the Transferee has a tangible net worth of at least \$50,000,000] [the payment and performance obligations of the Transferee with respect to the interest being transferred under the Operative Documents are guaranteed by a Person that has a tangible net worth of at least \$50,000,000];

* Insert the applicable representation.

Exhibit F to the Participation Agreement

Section 4.12. neither the Transferee nor any Affiliate of the Transferee is a Competitor of the Lessee or any Affiliate thereof, and neither the Transferee nor any Affiliate of the Transferee is in material litigation with the Lessee or any Affiliate thereof; and

Section 4.13. (A) with respect to a transfer by the initial Equity Investor (or any Affiliate thereof), the Equity Investor Transferee is not itself, nor is any of its Affiliates, a Competitor of the Lessee or an Affiliate thereof, (B) neither the Equity Investor Transferee nor any Affiliate of the Equity Investor Transferee shall be in material litigation with the Lessee or any Affiliate thereof, and (C) no Noteholder shall be prohibited from transacting business with the Equity Investor Transferee or any Affiliate of the Equity Investor Transferee.

SECTION 5. BENEFICIARIES. THE LESSEE, THE INDENTURE TRUSTEE, THE NOTEHOLDERS AND THEIR RESPECTIVE SUCCESSORS AND PERMITTED ASSIGNS ARE INTENDED BENEFICIARIES OF, AND MAY RELY UPON THE REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS CONTAINED IN, THIS AGREEMENT.

SECTION 6. EFFECTIVE DATE. THIS AGREEMENT AND THE ASSIGNMENT AND ASSUMPTION EFFECTED HEREBY SHALL BE EFFECTIVE FROM AND AFTER THE DATE FIRST ABOVE WRITTEN UPON SATISFACTION OF THE CONDITIONS SPECIFIED IN SECTION 7.1 OF THE PARTICIPATION AGREEMENT.

SECTION 7. AMENDMENTS AND WAIVERS. NO TERM, COVENANT, AGREEMENT OR

CONDITION OF THIS AGREEMENT MAY BE TERMINATED, AMENDED OR COMPLIANCE THEREWITH WAIVED (EITHER GENERALLY OR IN A PARTICULAR INSTANCE, RETROACTIVELY OR PROSPECTIVELY) EXCEPT BY AN INSTRUMENT OR INSTRUMENTS IN WRITING EXECUTED BY EACH PARTY TO THE PARTICIPATION AGREEMENT.

SECTION 8. GOVERNING LAW. THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL BE IN ALL RESPECTS GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

SECTION 9. SUBMISSION TO JURISDICTION; WAIVER OF TRIAL BY JURY; SERVICE OF PROCESS. (I) WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OF THE

Exhibit F to the Participation Agreement

OTHER TRANSFERRED DOCUMENTS (HEREINAFTER, ANY "PROCEEDING"), EACH PARTY HERETO IRREVOCABLY:

(a) Each of the parties hereto (i) submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York for the purposes of any suit, action or other proceeding arising out of this Agreement, the Operative Documents, or the subject matter hereof or thereof or any of the transactions contemplated hereby or thereby brought by any of the parties hereto or their successors or assigns; (ii) agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court, or in such federal court; and (iii) to the extent permitted by Applicable Law, waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that such party is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement, the Operative Documents, or the subject matter hereof or thereof may not be enforced in or by such court.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES THE RIGHT TO DEMAND A TRIAL BY JURY, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, THE OPERATIVE DOCUMENTS, OR THE SUBJECT MATTER HEREOF OR THEREOF OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY BROUGHT BY ANY OF THE PARTIES HERETO OR THEIR SUCCESSORS OR ASSIGNS.

SECTION 10. COUNTERPARTS. THIS AGREEMENT MAY BE EXECUTED BY ONE OR MORE OF THE PARTIES HERETO ON ANY NUMBER OF SEPARATE COUNTERPARTS, AND ALL OF SAID COUNTERPARTS TAKEN TOGETHER SHALL BE DEEMED TO CONSTITUTE ONE AND THE SAME INSTRUMENT.

Exhibit F to the Participation Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

[TRANSFEROR]

By:

Name

Title

Mailing Address of Transferor:

[TRANSFEE]

By:

Name
Title

Mailing Address of Transferee:

Exhibit G to Participation Agreement

[Form of Equity Investor Guaranty]

EQUITY INVESTOR GUARANTY

This EQUITY INVESTOR GUARANTY (this "Guaranty"), dated as of [_____] [____], 200[], is made by [____], a [____] (the "Guarantor"), to and for the benefit of the Guaranteed Parties (as such term is defined below).

Reference is made to that certain Participation Agreement, dated as of May 18, 2005 (the "Participation Agreement"), by and among, by and between Puna Geothermal Venture, a Hawaii general partnership (the "Lessee"), SE Puna, L.L.C., a Delaware limited liability company (the "Owner Lessor"), Wilmington Trust Company, a banking corporation organized and existing under the laws of the State of Delaware, in its individual capacity (the "Trust Company"), the Equity Investor, AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee");

WITNESSETH:

WHEREAS, it is a condition to the effectiveness of the transfer contemplated by Section 7.1 of the Participation Agreement that the Guarantor execute and deliver this Guaranty; and

WHEREAS, [the Guarantor directly holds all of the membership interests in the Equity Investor Transferee.]*

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Equity Investor hereby agrees as follows:

* Only applicable if the Equity Investor Transferee is a wholly-owned subsidiary of the Guarantor.

Exhibit G to Participation Agreement

ARTICLE I
DEFINITIONS; INTERPRETATION

For purposes of this Guaranty, capitalized terms used herein (including those used in the foregoing recitals) and not otherwise defined herein shall have the meanings assigned to them in Appendix A to the Participation Agreement and the general provisions of such Appendix A shall

apply hereto; provided that the following terms shall have the following meanings:

"Equity Investor Interest" shall have the meaning specified in Section 7.1 hereof.

"Equity Investor Transferee" shall have the meaning specified in Section 7.1 hereof.

"Guaranteed Agreement" shall have the meaning specified in Section 2.1 hereof.

"Guaranteed Obligation" shall have the meaning specified in Section 2.1 hereof.

"Guaranteed Party" shall have the meaning specified in Section 2.1 hereof.

ARTICLE II GUARANTY

Section 2.1 Guaranteed Obligations. The Guarantor does hereby irrevocably and unconditionally guarantee as primary obligor and not as surety to each of the Lessee, the Owner Lessor, the Indenture Trustee and the Noteholders and their respective successors and permitted assigns (each a "Guaranteed Party" and collectively the "Guaranteed Parties") (a) the punctual payment to the Person entitled to receive such payment from the Equity Investor, when due, whether by acceleration or otherwise, of all amounts payable at any time by the Equity Investor Transferee under and in accordance with the Operative Documents to which the Equity Investor Transferee is a party (each a "Guaranteed Agreement" and collectively, the "Guaranteed Agreements"), however created, arising or evidenced, whether direct or indirect, primary or secondary, absolute

Exhibit G to Participation Agreement

or contingent, joint or several, and whether now or hereafter existing or due or to become due, and (b) the full and prompt performance by the Equity Investor Transferee of each and every duty, agreement, covenant, undertaking, indemnity and obligation of the Equity Investor Transferee under and in accordance with the terms of the Guaranteed Agreements, however created, arising or evidenced, whether direct or indirect, primary or secondary, absolute or contingent, joint or several, and whether now or hereafter existing or due or to become due, taking into account applicable notice and grace periods. The Guarantor hereby agrees that if for any reason the Equity Investor Transferee shall fail to pay fully and promptly any amount payable under any Guaranteed Agreement, as and when the same shall become due and payable, or if the Equity Investor Transferee shall fail to perform and discharge any duty, agreement, covenant, undertaking or obligation of the Equity Investor Transferee under any Guaranteed Agreement, then the Guarantor (i) in the event of any such failure to make payment of any amount, shall promptly upon demand by any Guaranteed Party pay such amount to the Person entitled thereto, and (ii) in the event of any failure to perform and discharge any such other duty, agreement, covenant, undertaking or obligation, shall cause the same to be promptly performed and discharged. The amounts payable by, and the duties, agreements, covenants, undertakings and obligations of, the Equity Investor Transferee hereby guaranteed are hereinafter referred to collectively as the "Guaranteed Obligations" and individually as a "Guaranteed Obligation".

Section 2.2 Nature of Obligations. This Guaranty shall constitute a guaranty of performance and of payment and not of collection, and the Guarantor specifically agrees that it shall not be necessary, and that the Guarantor shall not be entitled to require, before or as a condition of enforcing the liability of the Guarantor under this Guaranty or requiring payment or performance of the

Guaranteed Obligations by the Guarantor hereunder, or at any time thereafter, that any Person: (a) file suit or proceed to obtain or assert a claim for personal judgment against the Equity Investor Transferee or any other Person that may be liable for any Guaranteed Obligation; (b) make any other effort to obtain payment or performance of any Guaranteed Obligation from the Equity Investor Transferee or any other Person that may be liable for such Guaranteed Obligation; (c) exercise or assert any other right or remedy to which such Person is or may be entitled in connection with any Guaranteed Obligation or any guaranty therefor; or (d) assert or file any claim against the assets of the Equity Investor Transferee or any other Person liable for any Guaranteed Obligation. Notwithstanding the foregoing, no provision of this Guaranty shall be construed to avoid any notices or demands or cure periods available to the Equity Investor Transferee under the Guaranteed Agreements, or to require the Guarantor to pay, perform or discharge any Guaranteed Obligation prior to the time such Guaranteed Obligation is due and payable pursuant to the Guaranteed Agreements (other than any additional time periods that may

Exhibit G to Participation Agreement

be available under, or any notices and demands that may not be given or made as a result of, any Applicable Laws (including any bankruptcy laws)).

ARTICLE III PLACE AND MANNER OF PAYMENT

All payments to be made by the Guarantor under this Guaranty to a Guaranteed Party shall be paid at the address or to the account specified from time to time by notice from such Guaranteed Party to the Guarantor, or if no such account or address is specified, to such Guaranteed Party at the address provided for in Section 12 of the Participation Agreement. The Guarantor agrees that it will make all payments due hereunder in U.S. Dollars by wire transfer in immediately available funds to the party to which such payment is to be made.

ARTICLE IV CHARACTER OF OBLIGATIONS; ETC.

Section 4.1 Obligations Not Affected. Except as provided in Section 8.6 hereof, the obligations of the Guarantor hereunder shall be continuing and irrevocable, absolute and unconditional, primary and original, immediate and not contingent and shall remain in full force and effect without regard to and shall not be released, discharged or in any way affected by any circumstance or conditions including, without limitation, the occurrence of any one or more of the following events:

(a) any lack of validity or enforceability of any of the Guaranteed Obligations under the Guaranteed Agreements or any provision thereof;

(b) any change in the time, manner or place of performance or payment of, or in any other term of, all or any of the Guaranteed Obligations or any other modification or supplement of or any consent to any departure from the terms and conditions of any of the Guaranteed Agreements;

(c) any waiver, consent or other action or inaction or any exercise or non-exercise of any right, remedy or power with respect to the Guaranteed Obligations;

(d) any merger or consolidation, change, restructuring or termination of the corporate structure or existence or ownership of the Equity Investor Transferee or the Equity Investor, or any bankruptcy, insolvency, winding up, dissolution, liquidation, receivership, or reorganization of, or similar proceedings affecting the Equity Investor

Transferee or its assets or any resulting release or discharge of any of the Guaranteed Obligations;

(e) the recovery of any judgment against any Person or any action to enforce the same;

(f) any failure or delay in the enforcement of the obligations of any Person under any Guaranteed Agreement or any provision thereof;

(g) any set-off, counterclaim, deduction, defense, abatement, suspension, deferment, diminution, recoupment, limitation or termination available with respect to any Guaranteed Obligation;

(h) the amendment to or the release of or consent to any departure from the primary or secondary obligation of any other Person with respect to any Guaranteed Obligation;

(i) any compromise, alteration, amendment, modification, extension, renewal, release or other change, or consent or other action, delay, omission or failure to act, in respect of any of the terms, covenants or conditions of any Guaranteed Agreement or Guaranteed Obligation, or any other agreement or any related document referred to therein, or any assignment or transfer of any thereof;

(j) to the maximum extent permitted by Applicable Law, any other circumstance that might otherwise constitute a legal or equitable defense available to or a discharge of a guarantor or surety with respect to any Guaranteed Obligation;

(k) the partial payment or performance of the Guaranteed Obligations (whether as a result of the exercise of any right, remedy, power or privilege or otherwise) having been accepted or received; or

(l) any default, failure or delay, whether as a result of actual or alleged force majeure, commercial impracticability or otherwise, in the performance of the Guaranteed Obligations.

Should any money due or owing under this Guaranty not be recoverable from the Equity Investor Transferee due to any of the matters specified in Sections 4.1(a) through (l) above, then, in any such case, such money shall nevertheless be recoverable from the Guarantor as though the Guarantor were principal debtor in respect thereof and not merely a guarantor and shall be paid by the Guarantor forthwith.

Section 4.2 Waiver by the Guarantor. The Guarantor hereby expressly and irrevocably waives, to the fullest extent permitted by Applicable Law, diligence,

demand for payment, filing of claims with any court, any proceeding to enforce any provision of any Guaranteed Agreement, notice of acceptance of this Guaranty, any right to require a proceeding first against the Equity Investor Transferee, whether to marshal any assets or otherwise, any diligence in collection or protection of or realization upon any Guaranteed Obligation, any obligation hereunder or any collateral security for any of the foregoing, any right of protest, presentment, notice or demand whatsoever, all claims of waiver, release, surrender, alteration or compromise, and all defenses (other than the defense of payment or performance by the Equity Investor Transferee), setoffs, counterclaims, recoupments, reductions, limitations, impairments or terminations, whether arising hereunder or otherwise.

Section 4.3 Reinstatement. The Guarantor agrees that this Guaranty shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Equity Investor Transferee is rescinded or must be otherwise restored by any of the Guaranteed Parties, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

Section 4.4 Subrogation. Until all of the Guaranteed Obligations and all other obligations hereunder shall have been paid or performed in full, the Guarantor will not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any performance or payment made hereunder or otherwise. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time prior to the payment and performance in full of the Guaranteed Obligations and the other obligations hereunder, such amount shall be held in trust for the benefit of the Guaranteed Parties and shall forthwith be paid to the Guaranteed Parties to be credited and applied to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Guaranteed Agreement or to be held by the Guaranteed Parties as collateral security for any Guaranteed Obligations thereafter existing.

ARTICLE V RIGHTS OF THIRD PARTIES

This Guaranty is made for the benefit of, and shall be enforceable by, each Guaranteed Party and its permitted successors and assigns to the extent of its interest hereunder. This Guaranty shall not be construed to create any right in any Person other than the Guaranteed Parties or to be a contract in whole or in part for the benefit of any Person other than the Guaranteed Parties.

ARTICLE VI REPRESENTATIONS AND WARRANTIES

Exhibit G to Participation Agreement

As of the date hereof, the Guarantor represents and warrants that:

Section 6.1 Organization. The Guarantor is a [____], duly organized, validly existing and in good standing under the laws of the State of [____], and has the power and authority to enter into and perform its obligations under this Guaranty.

Section 6.2 Due Authorization; Enforceability; Etc. This Guaranty has been duly authorized, executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

Section 6.3 No Conflicts. The execution, delivery and performance by the Guarantor of this Guaranty do not and will not (i) contravene (A) any Applicable Law binding on the Guarantor or its property, or (B) any of its organizational documents, (ii) constitute a violation of or a default under, any indenture, mortgage or other material contract, agreement or instrument to which the Guarantor is a party or by which the Guarantor or its property is bound which, in any case, individually or in the aggregate, is reasonably likely to have a material adverse effect upon the Guarantor or the Guarantor's ability to perform its obligations hereunder, or (iii) require, on the part of the Guarantor, any authorization, determination or approval or other action by, any notice to or filing or registration with, any Governmental Entity, other than any authorization or approval or other action or notice or filing as has been duly obtained, taken or given (it being understood that no representation or warranty is being made under this Section 6.3 as to any Applicable Laws relating to the Project or the Project Site).

Section 6.4 No Litigation. There is no pending or, to the Actual Knowledge of the Guarantor, threatened action, suit, investigation or proceeding against the Guarantor before any Governmental Entity that would, if determined adversely to it, materially, adversely affect the Guarantor's ability to perform its obligations hereunder.

Section 6.5 Ownership. The Guarantor is the direct holder of all membership interests in the Equity Investor Transferee.

Section 6.6 U.S. Person. The Guarantor is a "United States person" within the meaning of Section 7701(a)(30) of the Code;

Section 6.7 Net Worth. The Guarantor has a tangible net worth of at least \$50,000,000.

Exhibit G to Participation Agreement

ARTICLE VII
MISCELLANEOUS

Section 7.1 Amendments. Neither this Guaranty nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by all Guaranteed Parties and the Guarantor.

Section 7.2 Notices. Any notice, request or other communication hereunder shall be given in accordance with Section 12.4 of the Participation Agreement. Any notice, request or other communication directed to the Guarantor shall be sent to:

[Insert Notice Information]

Section 7.3 Severability. Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the Guarantor hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 7.4 No Waiver. No delay on the part of any Guaranteed Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

Section 7.5 Expenses. The Guarantor shall pay, or reimburse each Guaranteed Party for, all costs and expenses, including reasonable and documented attorneys' fees and disbursements, incurred by it in connection with the enforcement of this Guaranty.

Section 7.6 Term. Subject to reinstatement as set forth in Section 4.3 hereof, this Guaranty shall be in full force and effect and shall not terminate with respect to any of the Guaranteed Obligations until the payment and performance finally and indefeasibly in full of all Guaranteed Obligations.

Section 7.7 Successors and Assigns. The terms of this Guaranty shall be binding upon the Guarantor and its successors and permitted assigns and shall inure to the benefit of, and may be enforced by, the Guaranteed Parties.

Section 7.8 Governing Law. This Guaranty has been delivered in the State of New York and shall be in all respects governed by and construed in accordance with the law of the State of New York including all matters of construction, validity and performance.

Section 7.9 Submission to Jurisdiction; Waiver of Jury Trial. (a) The Guarantor (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York (and any court of appeals from either thereof) for the purposes of any suit, action or other proceeding arising out of this Guaranty or the subject matter hereof brought by any of the Guaranteed Parties; (ii) hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court, or in such federal court; and (iii) to the extent permitted by Applicable Law, hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that such party is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Guaranty or the subject matter hereof may not be enforced in or by such court.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR HEREBY IRREVOCABLY WAIVES THE RIGHT TO DEMAND A TRIAL BY JURY, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS GUARANTY OR THE SUBJECT MATTER HEREOF BROUGHT BY ANY OF THE GUARANTEED PARTIES.

Section 7.10 Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any Applicable Law, and are intended to be limited to the extent necessary so that they will not render this Guaranty or any provision hereof invalid or unenforceable under the provisions of any Applicable Law.

Section 7.11 Headings. The headings of the various sections of this Guaranty are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

Section 7.12 Further Assurances. The Guarantor will, at the Guarantor's expense, promptly and duly execute and deliver all such documents and assurances and take such further action as may be necessary or appropriate in order to carry out more

Exhibit G to Participation Agreement

effectively the intent and purpose of this Guaranty and to establish and protect the rights and remedies created hereunder.

Exhibit G to Participation Agreement

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered to each Guaranteed Party as of the date first above written.

[_____]

By: _____
Name:

Title:

Exhibit H to the Participation Agreement

[FORM OF COMPLETION NOTICE]

PUNA GEOTHERMAL VENTURE

Completion Notice

Reference is made to the Participation Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Participation Agreement"), dated as of May __, 2005, among (i) Puna Geothermal Venture (the "Lessee"), (ii) SE Puna, L.L.C. (the "Owner Lessor"), (iii) Wilmington Trust Company, in its individual capacity (the "Trust Company"), (iv) SE Puna Lease, L.L.C. (the "Equity Investor"), (v) AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company (each a "Noteholder" and, collectively, the "Noteholders") and (vi) Union Bank of California, N.A., not in its individual capacity, but solely as trustee under the Indenture (the "Indenture Trustee"). Capitalized terms used herein without definition have the respective meanings specified in the Participation Agreement.

This Completion Notice is delivered pursuant to Section 11.2(c)(i) of the Participation Agreement. The Lessee hereby certifies that the all conditions set forth in Section 11.2(c) of the Participation Agreement to the obligations of the Equity Investor to contribute an Additional Equity Investment pursuant to Section 11.2(b) of the Participation Agreement to the Owner Lessor and the immediate application of such Additional Equity Investment and the Capex Account (Debt) Deposit to payment of costs with respect to the Production Well and Injection Well, including those protocols set forth in the Completion Test attached to the Participation Agreement as Exhibit A to Appendix A, have been met as certified by the Geothermal Consultant and Engineering Consultant on Exhibits A and B, respectively, hereto.

[Remainder of Page Intentionally Left Blank]

Exhibit H to the Participation Agreement

PUNA GEOTHERMAL VENTURE

By: _____
Name:
Title:

Dated as of [_____] , 200[___]

Exhibit H to the Participation Agreement

Exhibit A to Completion Notice

Geothermal Consultant Certification

We have made a physical inspection of the Production Well[s] and Injection Well[s], collectively referred to as the Well Improvements. It is our professional opinion, based upon such inspection and our participation in the administration of the completion test protocols as set forth in the Completion Tests attached as Exhibit A to Appendix A of the Participation Agreement and

referenced in the Completion Notice of which this certificate forms a part, that the Well Improvements have satisfied the requirements as set forth in the Completion Tests.

We hereby certify that the above statements are complete, true and accurate to the best of our knowledge.

GEOOTHERMEX, INC.

By:

Name:

Title:

Dated as of [_____] , 200[]

Exhibit H to Participation Agreement

Exhibit B to Completion Notice

Engineering Consultant Certification

We have made a physical inspection of the Production Well[s] and Injection Well[s], collectively referred to as the Well Improvements. It is our professional opinion, based upon such inspection and our participation in the administration of the completion test protocols as set forth in the Completion Tests attached as Exhibit A to Appendix A of the Participation Agreement and referenced in the Completion Notice of which this certificate forms a part, that the Well Improvements have satisfied the requirements as set forth in the Completion Tests.

We hereby certify that the above statements are complete, true and accurate to the best of our knowledge.

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.

By:

Name:

Title:

Dated as of [_____] , 200[]

Exhibit I to Participation Agreement

PGV BASE CASE PRO FORMA ASSUMPTIONS

FOR THE PERIOD STARTING IN 2005 AND ENDING IN 2027

I. REVENUE ASSUMPTIONS

PLANT CAPACITY

- o 2005 On-Peak Capacity: 25.5 MW
- o 2006-2027 On-Peak Capacity: 28.5 MW
- o 2005-2027 Off-Peak Capacity: 24.5 MW
- o 2006-2027 Off-Peak Capacity: 24.5 MW

AVAILABILITY

- o 97% availability factor (on and off peak)
- o 1% line loss

AVOIDED COST

2005 base year starting Short Run Avoided Cost ("SRAC") forecasts are based on HELCO's actual historic calculations and incorporate an agreed upon 5-year reference period ending on January 1, 2005.

2005 Base Year Assumptions

- o First 25 MW, On-Peak (\$/KWh) \$0.919
- o First 22 MW, Off Peak (\$/KWh) \$0.752
- o Additional 5 MW, On-Peak (\$/KWh) \$0.676
- o Additional 5 MW, Off-Peak (\$/KWh) \$0.576
- o Avoided Cost Escalation Each component of avoided cost will be escalated at 2% per annum, (except for the additional 5MW off peak energy, which is always \$0.01 less than the additional 5MW on-peak energy, per the HELCO Power Purchase Contract, as Amended)

Exhibit I to Participation Agreement

II. EXPENSE ASSUMPTIONS

(\$000) -----	2005 -----	Annual Increase -----
Plant O&M	\$6,740	2.5%
Variable O&M	\$ 910	2.5%
Property and Revenues Gen. Excise Tax	\$ 132	2.5%
Other G&A Expenses	\$ 151	2.5%
Agent Fees	\$ 15	2.5%
 Terra Thermal	 1.5% * 75% of Revenues	
Resource Royalties	3% of Annual Revenues	
Land Owners Rent - 2005	\$461,250	
Land Owners Rent - 2006 - 2010	1.35% of revenues + fixed component of \$219,000	
Land Owners Rent - 2011 - 2015	1.35% of revenues + fixed component of \$240,900 (10% increase)	
Land Owners Rent - 2016 - 2020	1.35% of revenues + fixed component of \$264,990 (10% increase)	
Land Owners Rent - 2021 - 2027	1.35% of revenues + fixed component of \$291,489 (10% increase)	
Insurance	Fixed Values as-per Pro-Forma	

Major Maintenance	Fixed Values as-per Pro-Forma
Additional Amounts	Fixed Values as-per Pro-Forma
Major Maintenance Reserve Contribution	Fixed Values as-per Pro-Forma

Exhibit I to Participation Agreement

III. WORKING CAPITAL ASSUMPTIONS

<TABLE>

(\$000)	2004 Base	Annual Assumption
-----	-----	-----
Accounts Receivable	\$1,732	8.33% of Revenues
Accounts Payable	\$ 750	8.33% of Operating Expenses
Prepaid Expenses	\$ 160	50% of Insurance, Property & Excise Tax, and Royalties

</TABLE>

Execution Copy

APPENDIX A

DEFINITIONS

PUNA GEOTHERMAL GENERATION PROJECT

APPENDIX A - DEFINITIONS

SECTION 1. GENERAL PROVISIONS

In this Appendix A and each Operative Document (as hereinafter defined), unless otherwise provided herein or therein:

(a) the terms set forth in this Appendix A or in any such Operative Document shall have the meanings herein provided for and any term used in an Operative Document and not defined therein or in this Appendix A but in another Operative Document shall have the meaning provided for in such other Operative Document;

(b) any term defined in this Appendix A by reference to another document, instrument or agreement shall continue to have the meaning ascribed thereto whether or not such other document, instrument or agreement remains in effect;

(c) words importing the singular include the plural and vice versa;

(d) words importing a gender include any gender;

(e) a reference to a part, clause, section, paragraph, article, party,

annex, appendix, exhibit, schedule or other attachment to or in respect of an Operative Document is a reference to a part, clause, section, paragraph, or article of, or a party, annex, appendix, exhibit, schedule or other attachment to, such Operative Document unless, in any such case, otherwise expressly provided in any such Operative Document;

(f) a reference to any statute, regulation, rule, proclamation, ordinance or law includes all statutes, regulations, rules, proclamations, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in such Operative Document;

(g) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or renovation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(i) if a capitalized term describes, or shall be defined by reference to, a document, instrument or agreement that has not as of any particular date been executed and delivered and such document, instrument or agreement is attached as an exhibit to the Participation Agreement (as hereinafter defined), such reference shall be deemed to be to such form and, following such execution and delivery and subject to clause (g) above, to the document, instrument or agreement as so executed and delivered;

(j) a reference to any Person (as hereinafter defined) includes such Person's successors and permitted assigns;

(k) any reference to "days" shall mean calendar days unless "Business Days" (as hereinafter defined) are expressly specified;

(l) if the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

(m) words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context requires otherwise, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof;

(n) a reference to "including" shall mean including without limiting the generality of any description preceding such term, and for purposes hereof and of each Operative Document the rule of ejusdem generis shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned; and

(o) all accounting terms not specifically defined herein or in any Operative Document shall be construed in accordance with GAAP.

SECTION 2. DEFINED TERMS

"365(h) Election" shall have the meaning specified in Section 4.2(A) of the Indenture.

"Acceptable Letter of Credit Provider" shall mean a financial institution (A) with senior long-term unsecured and unguaranteed debt rated A3 or higher by Moody's

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or A- or higher by S&P, (B) the obligations of which are guaranteed by an entity with senior long-term unsecured and unguaranteed debt rated A3 or higher by Moody's or A- or higher by S&P or (C) whose letter of credit is confirmed by an entity with senior long-term unsecured and unguaranteed debt rated A3 or higher by Moody's or A- or higher by S&P.

"Account Bank" shall mean Bank of Hawaii.

"Account Funds" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Accounts" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Actual Knowledge" shall mean actual knowledge of any Responsible Officer employed by the Owner Lessor or the Lessee or any other Person, as the case may be, provided that the Owner Lessor or the Lessee or such other Person, as the case may be, shall be deemed to have "Actual Knowledge" of any matter as to which a Responsible Officer of such Person has been given notice in accordance with the Operative Documents.

"Additional Equity Investment" shall mean the amount, if any, provided by the Equity Investor (i) (in its sole and absolute discretion) to finance all or a portion of the cost of any Modification financed pursuant to Section 11.1(a) of the Participation Agreement or (ii) pursuant to Section 11.2 (a) of the Participation Agreement.

"Additional Security Agreement" shall have the meaning specified in Section 2.10(B) of the Indenture.

"Additional Senior Notes" shall have the meaning specified in Section 2.12 of the Indenture.

"Administrative Services Agreement" shall mean the Administrative Services Agreement, dated as of September 1, 2004, between ONI and the Lessee pursuant to which ONI provides certain services relating to the operation of the Project.

"Advisor to the Lessee" shall mean Societe Generale, New York Branch, acting as advisor to the Lessee.

"Affiliate" of a particular Person shall mean any Person directly or indirectly controlling, controlled by or under common control with such particular Person. For purposes of this definition, "control" when used with respect to any particular Person shall mean the power to direct the management and policies of such Person, directly or

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indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings

correlative to the foregoing; provided, however, that under no circumstance shall the Trust Company be considered to be an Affiliate of any of the Owner Lessor or the Equity Investor, nor shall any of the Owner Lessor or Equity Investor be considered to be an Affiliate of the Trust Company.

"After-Tax Basis" shall mean, with respect to any payment received or deemed to have been received or accrued, the amount of such payment increased so that, after deduction of the amount of all Taxes (assuming for this purpose that the recipient of such payment is subject to taxation at the highest federal and applicable state and local marginal tax rates generally applicable to persons of the same type as the recipient for the year in which such income is taxable) required to be paid by the recipient (less any tax savings realized as a result of the payment of the indemnified amount, in each case using the same tax rate assumptions as set forth in the immediately preceding parenthetical phrase) with respect to the receipt (actual or constructive) or accrual by the recipient of such amount, such increased payment (as so reduced) is equal to the payment otherwise required to be made or deemed to have been made or accrued.

"Allocated Rent" shall mean the amounts designated as such in, and allocable to each Rental Period set forth in Project Lease Supplement No. 1 or if executed, Project Lease Supplement No. 2.

"Annual Operating Budget" shall have the meaning specified in Section 5.5 of the Participation Agreement.

"Applicable Law" shall mean as to any Person, the certificate of incorporation and by-laws or the partnership agreement or other organizational or governing documents of such Person, and all applicable laws, including all Environmental Laws, and treaties, judgments, decrees, injunctions, writs and orders of any arbitration board or Governmental Entity and rules, regulations, orders, ordinances and Governmental Approvals of any Governmental Entity.

"Applicable Rate" shall mean the Prime Rate (as published in the Wall Street Journal from time to time) plus 2% per annum.

"Appraisal Procedure" shall mean (except with respect to the Closing Appraisal and any appraisal undertaken to determine Fair Market Sales Value or Fair Market Rental Value after a Lease Event of Default shall have occurred and be continuing in connection with the exercise or remedies) an appraisal conducted by an appraiser or appraisers in accordance with the procedures set forth in this definition of "Appraisal Procedure." The Equity Investor and Lessee will consult with the intent of selecting a mutually acceptable Independent Appraiser. If a mutually acceptable

Independent Appraiser is selected, the Fair Market Rental Value or Fair Market Sales Value or remaining useful life or other determination shall be determined by such Independent Appraiser. If the Equity Investor and the Lessee are unable to agree upon a single Independent Appraiser within a 15-day period, one shall be appointed by the Equity Investor (or its designee), and one shall be appointed by the Lessee (or its designee), which Independent Appraisers shall attempt to agree upon the value, period, amount or other determination that is the subject of the appraisal. If either the Equity Investor or the Lessee does not appoint its appraiser within 30 days after the end of the 15-day period referenced in the immediately preceding sentence, the determination of the Independent Appraiser appointed by the other Person (if so appointed within such period) shall be conclusive and binding on the Equity Investor and the Lessee. If the Independent Appraisers appointed by the Equity Investor and the Lessee are unable to agree upon the value, period, amount or other determination in question within 30 days after the appointment of the second of such Independent Appraisers, such appraisers shall jointly appoint a third Independent Appraiser or, if such Independent Appraisers do not appoint a third Independent Appraiser,

the Equity Investor and the Lessee shall jointly appoint the third Independent Appraiser. In such case, the average of the determinations of the three appraisers shall be conclusive and binding on the Equity Investor and the Lessee, unless the determination of one Independent Appraiser is disparate from the middle determination by more than twice the amount by which the third determination is disparate from the middle determination, in which case the determination of the most disparate Independent Appraiser shall be excluded, and the average of the remaining two determinations shall be conclusive and binding on the Equity Investor and the Lessee.

"Appraiser" shall mean Standard & Poor's Corporate Value Consulting.

"Assigned Documents" shall have the meaning specified in clause 5 of the Granting Clause of the Indenture.

"Assumption Documents" shall have the meaning set forth in Section 11.5 of the Participation Agreement.

"Auditors" shall have the meaning specified in Section 5.4(b) of the Participation Agreement.

"Bank of Hawaii Control Agreement" shall mean the Deposit Account Control Agreement and Acknowledgment of Security Interest with respect to account numbers 0003-427153 and 0003-427145 dated as of May 18, 2005 between the Lessee, the Account Bank and the Indenture Trustee.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, 11 U.S.C. Section 101 et seq.

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"Basic Lease Term" shall have the meaning specified in Section 3.1 of the Project Lease.

"Basic Lease Term Expiration Date" shall have the meaning specified in Section 3.1 of the Project Lease.

"Burdensome Termination Date" shall have the meaning specified in Section 13.1 of the Project Lease.

"Burdensome Termination Notice" shall have the meaning specified in Section 13.1 of the Project Lease.

"Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in Reno, Nevada, Puna, Hawaii, New York, New York, San Francisco, California or Wilmington, Delaware.

"Business Interruption Insurance Proceeds" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Capex Account" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Capex Account (Debt)" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Capex Account (Debt) Deposit" shall mean \$8,968,969.04.

"Capital Lease Obligations" with respect to any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and

accounted for as a capital lease on the balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Casualty Insurance Proceeds" shall mean any and all proceeds of any insurance (other than Business Interruption Insurance Proceeds), indemnity, warranty or guaranty paid from time to time with respect to any Event of Loss (other than an Event of Loss described in clause (c) of the definition thereof) or Partial Casualty, other than a Partial Casualty with respect to the seizure, condemnation, confiscation or taking of, or requisition of title to or use of any part of the Project or the Project Site by any Governmental Entity.

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"Change of Control" shall mean ONI shall cease to own, beneficially and of record, directly or indirectly, at least 50.1% of the voting and economic interests of the Lessee.

"Claim" shall mean any liability (including in respect of negligence (whether passive or active or other torts), strict or absolute liability in tort or otherwise, warranty, latent or other defects (regardless of whether or not discoverable), statutory liability, property damage, bodily injury or death), obligation, loss, settlement, damage, penalty, claim, action, suit, proceeding (whether civil or criminal), judgment, penalty, fine and other legal or administrative sanction, judicial or administrative proceeding, cost, expense or disbursement, including reasonable legal, investigation and expert fees, expenses and reasonable related charges, of whatsoever kind and nature.

"Closing" shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

"Closing Appraisal" shall mean the appraisal, dated the Closing Date, prepared by the Appraiser and addressed to the Equity Investor.

"Closing Date" shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall mean the collective reference to all real and personal property, tangible and intangible, and the proceeds thereof, subjected from time to time to the Liens intended to be created by the Lessee Security Documents.

"Collateral Revenues" shall have the meaning specified in clause (8) of the Granting Clause of the Indenture.

"Commitment" shall mean, with respect to (a) AIG Annuity Insurance Company, \$13,000,000.00, (b) American General Life Insurance Company, \$13,704,585.44 and (c) Allstate Life Insurance Company, \$26,704,585.44.

"Competitor" shall have the meaning specified in Section 7.1(b) of the Participation Agreement.

"Completion" shall mean the satisfaction of the Completion Tests.

"Completion Notice" shall have the meaning set forth in Section 11.2(c)(i) of the Participation Agreement.

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"Completion Tests" shall mean the completion tests to be conducted in respect of the Injection Well and the Production Well as set forth on Exhibit A hereto.

"Component" shall mean any appliance, part, instrument, appurtenance, accessory, furnishing, equipment or other property of whatever nature that may from time to time be incorporated in the Project, except to the extent constituting Modifications.

"Consents to Assignment" shall mean each of (i) the State Consent, (ii) the State Partial Assignment Consent, (iii) the KLP Consent, (iv) KLP Partial Assignment Consent, (v) the KLDC Consent, (vi) KLDC Partial Assignment Consent and (vii) the HELCO Consent.

"Cure Notice" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Damage Event" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Debt Payment Amount" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Debt Placement Agent" shall mean SG Americas Securities, LLC.

"Debt Portion of Periodic Lease Rent" shall mean in respect of any Rent Payment Date, the portion of Periodic Lease Rent payable on such Rent Payment Date equal to the scheduled principal and interest due and payable on the Senior Notes on such Rent Payment Date.

"Debt Portion of Termination Value" shall mean in respect of any determination of Termination Value or amount determined by reference to Termination Value payable pursuant to the Operative Documents, an amount equal to the outstanding principal of, and accrued interest on, the Senior Notes on such date of determination (other than any amounts past due and any overdue interest thereon).

"Debt Portion of Well Expenditures" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Default Notice" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Default Period" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Delivery System Grant of Easements" shall mean that certain unrecorded Delivery System Grant of Easements dated July 9, 1990, a Short Form of which, dated July 9, 1990, was recorded in the Official Records as Document No. 90-109526; as amended by that certain Amendment To Short Form Grant of Easements dated September 25, 1996, recorded in the Official Records as Document No. 96-145797; and as further amended by that certain Second Amendment To Short Form Grant of Easements dated November 7, 1996, recorded in the Official Records as Document No. 96-166499.

"Depositary Agreement" shall mean the Depositary Agreement, dated as of May 18, 2005, among the Lessee, the Indenture Trustee, the Depositary Bank, the Owner Lessor and the Equity Investor.

"Depository Bank" shall mean Union Bank of California, N.A., in its capacity as Depository Bank under the Depository Agreement.

"Depository Bank Fee Letter" shall have the meaning specified in Section 1.2 of the Depository Agreement.

"Discount Rate" shall mean 8%.

"Distribution Account" shall have the meaning specified in Section 1.2 of the Depository Agreement.

"Distribution Conditions" shall have the meaning specified in Section 1.2 of the Depository Agreement.

"Dollars" or the sign "\$" shall mean United States dollars or other lawful currency of the United States.

"Drawing Event" shall mean either the Junior Rent Reserve Drawing Event, the Senior Rent Reserve Drawing Event, the Well Maintenance Reserve Drawing Event or the Indemnity Reserve Drawing Event, as applicable, each as defined in the Depository Agreement.

"Early Buyout Option" shall have the meaning specified in Section 21.1 of the Project Lease.

"EBO Amount" shall mean the excess of the EBO Price over the EBO Date Prepaid Rent Balance.

"EBO Date" shall mean December 30, 2010.

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"EBO Date Prepaid Rent Balance" shall mean the amounts specified as such in Section 5 of Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2.

"EBO Price" shall mean the amounts specified as such in Section 5 of Project Lease Supplement No. 1 or, if executed, and Project Lease Supplement No. 2.

"Enforcement Notice" shall have the meaning specified in Section 5.1 of the Indenture.

"Engineering Consultant" shall mean Stone & Webster, Inc. or any successor thereto that is a nationally recognized independent engineer in the power generation industry selected by the Equity Investor and, until such time as the Indenture has been terminated and fully discharged, the Indenture Trustee and reasonably acceptable to Lessee.

"Engineering Report" shall mean the report of the Engineering Consultant addressed to the Equity Investor and the Noteholders.

"Environmental Condition" shall mean any physical condition or circumstance, including the presence of any Hazardous Materials, that does or reasonably could (a) require assessment, investigation, abatement, correction, removal or remediation under any Environmental Law, (b) give rise to any obligation or liability of any nature (whether civil or criminal, arising under a theory of negligence or strict liability, or otherwise) under any Environmental Law, (c) create or constitute a public or private nuisance or trespass, or (d) constitute a material violation of or material non-compliance with any Environmental Law.

"Environmental Consultant" shall mean Environmental Management

Associates.

"Environmental Law" shall mean any and all laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any Governmental Entity or other Applicable Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning or relating to the regulation, use or protection of natural resources or the environment, to the protection of human health and safety as related to the environment or exposure to Hazardous Materials, or to Releases of Hazardous Materials, or otherwise relating to the generation, use, treatment, storage, disposal, handling or transport of Hazardous Materials, as may have previously been, now are, or may at any time hereafter be, in effect.

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"Environmental Report" shall mean a Phase I environmental assessment report dated as of February 2004, as amended on September 22, 2004 and a bringdown of such report dated as of April 4, 2005, prepared by the Environmental Consultant, dated no earlier than sixty (60) days prior to the Closing Date.

"Equity Investment" shall mean \$25,174,608.67.

"Equity Investor" shall mean SE Puna Lease, L.L.C., a Delaware limited liability company.

"Equity Investor Agreements" shall have the meaning set forth in Section 3.4(a) of the Participation Agreement.

"Equity Investor Guarantor" shall mean any Person that shall guaranty the obligations of an Equity Investor Transferee under the Operative Documents in accordance with Section 7.1(a) of the Participation Agreement.

"Equity Investor Guaranty" shall mean any guaranty agreement entered into pursuant to Section 7.1(v) of the Participation Agreement guaranteeing the obligations of an Equity Investor Transferee in the form attached to the Participation Agreement as Exhibit G.

"Equity Investor Transferee" shall have the meaning specified in Section 7.1(a) of the Participation Agreement.

"Equity Investor's Commitment" shall have the meaning set forth in Section 2.1(a)(ii) of the Participation Agreement.

"Equity Investor's Lien" shall mean any Lien on the Indenture Estate or any part thereof arising as a result of (a) Claims against or any act or omission of the Equity Investor that are not related to, or that are in violation of, any Operative Document or the transactions contemplated thereby or that are in breach of any covenant or agreement of the Equity Investor set forth therein, (b) Taxes against the Equity Investor that are not indemnified against by the Lessee pursuant to the Equity Investor Agreements or (c) Claims against or affecting the Equity Investor arising out of the voluntary or involuntary transfer by the Equity Investor (other than transfers requested by the Lessee and except as contemplated or permitted by the Operative Documents or in connection with the exercise of remedies during the continuance of a Lease Event of Default) of the Member Interest.

"Equity Investor's Net Economic Return" shall mean with respect to the period between the Closing Date and the expiration of the Basic Lease Term, the Equity

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Investor's anticipated after-tax yield, aggregate after-tax lease income and aggregate after tax-lease income over the first five years of the Basic Lease Term, using the multiple investment sinking fund method of analysis (as described in Paragraph 44 of FASB 13), computed on the basis of the same methodology and assumptions as were utilized in determining the applicable schedules of Periodic Lease Rent, Allocated Rent and Termination Values as of the Closing Date.

"Equity Portion of Periodic Lease Rent" shall mean for any Rent Payment Date the difference between (a) Periodic Lease Rent scheduled to be paid under the Project Lease on such Rent Payment Date and (b) the Debt Portion of Periodic Lease Rent as of such Rent Payment Date.

"Equity Portion of Termination Value", in respect of any determination of Termination Value or amount determined by reference to Termination Value payable pursuant to the Operative Documents, shall mean an amount equal to the excess, if any, of (a) the Termination Value on the date of determination, over (b) the Debt Portion of Termination Value.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean each Person, entity, trade or business that together with Lessee is treated as a single-employer within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Event of Loss" shall mean, with respect to the Project, any of the following events:

(a) loss of the Project or use thereof due to destruction of or damage to the Project that is beyond economic repair or that renders the Project unfit for normal use, as determined by the Independent Engineer;

(b) damage to the Project that results in an insurance settlement with respect to the Project on the basis of a total loss, or an agreed constructive or a compromised total loss;

(c) seizure, condemnation, confiscation or taking of, or requisition of title to or use of, all or a substantial part of the Project and/or Project Site by any Governmental Entity (a "Requisition") following exhaustion of all permitted appeals or an election by the Lessee not to pursue such appeals (provided that no such contest shall extend beyond the earlier of (i) the date which is one year after the loss of such title, or (ii) the date which is 36 months prior to the end of the Basic Lease Term or any Renewal

Lease Term then in effect or elected by the Lessee), but, in any case involving Requisition of use but not of title, only if such Requisition of use continues beyond the Basic Lease Term or any Renewal Lease Term then in effect or elected by the Lessee; and

(d) if elected by the Equity Investor, and only in such case as termination of the Project Lease and transfer of the Project shall remove the basis of the regulation described below, subjection of the Owner Lessor's or the Equity Investor's interest in the Project, any Operative Document or the Project Lease, or any part thereof, to any rate of return regulation by any Governmental Entity, or subjection of the Equity Investor (or any Affiliate thereof) or the Owner Lessor to any other public utility regulation of any Governmental Entity or law that in the reasonable opinion of the Equity Investor is materially

burdensome, in either case by reason of the participation of the Owner Lessor or the Equity Investor in the transactions contemplated by the Operative Documents, and not, in any event, as a result of (i) investments, loans or other business activities of the Equity Investor or its Affiliates in respect of equipment or facilities similar in nature to the Project or any part thereof or in any other electrical, steam or other energy or utility related equipment or facilities or the general business or other activities of the Equity Investor or its Affiliates or the nature of any of the properties or assets from time to time owned, leased, operated, managed or otherwise used or made available for use by the Equity Investor or its Affiliates, (ii) a failure of the Equity Investor or any of its Affiliates to perform routine, administrative or ministerial actions, the performance of which would not subject the Equity Investor or any of its Affiliates to any material adverse consequence (in the reasonable opinion of the Equity Investor or such Affiliate acting in good faith) or (iii) the breach by the Owner Lessor or the Equity Investor of any covenant set forth in any Operative Document, except in each case (x) any breach that is imputed to the Owner Lessor or the Equity Investor by reason of its interest in the Project or (y) if such breach shall have been caused by any breach or act, or failure to act in breach of a duty to do so, by the Lessee or any of its Affiliates, of any covenant set forth in any Operative Document; provided that the Lessee, the Owner Lessor and the Equity Investor agree to cooperate and to take reasonable measures to alleviate the source or consequence of any regulation constituting an Event of Loss under this clause (d) (a "Regulatory Event of Loss"), at the cost and expense of the party requesting such cooperation and so long as there shall be no adverse consequences to the Owner Lessor or the Equity Investor (or any of its Affiliates) as a result of such cooperation or the taking of reasonable measures.

"Excepted Payments" shall mean and include (a)(i) any indemnity (whether or not constituting Supplemental Lease Rent and whether or not a Lease Event of Default exists) payable to either the Trust Company, the Owner Manager, the Equity Investor or the Owner Lessor or to their respective Indemnitees and successors and permitted assigns (other than the Indenture Trustee) pursuant to Section 9.1 or 9.2 of the Participation Agreement or under the Tax Indemnity Agreement and for which amounts are on deposit

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in a separate Indemnity Reserve Sub-Account pursuant to Section 4.8 of the Depositary Agreement or (ii) any amount payable by the Lessee to the Owner Lessor or the Equity Investor to reimburse any such Person for its costs and expenses in exercising its rights or complying with its obligations under the Operative Documents and which is available for distribution to such Persons pursuant to the Depositary Agreement, (b)(i) insurance proceeds, if any, payable to the Owner Lessor under insurance separately maintained by the Owner Lessor with respect to the Project as permitted by and in accordance with the Project Lease or (ii) proceeds of personal injury or property damage or other liability insurance maintained under any Operative Document for the benefit of the Trust Company, the Owner Manager, the Owner Lessor or the Equity Investor, (c) any amount payable to the Equity Investor as the purchase price of the Equity Investor's right and interest in the Member Interest, (d) all other fees expressly payable to the Trust Company, the Owner Manager, the Equity Investor or the Owner Lessor under the Operative Documents and which is available for distribution to such Persons pursuant to the Depositary Agreement, (e) if the Lessee exercises its right to assume the Senior Notes, any Termination Value (or amount calculated by reference thereto) or purchase price payable by the Lessee in connection therewith and (f) any payments in respect of interest, or any payments made on an After-Tax Basis, to the extent attributable to payments referred to in clause (a) through (e) above that constitute Excepted Payments.

"Excepted Rights" shall mean the rights of the Owner Lessor and Equity Investor described in Section 5.6 of the Indenture.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Assets" shall mean the items set forth in Schedule III hereto.

"Excluded Taxes" shall have the meaning specified in Section 9.2(b) of the Participation Agreement.

"Expansion Project" shall mean the "topping" and/or "bottoming" units as may be added to the Project at the sole discretion of the Lessee.

"EWG" shall mean an exempt wholesale generator, as defined in PUHCA.

"Fair Market Rental Value" or "Fair Market Sales Value" shall mean with respect to any property or service as of any date, the cash rent or cash price obtainable in an arm's length lease, sale or supply, respectively, between an informed and willing lessee or purchaser under no compulsion to lease or purchase and an informed and willing lessor or seller or supplier under no compulsion to lease or sell or supply the property or service in question, and shall, in the case of the Owner Lessor's Leasehold Interest, be determined (except pursuant to Section 17 of the Project Lease or as

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otherwise provided below or in the Operative Documents) on the basis (a) that the conditions contained in Sections 7 and 8 of the Project Lease shall have been complied with in all respects, (b) that the lessee or buyer shall have rights in, or an assignment of, the Operative Documents to which the Owner Lessor is a party (or in which the Owner Lessor has rights) and the obligations relating thereto and (c) that the Owner Lessor's Leasehold Interest, as the case may be, is free and clear of all Liens (other than Owner Lessor's Liens, Equity Investor's Liens and Indenture Trustee's Liens) taking into account (y) the remaining terms of the Sublease of the Power Plant Sublease and the Sub-Sublease of the Power Plant Sublease, and (z) in the case of the Fair Market Rental Value, the terms of the Project Lease and the other Operative Documents. If the Fair Market Sales Value or Fair Market Rental Value, as the case may be, of the Owner Lessor's Leasehold Interest is to be determined during the continuance of a Lease Event of Default or in connection with the exercise of remedies by the Owner Lessor or the Indenture Trustee pursuant to Section 17 of the Project Lease, such value shall be determined by an appraiser appointed solely by the Owner Lessor on an "as-is", "where-is" and "with all faults" basis and shall take into account all Liens (other than Owner Lessor's Liens, Equity Investor's Liens and Indenture Trustee's Liens); provided, however, in any such case where the Owner Lessor shall be unable to obtain constructive possession sufficient to realize the economic benefit of the Owner Lessor's Leasehold Interest, Fair Market Sales Value or Fair Market Retail Value, as the case may be, of the Owner Lessor's Leasehold Interest shall be deemed equal to zero dollars (\$0). If in any case other than in the preceding sentence the parties are unable to agree upon a Fair Market Sales Value or Fair Market Rental Value, as the case may be, of the Owner Lessor's Leasehold Interest within 30 days after a request therefor has been made, the Fair Market Sales Value or Fair Market Rental Value, as the case may be, of the Owner Lessor's Leasehold Interest shall be determined by appraisal pursuant to the Appraisal Procedure. Any fair market value determination of a spare part or Severable Modification shall take into consideration any Liens or encumbrances to which the spare part or Severable Modification being appraised is subject and which are being assumed by the transferee, and that such spare part or Severable Modification is being transferred on an "as-is", "where-is" basis.

"Federal Power Act" shall mean the Federal Power Act, as amended.

"FERC" shall mean the Federal Energy Regulatory Commission of the

United States or any successor agency or predecessor agency thereto.

"Financing Documents" shall mean the Participation Agreement, the Head Lease, the Project Lease, the Senior Notes, the Tax Indemnity Agreement, the Equity Investor Guaranty, if any, the Consents to Assignment, the Real Estate Documents and the Security Documents.

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"Financing Parties" shall mean the collective reference to the Equity Investor, the Owner Lessor, the Initial Noteholders and the Indenture Trustee.

"FMV Renewal Lease Term" shall have the meaning specified in Section 15.2 of the Project Lease.

"FPPO Price" shall mean the amounts specified as such in Section 6 of Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2.

"Funding Request" shall have the meaning set forth in Section 4(s) of the Participation Agreement.

"Future Value" shall mean, with respect to any amount, the accreted value of such amount that gives effect to the time value of money using the Discount Rate.

"GAAP" shall mean generally accepted accounting principles used in the United States consistently applied and in effect from time to time.

"Geothermal Consultant" shall mean GeothermEx or any successor thereto that is a nationally recognized independent geothermal consultant in the geothermal power generation industry selected by the Equity Investor and, until such time as the Indenture has been terminated and fully discharged, the Indenture Trustee and reasonably acceptable to the Lessee.

"Geothermal Generation Facility" shall mean the ten modular generating units along with three production wells, four injection wells, separation systems and auxiliary equipment, located at Kapoho, in the District of Puna, County of Hawaii, Island of Hawaii, in the State of Hawaii together with all improvements thereto, but not including the Excluded Assets, as more fully described on Exhibit A to Head Lease Supplement No. 1.

"Geothermal Resource" shall have the meaning set forth in the Resource Sublease Partial Assignment.

"Governmental Approvals" shall mean all authorizations, consents, approvals, waivers, exceptions, variances, franchises, permissions, filings, permits, orders, licenses, registrations, judgments, written interpretations, decrees, exemptions and declarations of or with any Governmental Entity and shall include those siting and operating permits and licenses, and any of the foregoing under any applicable Environmental Law, that are required for the ownership, construction, use, operation and maintenance of the Project.

"Governmental Entity" shall mean and include any nation or government, any state or political subdivision thereof (whether federal, state or local), any court and any

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administrative agency or other regulatory body, instrumentality, authority or other entity or official thereof exercising executive, legislative, judicial,

regulatory or administrative functions of or pertaining to government.

"Guarantee" shall mean, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing in any manner any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, bonds or services, to take-or-pay or to maintain financial statement conditions or otherwise), (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (iii) to reimburse any Person for the payment by such Person under any letter of credit, surety, bond or other guaranty issued for the benefit of such other Person, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty", "Guarantee" or "Guaranteed" used as a verb has a correlative meaning.

"Hawaii General Excise Tax" shall have the meaning specified in Chapter 237 of the Hawaii Revised Statutes, as amended.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, explosives, radioactive materials, asbestos in any form, urea formaldehyde foam insulation and polychlorinated biphenyls (PCB), in each case, to the extent regulated under any Environmental Law; and (b) any chemicals, materials or substances 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" or "pollutants", or words of similar import, under any applicable Environmental Law and any other substance regulated pursuant to any applicable Environmental Law.

"Head Lease" shall mean the Head Lease Agreement dated as of May 18, 2005 by and between the Head Lessor and the Head Lessee, together with any Head Lease Supplement thereto from and after the date such Head Lease Supplement is executed and delivered by the Head Lessor and the Head Lessee.

"Head Lease Base Term Expiration Date" shall have the meaning specified in Section 3(a) of the Head Lease.

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"Head Lease Event of Default" shall have the meaning specified in Section 7(a) of the Head Lease.

"Head Lease Rent" shall mean the amounts designated as such in Head Lease Supplement No. 1, or, if executed, Head Lease Supplement No. 2.

"Head Lease Supplement" shall mean a Head Lease Supplement substantially in the form of Exhibit A to the Head Lease.

"Head Lease Supplement No. 1" shall mean the Head Lease Supplement No. 1 dated as of May 18, 2005 by and between the Lessor and the Lessee.

"Head Lease Supplement No. 2" shall mean the Head Lease Supplement No. 2 by and between the Lessor and the Lessee, relating to the Well Improvements.

"Head Lease Term" shall have the meaning specified in Section 3(a) of the Head Lease.

"Head Lessee" shall mean the Owner Lessor in its capacity as lessee

under the Head Lease.

"Head Lessor" shall mean PGV in its capacity as lessor under the Head Lease.

"HELCO" shall mean Hawaii Electric Light Company, Inc., an electric public utility company organized and existing under the laws of the State of Hawaii.

"HELCO Consent" shall mean Confirmation of Purchase Power Contract and Agreement dated as of April 7, 2005 between HELCO and PGV, in form and substance satisfactory to the Participants.

"Improvement Conditions" shall have the meaning specified in Section 8.2 of the Project Lease.

"Indebtedness" of any Person at any date shall mean, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person under leases which are or should be, in accordance with GAAP, recorded as Capital Lease Obligations in respect of which such Person is liable, (v) all obligations of such Person under interest rate or currency protection agreements or other hedging instruments, (vi) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar

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securities (or property), (vii) all deferred obligations of such Person to reimburse any bank or other Person in respect of amounts paid or advanced under a letter of credit or other instrument, (viii) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, and (ix) all Indebtedness of others Guaranteed directly or indirectly by such Person or as to which such Person has an obligation substantially the economic equivalent of a Guarantee or other arrangement to assure a creditor against loss.

"Indemnatee" shall have the meaning specified in Section 9.1(a) of the Participation Agreement.

"Indemnity Reserve Requirement" shall have the meaning set forth in the Depositary Agreement.

"Indenture" shall mean the Indenture of Trust, Mortgage and Security Agreement, dated as of May 18, 2005, between the Owner Lessor and the Indenture Trustee, duly completed, executed and delivered on the Closing Date pursuant to which the Owner Lessor will issue the Senior Notes.

"Indenture Bankruptcy Default" shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become an Indenture Event of Default under Section 4.5(F) or (G) of the Indenture.

"Indenture Default" shall mean any event that with the giving of notice or the passage of time would become an Indenture Event of Default.

"Indenture Estate" shall have the meaning specified in the Granting Clause of the Indenture.

"Indenture Event of Default" shall have the meaning specified in Section 4.5 of the Indenture.

"Indenture Payment Default" shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become an Indenture Event of Default under Section 4.7C of the Indenture.

"Indenture Trustee" shall mean Union Bank of California, N.A., not in its individual capacity, but solely as Indenture Trustee under the Indenture, and each other Person who may from time to time be acting as Indenture Trustee in accordance with the provisions of the Indenture.

"Indenture Trustee Agreements" shall have the meaning set forth in Section 3.6(a) of the Participation Agreement.

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"Indenture Trustee Office" shall mean the office to be used for notices to the Indenture Trustee from time to time pursuant to Section 9.4 of the Indenture.

"Indenture Trustee's Liens" shall mean any Lien on the Indenture Estate or any part thereof arising as a result of (a) Claims against or any act or omission of the Indenture Trustee or Affiliate thereof that is not related to, or that is in violation of, any Operative Document or the transactions contemplated thereby or that is in breach of any covenant or agreement of the Indenture Trustee specified therein, (b) Taxes imposed upon the Indenture Trustee or any Affiliate thereof that are not indemnified against by the Lessee pursuant to any Operative Document, or (c) Claims against or affecting the Indenture Trustee or any Affiliate thereof arising out of the voluntary or involuntary transfer by the Indenture Trustee of any portion of the interest of the Indenture Trustee in the Indenture Estate, other than pursuant to the Operative Documents.

"Independent Appraiser" shall mean a disinterested, licensed professional appraiser of industrial property who (a) meets the personal property qualifications criteria established by the Appraisal Foundation; (b) is a member of the Appraisal Institute or holds the senior accreditation of the American Society of Appraisers; (c) is in the regular employ, or is a principal of, a nationally recognized appraisal firm; and (d) has substantial experience in the business of evaluating facilities similar to the Project.

"Initial Noteholders" shall mean AIG Annuity Insurance Company, American General Life Insurance Company and Allstate Life Insurance Company.

"Injection Well" shall mean a geothermal well to be operated as an injection well as part of the Well Improvements to be completed by December 30, 2005.

"Insurance Consultant" shall mean Moore-McNeil LLC or any successor thereto that is a nationally recognized independent insurance consultant in the power generation industry selected by the Equity Investor and, until such time as the Indenture has been terminated and fully discharged, the Indenture Trustee and reasonably acceptable to the Lessee.

"IRS" shall mean the Internal Revenue Service of the United States Department of Treasury or any successor agency.

"Junior Rent Reserve Account" shall have the meaning set forth in Section 1.2 of the Depositary Agreement.

"Junior Rent Reserve Requirement" shall have the meaning set forth in the Depositary Agreement.

"KLDC" shall mean Kapoho Land and Development Company, Limited, a Hawaii corporation.

"KLDC Consent" shall mean the Master Lessor's Consent to (i) Mortgage of Lessor's Interest in Master Lease, (ii) Second Amendment to Lease (Master Lease), (iii) Certain Subleasing of the Resource Sublease, Subleasing of the Power Plant Sublease and Sub-Granting of the Delivery System Grant of Easements, (iv) Certain Sub-Subleasing of the Resource Sublease, Sub-Subleasing of the Power Plant Sublease and Sub-Sub-Granting of the Delivery System Grant of Easements and (v) Certain Assignments dated as of May 18, 2005, between KLDC as Master Lessor and KLP as Lessor.

"KLDC Estoppel " shall mean the Master Lessor's Estoppel, Attornment and Non-Disturbance Agreement (Master Lease), dated as of May 18, 2005, among KLDC as Master Lessor, KLP as Lessor and PGV as Lessee.

"KLDC Mortgage" shall mean the Real Property Mortgage, Security Agreement and Financing Statement, dated as of May 18, 2005, by KLDC as Mortgagor to PGV as Mortgagee.

"KLDC Mortgage Assignment" shall mean the Assignment by Way of Security of KLDC Real Property Mortgage, Security Agreement and Financing Statement, by KLDC, Mortgagor, and PGV, Mortgagee, dated as of May 18, 2005, between PGV as Assignor and Owner Lessor as Assignee.

"KLDC Mortgage Assignment (Indenture Trustee)" shall mean the Assignment by Way of Security of Owner Lessor's Rights in KLDC Real Property Mortgage, Security Agreement and Financing Statement, by KLDC, Mortgagor, and PGV, Mortgagee, dated as of May 18, 2005, between Owner Lessor as Assignor and Indenture Trustee as Assignee.

"KLDC Partial Assignment Consent" shall mean Master Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (Master Lease) dated as of May 18, 2005 by and among KLDC as Master Lessor, KLP as Lessor, PGV as Lessee, and PGV-II.

"KLP" shall mean the Kapoho Land Partnership, a Hawaii limited partnership.

"KLP Consent" shall mean Lessor's Consent to (i) Certain Subleasing of the Resource Sublease, Subleasing of the Power Plant Sublease and Sub-Granting of the Delivery System Grant of Easements, (ii) Certain Sub-Subleasing of the Resource Sublease, Sub-Subleasing of the Power Plant Sublease and Sub-Sub-Granting of the Delivery System Grant of Easements and (iii) Certain Assignments and Estoppel

Certificate (Resource Sublease, Power Plant Sublease and Delivery System Easements), dated as of May 18, 2005, between KLP as Lessor and PGV as Lessee.

"KLP Mortgage" shall mean the Real Property Mortgage, Security Agreement and Financing Statement, dated as of May 18, 2005, by KLP as Mortgagor to PGV as Mortgagee.

"KLP Mortgage Assignment" shall mean the Assignment by Way of Security of KLP Real Property Mortgage, Security Agreement and Financing Statement, by KLP, Mortgagor, and PGV, Mortgagee, dated as of May 18, 2005, between PGV as Assignor to Owner Lessor as Assignee.

"KLP Mortgage Assignment (Indenture Trustee)" shall mean the Assignment by Way of Security of Owner Lessor's Rights in KLP Real Property Mortgage, Security Agreement and Financing Statement, by KLP, Mortgagor, and PGV, Mortgagee, dated as of May 18, 2005, between Owner Lessor as Assignor and Indenture Trustee as Assignee.

"KLP Partial Assignment Consent" shall mean Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (Resource Sublease) and Estoppel Certificate dated as of May 18, 2005 by and among KLP as Lessor, PGV as Lessee, and PGV-II.

"Lease Debt" shall mean the debt evidenced by the Senior Notes and any other debt issued as contemplated by Section 11 of the Participation Agreement.

"Lease Debt Rate" shall mean a rate per annum equal to 6.24%.

"Lease Default" shall mean an event that with the passage of time or the giving of notice would become a Lease Event of Default.

"Lease Event of Default" shall have the meaning specified in Section 16 of the Project Lease.

"Lease Rent Coverage Ratio" shall mean, with respect to each Rent Payment Date, the ratio of (i) all Project Revenues for the six month period immediately preceding such Rent Payment Date (or, in the case of the first Rent Payment Date, for the period from the Closing Date to the first Rent Payment Date) less Operating Costs for such period to (ii) the amount of Periodic Lease Rent due and payable on such Rent Payment Date.

"Leases" shall have the meaning specified in clause 2 of the Granting Clause of the Indenture.

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"Lessee" shall mean PGV in its capacity as lessee under the Project Lease.

"Lessee Act" shall have the meaning specified in Section 5(a)(i) of the Tax Indemnity Agreement.

"Lessee Partner(s)" shall mean individually, and collectively, ORNI 8 LLC, a Delaware limited liability company and OrPuna LLC, a Delaware limited liability company.

"Lessee Partnership Agreement" shall mean the Third Amended and Restated Partnership Agreement of the Lessee, dated as of June 4, 2004, entered into by the Lessee Partners as amended by Amendment No. 1 dated as of May 17, 2005.

"Lessee Partners Interest Pledge Agreement" shall mean the Limited Liability Company Pledge Agreement, dated as of May 18, 2005, made by ONI, as pledgor, in favor of the Owner Lessor, in form and substance satisfactory to the Participants, duly completed, executed and delivered on the Closing Date pursuant to which ONI shall pledge its membership interests in the Lessee Partners to the Owner Lessor.

"Lessee Section 467 Interest" shall have the meaning specified in Section 3.2 of the Project Lease.

"Lessee Security Agreement" shall mean the Security Agreement, dated as of May 18, 2005, between the Lessee and the Owner Lessor, duly completed, executed and delivered on the Closing Date pursuant to which the Lessee will

grant a security interest to the Owner Lessor in certain assets of the Lessee.

"Lessee Security Documents" shall mean the Indenture, the Lessee Partners Interest Pledge Agreement, the PGV Interests Pledge Agreement and the Lessee Security Agreement.

"Lessor Estate" shall mean all the estate, right, title and interest of the Owner Lessor in, to and under the Project, the Project Site, the Project Document Interest, the Lessee Partnership Interest Pledge Agreement, the PGV Interests Pledge Agreement and the other Operative Documents, including all funds advanced to the Owner Lessor by the Equity Investor, all installments and other payments of Periodic Lease Rent, Renewal Lease Rent, Supplemental Lease Rent, condemnation awards, purchase price, sale proceeds, insurance proceeds and all other proceeds, rights and interests of any kind for or with respect to the estate, right, title and interest of the Owner Lessor in, to and under the Project, the Project Site, the Project Document Interest, the Lessee Partnership Interest Pledge Agreement, the PGV Interests Pledge Agreement and the other Operative Documents, and any of the foregoing.

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"Lessor Section 467 Interest" shall have the meaning specified in Section 3.2 of the Project Lease.

"Letter of Credit Issuer" shall mean an Acceptable Letter of Credit Provider issuing the applicable Reserve Letter of Credit.

"Letters of Credit" shall mean, collectively, the Junior Rent Reserve Letter of Credit, the Senior Rent Reserve Letter of Credit, the Well Maintenance Reserve Letter of Credit and the Indemnity Reserve Letter of Credit, each as defined in the Depositary Agreement.

"Lien" shall mean any mortgage, security deed, security title, pledge, lien (statutory or other), charge, encumbrance, lease, security interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever intended to assure payment of any obligation, including any conditional sale or other title retention agreement, pledge, hypothecation, assignment, the interest of a lessor under a Capital Lease Obligation, and any financing lease having substantially the same economic effect as any of the foregoing.

"Limited Recourse Amount" shall mean, as of any date of determination, an amount, not to be less than zero, equal to the Future Value (determined from the Closing Date, using the Discount Rate) of the sum of the following amounts: (i) 89% of the Head Lease Rent, minus (ii) the present value as of the Closing Date (determined using the Discount Rate), of all of the following payments (x) the Periodic Lease Rents from the Closing Date to the date of determination and (y) any other amounts (including Claims) paid by the Lessee pursuant to the Operative Documents which relates to or arises solely as a result of the related Limited Recourse Event.

"Limited Recourse Event" shall have the meaning set forth in Section 17.4 of the Project Lease.

"LLC Agreement" shall mean the Limited Liability Company Agreement, dated as of May 18, 2005, between the Owner Manager and the Equity Investor pursuant to which the Owner Lessor shall be governed and administered.

"Loan" shall mean a loan evidenced by any Senior Note.

"Loss Proceeds Account" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Loss Proceeds Account Deposits" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

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"Majority in Interest of Noteholders" as of any date of determination, shall mean Noteholders holding in aggregate more than 50% of the total outstanding principal amount of the Senior Notes ; provided, however, that any Note held by the Lessee and/or any Affiliate of the Lessee shall not be considered outstanding for purposes of this definition unless the Lessee and/or such Affiliate shall hold title to all the Senior Notes outstanding.

"Make Whole Premium" shall mean, with respect to any Senior Notes subject to redemption pursuant to the Indenture, an amount equal to the Discounted Present Value of such Senior Notes less the unpaid principal amount of such Senior Notes; provided that the Make Whole Premium shall not be less than zero. For purposes of this definition, the "Discounted Present Value" of any Senior Notes subject to redemption pursuant to the Indenture shall be equal to the discounted present value of all principal and interest payments scheduled to become due after the date of such redemption in respect of such Senior Notes, calculated using a discount rate equal to the sum of (a) the yield to maturity on the U.S. Treasury security having an interpolated final maturity equal to the remaining average life of such Senior Notes and trading in the secondary market at the price closest to par and (b) 50 basis points.

"Master Resource Lease" shall mean the Geothermal Resources Mining Lease No. R-2 dated as of February 20, 1981 between the State and KLP with respect to the Geothermal Resource.

"Master Surface Lease" shall mean the Surface Lease dated as of February 18, 1981 between KLDC and KLP.

"Material Adverse Effect" shall mean a materially adverse effect on (a) the business, operations, properties, assets, results of operations or financial condition of the Lessee or the Project or documents relating to the Project, (b) the ability of the Lessee to perform its material obligations under any of the Operative Documents to which it is a party, taken as a whole, (c) the validity or enforceability of any of the Operative Documents taken as a whole or (d) the validity or perfection of any of the Liens granted under any of the foregoing or the material rights and remedies thereto or the exercise thereof.

"Maturity Date" shall mean December 30, 2019.

"Member Interest" shall mean the membership interest of the Equity Investor in the Owner Lessor.

"Memorandum of Head Lease" shall mean the Memorandum of Head Lease, dated as of May 18, 2005, between PGV as Head Lessor and Owner Lessor as Head

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Lessee, relating to the Head Lease, as supplemented by Head Lease Supplement No. 1 and, if executed, Head Lease Supplement No. 2.

"Memorandum of KLDC Consent" shall mean the Memorandum of Master Lessor's Consent to (i) Mortgage of Lessor's Interest in Master Lease, (ii) Second Amendment to Lease (Master Lease), (iii) Certain Subleasing of the Resource Sublease, Subleasing of the Power Plant Sublease and Sub-Granting of the Delivery System Grant of Easements, (iv) Certain Sub-Subleasing of the Resource Sublease, Sub-Subleasing of the Power Plant Sublease and

Sub-Sub-Granting of the Delivery System Grant of Easements and (v) Certain Assignments (Master Lease) dated as of May 18, 2005, between KLDC as Master Lessor and KLP as Lessor.

"Memorandum of KLDC Estoppel" shall mean the Memorandum of Master Lessor's Estoppel, Attornment and Non-Disturbance Agreement (Master Lease), dated as of May 18, 2005, among KLDC as Master Lessor, KLP as Lessor and PGV as Lessee.

"Memorandum of KLDC Partial Assignment Consent" shall mean the Memorandum of Master Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (Master Lease) dated as of May 18, 2005, by and among KLDC as Master Lessor, KLP as Lessor, PGV as Lessee, and PGV-II.

"Memorandum of KLP Consent" shall mean the Memorandum of Lessor's Consent to (i) Certain Subleasing of the Resource Sublease, Subleasing of the Power Plant Sublease and Sub-Granting of the Delivery System Grant of Easements, (ii) Certain Sub-Subleasing of the Resource Sublease, Sub-Subleasing of the Power Plant Sublease and Sub-Sub-Granting of the Delivery System Grant of Easement and (iii) Certain Assignments, and Estoppel Certificate (Resource Sublease, Power Plant Sublease and Delivery System Grant of Easements), dated as of May 18, 2005, between KLP as Lessor and PGV as Lessee.

"Memorandum of KLP Partial Assignment Consent" shall mean the Memorandum of Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (Resource Sublease) and Estoppel Certificate dated as of May 18, 2005 by and among by KLP as Lessor, PGV as Lessee, and PGV-II.

"Memorandum of Project Lease" shall mean the Memorandum of Project Lease, dated as of May 18, 2005, between the Owner Lessor and the Lessee, in form and substance satisfactory to the Participants, duly completed, executed and delivered on the Closing Date, relating to the Project Lease, as supplemented by Project Lease Supplement No. 1 and, if executed, Project Lease Supplement No. 2.

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"Memorandum of Resource Sublease Partial Assignment" shall mean the Memorandum of Partial Assignment of Lessee's Interest in Lease and Agreement (Resource Sublease) dated as of May 18, 2005 between PGV as Assignor and PGV-II as Assignee.

"Memorandum of Second Amendment to Lease (Master Lease)" shall mean the Memorandum of Second Amendment to Lease, dated as of May 18, 2005, between KLDC as Master Lessor and KLP as Lessor.

"Memorandum of State Consent" shall mean the Memorandum of Lessor's Consent to Certain Subleasing and Sub-Subleasing of the Resource Sublease, the Power Plant Sublease, Non-Disturbance and Attornment Agreement and Estoppel Certificate (State Lease), dated as of May 18, 2005, between the State of Hawaii as Lessor and PGV as Lessee.

"Memorandum of State Partial Assignment Consent" shall mean the Memorandum of the Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (State Lease) dated as of dated as of May 18, 2005 by and among the State of Hawaii, PGV and PGV-II.

"Memorandum of Sub-Grant of Delivery System Grant of Easements" shall mean the Memorandum of Sub-Grant of Delivery System Grant of Easements, dated as of May 18, 2005, between PGV as Subgrantor and Owner Lessor as Subgrantee.

"Memorandum of Sublease of Power Plant Sublease" shall mean the Memorandum of Sublease of Power Plant Sublease, dated as of May 18, 2005,

between PGV as Sublessor and Owner Lessor as Sublessee.

"Memorandum of Sublease of Resource Sublease" shall mean the Memorandum of Sublease of Resource Sublease dated as of May 18, 2005, between PGV as the Sublessor, and Owner Lessor as Sublessee.

"Memorandum of Sub-Sub-Grant of Delivery System Grant of Easements" shall mean the Memorandum of Sub-Sub-Grant of Delivery System Grant of Easements, dated as of May 18, 2005, between PGV as Subgrantee and Owner Lessor as Subgrantor.

"Memorandum of Sub-Sublease of Power Plant Sublease" shall mean the Memorandum of Sub-Sublease of Power Plant Sublease, dated as of May 18, 2005, between Owner Lessor as Sub-Sublessor and PGV as Sub-Sublessee.

"Memorandum of Sub-Sublease of Resource Sublease" shall mean the Memorandum of Sub-Sublease of Resource Sublease dated as of May 18, 2005, between Owner Lessor as Sub-Sublessor, and PGV as Sub-Sublessee.

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"Memorandum of Third Amendment to Lease (Resource Sublease)" shall mean the Memorandum of Third Amendment to Lease, dated as of May 18, 2005, between KLP as Lessor and PGV as Lessee.

"Minimum Credit Rating" shall mean with respect to (i) any senior long-term unsecured securities of any Person or (ii) if such Person does not have any such rated securities, a general unsecured credit rating of such Person, in each case, which ratings shall be at least BBB- by S&P and Baa3 by Moody's.

"Modifications" shall mean an addition, alteration, betterment, improvement or enlargement of the Project, including any Required Modifications and Optional Modifications.

"Monthly Determination Date" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Moody's" shall mean Moody's Investors Service, Inc.

"Nonseverable Modifications" shall mean any Modification that is not a Severable Modification.

"Noteholder" shall mean any holder from time to time of an outstanding Senior Note.

"Notice of Action" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Obsolescence Termination Date" shall have the meaning specified in Section 14.1 of the Project Lease.

"Offer" shall have the meaning as provided in Section 17.1(e) of the Project Lease.

"Offer Price" shall have the meaning as provided in Section 17.1(e) of the Project Lease.

"Officer's Certificate" shall mean with respect to any Person, a certificate signed (a) in the case of a corporation or limited liability company, by the Chairman of the Board, the President, or a Vice President of such Person or any Person authorized by or pursuant to the organizational documents, the bylaws or any resolution of the board of directors, shareholders,

members, board of managers, or executive committee of such Person (whether general or specific) to execute, deliver and take actions on behalf of such Person in respect of any of the Operative Documents, (b) in the case of a partnership, by

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the Chairman of the Board of Directors, or the President or any Vice President of a corporate general partner (and, in the case of the Lessee, which shall be Responsible Officers of the Lessee), and (c) in the case of the Trust Company or the Indenture Trustee, a certificate signed by a Responsible Officer of the Trust Company or the Indenture Trustee, as the case may be.

"ONI" shall mean Ormat Nevada Inc., a Delaware corporation.

"ONI Consent" shall mean the Consent and Agreement dated as of May 18, 2005 between ONI and PGV with respect to the Administrative Services Agreement.

"Operating Costs" means, for any period and with respect to the Lessee, cash amounts incurred and paid by the Lessee for the operation, administration and maintenance of the Project or any portion thereof, including premiums for insurance policies, major maintenance expenditures as set forth in the applicable Annual Operating Budget, amounts funded into the Well Maintenance Reserve Account (but excluding amounts paid out therefrom) and other expenditures in respect of well maintenance costs of obtaining any other materials, supplies or services for the Project, utilities, costs of maintaining, renewing and amending governmental permits, franchise, licensing, property, real estate, sales and excise taxes (excluding federal or state income taxes), general and administrative expenses (including all royalties and rents), employee salaries, wages and other employment-related costs, business management and administrative services fees (including costs associated with the Administrative Services Agreement), costs required to be paid by Lessee under any Operative Document (other than scheduled Periodic Lease Rent), legal and other Transaction Costs and all other fees payable to the Noteholders (other than amounts constituting scheduled Periodic Lease Rent), and all other fees and expenses necessary for the continued operation and maintenance of the Project and the conduct of the business of the Lessee. Operating Costs shall not include (i) capital expenditures (including expenditures referred to under "Alterations"), (ii) payments for restoration or repair of the Project from the Loss Proceeds Account or (iii) Permitted Investments.

"Operative Documents" shall mean the collective reference to the Financing Documents and the Project Documents.

"Optional Modification" shall have the meaning specified in Section 8.2 of the Project Lease.

"Overdue Rate" shall mean the Lease Debt Rate plus 2%.

"Owner Lessor" shall mean SE Puna, LLC in its capacity as lessor under the Project Lease.

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"Owner Lessor Assignment of Head Lease" shall mean Assignment By Way of Security of Head Lease dated as of May 18, 2005, by the Owner Lessor to Indenture Trustee.

"Owner Lessor Assignment of Project Lease" shall mean Assignment By Way of Security of Project Lease dated as of May 18, 2005 by the Owner Lessor to

Indenture Trustee.

"Owner Lessor Assignment of Sub-Grant of Delivery System Grant of Easements" shall mean the Assignment by Way of Security of Owner Lessor's Rights in Sub-Grant of Delivery System Grant of Easements, dated as of May 18, 2005, by Owner Lessor as Assignor to Indenture Trustee as Assignee.

"Owner Lessor Assignment of Sublease of Power Plant Sublease" shall mean the Assignment by Way of Security of Owner Lessor's Rights in Sublease of Power Plant Sublease, dated as of May 18, 2005, by Owner Lessor as Assignor to Indenture Trustee as Assignee.

"Owner Lessor Assignment of Sublease of Resource Sublease" shall mean Assignment by Way of Security of Owner Lessor's Rights in Sublease of Resource Sublease (Owner Lessor to Indenture Trustee) dated as of May 18, 2005 by Owner Lessor as Assignor for the benefit of the Indenture Trustee as Assignee.

"Owner Lessor's Account" shall mean the Account No. 069429-000 maintained by the Owner Lessor with Wilmington Trust Company, ABA# 0311-000-92, Ref: PUNA Geothermal Venture, Attention: Tracy McLamb or such other account of the Owner Lessor, as the Owner Lessor may from time to time specify in a notice to the Indenture Trustee pursuant to Section 9.4 of the Indenture.

"Owner Lessor's Leasehold Interest" shall mean all right, title and interest of the Owner Lessor in and to the Project under the Head Lease.

"Owner Lessor's Lien" shall mean any Lien on the Indenture Estate or any part thereof arising as a result of (a) Claims against or any act or omission of the Owner Lessor or the Trust Company or Affiliate thereof that are not related to, or that are in violation of, any Operative Document or the transactions contemplated thereby or that are in breach of any covenant or agreement of the Owner Lessor or the Equity Investor specified therein, (b) Taxes imposed upon the Owner Lessor or the Equity Investor or any Affiliate thereof that are not indemnified against by the Lessee pursuant to any Operative Document, or (c) Claims against or affecting the Owner Lessor or the Equity Investor or any Affiliate thereof arising out of the voluntary or involuntary transfer by the Owner Lessor or the Equity Investor of any portion of the interest of the Owner Lessor, or the

Equity Investor in the Owner Lessor's Leasehold Interest, other than transfers requested by the Lessee or pursuant to the Operative Documents or in connection with the exercise of remedies during the continuance of a Lease Event of Default.

"Owner Manager" shall mean Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as independent manager under the LLC Agreement and each other Person that may from time to time be acting as independent manager in accordance with the provisions of the LLC Agreement.

"Partial Casualty" shall mean any loss of any part of the Project or use thereof due to destruction or damage or seizure, condemnation, confiscation or taking of or requisition of title to or use of, any part of the Project or, if it prevents the Lessee from operating or maintaining any part of the Project or the Project Site by any Governmental Entity that does not constitute an Event of Loss.

"Participants" shall mean the Equity Investor and the Noteholders.

"Participation Agreement" shall mean the Participation Agreement, dated as of May 18, 2005, among the Lessee, the Owner Lessor, Trust Company, in

its individual capacity, the Equity Investor, the Initial Noteholders and the Indenture Trustee.

"Payment Accounts" shall have the meaning set forth in Section 1.2 of the Depositary Agreement.

"Periodic Lease Rent" shall mean the amounts designated as such in, and payable on each Rent Payment Date set forth in Schedule 1 to Project Lease Supplement No. 1, or if executed, Project Lease Supplement No. 2 or any other Project Lease Supplement executed and delivered by the Owner Lessor and the Lessee.

"Permitted Encumbrances" shall mean all matters shown as exceptions on Schedule B to each of the Title Policies as approved by the Indenture Trustee and the Equity Investor and as in effect on the Closing Date.

"Permitted Indebtedness" shall have the meaning specified in Section 5.14 of the Participation Agreement.

"Permitted Investments" shall mean an investment in any of the following: (i) direct obligations of the Department of the Treasury of the United States of America; (ii) obligations of any federal agencies which obligations are backed by the full faith and credit of the United States of America; (iii) commercial paper rated in at least two top tier ratings categories by Moody's or S & P; (iv) auction rate securities rated in any one of the two highest rating categories by Moody's or S & P; (v) investment agreements with banks

(foreign and domestic), broker/dealers, and other financial institutions rated at the time of bid in any one of the three highest rating categories by Moody's and S & P; (vi) repurchase agreements with banks (foreign and domestic), broker/dealers, and other financial institutions rated at the time of bid in any one of the three highest rating categories by Moody's and S&P, provided, that (1) collateral is limited to the securities specified in clauses (i) and (ii) above, (2) the margin levels for collateral must be maintained at a minimum of 102% including principal and interest, (3) the Collateral Agent shall have a first priority perfected security interest in the collateral, (4) the collateral will be delivered to a third party custodian, designated by the Issuer, acting for the benefit of the Collateral Agent and all fees and expenses related to collateral custody will be the responsibility of the Issuer, (5) the collateral must have been or will be acquired at the market price and marked to market weekly and collateral level shortfalls cured within 24 hours and (6) unlimited right of substitution of collateral is allowed provided that substitution collateral must be permitted collateral substituted at a current market price and substitution fees of the custodian shall be paid by the Issuer; and (vii) money market funds rated "AAAm" or "AAAm-G" or better by S&P.

"Permitted Liens" shall mean (a) the interests of the Lessee, the Equity Investor, the Owner Lessor and the Indenture Trustee under any of the Operative Documents, (b) all Owner Lessor's Liens, Equity Investor's Liens and Indenture Trustee's Liens, (c) the reversionary interests of the Lessee in the Project Site, (d) Liens for (i) taxes, assessments or governmental charges not delinquent and that remain payable without penalty or (ii) taxes, assessments or governmental charges being contested in good faith, if the Lessee has established adequate reserves in the Operating Account or the Distribution Account for such taxes, (e) suppliers', vendors', workmen's, repairmen's, employee's, mechanics', materialmen's, construction or other like Liens arising in the ordinary course of business for amounts the payment of which is either (i) not yet delinquent or (ii) being contested in good faith, if (1) the Lessee has established adequate reserves in the Operating Account or the Distribution Account for the discharge of such Liens and (2) such proceedings do not involve

a material risk of the sale, forfeiture or loss of the Project, the Project Site or the Project Document Interest (or any material part of any thereof) or are bonded for the amount required under Applicable Law to release any such Liens and, in either case, will not result in the imposition of any criminal liability or any material civil liability against the Owner Lessor, the Equity Investor or the Indenture Trustee, (f) pre-judgment Liens for claims against the Lessee which are contested in good faith and Liens arising out of judgments or awards against the Lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith and to which a stay of execution has been obtained pending such appeal or review and so long as such proceedings do not involve a material risk of the sale, forfeiture or loss of the Project, the Project Site or the Project Document Interest (or any material part of any thereof) and are bonded for the amount required under Applicable

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Law to release any such Liens and will not result in the imposition of any criminal liability or any material civil liability against the Owner Lessor, the Equity Investor or the Indenture Trustee, (g) Permitted Encumbrances, other than the Liens listed on Schedule 3.1(h)(i) to the Participation Agreement, (h) Liens to secure Permitted Indebtedness, (i) Liens listed on Schedule 3.1(h)(i) to the Participation Agreement, (j) such defects, easements, rights of way, restrictions, physical irregularities and statutory liens that do not legally or operationally impair the value or utility of the Project and that do not individually or in the aggregate impair the value of the security interests granted under the Operative Documents, (k) liens in connection with worker's compensation, unemployment insurance or other social security or pension obligations and (l) other Liens incidental to the conduct of the Lessee's business (other than for borrowed money) which do not in the aggregate materially impair the operation of the Lessee's business and which, could not reasonably be expected to result in a claim against the Lessee or the Project in excess of \$500,000.

"Person" shall mean any individual, corporation, cooperative, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or Governmental Entity.

"PGV" shall mean Puna Geothermal Venture, an Hawaii general partnership.

"PGV Interests Pledge Agreement" shall mean the Partnership Pledge Agreement, dated as of May 18, 2005, made by the Lessee Partners, as pledgor, in favor of the Owner Lessor, in form and substance satisfactory to the Participants, duly completed, executed and delivered on the Closing Date pursuant to which the Lessee Partners shall pledge their partnership interests in the Lessee to the Owner Lessor.

"PGV-II" shall mean PGV-II Inc., a Delaware corporation.

"Phase II Project" shall mean the separate geothermal generation project that may be constructed by ONI, PGV-II or an Affiliate thereof (other than PGV), adjacent to the Project, which, together with the Project, has a projected output of up to approximately 60 MW.

"Plan" shall mean (a) any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) any "plan" (as defined in section 4975(e)(1) of the Code) that is subject to section 4975 of the Code, (c) any other plan or arrangement that is subject to federal, state, local, non-United States or other laws or regulations that are substantially similar to such provisions of ERISA or the Code, and (d) any entity the underlying assets of which may be deemed to hold such plans' assets.

"Pledgor" shall mean ONI, as pledgor under the Lessee Partners Interest Pledge Agreement.

"Power Plant Sublease" shall mean the Power Plant Sublease, dated as of July 9, 1990, by and between KLP as Lessor and Lessee as Lessee.

"Power Purchase Agreement" or "PPA" shall mean the Purchase Power Contract for Unscheduled Energy Made Available from a Qualifying Facility, dated as of March 24, 1986, as amended, restated, supplemented or modified from time to time, between the Lessee (as successors in interest to Thermal Power Company) and HELCO, including the Interim Agreement entered into in connection therewith dated as of December 15, 2004.

"Power Purchaser" shall mean Hawaiian Electric Light Company, the public utility on the island of Hawaii.

"PPA Period" shall mean the period during which the Power Purchase Agreement is in effect.

"Pricing Assumptions" shall mean the "Pricing Assumptions" attached as Annex A to the Participation Agreement.

"Production Well" shall mean a geothermal well to be operated as a production well as part of the Well Improvements to be completed by December 30, 2005.

"Project" shall mean that certain Geothermal Generation Facility consisting of ten modular generating units along with three production wells, four injection wells, separation systems and auxiliary equipment, located at Kapoho, in the District of Puna, County of Hawaii, Island of Hawaii, in the State of Hawaii together with all improvements thereto, including Nonseverable Modifications thereto, but not including the Excluded Assets.

"Project Document Interest" shall mean all right, title and interest of the Lessee in the Project Documents collaterally assigned to the Owner Lessor pursuant to the Lessee Security Agreement.

"Project Documents" shall mean (i) the Power Purchase Agreement, (ii) the Administrative Services Agreement, (iii) the Transmission Agreements, (iv) the Power Plant Sublease, (v) the Delivery System Grant of Easements, (vi) the Resource Sublease, (vii) the Lessee Partnership Agreement, (viii) the TPC Royalty Contract, (ix) the

Resource Sublease Partial Assignment, (x) the KLDC Partial Assignment Consent, (xi) the KLP Partial Assignment Consent, and (xii) the State Partial Assignment Consent.

"Project Lease" shall mean the Project Lease Agreement dated as of May 18, 2005 by and between the Lessor and the Lessee, together with any Project Lease Supplement thereto from and after the date such Project Lease Supplement is executed and delivered by the Lessor and the Lessee.

"Project Lease Supplement" shall mean a Project Lease Supplement substantially in the form of Exhibit A to the Project Lease.

"Project Lease Supplement No. 1" shall mean a Project Lease Supplement No. 1 dated as of May 18, 2005 by and between the Lessor and the Lessee.

"Project Lease Supplement No. 2" shall mean a Project Lease Supplement No. 2 by and between the Lessor and the Lessee, relating to the Well Improvements.

"Project Lease Term" shall mean the term of the Project Lease, including the Basic Lease Term and all Renewal Lease Terms.

"Project Revenues" shall mean all of the following, without duplication, received by the Lessee: (i) all income, revenues, payments, proceeds, amounts and cash receipts, except for the proceeds received under the Head Lease on the Closing Date, (ii) proceeds of any Business Interruption Insurance; (iii) all payments received by the Lessee under the Power Purchase Agreement and any other Project Documents, (iv) the cash proceeds (net of customary transaction costs) of any sale, transfer or other disposition of any asset by the Lessee, (v) any payments in respect of refunds of Taxes, (vi) all other revenues from the operation of the Project; and (vii) the investment income on amounts in the Accounts (but solely to the extent deposited in the Revenue Account); all as determined on a cash basis; provided, however, that Project Revenues shall not include any Casualty Insurance Proceeds or Requisition Proceeds.

"Project Site" shall mean (i) the parcels of land described in Exhibit A to the Power Plant Sublease and all rights of way, easements, rights, privileges, permits and other appurtenances to such parcels and (ii) the easement rights in the parcel of land described Exhibit A to the Delivery System Grant of Easements and all rights of way, easements, rights, privileges, permits and other appurtenances to such parcels.

"Projected Lease Rent Coverage Ratio" shall mean, with respect to each Rent Payment Date, the ratio of (i) all Project Revenues projected for the six month period immediately following such Rent Payment Date less Operating Costs projected for such

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period to (ii) the amount of Periodic Lease Rent due and payable on the next succeeding Rent Payment Date.

"Projections" shall mean the detailed financial projections for the Project covering the period from the Closing Date through the end of the Basic Lease Term demonstrating that for the period from the Closing Date to the end of the Basic Lease Term, the average Lease Rent Coverage Ratio will be at least 1.50 to 1.00 and the minimum Lease Rent Coverage Ratio will be at least 1.40 to 1.00, as annexed to the Engineering Report.

"Proportional Rent" shall mean the product of the Head Lease Rent multiplied by the percentage set forth for such Rental Period in Schedule 2 to Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2 under the caption "Proportional Rent Percentage".

"Prudent Industry Practice" shall mean, at a particular time, either (a) any of the practices, methods and acts engaged in or approved by a significant portion of the competitive geothermal power generating industry operating in the United States at such time, or (b) with respect to any matter to which the practices referred to in clause (a) do not apply, any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good competitive electric generation business practices, reliability, safety and expedition. "Prudent Industry Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts having due regard for, among other things, manufacturers' warranties, the requirements of insurance policies

and the requirements of governmental bodies of competent jurisdiction.

"PUHCA" shall mean The Public Utility Holding Company Act of 1935, as amended.

"Purchase Date" shall mean the EBO Date or the last day of the Basic Lease Term, as applicable.

"Qualifying Cash Bid" shall have the meaning specified in Section 13.2 of the Project Lease.

"Real Estate Documents" shall mean each of the documents specified in Schedule I hereto.

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"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association (or any successor to such opinion).

"Rebuilding Closing Date" shall have the meaning specified in Section 10.3(c) of the Project Lease.

"Rebuilding Start Date" shall have the meaning specified in Section 10.3(a) of the Project Lease.

"Redemption Date" shall mean, when used with respect to any Note to be redeemed, the date fixed for such redemption by or pursuant to the Indenture or the respective Note, which date shall be a Termination Date.

"Registrar", with respect to the Senior Notes, shall have the meaning specified in Section 2.8 of the Indenture.

"Regulatory Event of Loss" shall have the meaning specified in clause (d) of the definition of "Event of Loss."

"Related Party" shall mean, with respect to any Person or its successors and assigns, an Affiliate of such Person or its successors and assigns and any director, officer, servant, employee or agent of that Person or any such Affiliate or their respective successors and assigns; provided that the Owner Manager, the Owner Lessor and the Equity Investor shall not be treated as Related Parties to each other except that the Owner Lessor and the Owner Manager shall be treated as a Related Party to the Equity Investor to the extent that the Owner Lessor or the Owner Manager acts or omits to act at the written direction or with the written consent of the Equity Investor.

"Release of Hazardous Materials" shall mean the release of any Hazardous Material into or upon or under any land or water or air, or otherwise into the indoor or outdoor environment, including by means of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"Removable Modification" shall have the meaning specified in Section 8.3 of the Project Lease.

"Renewal Lease Rent" shall mean the lease rent payable during the Wintergreen Renewal Lease Term or any FMV Renewal Lease Term, in each case as determined in accordance with Section 15.4 of the Project Lease.

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"Renewal Lease Term" shall mean the Wintergreen Renewal Lease Term or any FMV Renewal Lease Term.

"Rent" shall mean Periodic Lease Rent, Renewal Lease Rent and Supplemental Lease Rent.

"Rent Payment Date" shall mean each June 30 and December 30, during the Project Lease Term, commencing on June 30, 2005.

"Rental Period" shall mean each full or partial taxable year during the Project Lease Term.

"Replacement Component" shall have the meaning specified in Section 7.2(a) of the Project Lease.

"Replacement Contract" shall mean any contract entered into as contemplated by Section 16(j) of the Project Lease to replace any Project Document (other than the PPA) that is in default by a party thereto (other than the Lessee), such contract and the parties to such contract to be reasonably satisfactory to the Equity Investor and the Indenture Trustee.

"Replacement PPA" shall mean any power purchase agreement entered into in replacement of the PPA following a default by HELCO thereunder, which replacement agreement shall be on terms and conditions substantially similar to the PPA and reasonably satisfactory to the Equity Investor and the Indenture Trustee.

"Request Letter" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Required Modification" shall have the meaning specified in Section 8.1 of the Project Lease.

"Requisition" shall have the meaning specified in clause (c) of the definition of "Event of Loss."

"Requisition Proceeds" shall mean any and all payments (in any form whatsoever) made or paid from time to time in connection with any seizure, condemnation, confiscation or taking of, or requisition of title to or use of any portion of the Project or the Project Site by any Governmental Facility.

"Reserve Letter of Credit" shall mean one or more irrevocable, direct pay letters of credit issued by the Letter of Credit Issuer in favor of the Depositary Bank with (i) reimbursement obligations with respect thereto being the obligations of any Person

other than the Lessee, (ii) an aggregate stated amount equal to an amount when added to the amounts on deposit in the Senior Rent Reserve Account, the Junior Rent Reserve Account, the Well Maintenance Reserve Account or the Indemnity Reserve Account, as applicable, equal the Senior Rent Reserve Requirement, Junior Rent Reserve Requirement, the Well Maintenance Reserve Requirement or the Indemnity Reserve Requirement, respectively, on any given date and (iii) that is drawable at an office of the Letter of Credit Issuer or a confirming bank in New York City upon presentation of a drawing certificate pursuant to which the beneficiary thereof certifies that the applicable Drawing Event has occurred and is continuing, each of which shall (A) permit a drawing thereon by the Depositary Bank (a) if such Letter of Credit is not extended or replaced at least 30 days prior to its expiration, (b) if such Letter of Credit is not replaced within 30 days following the date of any downgrade of the credit rating

of the Letter of Credit Issuer below that provided in the definition of Acceptable Letter of Credit Provider and (c) upon the occurrence of the applicable Drawing Event and (B) provide for an automatic draw of the entire undrawn amount thereof if the applicable Letter of Credit Issuer shall not have extended such Letter of Credit or received notice from the Depository Bank or the Owner Lessor of the replacement of such Letter of Credit at least 30 days prior to its expiration.

"Resource Sublease" shall mean the Lease and Agreement dated as of March 1, 1981, between KLP and the Lessee (as assignee of Dillingham Corporation and Thermal Power Company pursuant to an Assignment of Lease and Agreement, dated as of May 3, 1982) with respect to the Geothermal Resource, including the Amendment to Lease and Agreement dated as of July 9, 1990 between KLP and the Lessee and the Second Amendment to Lease and Agreement dated as of December 31, 1996 between KLP and the Lessee, provided, however, that the term "Resource Sublease" excludes the bifurcated subleasehold estate created in favor of, and held by, PGV-II pursuant to the Resource Sublease Partial Assignment."

"Resource Sublease Partial Assignment" shall mean the Partial Assignment of Lessee's Interest in Lease and Agreement (Resource Sublease) dated as of May 18, 2005 by and between PGV and PGV-II.

"Responsible Officer" shall mean (a) with respect to any Person (other than the Owner Lessor, the Lessee, the Depository Bank and the Indenture Trustee), any official thereof having responsibility for the administration of the Transaction, (b) with respect to the Owner Lessor, any officer in the Corporate Trust Administration Department of the Trust Company (or a successor group of the Owner Manager) having responsibility for the administration of the Transaction, (c) with respect to the Lessee, the President or any Vice President or any officer of the sole member of the Lessee Partners or any other Person or Persons authorized to act on behalf of the Lessee by the Lessee Partners or the sole member of the Lessee Partners (with written notice to the Equity

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Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee), and (d) with respect to each of the Depository Bank or the Indenture Trustee, any officer within the corporate trust department of any of the aforementioned parties, including any vice president, assistant vice president, treasurer, assistant treasurer, trust officer or any other officer of any of the aforementioned who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Operative Documents to which the Depository Bank or the Indenture Trustee may be a party.

"Revenue Account" shall have the meaning specified in Section 1.2 of the Depository Agreement.

"S&P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Scheduled Closing Date" shall mean May 19, 2005, or any date set for the Closing in a notice of postponement pursuant to Section 2.3(a) of the Participation Agreement.

"SEC" shall mean the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the Closing Date such Commission is not existing and performing the duties now assigned to it under the Securities Exchange Act, then the body performing such duties at such time.

"Second Amendment to Lease (Master Lease)" shall mean the Second Amendment to Lease, dated as of May 18, 2005, between KLDC as Master Lessor and KLP as Lessor.

"Section 467 Interest" shall mean and include the Lessor Section 467 Interest and the Lessee Section 467 Interest.

"Section 467 Loan" shall mean any loan arising under and pursuant to Section 467 of the Code in connection with the Project Lease.

"Secured Indebtedness" shall have the meaning specified in Section 1(B) of the Indenture.

"Securities Act" shall mean the Securities Act of 1933, as amended.

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"Security Documents" shall mean, collectively, each of the documents specified on Schedule II hereto.

"Senior Note Register" shall have the meaning specified in Section 2.8 of the Indenture.

"Senior Notes" shall mean each of the Senior Notes, together with each note issued in exchange, substitution or replacement therefor pursuant to Section 2.8 or 2.9 of the Indenture.

"Senior Rent Reserve Account" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Senior Rent Reserve Requirement" shall have the meaning set forth in Section 1.2 of the Depositary Agreement.

"Severable Modification" shall mean any Modification that can be removed without causing material damage to the Project.

"Significant Lease Default" shall mean any of: (a) the failure by Lessee to make any payment of Rent after the same shall have become due and payable and (b) any event or circumstance that is, or with the passage of time or the giving of notice or both would become, a "Lease Event of Default" under clause (i), (j) or (k) of Section 16 of the Project Lease.

"Significant Partial Casualty" shall mean a Partial Casualty, the cost of repair and/or replacement of which is equal or greater than seventy percent (70%) of the full replacement value of the Project (based on true replacement prices available to the Lessee as an Affiliate of the equipment manufacturer).

"Solvent" shall mean, with respect to a proposed Equity Investor Transferee and its Subsidiaries considered as a whole, based on a pro forma balance sheet, that (i) the assets and the property of the Equity Investor Transferee and its Subsidiaries, considered as a whole, exceed the aggregate liabilities (including contingent and unliquidated liabilities) of the Equity Investor Transferee and its Subsidiaries, considered as a whole, (ii) after giving effect to the assignment contemplated in Section 7.1 of the Participation Agreement, the Equity Investor Transferee and its Subsidiaries, considered as a whole, will not be left with unreasonably small capital, and (iii) after giving effect to the assignment contemplated in Section 7.1 of the Participation Agreement, the Equity Investor Transferee and its Subsidiaries, considered as a whole, are able to both service and pay their liabilities as they mature. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed as the amount that, in

light of all the facts and circumstances existing at such time, represents the amount that is likely to become an actual or matured liability.

"Special Power of Attorney (Owner Lessor to Indenture Trustee)" shall mean the Special Power of Attorney dated May 18, 2005, by which the Owner Lessor appoints Indenture Trustee its true and lawful attorney-in-fact.

"Special Power of Attorney (PGV to Owner Lessor)" shall mean the Special Power of Attorney dated May 18, 2005, by which PGV appoints Owner Lessor its true and lawful attorney-in-fact.

"State Consent" shall mean the Lessor's Consent to Certain Subleasing and Sub-Subleasing of the Power Plant Sublease, Non-Disturbance and Attornment Agreement and Estoppel Certificate, dated as of April 1, 2005, by and between the State of Hawaii and the Lessee, in form and substance satisfactory to the Participants.

"State Partial Assignment Consent" shall mean Lessor's Consent to Partial Assignment of Lessee's Interest in Lease and Agreement (State Lease) dated as of April 1, 2005, by and among the State of Hawaii as Lessor, PGV as Sublessee and PGV-II.

"Statement Date" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Statement Period" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Sub-Grant of Delivery System Grant of Easements" shall mean the Sub-Grant of Delivery System Grant of Easements, dated as of May 18, 2005, between PGV as Subgrantor and Owner Lessor as Subgrantee.

"Sublease of Power Plant Sublease" shall mean the Sublease of Power Plant Sublease, dated as of May 18, 2005, between PGV as Sublessor and Owner Lessor as Sublessee.

"Sublease of Resource Sublease" shall mean Sublease of Resource Sublease dated as of May 18, 2005, between PGV as the Sublessor, and Owner Lessor as Sublessee.

"Sub-Sub-Grant of Delivery System Grant of Easements" shall mean the Sub-Sub-Grant of Delivery System Grant of Easements, dated as of May 18, 2005, between Owner Lessor as Sub-Subgrantor and Lessee as Sub-Subgrantee.

"Sub-Sublease of Power Plant Sublease" shall mean the Sub-Sublease of Power Plant Sublease, dated as of May 18, 2005, between Owner Lessor as Sub-Sublessor and Lessee as Sub-Sublessee.

"Sub-Sublease of Resource Sublease" shall mean the Sub-Sublease of Resource Sublease dated as of May 18, 2005, between Owner Lessor as Sub-Sublessor, and PGV as Sub-Sublessee.

"Supplemental Financing" shall have the meaning specified in Section 11.1(b) of the Participation Agreement.

"Supplemental Lease Rent" shall mean any and all amounts, liabilities

and obligations (other than Periodic Lease Rent and Renewal Lease Rent) that the Lessee assumes or agrees to pay under the Operative Documents (whether or not identified as "Supplemental Lease Rent") to the Owner Lessor or any other Person, including Termination Value.

"Tax" or "Taxes" shall mean all present and future fees, taxes (including income, receipts, capital, excise and sales taxes, use taxes, stamp taxes, value-added taxes, ad valorem taxes and property taxes (personal and real, tangible and intangible)), levies, assessments, withholdings and other charges and impositions of any nature, plus all related interest, penalties, fines and additions to tax, now or hereafter imposed by any federal, state, local or foreign government or other taxing authority.

"Tax Advance" shall have the meaning specified in Section 9.2(d)(iii)(4) of the Participation Agreement.

"Tax Claim" shall have the meaning specified in Section 9.2(d)(i) of the Participation Agreement.

"Tax Event" shall mean any event or transaction treated, for Federal income tax purposes, as a taxable sale or exchange of the Senior Notes.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement, dated as of May 18, 2005, between the Lessee and the Equity Investor.

"Tax Requirements" shall mean the aggregate amount of Federal and state income taxes payable by the Partners on the date that such taxes are due to be paid by the Partners.

"Tax Savings" shall have the meaning specified in Section 9.2(c)(vi) of the Participation Agreement.

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"Term" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Termination Date" shall mean the thirtieth (or in the case of February, the twenty-eighth) day of each month.

"Termination Value" for any Termination Date shall mean (x) during the Basic Lease Term, an amount equal to the product of the Head Lease Rent and the percentage set forth under the heading "Termination Value Percentage" on Schedule 3 to Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2 for such Termination Date, and (y) during any Renewal Lease Term, an amount determined pursuant to Section 15.5 of the Project Lease.

"Third Amendment to Lease (Resource Sublease)" shall mean the Third Amendment to Lease, dated as of May 18, 2005, between KLP as Lessor and PGV as Lessee.

"Title Company" shall mean Title Guaranty of Hawaii, Incorporated, a Hawaii corporation.

"Title Policies" shall mean each of the title policies issued on the Closing Date to the Owner Lessor and the Indenture Trustee relating to the Transaction.

"Total Aggregate Claims" shall mean all Claims relating to the Lessee, the Project, the Project Site, or the Project Documents and which is the subject of any representation or warranty of the Lessee contained in Section 3 of the Participation Agreement (excluding the representation set forth in Section 3.1(v)(i) therein) or any covenant of the Lessee set forth in Section 5 of the

Participation Agreement.

"TPC Royalty Contract" shall mean the Accrual Agreement dated as of September 1, 1990, by and between the Lessee and Thermal Power Company, a California corporation.

"Transaction" shall mean, collectively, each of the transactions contemplated under the Participation Agreement and the other Operative Documents.

"Transaction Costs" shall mean the following costs to the extent substantiated or otherwise supported in reasonable detail:

(a) the cost of reproducing and printing the Operative Documents and all costs and fees, including filing and recording fees and recording, transfer, mortgage, intangible and similar taxes in connection with the execution, delivery, filing and recording of the Security Documents, and any other document required to be filed or

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recorded pursuant to the provisions hereof or of any other Operative Document and any Uniform Commercial Code filing fees in respect of the perfection of any security interests created by any of the Operative Documents or as otherwise reasonably required by the Owner Lessor or the Indenture Trustee;

(b) the reasonable fees and expenses of the Debt Placement Agent;

(c) the reasonable fees and expenses of Dewey Ballantine LLP counsel to the Equity Investor for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Operative Documents and the LLC Agreement;

(d) the reasonable fees and expenses of Morris, James, Hitchens and Williams LLP, counsel for the Owner Lessor, the Owner Manager, and the Trust Company for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Operative Documents;

(e) the reasonable fees and expenses of White & Case LLP, counsel to the Noteholders, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Operative Documents;

(f) the reasonable fees and expenses of McCorriston Miller Mukai MacKinnon LLP, Hawaii counsel to the Equity Investor and Noteholders;

(g) the reasonable fees and expenses of Kathleen C. Johnson, Attorney at Law, counsel for the Indenture Trustee and the Depositary Bank, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Operative Documents;

(h) the reasonable out-of-pocket expenses of the Noteholders, the Equity Investor (and its advisors) and the Owner Lessor;

(i) any fees payable to Noteholders and the initial fees and expenses of the Trust Company, the Indenture Trustee and the Depositary Bank in connection with the execution and delivery of the Participation Agreement and the other Operative Documents to which either one is or will be a party;

(j) the fees and expenses of the Appraiser, for services rendered in connection with delivering the Closing Appraisal required by the Participation Agreement;

(k) the fees and expenses of the Engineering Consultant, for services rendered in connection with delivering the Engineering Report and the Environmental Update required by the Participation Agreement;

(l) the fees and expenses of the Geothermal Consultant, for services rendered in connection with delivering the Geothermal Consultant's reports, respectively, required by the Participation Agreement;

(m) the fees and expenses of the Insurance Consultant;

(n) the fees and expenses of Environmental Consultant for services rendered in connection with delivering the Environmental Report;

(o) the premiums and any other fees and expenses relating to the Title Policies; and

(p) the costs of the Equity Investor's internal engineering consultants as evidenced by a work order charge.

Notwithstanding the foregoing, Transaction Costs shall not include internal costs and expenses such as salaries and overhead of whatsoever kind or nature (other than those expressly referred to above) nor costs incurred by the parties to the Participation Agreement pursuant to arrangements with third parties for services (other than those expressly referred to above), such as computer time procurement (other than reasonable out-of-pocket expenses of the Equity Investor), financial analysis and consulting, advisory services (except as specifically set forth in (a)-(n) above), and costs of a similar nature.

"Transaction Party" or "Transaction Parties" shall mean, individually or collectively, as the context may require, all or any of the parties to any of the Operative Documents.

"Transfer Agreement" shall mean an assignment and assumption agreement in form and substance substantially in the form of Exhibit F to the Participation Agreement.

"Transmission Agreements" shall mean, collectively, the (a) Agreement for Phase I Work on Interconnection Facilities, dated June 27, 1986, between PGV and HELCO, (b) Agreement to Design 69 KV Transmission Lines, Substation at Pohoiki, Modifications to Substations at Puna and Kaumana and Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase II), dated May 23, 1990, between PGV and HELCO, (c) Agreement to Construct 69 KV Transmission Lines, Substation at Pohoiki, Modifications to Substations at Puna and

Kaumana and Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase III), dated May 23, 1990, between PGV and HELCO and (d) Transmission Line Agreement, dated March 7, 1995, between PGV and HELCO.

"Treasury Regulations" shall mean regulations, including temporary regulations, promulgated or proposed under the Code.

"Trust Company" shall mean Wilmington Trust Company.

"Trust Indenture Act" shall mean the Trust Indenture Act of 1939.

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as in effect in the applicable jurisdiction.

"Value" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Verifier" shall have the meaning specified in Section 3.4(d) of the Project Lease.

"Well Improvements" shall mean the Injection Well together with the Production Well.

"Well Maintenance Reserve Account" shall have the meaning specified in Section 1.2 of the Depositary Agreement.

"Well Maintenance Reserve Requirement" shall have the meaning set forth in Section 1.2 of the Depositary Agreement.

"Wintergreen Renewal Lease Term" shall have the meaning specified in Section 15.1 of the Project Lease.

SCHEDULE I

"REAL ESTATE DOCUMENTS"

1. Sublease of Resource Sublease
2. KLDC Estoppel
3. Resource Sublease Partial Assignment
4. Second Amendment to Lease (Master Lease)
5. State Partial Assignment Consent
6. KLP Partial Assignment Consent
7. KLDC Partial Assignment Consent
8. Memorandum of KLDC Partial Assignment Consent
9. Memorandum of KLP Partial Assignment Consent
10. Memorandum of Resource Sublease Partial Assignment
11. Memorandum of State Partial Assignment Consent
12. Memorandum of Sublease of Resource Sublease
13. Memorandum of Sub-Sublease of Resource Sublease
14. Memorandum of KLDC Estoppel
15. Memorandum of KLDC Consent
16. Memorandum of KLP Consent
17. Memorandum of Project Lease
18. Memorandum of Head Lease

19. Memorandum of Second Amendment to Lease (Master Lease)
20. Memorandum of State Consent

21. Memorandum of Sub-Grant of Delivery System Grant of Easements
22. Memorandum of Sub-Sub-Grant of Delivery System Grant of Easements
23. Memorandum of Sublease of Power Plant Sublease
24. Memorandum of Sub-Sublease of Power Plant Sublease
25. Memorandum of Third Amendment to Lease (Resource Sublease)
26. Special Power of Attorney (PGV to Owner Lessor)
27. Special Power of Attorney (Owner Lessor to Indenture Trustee)
28. Sub-Sublease of Resource Sublease
29. Sub-Grant of Delivery System Grant of Easements
30. Sub-Sub-Grant of Delivery System Grant of Easements
31. Sublease of Power Plant Sublease
32. Sub-Sublease of Power Plant Sublease
33. Third Amendment to Lease (Resource Sublease)

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Schedule II

"SECURITY DOCUMENTS"

1. Indenture
2. Depositary Agreement
3. Lessee Partners Interest Pledge Agreement
4. PGV Interests Pledge Agreement
5. Lessee Security Agreement
6. Bank of Hawaii Control Agreement
7. KLDC Mortgage
8. KLP Mortgage
9. KLP Mortgage Assignment
10. KLDC Mortgage Assignment
11. KLP Mortgage Assignment (Indenture Trustee)
12. KLDC Mortgage Assignment (Indenture Trustee)

13. Owner Lessor Assignment of Sublease of Resource Sublease
14. Owner Lessor Assignment of Sub-Grant of Delivery System Grant of Easements
15. Owner Lessor Assignment of Project Lease
16. Owner Lessor Assignment of Head Lease
17. Owner Lessor Assignment of Sublease of Power Plant Sublease

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Schedule III

"EXCLUDED ASSETS"

1. Caterpillar brand front end loader
2. Liquid Nitrogen Skid and Handling Equipment
3. 480/13.8 KV ABB Transformer
4. 1,000 Gal. Gasoline and Diesel Tanks - Hawaii Petroleum
5. TNT Storage Container - Lincoln Pasquel
6. 49' Manlift - Bacon Universal
7. Office equipment

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SCHEDULE 1
TO
PROJECT LEASE

INSURANCE

INSURANCE PROVISIONS - PUNA

SECTION 1. (A) PROPERTY INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) in full force and effect at all times "All Risk" property insurance customarily carried by prudent operators of geothermal power generating facilities of comparable size and risk of the Project, and against loss or damage from such causes as are customarily insured against, which includes coverage for boiler and machinery, in a minimum amount not less than 100% of the full replacement value of the Project (based on true replacement prices available to the Lessee as an Affiliate of the equipment manufacturer). Such insurance coverages are further subject to sublimits of \$15,000,000 per occurrence and in the annual aggregate for catastrophic perils (i.e., flood, wind, earthquake, hurricane and volcanic eruption). Such insurance coverages shall further be subject to a deductible, as to the Lessee's interest, not to exceed (i) \$250,000 per occurrence for property (physical) damage and boiler and machinery breakdown, (ii) regarding occurrence of earthquake, wind, flood and volcanic eruption 5% of the loss or a minimum of \$500,000, and (iii) such other higher amounts for catastrophic perils customarily maintained by prudent operators of geothermal power generating facilities of comparable size and risk of the Project.

(b) Stipulated Loss Insurance

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) in full force and effect at all times Stipulated Loss Insurance in an amount not less than the difference between the Termination Value and the Actual Cost Value, which shall mean replacement cost new less depreciation. Such insurance shall be payable in the event the Lessee elects or is deemed to have elected to terminate this Project Lease in accordance with Section 10.1.

SECTION 2. BUSINESS INTERRUPTION INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) "Business Interruption" insurance (as a separate policy or as an extension of the "All Risk" property insurance policy required above) covering a total or partial loss of net revenue income as a result of indemnifiable physical loss or damage arising from an occurrence under the "All Risk" property policy. The limits of liability shall be sufficient to cover 12 months of Periodic Lease Rent, provided, however, that in the event that the Lessee shall not maintain Stipulated Loss Insurance as a result of such coverage being unavailable on a commercially reasonable basis, the Lessee shall use its commercially reasonable efforts to obtain "Business Interruption" insurance to cover 18 months of Periodic Lease Rent. The indemnity period of this business interruption shall be 12 months. Waiting period deductibles shall be consistent with industry practice subject

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to a maximum waiting period of (i) 45 days for each occurrence resulting from property damage and (ii) 60 days for each occurrence resulting from boiler and machinery breakdown.

SECTION 3. CONTROL OF WELL INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or caused to be maintained) in full force and effect at all times "Control of Well" insurance providing coverage for the interest in the wells for (a) costs to bring a well under control, (b) re-drilling, re-completion and /or re-conditioning expenses, (c) seepage, pollution and contamination resulting from a well out of control and (d) loss or damage to property of others in the care, custody or control of the Lessee. The limit of liability with respect to the combined effects of clauses (a) and (b) above shall not be less than \$20,000,000 per occurrence and \$20,000,000 in the aggregate. Sublimits are not less than \$1,000,000 for clauses (c) and (d) above. Deductibles with respect to the combined effects of this paragraph shall be consistent with industry practice subject to a maximum a deductible of not more than \$250,000 per occurrence

SECTION 4. LIABILITY INSURANCE.

The Lessee with respect to the Project, will, subject to Section 8 below, maintain (or caused to be maintained) commercial general liability insurance, including contractual liability coverage, including sudden and accidental or named perils pollution liability coverage, subject to such coverage being commercially available on commercially reasonable terms, business automobile liability insurance and employers liability insurance and workers compensation (as applicable), insuring against claims for bodily injury (including death) and property damage to third parties arising out of the ownership, operation, maintenance, condition and use of the Project and the Project Site, with limits of not less than \$15,000,000 per occurrence and \$15,000,000 in the aggregate (to be maintained at all times) or such other higher amount customarily maintained by prudent operators of geothermal power generating facilities of comparable size and risk of the Project. A maximum deductible of \$250,000.00 per occurrence shall be allowed.

The Lessee will annually review the liability insurance maintained by it or on its behalf and will, if necessary, revise such coverage and limits (including deductibles) in order that the liability insurance maintained by it or on its behalf is consistent with that maintained by prudent operators of similar facilities of comparable size and risk to the Project; provided, that the Lessee may not decrease coverage or limits below the requirements set forth herein without the written consent of the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, Owner Lessor), such consent shall not be unreasonably withheld and which will be based on an analysis by an independent insurance expert from an internationally recognized insurance brokerage firm selected by the Lessee and reasonably acceptable to Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, the Owner Lessor). Such liability insurance may be purchased either in a single limit or in combination with a general and an excess policy.

SECTION 5. PROVISIONS WITH RESPECT TO INSURANCE.

In respect of the insurance required to be maintained or caused to be maintained under this Schedule 1, the Lessee will (a) place the insurance maintained pursuant to this Section with reputable insurance companies authorized to do business in Hawaii having (i) an A.M. Best Insurance Reports rating of at least "A-" or better and a financial size category of VIII or (ii) a Standard & Poor's financial strength rating of "BBB" or higher, (b) name the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee (as Indenture Trustee and on behalf of the Noteholders) and their respective officers, directors, employees, affiliates and assigns as additional insureds, as their interests may appear (and, with respect to the insurance maintained pursuant to Section 1 and 2 of this Schedule 1, name the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, the Owner Lessor), as sole payee, (c) cause the insurance companies to agree to waive all rights of subrogation or action howsoever arising which they may have or acquire arising out of any occurrence in respect of which any claim is admitted or paid thereunder against the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee and their respective directors, officers, employees and assigns, and (d) cause such insurance or self-insurance to be primary without right of contribution of any other insurance carried by or on behalf of the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee (as Indenture Trustee and on behalf of the Noteholders) with respect to their respective interests in the Project and the Project Site.

All policies shall provide that the respective interests of the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee shall not be invalidated by any act or neglect of the Lessee or any other person, or any breach or violation by the Lessee or any other person of any warranties, declarations or conditions contained in the property insurance policies, any action or inaction of the Lessee or others or by the use of the Project or the Project Site for purposes more hazardous than permitted by such policies. All liability insurance policies required to be maintained hereunder shall be endorsed to provide that, in as much as the policies are written to cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the manner as if there were a separate policy covering each insured. The Lessee shall, at its own expense, promptly make or cause to be made all proofs of loss and take all other steps necessary to collect the proceeds of such insurance.

The Lessee shall notify the insurance companies that the Lessee has granted a first ranking assignment by way of security to the Owner Lessor and the Indenture Trustee over the title and benefit of this insurance and its interest and rights in the subject matter of this insurance, and confirm that they have not been notified of any other pledge or assignment of or security interest in the Lessee's interest in this insurance.

The insurance companies shall not be entitled to any recourse against or to offset any sums payable to the Trust Company, the Owner Lessor, the Equity Investor, the Noteholders or the Indenture Trustee against premium or other monies owing by the Lessee, nor any sums owing to the Lessee under the policies against any monies owing by the Lessee under any other policy or contract.

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All of the insurance policies required by this Schedule 1 may cover other operations, facilities and properties of the Lessee or its Affiliates as long as the limits of insurance available to the Project and the Project Site are not less than the requirements set forth herein.

Claims and losses, if any, under any insurance policies required to be carried under this Schedule 1 shall be adjusted with the insurance companies, including the filing of appropriate proceedings, by the Lessee, subject to the approval of the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged the Owner Lessor) if a Lease Event of Default has occurred and is continuing.

All loss payments under any policy of insurance maintained pursuant to Section 1 and 2 of this Schedule 1 shall be made to the Depositary Bank and applied in accordance with the terms of the Depositary Agreement.

The Lessee shall promptly notify the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, of any claim in excess of \$500,000.00 under any insurance policy maintained pursuant to this Schedule 1. If any insurance policies for this Project contain(s) aggregate limits applying to facilities other than this Project, and such limits are diminished by any incident, occurrence, claim, settlement or judgment against such insurance which has caused the carrier to establish a reserve, the Lessee shall take or cause to be taken immediate steps to restore such aggregate limits or shall provide other equivalent insurance protection for such aggregate limits at all times.

SECTION 6. REPORTS.

The Lessee shall annually provide (A) the Owner Lessor, the Equity Investor and the Indenture Trustee a report from an independent insurance broker, signed by an officer of the broker, stating that in the opinion of such broker, the insurance then carried or to be renewed is in compliance with all insurance requirements set forth in this Schedule 1 and (B) a certificate of a Responsible Officer of the Lessee certifying that all premiums in respect of such policies are current and that such coverage is in compliance with all insurance requirements set forth in this Schedule 1.

The insurance policies shall provide for at least 45 (forty-five) days' prior written notice to the Owner Lessor, the Equity Investor and the Indenture Trustee of any act or omission or of any event of which the insurance companies have knowledge and which the insurance companies consider may invalidate or render unenforceable in whole or in part this insurance or any claim under it or which might entitle the insurance companies to terminate, rescind or repudiate this policy in whole or part, or treat it as avoided, terminated or suspended, against any insured party. The insurance policies shall provide that if an insurance policy is cancelled for any reason whatsoever, including non-payment of premium, or any changes are initiated by the Lessee which affect the interests of the additional insureds, such cancellation or change shall not be effective as to the additional insureds until 45 (forty-five) days (except for non-payment of premium which shall be ten (10) days), after receipt by the Indenture Trustee, Equity Investor and Owner Lessor of written notice sent by registered mail from the applicable insurance company, such registered mail to be received at the respective addresses set forth in Section 12.4 of the

SECTION 7. ADDITIONAL INSURANCE BY THE OWNER LESSOR.

At any time the Owner Lessor (either directly or in the name of the Equity Investor) or Indenture Trustee may at its own expense and for its own account carry insurance with respect to its interest in the Project and the Project Site, provided, that such insurance does not in any way interfere with the Lessee's ability to obtain insurance with respect to the Project described in this Schedule 1. Any insurance payments received from policies maintained by the Owner Lessor or Indenture Trustee pursuant to the previous sentence shall be retained by the Owner Lessor or Indenture Trustee, as the case may be, without reducing or otherwise affecting the Lessee's obligations hereunder.

SECTION 8. AMENDMENT OF INSURANCE REQUIREMENTS; UNAVAILABILITY OF INSURANCE.

If any insurance required to be maintained by the Lessee pursuant to this Schedule 1 (including the limits or deductibles or any other terms under policies for such insurance) ceases to be available on a commercially reasonable basis, the Lessee shall provide written notice to the Owner Lessor, the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, which written notice shall be accompanied by a letter from the Lessee's insurance broker stating that such insurance is unavailable on a commercially reasonable basis and explaining in detail the basis for such conclusions. Such notice shall be given not less than thirty (30) days' prior to the scheduled date for renewal of any such policy.

In the event that a resolution acceptable to both parties cannot be reached, within ten (10) days, the parties shall make arrangements, at the Lessee's expense, for the formation of an insurance panel consisting of the Lessee's insurance advisor (or broker) and the Owner Lessor's and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee's insurance advisor (or broker), and an independent insurance expert from a internationally recognized insurance brokerage firm, chosen by the Lessee and reasonably acceptable to the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee. Such independent expert shall conduct a separate review of the relevant insurance requirements of this Schedule 1 and the market for such insurance at the time, giving due consideration to the representations of both insurance advisors, and upon conclusion of such review shall issue a written report stating whether such insurance is available or unavailable on a commercially reasonable basis and explaining in detail the basis for such conclusions.

If the insurance expert concludes that such insurance is not available on a commercially reasonable basis, the insurance expert shall provide a written recommendation and certification (which shall include the amount and type of insurance which is available upon a commercially reasonable basis) not less than fifteen (15) days before the date for renewal of such insurance. The Lessee shall, prior to the expiration of the insurance then in effect, obtain such insurance recommended and certified by such insurance expert that is available on a commercially reasonable basis. The recommendation of the insurance expert shall be conclusive and binding upon the Lessee and the Owner Lessor and the Lessee shall, for so long as such insurance shall

be unavailable on a commercially reasonable basis, be required to carry such insurance that the insurance expert has recommended and certified is available

on a commercially reasonable basis; provided, however, that if any required insurance hereunder that had previously been unavailable on a commercially reasonable basis shall become available on a commercially reasonable basis, the Lessee shall obtain such required insurance as promptly as practicable after the Lessee has been given notice of such availability, so long as such insurance can be obtained without causing unreasonable (as determined by the insurance expert) cost inefficiencies or disruptions mid-term in the existing insurance programs.

All reasonable fees, costs and expenses associated with the insurance panel (including the review by the insurance expert) shall be for the sole account of the Lessee.

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Schedule 1 to Project Lease

INSURANCE PROVISIONS - PUNA

SECTION 1. (A) PROPERTY INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) in full force and effect at all times "All Risk" property insurance customarily carried by prudent operators of geothermal power generating facilities of comparable size and risk of the Project, and against loss or damage from such causes as are customarily insured against, which includes coverage for boiler and machinery, in a minimum amount not less than 100% of the full replacement value of the Project (based on true replacement prices available to the Lessee as an Affiliate of the equipment manufacturer). Such insurance coverages are further subject to sublimits of \$15,000,000 per occurrence and in the annual aggregate for catastrophic perils (i.e., flood, wind, earthquake, hurricane and volcanic eruption). Such insurance coverages shall further be subject to a deductible, as to the Lessee's interest, not to exceed (i) \$250,000 per occurrence for property (physical) damage and boiler and machinery breakdown, (ii) regarding occurrence of earthquake, wind, flood and volcanic eruption 5% of the loss or a minimum of \$500,000, and (iii) such other higher amounts for catastrophic perils customarily maintained by prudent operators of geothermal power generating facilities of comparable size and risk of the Project.

(b) Stipulated Loss Insurance

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) in full force and effect at all times Stipulated Loss Insurance in an amount not less than the difference between the Termination Value and the Actual Cost Value, which shall mean replacement cost new less depreciation. Such insurance shall be payable in the event the Lessee elects or is deemed to have elected to terminate this Project Lease in accordance with Section 10.1.

SECTION 2. BUSINESS INTERRUPTION INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or cause to be maintained) "Business Interruption" insurance (as a separate policy or as an extension of the "All Risk" property insurance policy required above) covering a total or partial loss of net revenue income as a result of indemnifiable physical loss or damage arising from an occurrence under the "All Risk" property policy. The limits of liability shall be sufficient to cover 12 months of Periodic Lease Rent, provided, however, that in the event that the Lessee shall not maintain Stipulated Loss Insurance as a result of such coverage being

unavailable on a commercially reasonable basis, the Lessee shall use its commercially reasonable efforts to obtain "Business Interruption" insurance to

cover 18 months of Periodic Lease Rent. The indemnity period of this business interruption shall be 12 months. Waiting period deductibles shall be consistent with industry practice subject to a maximum waiting period of (i) 45 days for each occurrence resulting from property damage and (ii) 60 days for each occurrence resulting from boiler and machinery breakdown.

SECTION 3. CONTROL OF WELL INSURANCE.

The Lessee will, subject to Section 8 below, maintain (or caused to be maintained) in full force and effect at all times "Control of Well" insurance providing coverage for the interest in the wells for (a) costs to bring a well under control, (b) re-drilling, re-completion and /or re-conditioning expenses, (c) seepage, pollution and contamination resulting from a well out of control and (d) loss or damage to property of others in the care, custody or control of the Lessee. The limit of liability with respect to the combined effects of clauses (a) and (b) above shall not be less than \$20,000,000 per occurrence and \$20,000,000 in the aggregate. Sublimits are not less than \$1,000,000 for clauses (c) and (d) above. Deductibles with respect to the combined effects of this paragraph shall be consistent with industry practice subject to a maximum a deductible of not more than \$250,000 per occurrence

SECTION 4. LIABILITY INSURANCE.

The Lessee with respect to the Project, will, subject to Section 8 below, maintain (or caused to be maintained) commercial general liability insurance, including contractual liability coverage, including sudden and accidental or named perils pollution liability coverage, subject to such coverage being commercially available on commercially reasonable terms, business automobile liability insurance and employers liability insurance and workers compensation (as applicable), insuring against claims for bodily injury (including death) and property damage to third parties arising out of the ownership, operation, maintenance, condition and use of the Project and the Project Site, with limits of not less than \$15,000,000 per occurrence and \$15,000,000 in the aggregate (to be maintained at all times) or such other higher amount customarily maintained by prudent operators of geothermal power generating facilities of comparable size and risk of the Project. A maximum deductible of \$250,000.00 per occurrence shall be allowed.

The Lessee will annually review the liability insurance maintained by it or on its behalf and will, if necessary, revise such coverage and limits (including deductibles) in order that the liability insurance maintained by it or on its behalf is consistent with that maintained by prudent operators of similar facilities of comparable size and risk to the

Project; provided, that the Lessee may not decrease coverage or limits below the requirements set forth herein without the written consent of the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, Owner Lessor), such consent shall not be unreasonably withheld and which will be based on an analysis by an independent insurance expert from an internationally recognized insurance brokerage firm selected by the Lessee and reasonably acceptable to Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, the Owner Lessor). Such liability insurance may be purchased either in a single limit or in combination with a general and an excess policy.

SECTION 5. PROVISIONS WITH RESPECT TO INSURANCE.

In respect of the insurance required to be maintained or caused to be maintained under this Schedule 1, the Lessee will (a) place the insurance maintained pursuant to this Section with reputable insurance companies authorized to do business in Hawaii having (i) an A.M. Best Insurance Reports rating of at least

"A-" or better and a financial size category of VIII or (ii) a Standard & Poor's financial strength rating of "BBB" or higher, (b) name the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee (as Indenture Trustee and on behalf of the Noteholders) and their respective officers, directors, employees, affiliates and assigns as additional insureds, as their interests may appear (and, with respect to the insurance maintained pursuant to Section 1 and 2 of this Schedule 1, name the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged, the Owner Lessor), as sole payee, (c) cause the insurance companies to agree to waive all rights of subrogation or action howsoever arising which they may have or acquire arising out of any occurrence in respect of which any claim is admitted or paid thereunder against the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee and their respective directors, officers, employees and assigns, and (d) cause such insurance or self-insurance to be primary without right of contribution of any other insurance carried by or on behalf of the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee (as Indenture Trustee and on behalf of the Noteholders) with respect to their respective interests in the Project and the Project Site.

All policies shall provide that the respective interests of the Trust Company, the Owner Lessor, the Equity Investor and the Indenture Trustee shall not be invalidated by any act or neglect of the Lessee or any other person, or any breach or violation by the Lessee or any other person of any warranties, declarations or conditions contained in the property insurance policies, any action or inaction of the Lessee or others or by the use of the Project or the Project Site for purposes more hazardous than permitted by such policies.

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All liability insurance policies required to be maintained hereunder shall be endorsed to provide that, in as much as the policies are written to cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exception of limits of liability, shall operate in the manner as if there were a separate policy covering each insured. The Lessee shall, at its own expense, promptly make or cause to be made all proofs of loss and take all other steps necessary to collect the proceeds of such insurance.

The Lessee shall notify the insurance companies that the Lessee has granted a first ranking assignment by way of security to the Owner Lessor and the Indenture Trustee over the title and benefit of this insurance and its interest and rights in the subject matter of this insurance, and confirm that they have not been notified of any other pledge or assignment of or security interest in the Lessee's interest in this insurance.

The insurance companies shall not be entitled to any recourse against or to offset any sums payable to the Trust Company, the Owner Lessor, the Equity Investor, the Noteholders or the Indenture Trustee against premium or other monies owing by the Lessee, nor any sums owing to the Lessee under the policies against any monies owing by the Lessee under any other policy or contract.

All of the insurance policies required by this Schedule 1 may cover other operations, facilities and properties of the Lessee or its Affiliates as long as the limits of insurance available to the Project and the Project Site are not less than the requirements set forth herein.

Claims and losses, if any, under any insurance policies required to be carried under this Schedule 1 shall be adjusted with the insurance companies, including the filing of appropriate proceedings, by the Lessee, subject to the approval of the Indenture Trustee (or, if the Lien of the Indenture has been terminated and fully discharged the Owner Lessor) if a Lease Event of Default has occurred and is continuing.

All loss payments under any policy of insurance maintained pursuant to Section 1

and 2 of this Schedule 1 shall be made to the Depository Bank and applied in accordance with the terms of the Depository Agreement.

The Lessee shall promptly notify the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, of any claim in excess of \$500,000.00 under any insurance policy maintained pursuant to this Schedule 1. If any insurance policies for this Project contain(s) aggregate limits applying to facilities other than this Project, and such limits are diminished by any incident, occurrence, claim, settlement or judgment against such insurance which has caused the carrier to establish a reserve, the Lessee shall take or cause to be taken immediate steps to

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restore such aggregate limits or shall provide other equivalent insurance protection for such aggregate limits at all times.

SECTION 6. REPORTS.

The Lessee shall annually provide (A) the Owner Lessor, the Equity Investor and the Indenture Trustee a report from an independent insurance broker, signed by an officer of the broker, stating that in the opinion of such broker, the insurance then carried or to be renewed is in compliance with all insurance requirements set forth in this Schedule 1 and (B) a certificate of a Responsible Officer of the Lessee certifying that all premiums in respect of such policies are current and that such coverage is in compliance with all insurance requirements set forth in this Schedule 1.

The insurance policies shall provide for at least 45 (forty-five) days' prior written notice to the Owner Lessor, the Equity Investor and the Indenture Trustee of any act or omission or of any event of which the insurance companies have knowledge and which the insurance companies consider may invalidate or render unenforceable in whole or in part this insurance or any claim under it or which might entitle the insurance companies to terminate, rescind or repudiate this policy in whole or part, or treat it as avoided, terminated or suspended, against any insured party. The insurance policies shall provide that if an insurance policy is cancelled for any reason whatsoever, including non-payment of premium, or any changes are initiated by the Lessee which affect the interests of the additional insureds, such cancellation or change shall not be effective as to the additional insureds until 45 (forty-five) days (except for non-payment of premium which shall be ten (10) days), after receipt by the Indenture Trustee, Equity Investor and Owner Lessor of written notice sent by registered mail from the applicable insurance company, such registered mail to be received at the respective addresses set forth in Section 12.4 of the Participation Agreement.

SECTION 7. ADDITIONAL INSURANCE BY THE OWNER LESSOR.

At any time the Owner Lessor (either directly or in the name of the Equity Investor) or Indenture Trustee may at its own expense and for its own account carry insurance with respect to its interest in the Project and the Project Site, provided, that such insurance does not in any way interfere with the Lessee's ability to obtain insurance with respect to the Project described in this Schedule 1. Any insurance payments received from policies maintained by the Owner Lessor or Indenture Trustee pursuant to the previous sentence shall be retained by the Owner Lessor or Indenture Trustee, as the case may be, without reducing or otherwise affecting the Lessee's obligations hereunder.

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SECTION 8. AMENDMENT OF INSURANCE REQUIREMENTS; UNAVAILABILITY OF INSURANCE.

If any insurance required to be maintained by the Lessee pursuant to this Schedule 1 (including the limits or deductibles or any other terms under policies for such insurance) ceases to be available on a commercially reasonable basis, the Lessee shall provide written notice to the Owner Lessor, the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, which written notice shall be accompanied by a letter from the Lessee's insurance broker stating that such insurance is unavailable on a commercially reasonable basis and explaining in detail the basis for such conclusions. Such notice shall be given not less than thirty (30) days' prior to the scheduled date for renewal of any such policy.

In the event that a resolution acceptable to both parties cannot be reached, within ten (10) days, the parties shall make arrangements, at the Lessee's expense, for the formation of an insurance panel consisting of the Lessee's insurance advisor (or broker) and the Owner Lessor's and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee's insurance advisor (or broker), and an independent insurance expert from a internationally recognized insurance brokerage firm, chosen by the Lessee and reasonably acceptable to the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee. Such independent expert shall conduct a separate review of the relevant insurance requirements of this Schedule 1 and the market for such insurance at the time, giving due consideration to the representations of both insurance advisors, and upon conclusion of such review shall issue a written report stating whether such insurance is available or unavailable on a commercially reasonable basis and explaining in detail the basis for such conclusions.

If the insurance expert concludes that such insurance is not available on a commercially reasonable basis, the insurance expert shall provide a written recommendation and certification (which shall include the amount and type of insurance which is available upon a commercially reasonable basis) not less than fifteen (15) days before the date for renewal of such insurance. The Lessee shall, prior to the expiration of the insurance then in effect, obtain such insurance recommended and certified by such insurance expert that is available on a commercially reasonable basis. The recommendation of the insurance expert shall be conclusive and binding upon the Lessee and the Owner Lessor and the Lessee shall, for so long as such insurance shall be unavailable on a commercially reasonable basis, be required to carry such insurance that the insurance expert has recommended and certified is available on a commercially reasonable basis; provided, however, that if any required insurance hereunder that had previously been unavailable on a commercially reasonable basis shall become available on a commercially reasonable basis, the Lessee shall obtain such required insurance as promptly as practicable after the Lessee has been given notice of such availability, so long as such insurance can be

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obtained without causing unreasonable (as determined by the insurance expert) cost inefficiencies or disruptions mid-term in the existing insurance programs.

All reasonable fees, costs and expenses associated with the insurance panel (including the review by the insurance expert) shall be for the sole account of the Lessee.

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Exhibit A

FORM OF
PROJECT LEASE SUPPLEMENT NO. _

This PROJECT LEASE SUPPLEMENT NO. __, dated as of _____,
is between SE PUNA, L.L.C., a Delaware limited liability company (the "Owner
Lessor"), and PUNA GEOTHERMAL VENTURE, a Hawaii general partnership (the
"Lessee").

WITNESSETH:

WHEREAS, the Owner Lessor and the Lessee have heretofore entered into
that certain Project Lease Agreement, dated as of [__, 2005] (the "Project
Lease"). The terms used herein are used with the meanings specified in the
Project Lease; and

WHEREAS, the Project Lease provides for the execution and delivery of
a Project Lease Supplement substantially in the form hereof for, among other
things, the purpose of leasing the Project and confirming Periodic Lease Rent,
Allocated Rent and Termination Values with respect thereto.

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

Section 1. Lease. The Owner Lessor hereby leases the Project,
upon the terms and conditions set forth in the Project Lease, to the Lessee
for the Basic Lease Term (and Renewal Lease Term, if any) and the Lessee
hereby leases the Project upon the terms and conditions set forth in the
Project Lease, from the Owner Lessor for such Basic Lease Term (and Renewal
Lease Term, if any). The Head Lease Rent for the Project, designated as
such in the Head Lease Supplement therefor, is \$_____.

Section 2. Payment of Periodic Rent. The Lessee hereby agrees to
pay to the Owner Lessor basic lease rent for the lease of the Project (the
"Periodic Lease Rent"), payable with respect to the Basic Lease Term
thereof, as follows: each payment of Periodic Lease Rent shall be payable
on each Rent Payment Date in the amount equal to, subject to Section 3.4 of
the Project Lease, the product of (x) the Head Lease Rent therefor
multiplied by (y) the percentage set forth opposite such Rent Payment Date
on Schedule 1 hereto under the caption "Periodic Lease Rent Percentage."

Section 3. Allocation of Rent. The Periodic Lease Rent allocated
to each Rental Period for the use by the Lessee of the Project shall be an
amount equal to the product of (x) the Head Lease Rent therefor multiplied
by (y) the percentage set forth opposite such Rental Period in Schedule 2
hereof under the caption "Allocation Percentage" (the "Allocated Rent").

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Section 4. Termination Values. Termination Values for any
Termination Date in respect of the Project shall be an amount equal to the
product of (x) the Head Lease Rent therefor multiplied by (y) the
percentage set forth under the heading "Termination Value Percentages" on
Schedule 3 hereto.

Section 5. EBO Price; EBO Date Prepaid Rent Balance. The EBO
Price in respect of the Project shall mean an amount equal to [\$_]
[\$_]. The EBO Date Prepaid Rent Balance shall mean an amount equal to
[\$_] [\$_].

Section 6. FPP0 Price. The FPP0 Price in respect of the Project
shall mean an amount equal to [\$_] [\$_].

Section 7. Miscellaneous. (a) This Project Lease Supplement No. _ shall be construed in connection with and as part of the Project Lease, and all terms, conditions and covenants contained in the Project Lease, except as herein modified, shall be and remain in full force and effect.

(b) This Project Lease Supplement No. __ may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

[FOR INSERTION IN PROJECT LEASE SUPPLEMENT NO. 2 ONLY:(C) THIS PROJECT LEASE SUPPLEMENT NO. 2 SUPERSEDES PROJECT LEASE SUPPLEMENT NO. 1.]

IN WITNESS WHEREOF, the Owner Lessor and the Lessee have caused this Project Lease Supplement No. _ to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

SE PUNA, L.L.C.

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Manager

By: _____
Name:
Title:

PUNA GEOTHERMAL VENTURE

By: ORNI 8 LLC, its partner

By: _____
Name:
Title:

By: OrPuna LLC, its partner

By: _____
Name:
Title:

*Receipt of the original counterpart of the foregoing Project Lease Supplement No. __ is hereby acknowledged on this [____] day of May 2005.

Union Bank of California, N.A.,
as Indenture Trustee

By: _____
Name:
Title:

* This acknowledgment executed in the original counterpart only.

SCHEDULE 1
TO THE
PROJECT LEASE SUPPLEMENT NO. _
PERIODIC LEASE RENT

(expressed as a percentage of Head Lease Rent and in dollars)

RENT PAYMENT DATE	PERIODIC LEASE RENT PERCENTAGE	PERIODIC LEASE RENT
----------------------	-----------------------------------	------------------------

SCHEDULE 2
TO THE
PROJECT LEASE SUPPLEMENT NO. _

ALLOCATED RENT, PROPORTIONAL RENT AND SECTION 467 INTEREST PERCENTAGES

(expressed as a percentage of Head Lease Rent)

RENTAL PERIOD		ALLOCATION PERCENTAGE	PROPORTIONAL RENT PERCENTAGE	SECTION 467 INTEREST PERCENTAGE
FROM AND INCLUDING	TO AND INCLUDING			

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. _

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	[1] TERMINATION VALUE PERCENTAGE	[2] SECTION 467 LOAN BALANCE PERCENTAGE	=[1] - [2]
---------------------	--	--	------------

EXECUTION COPY

PROJECT LEASE AGREEMENT

Dated as of May 18, 2005

between

SE PUNA, L.L.C.,

as Owner Lessor,

and

PUNA GEOTHERMAL VENTURE,

as Lessee

PUNA GEOTHERMAL GENERATION PROJECT

CERTAIN OF THE RIGHT, TITLE AND INTEREST OF THE OWNER LESSOR IN AND TO THIS PROJECT LEASE AGREEMENT AND THE RENT DUE AND TO BECOME DUE HEREUNDER HAVE BEEN ASSIGNED AS COLLATERAL SECURITY TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, UNION BANK OF CALIFORNIA, N.A., NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS INDENTURE TRUSTEE UNDER AN INDENTURE OF TRUST AND SECURITY AGREEMENT, DATED AS OF MAY 18, 2005 BETWEEN SAID INDENTURE TRUSTEE, AS SECURED PARTY, AND THE OWNER LESSOR, AS DEBTOR. SEE SECTION 20 HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF THE ORIGINAL HOLDER AND THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

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PROJECT LEASE AGREEMENT

This PROJECT LEASE AGREEMENT, dated as of May 18, 2005 (this "Project Lease"), is between SE PUNA, L.L.C., a Delaware limited liability company (the "Owner Lessor"), and PUNA GEOTHERMAL VENTURE, a Hawaii general partnership (the "Lessee").

WITNESSETH:

WHEREAS, pursuant to the Head Lease, the Owner Lessor has leased the Project from the Lessee for the Head Lease Term;

WHEREAS, pursuant to this Project Lease, the Owner Lessor desires to lease the Project to the Lessee for the Basic Lease Term and the Renewal Lease Terms, if any, provided herein, and the Lessee desires to lease the Project from the Owner Lessor on such terms;

WHEREAS, the Project is located on the Project Site (as more particularly described on Exhibit A hereto), but the Project does not include the Project Site or any part thereof, and no part of the Project Site is being leased to the Lessee under this Project Lease; and

WHEREAS, pursuant to the Sublease of the Power Plant Sublease, the Lessee

is subleasing the Project Site to the Owner Lessor for a term equal to the term of the Head Lease and pursuant to the Sub-Sublease of Power Plant Sublease, the Owner Lessor is sub-subleasing the Project Site to the Lessee for a term equal to the Basic Lease Term, including any Renewal Lease Term;

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

SECTION 1. DEFINITIONS

Unless the context hereof shall otherwise require, capitalized terms used in this Project Lease, including the foregoing recitals, and not otherwise defined herein shall have the respective meanings specified in Appendix A to the Participation Agreement, dated as of May 18, 2005, among the Lessee, the Owner Lessor, SE Puna Lease, L.L.C., as Equity Investor, Wilmington Trust Company, in its individual capacity, the Noteholders named therein and Union Bank of California, N.A., as Indenture Trustee. The general provisions of such Appendix A shall apply to this Project Lease.

SECTION 2. LEASE OF THE PROJECT

Section 2.1. Lease. The Owner Lessor hereby leases the Project (such lease to be evidenced by the execution and delivery of Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2 in respect thereof), upon the terms and conditions set forth herein and in Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2, to the Lessee for the Basic Lease Term and, subject to the Lessee's exercise of the renewal option or options in Section 15, one or more Renewal Lease Terms, as the case may be, and the

Lessee hereby leases the Project, upon the terms and conditions set forth herein and in Project Lease Supplement No. 1 or, if executed, Project Lease Supplement No. 2, from the Owner Lessor for such term. The Lessee and the Owner Lessor understand and agree that this Project Lease is subject to the Permitted Encumbrances. The Project shall be subject to the terms of this Project Lease from the date on which this Project Lease is executed and delivered.

SECTION 3. BASIC LEASE TERM AND RENT

Section 3.1. Basic Lease Term. The basic lease term of this Project Lease for the Project (the "Basic Lease Term") shall commence on the Closing Date and shall terminate at 11:59 p.m. (New York City time) on January 3, 2028 (the "Basic Lease Term Expiration Date"), subject to earlier termination in whole pursuant to Section 10, 13, 14, 17 or 22 hereof.

Section 3.2. Rent.

(a) Payment of Rent. The Lessee hereby agrees to pay to the Owner Lessor Periodic Lease Rent, payable with respect to the Basic Lease Term for the lease of the Project. Renewal Lease Rent shall be paid on the dates and in the amounts set forth in Section 15. All Periodic Lease Rent and Renewal Lease Rent to be paid pursuant to this Section 3.2 shall be payable in the manner set forth in Section 3.5.

(b) Allocation of Rent. The Periodic Lease Rent allocated to each Rental Period for the use by the Lessee of the Project shall be an amount equal to the Allocated Rent. Notwithstanding that Periodic Lease Rent is payable in accordance with Section 3.2(a) hereof and without limiting the Lessee's payment obligations under Section 3.2(a), the Allocated Rent calculated pursuant to this Section 3.2(b) shall represent and be the amount of Periodic Lease Rent for which the Lessee becomes liable on account of the use of the Project for each calendar year included in whole or in part in the Basic Lease Term.

(c) Section 467 Loan, Etc. It is the intention of the Owner Lessor and the Lessee that the allocation of Periodic Lease Rent to each Rental Period as provided in Section 3.2(b) constitutes a specific allocation of fixed rent within the meaning of Treasury Regulation Section 1.467-1(c)(2)(ii) with the effect that the Owner Lessor and the Lessee, on any federal income tax returns filed by them (or on any federal income tax returns (and any state and local income tax returns that follow the reporting on the relevant party's federal income tax return) on which their income is included), shall accrue the amounts of rental income and rental expense, respectively, set forth for each Rental Period in an amount equal to the Proportional Rent. In addition, (i) if, with respect to any Rental Period, the percentage set forth for such Rental Period under the caption "Section 467 Interest Percentage" set forth in Schedule 2 to Project Lease Supplement No. 1 (or if executed, Project Lease Supplement No. 2) is positive, the Owner Lessor shall deduct interest expense and the Lessee shall accrue interest income with respect to such period in an amount equal to the product of the Head Lease Rent multiplied by such percentage ("Lessor Section 467 Interest") and (ii) if, with respect to any Rental Period, the percentage set forth for such Rental Period under the caption "Section 467 Interest Percentage" set forth in Schedule 2 to Project Lease Supplement No. 1 (or if executed, Project Lease Supplement No. 2) is in parentheses, the Owner Lessor shall accrue interest income and the Lessee shall deduct interest expense with respect to such period in an amount equal to the

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product of the Head Lease Rent multiplied by such percentage ("Lessee Section 467 Interest"). All Section 467 Interest and principal in respect thereof, Proportional Rent and Allocated Rent is already included as part of Periodic Lease Rent and Termination Values, is payable as a portion thereof, and has been taken into account in the calculation of the percentage set forth under the heading "Periodic Lease Rent Percentage" on Schedule 1 to Project Lease Supplement No. 1 (or if executed, Project Lease Supplement No. 2) or under the heading "Termination Value Percentage" on Schedule 3 to Project Lease Supplement No. 1 (or if executed, Project Lease Supplement No. 2). In no event shall any Section 467 Interest or principal in respect thereof, Proportional Rent and/or Allocated Rent be separately payable (including upon any termination of this Project Lease, and regardless of whether or not Termination Value shall be payable in connection with any such termination), it being agreed and understood that these items represent characterizations for federal income tax purposes only, including in the case of any termination of this Project Lease pursuant to Sections 10, 13, 14 and 17 where Termination Value is not payable.

Section 3.3. Supplemental Lease Rent. The Lessee also agrees to pay to the Owner Lessor, or to any other Person entitled thereto as expressly provided herein or in any other Operative Document, as appropriate, any and all Supplemental Lease Rent, promptly as the same shall become due and owing, or where no due date is specified, promptly after demand by the Person entitled thereto, and in the event of any failure on the part of the Lessee to pay any Supplemental Lease Rent, the Owner Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise for the failure to pay Periodic Lease Rent or Renewal Lease Rent. The Lessee will also pay as Supplemental Lease Rent, to the extent permitted by Applicable Law, an amount equal to interest at the Overdue Rate on any part of any payment of Periodic Lease Rent or Renewal Lease Rent not paid when due for any period for which the same shall be overdue and on any Supplemental Lease Rent not paid when due (whether on demand or otherwise) for the period from such due date until the same shall be paid. The Lessee also agrees to pay as Supplemental Lease Rent an amount equal to any premium, including Make Whole Premium, required to be paid pursuant to the Indenture or any Senior Note (other than any Make Whole Premium which may be payable after an assumption of the Senior Notes by the Equity Investor pursuant to Section 11.4 of the Participation Agreement after the termination of this Project Lease) and any amount required to be paid as compensation by the Owner Lessor pursuant to Section 5.4(A) of the Indenture.

All Supplemental Lease Rent to be paid pursuant to this Section 3.3 shall be payable in the manner set forth in Section 3.5.

Section 3.4. Adjustment of Lease Schedules; Minimum Rent.

(a) The Lessee and the Owner Lessor agree that Periodic Lease Rent, Allocated Rent, FPPO Price, EBO Price, Proportional Rent, Section 467 Interest and principal in respect thereof, and Termination Values shall be adjusted, either upwards or downwards, to reflect (i) the issuance of any Additional Senior Notes pursuant to Section 2.12 of the Indenture in connection with a refunding or refinancing of the Senior Notes pursuant to Section 11.3 of the Participation Agreement (ii) the issuance of Additional Senior Notes pursuant to Section 2.12 of the Indenture in connection with the financing of Modifications pursuant to Section 11.1 of the Participation Agreement and (iii) any payment of Head Lease Rent pursuant to Section 11.2(c) of the Participation Agreement. In the event of a refinancing of the Senior Notes and issuance of

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Additional Senior Notes pursuant to clause (i) above, the Periodic Lease Rent and Allocated Rent shall change solely to reflect the change in interest payable on the Additional Senior Notes issued from the interest on the Senior Notes being refunded or refinanced. In the event that the Lessee obtains supplemental financing pursuant to clause (ii) above, Periodic Lease Rent and Allocated Rent shall change solely to reflect the increased debt service payable on the Senior Notes as a result of the issuance of Additional Senior Notes.

(b) Any adjustments pursuant to this Section 3.4 shall be calculated to preserve the Equity Investor's Net Economic Return through the end of the Basic Lease Term and to maintain a minimum Projected Lease Rent Coverage Ratio of 1.40 to 1.00 on each Rent Payment Date during the remainder of the Basic Lease Term; provided, however, that to the extent consistent with preserving the Equity Investor's Net Economic Return, all adjustments shall be calculated to preserve operating lease treatment for the Lessee under GAAP and to minimize, to the extent possible, the internal rate of return of the Periodic Lease Rents and the present value of the Periodic Lease Rent through the end of the Basic Lease Term. Adjustments will be made using the same method of computation and assumptions, including Tax Assumptions and Pricing Assumptions originally used (other than those that have changed as the result of the event giving rise to the adjustment) in the calculation of the Periodic Lease Rent, Allocated Rent, Section 467 Loan Balance, Section 467 Loan Interest and Termination Values and to comply with law including Section 467 of the Code (except to the extent that the original transaction did not comply therewith). The adjustments contemplated by this Section 3.4 will result in corresponding adjustments to Allocated Rent, Proportional Rent, Section 467 Loan Balances, Section 467 Interest and Termination Values.

(c) Anything herein or in any other Operative Document to the contrary notwithstanding, Periodic Lease Rent payable on any Rent Payment Date, whether or not adjusted in accordance with this Section 3.4, shall, in the aggregate, be in an amount at least sufficient to pay in full principal and interest payable on the Senior Notes on such Rent Payment Date (except principal and interest payable upon an Indenture Event of Default that is not caused by a Lease Event of Default). Anything herein or in any other Operative Document to the contrary notwithstanding, Termination Values, the EBO Price and the FPPO Price payable on any date under this Project Lease, whether or not adjusted in accordance with this Section 3.4, shall be, together with all other Rent due and owing on such date, exclusive of any portion thereof that is an Excepted Payment, in an amount at least sufficient to pay in full the principal of, premium, if any, and interest payable on the Senior Notes on such date.

(d) Any adjustment pursuant to this Section 3.4 shall initially be computed by the Equity Investor, subject to the verification procedure described

in this Section 3.4(d). Once computed, the results of such computation shall promptly be delivered by the Equity Investor to the Lessee. Within 20 days after the receipt of the results of any such adjustment, the Lessee may request that a nationally recognized firm of accountants or lease advisors selected by the Equity Investor and reasonably satisfactory to the Lessee (the "Verifier") verify, after consultation with the Equity Investor and the Lessee, the accuracy of such adjustment in accordance with this Section 3.4. The Equity Investor and the Lessee hereby agree, (i) each shall have the right to communicate with the Verifier, and (ii) subject to the execution by the Verifier of an appropriate confidentiality agreement, to provide the Verifier with all information and

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materials (other than income tax returns) as shall be necessary in connection therewith. If the Verifier confirms that such adjustment is in accordance with this Section 3.4, it shall so certify to the Lessee, the Owner Lessor and the Equity Investor and such certification shall be final, binding and conclusive on the Lessee, the Equity Investor and the Owner Lessor. If the Verifier concludes that such adjustment is not in accordance with this Section 3.4, and the adjustments to Periodic Lease Rent, Allocated Rent, Proportional Rent, Section 467 Loan Balance, Section 467 Interest or Termination Value calculated by the Verifier are different from those calculated by the Equity Investor, then it shall so certify to the Lessee, the Owner Lessor and the Equity Investor and the Verifier's calculation shall be final, binding and conclusive on the Lessee, the Owner Lessor and the Equity Investor. If the Lessee does not request verification of any adjustment within the period specified above, the computation provided by the Equity Investor shall be final, binding and conclusive on the Lessee, the Owner Lessor and the Equity Investor. The final determination of any adjustment hereunder shall be set forth in an amendment to this Project Lease, executed and delivered by the Owner Lessor and the Lessee and consented to by the Equity Investor; provided, however, that any omission to execute and deliver such amendment shall not affect the validity and effectiveness of any such adjustment. The reasonable fees, costs and expenses of the Verifier in verifying an adjustment pursuant to this Section 3.4 shall be paid by the Lessee; provided, however, that, in the event that such Verifier determines that the present value of Periodic Lease Rent to be made under this Project Lease as calculated by the Equity Investor is greater than the present value of the correct Periodic Lease Rent as certified by the Verifier, in each case, discounted semiannually on each Rent Payment Date at the Discount Rate, by more than six basis points, then such expenses of the Verifier shall be paid by the Equity Investor. Notwithstanding anything herein to the contrary, the sole responsibility of the Verifier shall be to verify the calculations hereunder and matters of interpretation of this Project Lease or any other Operative Document shall not be within the scope of the Verifier's responsibilities. In addition, notwithstanding any other provisions in the Operative Documents, in no event shall the EBO Price be adjusted to an amount that is less than the greatest of (A) the Termination Value for the Project computed as of the EBO Date, (B) the estimated fair market value of the Project on the EBO Date (as set forth in the appraisal received pursuant to Section 4(n) of the Participation Agreement or this Section 3.4, as the case may be), and (C) the present value as of the EBO Date of the sum of (i) the then remaining scheduled Periodic Lease Rent payments through the end of the Basic Lease Term as set forth in such appraisal, and (ii) the FPPO Price (the present value calculation described in this clause (C) shall be determined utilizing a semi-annual compounded discount rate equal to the Discount Rate.

Section 3.5. Manner of Payments. All Rent (whether Periodic Lease Rent, Renewal Lease Rent or Supplemental Lease Rent) shall be paid by the Lessee in lawful currency of the United States of America in immediately available funds to the recipient not later than 1:00 p.m. (New York City time) on the date due. All Rent payable to the Owner Lessor by the Lessee (other than Excepted Payments) shall be paid by the Lessee to the Owner Lessor by payment to the Owner Lessor's Account, or to such other place as the Owner Lessor shall notify

the Lessee in writing; provided, however, that so long as the Lien of the Indenture has not been terminated and fully discharged, the Owner Lessor hereby irrevocably directs (it being agreed and understood that such direction shall be deemed to have been revoked after the Lien of the Indenture shall have been terminated and fully discharged in accordance with its terms), and the Lessee agrees, that all payments of Rent (other than Excepted Payments) payable to the Owner

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Lessor shall be paid to such place as the Indenture Trustee shall notify the Lessee in writing pursuant to the Indenture. Payments constituting Excepted Payments shall be made to the Person entitled thereto at the address for such Person set forth in the Participation Agreement, or to such other place as such Person shall notify the Lessee in writing.

SECTION 4. DISCLAIMER OF WARRANTIES; RIGHT OF QUIET ENJOYMENT

Section 4.1. Disclaimer of Warranties.

(a) Without waiving any claim the Lessee may have against any manufacturer, vendor or contractor, THE LESSEE ACKNOWLEDGES AND AGREES SOLELY FOR THE BENEFIT OF THE OWNER LESSOR, THE EQUITY INVESTOR AND THE INDENTURE TRUSTEE THAT (i) THE PROJECT AND EACH COMPONENT THEREOF IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE ACCEPTABLE TO THE LESSEE, (ii) THE LESSEE IS SATISFIED THAT THE PROJECT AND EACH COMPONENT THEREOF IS SUITABLE FOR THEIR RESPECTIVE PURPOSES, (iii) NEITHER THE OWNER LESSOR NOR THE EQUITY INVESTOR IS A MANUFACTURER OR A DEALER IN PROPERTY OF SUCH KIND, (iv) THE PROJECT IS LEASED HEREUNDER TO THE EXTENT PROVIDED HEREBY FOR THE BASIC LEASE TERM AND THE RENEWAL LEASE TERMS, IF ANY, SPECIFIED HEREIN SUBJECT TO ALL APPLICABLE LAWS NOW IN EFFECT OR HEREAFTER ADOPTED, INCLUDING (1) ZONING REGULATIONS, (2) ENVIRONMENTAL LAWS OR (3) BUILDING RESTRICTIONS, AND IN THE STATE AND CONDITION OF EVERY PART THEREOF WHEN THE SAME FIRST BECAME SUBJECT TO THIS PROJECT LEASE WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE OWNER LESSOR OR THE EQUITY INVESTOR AND (v) THE OWNER LESSOR LEASES FOR THE BASIC LEASE TERM AND THE RENEWAL LEASE TERMS, IF ANY, SPECIFIED HEREIN AND THE LESSEE TAKES THE PROJECT UNDER THIS PROJECT LEASE "AS-IS," "WHERE-IS" AND "WITH ALL FAULTS," AND THE LESSEE ACKNOWLEDGES THAT NONE OF THE OWNER LESSOR, THE EQUITY INVESTOR OR THE INDENTURE TRUSTEE MAKES NOR SHALL BE DEEMED TO HAVE MADE, AND EACH EXPRESSLY DISCLAIMS, ANY AND ALL RIGHTS, CLAIMS, WARRANTIES OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION, MERCHANTABILITY THEREOF OR AS TO THE TITLE OF THE PROJECT OR THE OWNER LESSOR'S LEASEHOLD INTEREST, THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT THERETO, except that the Owner Lessor represents and warrants that on the Closing Date, the Project will be free of Owner Lessor's Liens. It is agreed that all such risks, as between the Owner Lessor and the Equity Investor on the one hand and the Lessee on the other hand are to be borne by the Lessee with respect to acts, occurrences or omissions during the Project Lease Term. None of the

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Owner Lessor, the Equity Investor or the Indenture Trustee shall have any responsibility or liability to the Lessee or any other Person with respect to any of the following: (x) any liability, loss or damage caused or alleged to be caused directly or indirectly by the Project or any Component or by any

inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (y) the use, operation or performance of the Project or any Component thereof or any risks relating thereto; or (z) the delivery, operation, servicing, maintenance, repair, improvement, replacement or decommissioning of the Project or any Component thereof. The provisions of this paragraph (a) of this Section 4.1 have been negotiated, and, except to the extent otherwise expressly stated herein or in Sections 3.2(f) and 3.4(f) of the Participation Agreement, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties of the Owner Lessor and the Equity Investor, express or implied, with respect to the Project or any Components thereof that may arise pursuant to any Applicable Law now or hereafter in effect or otherwise.

(b) During the Project Lease Term, so long as no Lease Event of Default shall have occurred and be continuing, the Owner Lessor hereby appoints irrevocably and constitutes the Lessee its agent and attorney-in-fact, coupled with an interest, to assert and enforce, from time to time, in the name and for the account of the Owner Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Owner Lessor may have in respect of the Project or any Component thereof against any manufacturer, vendor or contractor or under any express or implied warranties relating to the Project or any Component thereof.

Section 4.2. Quiet Enjoyment. The Owner Lessor agrees that, notwithstanding any provision of any other Operative Document, so long as no Lease Event of Default shall have occurred and be continuing, the Owner Lessor shall not interfere with or interrupt the quiet enjoyment of the use, operation and possession by the Lessee of the Project or Modifications thereto during the Project Lease Term.

SECTION 5. RETURN OF PROJECT

Section 5.1. Return. Unless the Lessee shall have purchased the Owner Lessor's Leasehold Interest in accordance with Section 22 hereof, upon expiration or early termination of this Project Lease, the Lessee, at its own expense, shall return the Project (together with any Modifications, title to which shall have vested in the Owner Lessor pursuant to the first sentence of Section 8.3) to the Owner Lessor or any transferee or assignee of the Owner Lessor by surrendering the Project into the possession of the Owner Lessor or such transferee or assignee at the Project Site subject to the return conditions set forth in Sections 5.2 and 5.3. In connection with such return, the Lessee shall:

(i) assign, to the extent permitted by Applicable Law, and shall cooperate with all reasonable requests of the Equity Investor, the Owner Lessor or any transferee or assignee of either of such parties for purposes of obtaining, or enabling the Equity Investor, the Owner Lessor or such transferees or assignees to obtain, any and all Governmental Approvals and licenses, permits, approvals and consents of any other Persons that are or will be required to be obtained by the Equity

Investor, the Owner Lessor or such transferee or assignee in connection with the use, operation or maintenance of the Project on or after such return in compliance with Applicable Law; provided that if any such Governmental Approval or other license, permit, approval or consent also relates to any other facilities, the Lessee and the Owner Lessor shall enter into mutually satisfactory arrangements so that the Project and such other facilities may each be owned, operated and maintained in a commercially reasonable manner;

(ii) provide the Owner Lessor or a transferee or assignee of Owner Lessor copies of all documents (including all Governmental Approvals and related materials), instruments, plans, maps, specifications, manuals, drawings and other documentary materials relating to the installation, maintenance, operation, construction, design, modification and repair of the Project as shall be in the Lessee's possession and shall be reasonably appropriate or necessary for the continued operation of the Project; and

(iii) assign to the Owner Lessor, or its designee, any Project Document requested by the Owner Lessor by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared by and at the expense of the Lessee.

Upon such return, the right to use the Project granted hereunder for the benefit of the Lessee shall cease and terminate.

Section 5.2. Condition Upon Return. At the time of the return of the Project by the Lessee to the Owner Lessor or any transferee or assignee of the Owner Lessor pursuant to Section 5.1, the following conditions shall be complied with, all at the Lessee's sole cost and expense; provided that clauses (a), (b) and (d) shall not apply to any return pursuant to Section 10 and clause (b) (solely with respect to compliance with Section 8) shall not apply to any termination pursuant to Section 14:

(a) the Project shall be in at least as good condition as it would have been in if it had been maintained in the manner required by the terms of this Project Lease and shall be free and clear of all Liens (other than Permitted Liens described in clause (a)-(c), (f), (g) and (j) of the definition thereof);

(b) the Project shall be in compliance with Sections 7 and 8;

(c) no Component shall be a temporary component and any replacement component shall satisfy the standards of Section 7.2;

(d) if this Project Lease is being terminated and the Owner Lessor's Leasehold Interest is being transferred to a third party pursuant to Section 13 or Section 14, the Lessee, at the request of the Owner Lessor, shall enter into arrangements with such third party reasonably acceptable to such third party to permit such third party access to and use of the Project and the Project Site; and

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(e) the Lessee, at the request of the Owner Lessor made in accordance with Section 8.4, shall sell to the Owner Lessor (or its transferee or assignee) on the date set forth in Section 8.4 at the then Fair Market Sales Value thereof each Removable Modification to the Project requested by the Owner Lessor, and/or the Expansion Project, subject in each case to all existing Liens. The fees and expenses of the Independent Appraiser(s) incurred pursuant to this clause (e) shall be paid by the Owner Lessor. If the Owner Lessor determines not to purchase any Removable Modification (which may include the Expansion Project) the Lessee, at its expense, shall remove such Removable Modification from the Project Site no later than the expiration or termination date of the Project Lease without damaging or otherwise adversely affecting the Project.

Section 5.3. Environmental Reports; Clean-up.

(a) In connection with the return of the Project to the Owner Lessor pursuant to this Section 5, the Lessee shall, at its own expense, provide the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee (i) not earlier than nine

(9) months nor later than three (3) months prior to the expiration date of the Basic Lease Term or the last Renewal Lease Term elected by the Lessee, (ii) in connection with any return pursuant to Section 10, 13 or 14, no later than three (3) months prior to the expiration of this Project Lease or (iii) in connection with any return pursuant to Section 17, as promptly as possible after such return (but, so long as reasonable access is provided, within 45 days after such return), a phase I environmental report including a compliance with Environmental Laws audit (together referred to as "phase I survey") addressed to the Owner Lessor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee, as to the environmental condition of the Project, the presence or absence of any Environmental Conditions and compliance or noncompliance with applicable Environmental Laws. Such phase I survey shall have been performed not earlier than 90 days prior to the date such phase I survey is provided to the Owner Lessor, by a reputable environmental consulting firm (selected by the Lessee and reasonably acceptable to the Equity Investor), and shall be in form and scope reasonably satisfactory to the Equity Investor and, if the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee. The phase I survey will only be expanded to a phase II environmental survey if and only if, as a result of the phase I survey, facts are revealed that would reasonably require further investigation in order to assess the environmental condition of the Project, the presence or absence of any Environmental Conditions, or compliance or noncompliance with applicable Environmental Laws. The provisions of such environmental surveys shall not relieve the Lessee of any indemnification obligation or liability with respect to Environmental Conditions existing at the time of such return, whether known or unknown, in respect of the Project.

(b) If the phase I survey (and phase II environmental survey, if necessary) delivered pursuant to Section 5.3(a) indicates that any action (including cleaning, investigation, abatement, correction, removal or remediation) is then required under any then applicable Environmental Laws (whether indicated in the phase I survey or phase II environmental survey or otherwise and including any action then required under applicable Environmental Laws for the Project to be then in compliance with such Laws), the Lessee shall, at its own expense, within 90 days of the Owner Lessor having received such survey provide the Owner Lessor and, so long

as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, with a remediation plan reasonably satisfactory to the Equity Investor and, if the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, designed to effect compliance with applicable Environmental Laws and the return conditions set forth in this Section 5 as promptly as is reasonably practical (and in any event prior to the expiration of the Project Lease Term) and without materially adversely affecting the continued operation of the Project. To the extent that any action (including cleaning, investigation, abatement, correction, removal or remediation) required to be taken under this Section 5.3(b) cannot reasonably be completed prior to expiration or termination of this Project Lease, the Lessee shall complete such action (including cleaning, investigation, abatement, correction, removal or remediation) as promptly thereafter as is reasonably practical, and in addition the Lessee shall provide to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, (x) adequate financial assurance during such period following such expiration or termination of this Project Lease or (y) an agreement from an entity that meets the Minimum Credit Rating that such obligations shall be satisfied. The obligations of the Lessee set forth in this Section 5.3(a) and (b) shall survive the termination of this Project Lease and the expiration of the Project Lease Term.

Section 5.4. Expenses. The Lessee agrees to pay or reimburse, on an After-Tax Basis, on demand, all reasonable costs and expenses incurred by the

Owner Lessor, the Equity Investor, the Indenture Trustee and any Noteholder in connection with any return contemplated by this Section 5.

SECTION 6. LIENS

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Project (or any Component thereof), the Project Site, the Lessee's Interest in the Geothermal Resource or the Owner Lessor's interest therein, except Permitted Liens, and the Lessee shall promptly notify the Owner Lessor of the imposition of any such Lien of which the Lessee is aware and shall promptly, at its own expense, take such action as may be necessary to fully discharge and release any such Lien.

SECTION 7. MAINTENANCE; REPLACEMENTS OF COMPONENTS

Section 7.1. Maintenance. The Lessee, at its own cost and expense, will (a) cause the Project to be maintained in good condition, repair and working order (ordinary wear and tear excepted) and in any event in all material respects (i) in accordance with Prudent Industry Practice, (ii) in compliance with all Applicable Laws of any Governmental Entity having jurisdiction, including all Environmental Laws (provided, however, that the Lessee may, in good faith and by appropriate proceedings, diligently contest the validity or application of any Applicable Law in any reasonable manner which does not involve any danger of (A) foreclosure, sale, forfeiture or loss of, or imposition of a Lien (other than a de minimis Lien) on, such Project, (B) impair (other than in a de minimis fashion) the use, operation or maintenance of such Project in any respect, (C) any criminal liability being incurred by the Equity Investor, the Owner Lessor, the Indenture Trustee or any Noteholder, (D) the Equity Investor, the Owner Lessor, the Indenture Trustee or any Noteholder being subject to any unindemnified civil liability or of the

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Equity Investor or the Owner Lessor being subject to regulation as a public utility under Applicable Law or (E) any Material Adverse Effect); and (iii) in accordance with the terms of all insurance policies required to be maintained pursuant to Section 11 and (b) cause to be made, at its own cost and expense, all repairs, renewals, replacements, betterments and improvements thereof, all as may be necessary so that the Project may be operated in accordance with its intended purposes.

Section 7.2. Replacement of Components. In the ordinary course of maintenance, service, repair or testing of the Project or any Component the Lessee, at its own cost and expense, may remove or cause or permit to be removed from the Project any Component; provided, however, that the Lessee shall (a) cause such Component to be replaced by a replacement Component which shall be free and clear of all Liens (except Permitted Liens described in clauses (a)-(c), (e) (solely for amounts not yet delinquent), (f), (g) or (j) of the definition thereof) and in at least as good operating condition as the Component replaced, assuming that the Component replaced was maintained in accordance with this Project Lease (each such replacement Component being herein referred to as a "Replacement Component") and (b) cause such replacement to be performed in a manner which does not (i) decrease by more than a de minimis amount the current or residual value, remaining useful life or utility of the Project below the current or residual value, the remaining useful life or the utility thereof immediately prior to such replacement (assuming the Project and such Component thereof was then in the condition required to be maintained by the terms of this Project Lease), (ii) cause the Project to become "limited-use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156 or (iii) cause the Lessee or the Owner Lessor to be in default under any applicable term or provision of any Operative Document. If any Component to the Project that is subject to this Project Lease is at any time removed from the Project, such Component shall remain subject to this Project Lease, wherever located, until such time as such

Component shall be replaced by a Replacement Component which has been incorporated in the Project and which meets the requirements for Replacement Components specified above. Immediately upon any Replacement Component becoming incorporated in the Project, without further act (and at no cost to the Owner Lessor and with no adjustment to the Head Lease Rent, Periodic Lease Rent, Allocated Rent, Proportional Rent or Renewal Lease Rent), (x) the replaced Component shall no longer be subject to this Project Lease, (y) such replaced Component shall be free and clear of all rights of the Owner Lessor and the Indenture Trustee, and (z) the Replacement Component shall become subject to the Head Lease and this Project Lease and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Lien of the Indenture, and (ii) be deemed a part of the Project for all purposes of this Project Lease. Notwithstanding anything in this Section 7.2 or elsewhere in this Project Lease to the contrary, if the Lessee has determined that a Component is surplus or obsolete, it shall have the right to remove such Component without replacing it; provided, that no such Component may be so removed without being replaced if such removal would decrease by more than a de minimis amount the current or residual value, remaining useful life or utility of the Project below the current or residual value, the remaining useful life or the utility thereof immediately prior to such removal (assuming the Project was then in the condition required to be maintained by the terms of this Project Lease) or cause the Project to become "limited-use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156.

SECTION 8. MODIFICATIONS

Section 8.1. Required Modifications. The Lessee, at its own cost and expense, shall make or cause to be made all Modifications to the Project as are required (a) by Applicable Law (provided, however, that the Lessee may, in good faith and by appropriate proceedings, diligently contest the validity or application of any Applicable Law in any reasonable manner which (i) does not involve any danger of foreclosure, sale, forfeiture or loss of, or imposition of a Lien on, the Project or any material part thereof or impair the use, operation or maintenance of the Project in any material respect, and (ii) could not result in any criminal liability being incurred by, or could not reasonably be expected to have any material adverse effect on the interests of, the Equity Investor (or any Affiliate thereof) or the Owner Lessor, including subjecting the Equity Investor (or any Affiliate thereof) or the Owner Lessor to regulation as a public utility under Applicable Law solely as a result of such contest; provided, that no such contest may extend beyond the expiration or early termination of this Project Lease) or (b) to maintain in effect any insurance required to be maintained by the Lessee under any Operative Document Modifications (each, a "Required Modification"). In connection with the making of any Required Modification, the Lessee shall procure all consents (including, to the extent applicable, consents from the Power Purchaser under the Power Purchase Agreement) and approvals from any Governmental Entity having jurisdiction.

Section 8.2. Optional Modifications. The Lessee at any time may, at its own cost and expense, make or cause or permit to be made any Modification to the Project as the Lessee considers necessary or desirable in the proper conduct of its business (any such Modification that is not a Required Modification being referred to as an "Optional Modification"), provided that the Lessee shall not make and shall prevent from being made any Optional Modification to the Project that would (i) decrease by more than a de minimis amount the current or residual value, utility or remaining useful life of the Project below the current or residual value, utility or remaining useful life of the Project immediately prior to such Modification assuming the Project was then in the condition required to be maintained by the terms of this Project Lease or (ii) cause the Project to become "limited-use" property, within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156, and no such Optional Modification shall be made

unless (x) the Lessee provides to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee a certification from the Geothermal Consultant that such Modification is not reasonably expected materially and adversely to affect the Owner Lessor's rights under the Sublease of Resource Sublease or otherwise materially reduce or impair the Geothermal Resource available to the Lessee pursuant to the Resource Sublease Partial Assignment for the purpose of satisfying its obligations under the Power Purchase Agreement, (y) the Lessee shall have received all consents (including, to the extent applicable, consents from the Power Purchaser under the Power Purchase Agreement) and approvals from any Governmental Entity having jurisdiction and (z) such Modification could not reasonably be expected to have a Material Adverse Effect (collectively, the "Improvement Conditions").

Section 8.3. Modifications Subject to Head Lease. All (a) Required Modifications (including Severable Modifications that are Required Modifications), (b) Nonseverable Modifications and (c) Modifications financed by the Owner Lessor by an

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Additional Equity Investment or a Supplemental Financing pursuant to Section 11.1 of the Participation Agreement shall (without adjustment to the Head Lease Rent (except as set forth in Section 11.2 of the Participation Agreement) or, except as provided herein or in Section 11.2 of the Participation Agreement, Periodic Lease Rent, Allocated Rent, Proportional Rent or Renewal Lease Rent) immediately (i) become subject to the Head Lease and this Project Lease and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Owner Lessor's Leasehold Interest therein shall immediately become subject to the Lien of the Indenture, and (ii) be deemed part of the Project for all purposes of this Project Lease and the other Operative Documents. The Lessee, at its own cost and expense, shall take such steps as the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee may reasonably require from time to time to confirm that such Modifications are subject to the Head Lease and this Project Lease and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Owner Lessor's interest therein are subject to the Lien of the Indenture. Optional Modifications which are Severable Modifications and which are not financed by the Owner Lessor by an Additional Equity Investment or a Supplemental Financing pursuant to Section 11.1 of the Participation Agreement are referred to herein as "Removable Modifications"). All Modifications other than Removable Modifications shall become subject to the Head Lease, this Project Lease and the Lien of the Indenture. The parties agree that the Well Improvements are Nonseverable Modifications.

Section 8.4. Purchase of Removable Modifications and Expansion Project. Unless this Project Lease shall have sooner terminated, not later than twenty (20) days prior to the Basic Lease Term Expiration Date (or any Renewal Term then in effect), the Lessee shall notify the Owner Lessor of all Removable Modifications which have not been removed from the Project. The Owner Lessor shall have the right to purchase any Removable Modifications made to the Project including those with respect to the Expansion Project which have not been removed from the Project. The Owner Lessor may only exercise the purchase option described in the immediately preceding sentence by irrevocable written notice to the Lessee. The purchase price for Removable Modifications and the Expansion Project to be purchased by the Owner Lessor shall be the then Fair Market Sales Value as determined pursuant to Section 5.2(e). The Lessee may, at the Lessee's cost and expense, remove any Removable Modifications, including the Expansion Project that the Owner Lessor has not elected to purchase. The Lessee shall (at the Lessee's cost and expense) repair any damage to the Project caused by the removal by the Lessee of any Removable Modification including those with respect to the Expansion Project. Any Removable Modification to the Project including those with respect to the Expansion Project which are not removed by the Lessee

at or prior to the expiration or early termination of the Project Lease shall become subject to the Head Lease (at no cost to the Owner Lessor).

SECTION 9. NET LEASE

This Project Lease is a "net lease" and the Lessee's obligation to pay all Rent, including Periodic Lease Rent, Renewal Lease Rent and Supplemental Rent payable hereunder, (and the accrual of Allocated Rent) shall be absolute and unconditional under any and all circumstances and shall not be terminated, extinguished, diminished, lost, setoff (except as expressly provided herein) or otherwise impaired by any circumstance of any character, including by (i) any claim, setoff, counterclaim, recoupment, defense or other right which the Lessee may have against the

Owner Lessor, the Equity Investor, the Indenture Trustee, any of their respective Affiliates or any other Person, including any claim as a result of any breach by any of said parties of any covenant or provision in this Project Lease or any other Operative Document, (ii) any lack or invalidity of title or any defect in the title, condition, design, operation, merchantability or fitness for use of the Project or any Component or any portion of any thereof, or any eviction by paramount title or otherwise, or any unavailability of the Project, the Lessee's interest in the Geothermal Resource, the Project Site, any Component or any portion of either thereof, any other portion of the Project, or any part thereof, (iii) any loss, theft or destruction of, or damage to, the Project or any Component or any portion of any thereof or interruption or cessation in the use or possession thereof or any part thereof by the Lessee for any reason whatsoever and of whatever duration, (iv) the condemnation, requisitioning, expropriation, seizure or other taking of title to or use of the Project Site, the Project, the Lessee's interest in the Geothermal Resource, any Component or any portion thereof by any Governmental Entity or otherwise, (v) the invalidity or unenforceability (or allegation of invalidity or unenforceability) or lack of due authorization or other infirmity of this Project Lease or any other Operative Document, (vi) the lack of right, power or authority of the Owner Lessor to enter into this Project Lease or any other Operative Document, (vii) any ineligibility of the Project or any Component or any portion of any thereof for any particular use, whether or not due to any failure of the Lessee to comply with any Applicable Law, (viii) any event of "force majeure" or any frustration of purpose, (ix) any legal requirement similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, (x) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee or any other Person, (xi) any Lien of any Person with respect to the Project Site, the Project, any Component or any portion of any thereof or any part thereof, (xii) any prohibition, limitation or restriction of Lessee's use of all or any part of the Project, the Project Site or any portion thereof or any interest therein or the interference with such use by any Person, (xiii) the termination or loss of the Project Site or any portion thereof, any other lease, sublease, right-of-way, easement or other interest in personal or real property upon or to which any portion of the Project is located, attached or appurtenant or in connection with which any portion of the Project is used or otherwise affects or may affect the Project or any right thereto, (xiv) any defect in the title to, or the existence of any Lien with respect to the Project or any act of circumstances that may constitute an eviction or constructive eviction, failure of consideration or commercial frustration of purpose, (xv) any breach, default or misrepresentation by Owner Lessor or any other Person under this Project Lease or any of the other Operative Documents, (xvi) any failure, omission or delay on the part of any Person to exercise any right, power or remedy under any Operative Document, (xvii) the taking or omission of any of the actions referred to in any of the Operative Documents or (xviii) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding; except as expressly set forth herein or in any other Operative Document, it being the intention of

the parties hereto that all Rent, including all Periodic Lease Rent, Renewal Lease Rent and Supplemental Rent payable hereunder, shall continue to be payable by the Lessee hereunder, and Allocated Rent shall continue to accrue in each case and in all events in the manner and at times provided for herein. Such Rent, including Periodic Lease Rent or Renewal Lease Rent and Supplemental Lease Rent shall not be subject to any abatement and the payments thereof shall not be subject to any setoff or reduction for any reason whatsoever, including any present or future claims of the Lessee or any other Person against the Owner Lessor or any other Person under this Project Lease or otherwise. To the extent permitted by Applicable Law, the Lessee hereby waives any and all rights which it may

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now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Project Lease except in accordance with Section 10, 13, 14 or 22. If for any reason whatsoever this Project Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, the Lessee nonetheless agrees, to the extent permitted by Applicable Law, to pay to the Owner Lessor an amount equal to each installment of Periodic Lease Rent (or, in connection with a termination of a Renewal Lease Term, Renewal Lease Rent) and all Supplemental Lease Rent due and owing, at the time such payment would have become due and payable in accordance with the terms hereof had this Project Lease not been so terminated. Nothing contained herein shall be construed to waive any claim which the Lessee might have under any of the Operative Documents or otherwise or to limit the right of the Lessee to make any claim it might have against the Owner Lessor or any other Person or to pursue such claim in such manner as the Lessee shall deem appropriate.

SECTION 10. EVENTS OF LOSS

Section 10.1. Occurrence of Events of Loss. (a) The Owner Lessor will promptly notify, or will cause the Equity Investor to promptly notify, the Lessee upon obtaining Actual Knowledge of any event that upon election of the Equity Investor would result in a Regulatory Event of Loss; provided that the failure to deliver such notice shall not result in any liability to the Owner Lessor or the Equity Investor. If an Event of Loss described in clause (a) or (b) of the definition of such term shall occur or an event shall occur which could become an Event of Loss as described in clause (c) of such term, then the Lessee shall promptly notify the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee of the occurrence thereof. In the case of an Event of Loss described in clause (a) or (b) of the definition thereof, the Lessee may elect to rebuild or replace the damaged Project, provided (i) no Lease Default or Lease Event of Default has occurred and is continuing (other than any Lease Default or Lease Event of Default that would be cured by such rebuilding), (ii) notice of such election has been given to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee within 30 days of the date of the occurrence of the Event of Loss and (iii) the conditions set forth in Section 10.3(a) shall have been satisfied.

If the Lessee fails to duly satisfy the conditions set forth in Section 10.3(a), the Lessee will be deemed to have made the election to terminate this Project Lease pursuant to Section 10.1(b) as of the end of the 30 day period referred to in the previous paragraph. If the Lessee satisfies the conditions in Section 10.3(a), but fails to satisfy the conditions in Section 10.3(b), (c) or (d), the Lessee will be deemed to have elected the termination option as of the last day of the month in which the Owner Lessor has given notice of such failure.

(b) If (i) an Event of Loss described in clause (a) or (b) of the definition of such term shall have occurred and the Lessee shall have elected

(or shall be deemed to have elected) not to rebuild or replace the Project pursuant to Section 10.1(a) hereof, or (ii) an Event of Loss described in clause (c) of the definition of Event of Loss shall occur or (iii) a Regulatory Event of Loss shall occur, then, (x) in the case of clause (i) above, on the next Termination Date occurring at least 30 days after such election or deemed election or (y) in the case of clause (ii) above, on the Termination Date next occurring (1) at least six months after the occurrence of

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such Event of Loss or (2) if earlier, at least 30 days after receipt of Casualty Insurance Proceeds or Requisition Proceeds in respect of such Event of Loss, or (z) in the case of clause (iii) above, on the Termination Date next occurring at least three months after the occurrence of such Regulatory Event of Loss the Lessee shall terminate this Project Lease. In connection with any such termination arising as a result of an Event of Loss described in clause (a), (b) or (c) of the definition thereof, if the Lessee shall have elected not to rebuild or replace the Project, the Owner Lessor may elect to retain the Project and pay the outstanding principal and accrued and unpaid interest on the Senior Notes; provided however, that if the Owner Lessor elects to retain the Project it shall notify the Lessee at least 30 days prior to such Termination Date and shall deliver to the Indenture Trustee a letter of credit of an Acceptable Letter of Credit Provider with a maximum drawing amount equal to not less than the principal and interest which would be payable on the Senior Notes. If the Owner Lessor elects to retain the Project as provided above, then the Lessee shall, on such Termination Date, pay to the Owner Lessor (A) all amounts of any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Termination Date, plus (B) all amounts of Supplemental Lease Rent (including reasonable documented out-of-pocket costs and expenses incurred in connection with such Event of Loss by the Owner Lessor, the Equity Investor, and the Indenture Trustee) due and payable on or before such Termination Date. If the Owner Lessor fails to elect to retain the Project as provided above, Lessee shall offer (and unless the Lessor elects to retain the Project, such offer shall be deemed accepted) to purchase, subject to the rights of any insurers under policies maintained by the Lessee, on such Termination Date the Owner Lessor's Leasehold Interest by paying or causing to be paid (1) the Termination Value determined as of such Termination Date, plus (2) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Termination Date, plus (3) all other Supplemental Lease Rent (including reasonable documented out-of-pocket costs and expenses incurred in connection with such Event of Loss by the Owner Lessor, the Equity Investor and the Indenture Trustee) due and payable on or prior to such Termination Date. Upon the payment of all sums required to be paid pursuant to this Section 10.1(b), (i) Allocated Rent shall cease to accrue and the obligation to pay Periodic Lease Rent or Renewal Lease Rent shall cease, (ii) the Lessee shall cease to have any other liability to the Owner Lessor, the Equity Investor, or the Indenture Trustee except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement and the Tax Indemnity Agreement) surviving pursuant to the express terms of any Operative Document, (iii) the Owner Lessor shall pay the outstanding principal and accrued and unpaid interest on the Senior Notes, (iv) this Project Lease, the Head Lease, the Sublease of the Power Plant Sublease and the Real Estate Documents related thereto shall terminate, (v) the Owner Lessor shall, at the Lessee's cost and expense, execute and deliver to the Lessee a release and termination of this Project Lease, the Head Lease, the Sublease of the Power Plant Sublease and the Real Estate Documents related thereto, (vi) the Owner Lessor shall transfer (by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared by and at the expense of the Lessee) the Owner Lessor's Leasehold Interest to the Lessee on an "as is, where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Equity Investor as to the absence of Equity Investor's Liens and (vii) the Owner Lessor shall use all reasonable efforts to cause the Indenture Trustee to discharge the Lien of the Indenture

and shall execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) at the cost and expense of the Lessee.

Section 10.2. Application of Payments.

(a) All Requisition Proceeds received at any time by the Owner Lessor or the Lessee from any Governmental Entity as a result of the occurrence of an Event of Loss described in clause (c) of the definition of Event of Loss and all Casualty Insurance Proceeds received as a result of the occurrence of an Event of Loss described in clause (a) or (b) of the definition of Event of Loss shall be applied as follows:

(i) in the event that the Owner Lessor elects to retain the Project pursuant to Section 10.1(b), all such Requisition Proceeds and all Casualty Insurance Proceeds shall be promptly paid to the Owner Lessor;

(ii) in the event that the Owner Lessor elects not to retain the Project pursuant to Section 10.1(b), then all such payments received at any time by the Lessee shall be promptly paid to the Owner Lessor or if the Lien of the Indenture shall not have been terminated and fully discharged, to or at the direction of the Indenture Trustee, for application pursuant to the following provisions of this Section 10.2:

(A) so much of such payments as shall not exceed the Rent required to be paid by the Lessee pursuant to Section 10.1(b) shall be applied in reduction of the Lessee's obligation to pay such amount if not already paid by the Lessee or, if already paid by the Lessee, shall, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, be applied to reimburse the Lessee for its payment of the Termination Value portion of such amount; and

(B) the balance, if any, of such payments remaining thereafter shall be apportioned between the Owner Lessor and the Lessee as their interests may appear.

Notwithstanding the foregoing, if the Lessee shall have decided to rebuild or replace the Project pursuant to Section 10.1(a), any Casualty Insurance Proceeds received by the Owner Lessor, the Indenture Trustee or the Lessee as a result of the occurrence of an Event of Loss described in clause (a) or (b) of the definition of Event of Loss shall be paid to the Depositary Bank, deposited into the Loss Proceeds Account and applied as provided in the Depositary Agreement.

Section 10.3. Conditions to Lessee's Right to Rebuild or Replace. (a) The Lessee's right to rebuild or replace the Project pursuant to Section 10.1(a) shall be subject to the fulfillment, at the Lessee's sole cost and expense, of the conditions contained in said clause (a), and the following additional conditions:

(i) receipt by the Equity Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, on or prior to the date on which the election to rebuild has been delivered pursuant to the third sentence of Section 10.1(a), of: (A) a report of the Engineering Consultant

or another independent engineer, such other engineer and such report to be satisfactory to the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee (and if the Lessee's interest in the Geothermal Resource is affected by such Event of Loss a report of the Geothermal Consultant or another independent geothermal consultant, such other geothermal consultant and such report to be satisfactory to the Equity Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee) to the effect that (1) the rebuilding or replacement of the Project is technologically feasible and economically viable with the Casualty Insurance Proceeds paid or payable as a result of such damage to the Project together with all funds that the Lessee has agreed in writing to provide (in form and substance satisfactory to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee), the availability of such funds as required to be guaranteed by an Acceptable Letter of Credit Provider whose right to reimbursement shall be limited to funds of the Lessee which are not subject to the Liens created under the Depositary Agreement, (2) it is reasonable to expect that such rebuilding or replacement can be completed within eighteen months from the date on which the Event of Loss occurred (the "Rebuilding Measuring Date") but, in any event, no later than the last day of the Project Lease Term unless Section 15.6 shall be applicable and (3) it is reasonable to assume that the total net energy produced by the Project at 12 and 18 months, respectively, after the Rebuilding Measuring Date is equal to 40% and 100%, respectively, of the total net energy produced by the Project in the last full calendar year immediately preceding the Event of Loss, and (B) an appraisal of an appraiser selected by the Lessee, such appraiser and such appraisal to be reasonably acceptable to the Equity Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, to the effect that the Project, after completion of the rebuilding or replacement, will have at least the same current and residual value, utility and remaining useful life as the Project immediately prior to the Event of Loss (assuming the Project was then in the condition required by the terms of this Project Lease), and (C) an Officer's Certificate of the Lessee, which shall be reasonably satisfactory as to form and substance to the Equity Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, to the effect that (1) no Lease Default or Lease Event of Default shall have occurred and be continuing, (2) the Lessee has adequate financial resources, from insurance proceeds or otherwise, to complete such rebuilding or replacement and to perform its other obligations under the Operative Documents, including the payment of Rent, (3) the Power Purchase Agreement will stay in effect during the period of rebuilding or replacement, (4) the Lease Rent Coverage Ratio during the period of rebuilding or replacement will be not less than 1.00 to 1.00 (taking into account all proceeds received from Business Interruption insurance) and (5) such rebuilding will not result in the Project being "limited use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156.

(ii) receipt by the Equity Investor on or prior to the date on which the election to rebuild or replace has been delivered pursuant to the third sentence of

selected by the Equity Investor and reasonably satisfactory to the Lessee to the effect that such rebuilding or replacement will not result in any incremental tax risks to the Equity Investor, and (B) an indemnity (with verification, tax savings, and contest rights provisions substantially the same as those set forth in the Tax Indemnity Agreement) against any tax risks resulting from the rebuild or replacement of the Project in form and substance reasonably satisfactory to the Equity Investor from the Lessee;

(iii) no material adverse accounting effect on the Equity Investor shall be caused by such rebuilding or replacement; and

(iv) the Lessee shall have demonstrated to the reasonable satisfaction of the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee (A) the absence of any Lease Default or Lease Event of Default (other than any Lease Default or Lease Event of Default that would be cured by such rebuilding), and (B) that all Governmental Approvals required in connection with the work done or proposed to be done have been obtained or can reasonably be expected to be obtained on or prior to the date required in connection therewith.

(b) If the conditions to the rebuilding or replacement of the Project set forth in paragraph (a) of this Section 10.3 have been fulfilled, the Lessee shall cause the rebuilding or replacement to commence as soon as practicable, and in any event within twelve (12) weeks of the Rebuilding Measuring Date and will cause work on such rebuilding or replacement to proceed diligently thereafter. As the rebuilding or replacement of the Project progresses, title to the rebuilt or replacement Project shall vest in the Lessee and become subject to the Head Lease and such interest of the Owner Lessor shall become subject to this Project Lease and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Lien of the Indenture automatically without any further act by any Person.

(c) Casualty Insurance Proceeds shall be released to pay costs of rebuilding or replacement only if accompanied by an Officer's Certificate of the Lessee which demonstrates that the rebuilding or replacement is proceeding in a manner consistent with the requirements of Section 10.3(a), including in conformity with the construction schedule described in the report of the Engineering Consultant delivered pursuant thereto.

(d) On the date of the completion of such rebuilding or replacement of the Project which shall occur within eighteen (18) months of the Rebuilding Measuring Date (the "Rebuilding Closing Date") the following documents shall be duly authorized, executed and delivered and, if appropriate, filed for recordation by the respective party or parties thereto and shall be in full force and effect, and an executed counterpart of each thereto shall be delivered to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee:

(i) with respect to the Project, supplements to the Head Lease and this Project Lease subjecting such rebuilt or replacement facility to the Head Lease and this Project Lease (at no cost to the Owner Lessor with no change in Head Lease

Rent, Allocated Rent, Proportional Rent or the Periodic Lease Rent or Renewal Lease Rent as a result of such rebuilding or replacement);

(ii) supplements to the Indenture subjecting such rebuilt or replacement facility to the Lien of the Indenture (at Lessee's sole cost and expense);

(iii) such recordings and filings as may be reasonably requested by the Equity Investor or the Indenture Trustee to be made or filed;

(iv) an opinion of counsel of the Lessee, such counsel and such opinion to be reasonably satisfactory to the Equity Investor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee to the effect that (A) the supplements to the Head Lease and this Project Lease or other documents required by clause (i) above constitute effective instruments for subjecting such rebuilt or replacement facility to the Head Lease and this Project Lease, (B) the supplements to the Indenture required by clause (ii) above, if any, constitute effective instruments for subjecting such rebuilt or replacement facility to the Lien of the Indenture, and (C) all filings and other action necessary to perfect and protect the Owner Lessor's and, if applicable, the Indenture Trustee's interest in such rebuilt or replacement facility have been accomplished;

(v) an appraisal by an Independent Appraiser, certifying that the rebuilt or replacement facility has a current and residual value, remaining useful life and utility at least equal to the current and residual value, remaining useful life and utility that the Project would have had on the Rebuilding Closing Date had such Event of Loss not occurred (assuming the Project would then be in the condition and repair required to be maintained by the terms of this Project Lease) and the Project is not "limited-use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156;

(vi) a report by an Engineering Consultant certifying that the rebuilt or replacement facility is in a state of repair and condition required by this Project Lease; and

(vii) satisfactory evidence as to the compliance with Section 11 of this Project Lease with respect to the rebuilt or replacement facility.

(e) Whether or not the transactions contemplated by this Section 10.3 are consummated, the Lessee agrees to pay or reimburse, on an After-Tax Basis, any costs or expenses (including reasonable legal fees and expenses) incurred by the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders in connection with the transactions contemplated by this Section 10.3.

Section 10.4. Application of Payments Not Relating to an Event of Loss.

(a) In the event that during the Project Lease Term (i) the use of all or any portion of the Project or the Lessee's interest in the Geothermal Resource is subject to a seizure,

condemnation, confiscation or the taking of or requisition of title to or use thereof by any Governmental Entity, or (ii) the Lessee is prevented from operating or maintaining all or any portion of the Project, the Lessee's interest in the Geothermal Resource or the Project Site as a result of a seizure, condemnation, confiscation or the taking of or requisition of title to or use thereof by any Governmental Entity, which in either case does not constitute an Event of Loss, the Lessee's obligation to pay all installments of Periodic Lease Rent and Renewal Lease Rent and the accrual of Allocated Rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all Requisition Proceeds payable for any such period by such Governmental Entity as compensation

for such requisition or taking of possession; provided that such payments shall be paid to the Depository Bank, deposited into the Loss Proceeds Account and applied in accordance with the terms of the Depository Agreement.

(b) Any Casualty Insurance Proceeds with respect to the Project received at any time by the Owner Lessor, the Indenture Trustee or the Lessee under any of the insurance policies required to be maintained by the Lessee under Section 11 as a result of any Partial Casualty shall be paid to the Depository Bank, deposited into the Loss Proceeds Account and applied in accordance with the terms of the Depository Agreement.

Section 10.5. Partial Casualties.

(a) Upon the occurrence of any Partial Casualty (other than a Significant Partial Casualty), the Lessee (unless the Casualty Insurance Proceeds received with respect to such Partial Casualty is less than \$2,500,000, the obligations of HELCO under the PPA are not affected as a result of any decision not to cause such rebuilding or replacement to occur in accordance with this Section 10.5(a) and such Partial Casualty does not (i) decrease by more than a de minimis amount the current or residual value, remaining useful life or utility of the Project below the current or residual value, the remaining useful life or the utility thereof immediately prior to such Partial Casualty (assuming the Project was then in the condition required to be maintained by the terms of this Project Lease), (ii) cause the Project to become "limited-use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156 or (iii) result in a Default or an Event of Default under any applicable term or provision of any Operative Document) shall cause the rebuilding or replacement of the Project to commence as soon as practicable, and in any event within twelve (12) months of the occurrence of the event that caused such Partial Casualty and will cause work on such rebuilding or replacement to proceed diligently thereafter. As the rebuilding or replacement of the project progresses, (i) all such rebuilt or replacement portions of Project shall become subject to the Head Lease and this Project Lease, and (ii) so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Owner Lessor's interest therein shall become subject to the Lien of the Indenture, automatically without any further act by any Person. A Partial Casualty which constitutes a Significant Partial Casualty shall be treated for purposes of this Project Lease as an Event of Loss described in clauses (a) and (b) of the definition of such term, and, if the Lessee chooses to rebuild or replace the Project, the provisions of Section 10.3 (a)(i) and (b) shall apply to such Partial Casualty. If the Lessee has failed to satisfy such provisions of Section 10.3 with respect to a Significant Partial Casualty, then such Partial Casualty shall be considered an Event of Loss for purposes hereof, and the provisions of Section 10.1(b) shall apply.

(b) Upon the occurrence of a Partial Casualty (other than a Significant Partial Casualty), the Lessee shall (i) cause the rebuilding or replacement of the Owner Lessor's Leasehold Interest to be completed so that the Project is in as good operating condition as the Project was immediately prior to such Partial Casualty, assuming that the Project was maintained in accordance with this Project Lease, (ii) cause such rebuilding or replacement to be performed in a manner which does not (A) decrease by more than a de minimis amount the current or residual value, remaining useful life or utility of the Project below the current or residual value, the remaining useful life or the utility thereof immediately prior to such replacement (assuming the Project was then in the condition required to be maintained by the terms of this Project Lease) or (B) cause the Project to become "limited-use" property within the meaning of Rev. Proc. 2001-28, 2001-1 C.B. 1156 and (iii) cause the rebuilding or replacement of the Project to be conducted and completed so as not to cause the Lessee or the Owner Lessor to be in default under any applicable term or provision of any Operative Document.

SECTION 11. INSURANCE

The Lessee will maintain (or cause to be maintained) the insurance required to be maintained pursuant to Schedule 1 to this Project Lease.

SECTION 12. INSPECTION

During the Project Lease Term, each of the Equity Investor, the Owner Lessor, and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee and each of their representatives may, during normal business hours, on reasonable notice to the Lessee, for a reasonable period of time in light of the circumstances and at their own risk and expense (except, at the expense but not the risk, of the Lessee when a Significant Lease Default or a Lease Event of Default has occurred and is continuing), inspect the Project and the records with respect to the operations and maintenance thereof, in the Lessee's custody or to which the Lessee has access so long as the Lessee has the opportunity to be present. Any such inspection will not unreasonably disturb or interfere with the normal operation or maintenance of the Project or the conduct by the Lessee of its business and will be in accordance with the Lessee's safety and insurance programs. In no event shall the Owner Lessor, the Equity Investor or the Indenture Trustee (or, if applicable, any Noteholder) have any duty or obligation to make any such inspection and such Persons shall not incur any liability or obligation by reason of not making any such inspection.

SECTION 13. TERMINATION OPTION FOR BURDENSOME EVENTS

Section 13.1. Election to Terminate. So long as no Significant Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee shall have the right to, at its option, upon giving prior written notice to the Owner Lessor and, so long as the Lien of the Indenture shall have been terminated and fully discharged, the Indenture Trustee no later than 12 months after the date the Lessee has Actual Knowledge of the occurrence of an event set forth in clause (a) or (b) below (any such notice, a "Burdensome Termination Notice"), terminate this Project Lease in whole on the Termination Date specified in such notice (the "Burdensome Termination Date") (which shall be a date occurring not more than 90 days after the date of such

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notice or such longer period (not to exceed twelve (12) months) as may be required to effect the consummation of such termination) if:

(a) as a result of a change in Applicable Law, it shall have become illegal for the Lessee to continue this Project Lease or for the Lessee to make payments under this Project Lease or the other Operative Documents, and the transactions contemplated by the Operative Documents cannot be restructured to comply with such change in Applicable Law in a manner reasonably acceptable to the Lessee, the Equity Investor, the Owner Lessor, and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee; or

(b) one or more events outside the control of the Lessee or any Affiliate thereof shall have occurred that will, or can reasonably be expected to, give rise to an obligation by the Lessee to incur an indemnity obligation pursuant to the Tax Indemnity Agreement or Section 9.1 or 9.2 of the Participation Agreement (excluding any such indemnity in respect of Hawaii General Excise Taxes on Periodic Lease Rent at the rate thereof in effect of the Closing Date); provided, that (i) such indemnity (and the underlying cost or Tax) can be avoided in whole or in part if this Project Lease is terminated and the Owner Lessor sells the Owner Lessor's Leasehold Interest and (ii) the amount of such avoided payments would exceed (on a present value basis, discounted at the Discount Rate to the Burdensome Termination Date, compounded on an annual

basis to the Burdensome Termination Date) 2.5% of the Head Lease Rent, and provided, further, that no such termination option shall exist if the applicable indemnitee shall waive its right to, or the Equity Investor shall arrange, in its sole discretion, for payment of (without reimbursement by the Lessee or any Affiliate thereof), amounts of indemnification payments under the Tax Indemnity Agreement or Section 9.1 or 9.2 of the Participation Agreement in excess of such amount as to cause such avoided payments, computed in accordance with the preceding proviso, not to exceed 2.5% of the Head Lease Rent; or

No termination of this Project Lease pursuant to this Section 13.1 shall become effective unless the conditions set forth in Section 13.3 are satisfied. In connection with any termination by the Lessee of the Project Lease pursuant to this Section 13.1, prior to the date on which notice of prepayment of Senior Notes has become irrevocable in accordance with the terms of the Indenture, the Lessee shall provide reasonable assurances to the Indenture Trustee of its ability to pay the principal, Make Whole Premium, if any, and interest on the Senior Notes in full on the Burdensome Termination Date. If the Lessee does not give notice of its exercise of the termination option under this Section 13.1 within twelve (12) months of the date the Lessee receives notice or first has Actual Knowledge of an event or condition described above, the Lessee will lose its right to terminate this Project Lease pursuant to this Section 13.1 as a result of such event or condition.

Section 13.2. Solicitation of Offers; Payments Upon Termination. (a) Upon receipt of a termination notice from the Lessee pursuant to Section 13.1, the Owner Lessor may, but shall be under no obligation to, sell the Owner Lessor's Leasehold Interest and, at the request of the Owner Lessor, the Lessee will, as non-exclusive agent for the Owner Lessor, use commercially reasonable efforts to obtain cash bids for the Owner Lessor's Leasehold Interest. In connection with such termination, the Lessee may, but shall be under no obligation to, make

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an offer to purchase the Owner Lessor's Leasehold Interest. Only bona fide bids, whether from the Lessee or a third party, to purchase the Owner Lessor's Leasehold Interest for cash on the Burdensome Termination Date on an "as is, where is" and "with all faults" basis without any representation, other than by the Owner Lessor as to the absence of Owner Lessor's Liens and a warranty of the Equity Investor as to the absence of Equity Investor's Liens, shall be "Qualifying Cash Bids". All the proceeds of any such sale shall be for the account of the Owner Lessor; provided that so long as the Lien of the Indenture shall not have been terminated and fully discharged, the proceeds of such sale shall be paid directly to or at the direction of the Indenture Trustee. The Owner Lessor shall be under no obligation to accept any Qualifying Cash Bid. If the Owner Lessor receives any Qualifying Cash Bids, the Owner Lessor shall be deemed to have accepted the highest such bid received by 10 Business Days prior to the Burdensome Termination Date unless the Owner Lessor rejects such bid and elects to retain the Owner Lessor's Leasehold Interest in writing prior to the earlier of (x) the expiration date of such bid and (y) the date at least 45 days prior to the Burdensome Termination Date.

(b) If the Owner Lessor receives any Qualifying Cash Bid (regardless of whether or not such Qualifying Cash Bid is accepted by the Owner Lessor) on the Burdensome Termination Date, the Lessee shall pay the Owner Lessor (i) the amount, if any, by which the Termination Value determined as of the Burdensome Termination Date exceeds the sales price of the highest Qualifying Cash Bid actually received by the Owner Lessor, whether from the Lessee or a third party (net of the fees, commissions and costs of any broker engaged by the Lessee or any Affiliate thereof), plus (ii) all other amounts due and payable under clauses (a), (b) and (c) of Section 13.3; provided that so long as the Lien of the Indenture shall not have been terminated and fully discharged, such amounts shall be paid directly to or at the direction of the Indenture Trustee.

(c) If no Qualifying Cash Bids are received by the Termination Date or if a Qualifying Cash Bid is accepted (or deemed accepted) by the Owner Lessor but does not, other than as a result of the Owner Lessor's failure to transfer the Owner Lessor's Leasehold Interest free and clear of Owner Lessor's Liens or the Equity Investor's failure to provide a warranty as to the absence of Equity Investor's Liens, result in a sale of the Owner Lessor's Leasehold Interest, the Owner Lessor may elect in writing to retain the Owner Lessor's Leasehold Interest (and to forego its right to receive payment of Termination Value) and require the Lessee to pay to the Owner Lessor on the Burdensome Termination Date all amounts due and payable under clauses (a), (b) and (c) of Section 13.3 (but not Termination Value); provided, however, that the Owner Lessor may not elect to retain the Owner Lessor's Leasehold Interest unless it shall provide to the Indenture Trustee an irrevocable commitment to pay, and reasonable assurances of its ability to pay, the principal, premium and interest on the Senior Notes in full on the Burdensome Termination Date. In the event the Owner Lessor does not elect to retain the Owner Lessor's Leasehold Interest, the Lessee may, in its sole discretion, (except as provided in the last sentence of this last paragraph (c)), (i) withdraw its Burdensome Termination Notice (provided such withdrawal is prior to the date on which the notice to prepay Senior Notes is irrevocable in accordance with the terms of the Indenture), in which event this Project Lease shall continue, any notice of prepayment of Senior Notes pursuant to the Indenture shall be withdrawn and the Lessee shall pay on an After-Tax Basis all reasonable, documented out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor and the Indenture Trustee in connection with

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the giving (and subsequent withdrawal) of the Burdensome Termination Notice, or (ii) as non-exclusive agent for the Owner Lessor, use commercially reasonable efforts to sell the Owner Lessor's Leasehold Interest, in which case the Lessee shall be required to pay the Termination Value determined as of the Burdensome Termination Date plus all amounts due and payable under clauses (a), (b) and (c) of Section 13.3. If the Lessee does not withdraw its Burdensome Termination Notice, the Lessee may, but shall be under no obligation to, make an offer (but will not have the right) to purchase the Project for scrap. If at least one Qualifying Cash Bid is received and the Owner Lessor does not elect to retain the Owner Lessor's Leasehold Interest, the Owner Lessor shall sell the Owner Lessor's Leasehold Interest to the party that submitted the highest Qualifying Cash Bid on an "as is, where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Equity Investor as to the absence of Equity Investor's Liens. The Lessee shall pay on an After-Tax Basis all reasonable documented out-of-pocket expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders in connection with such sale, and the Owner Lessor shall pay the net cash proceeds of the sale to the Lessee to the extent Lessee has paid Termination Value and the amounts under clauses (a), (b) and (c) of Section 13.3. Notwithstanding the foregoing, if a notice to prepay Senior Notes has been given in response to a Burdensome Termination Notice, and such prepayment notice has become irrevocable in accordance with the terms of the Indenture, the Lessee shall make the election described in clause (ii) above and, if no Qualifying Cash Bids are received, offer to (but will not have the right) purchase the Project for scrap on the Burdensome Termination Date.

Section 13.3. Procedure for Exercise of Termination Option. If the Lessee shall have exercised its option to terminate this Project Lease under Section 13.1, on the Burdensome Termination Date specified in the Burdensome Termination Notice, the Lessee shall pay to the Owner Lessor (a) all Supplemental Lease Rent (including all reasonable out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders) due and payable on or prior to the Burdensome Termination Date, (b) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Burdensome Termination Date and (c) any premium, including Make Whole Premium,

due on the Senior Notes being prepaid pursuant to this Section 13. All Rent payments, including payments of Make Whole Premium, under Section 13.2 and this Section 13.3 shall, so long as the Lien of Indenture shall not have been terminated and fully discharged be made to or at the direction of the Indenture Trustee. So long as the Lessee shall not have withdrawn its Burdensome Termination Notice pursuant to Section 13.2(c)(i), upon payment of all sums specified in Section 13.2 and this Section 13.3, (i) Allocated Rent shall cease to accrue and the obligation to pay Periodic Lease Rent or Renewal Lease Rent shall cease, (ii) the Lessee shall cease to have any liability to the Owner Lessor, the Equity Investor or the Indenture Trustee, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement and the Tax Indemnity Agreement) surviving pursuant to the express terms of any Operative Document, (iii) unless the Lessee assumes the Senior Notes and the obligations and liabilities of the Owner Lessor under the Indenture, the Owner Lessor shall pay the outstanding principal and accrued and unpaid interest and Make Whole Premium, if any, on the Senior Notes, (iv) this Project Lease, the Head Lease (unless the Owner Lessor elects to retain Owner Lessor's Leasehold Interest) and the Sublease of the Power Plant Sublease shall terminate, (v) the Owner Lessor shall, at the Lessee's cost and expense, execute and deliver to the Lessee a release and

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termination of this Project Lease, the Head Lease (unless the Owner Lessor elects to retain the Owner Lessor's Leasehold Interest) and the Sublease of the Power Plant Sublease, (vi) unless the Lessee assumes the Senior Notes and the obligations and liabilities of the Owner Lessor under the Indenture or purchases the Owner Lessor's Leasehold Interest in accordance with Section 13.1, the Lessee will return the Project to the Owner Lessor in accordance with Section 5, (vii) in connection with any sale of Owner Lessor's Leasehold Interest pursuant to Section 13.2, such sale shall be made subject to the Lessee's rights to remove Severable Modifications as permitted in Section 8.4 and the Owner Lessor shall (unless the Owner Lessor elects to retain the Owner Lessor's Leasehold Interest) transfer (by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared by and at the expense of the Lessee) the Owner Lessor's Leasehold Interest to the purchaser pursuant to this Section 13.3 on an "as is, where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Equity Investor as to the absence of Equity Investor's Liens, and (viii) the Owner Lessor shall use all reasonable efforts to cause the Indenture Trustee to discharge the Lien of the Indenture, unless the Lessee assumes the Senior Notes and the obligations and liabilities of the Owner Lessor under the Indenture, and shall execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) at the cost and expense of the Lessee. It shall be a condition of the termination of this Project Lease pursuant to this Section 13 that the Lessee shall pay all amounts it is obligated to pay under Section 13.2 and this Section 13.3. If the Lessee fails to consummate the termination option under this Section 13 after giving notice of its intention to do so, (i) this Project Lease shall continue, (ii) such failure to consummate shall not constitute a Lease Default, and (iii) unless such failure is a consequence of a failure of either the Owner Lessor or the Equity Investor to fulfill its obligations under this Section 13, the Lessee will lose its right to terminate this Project Lease pursuant to this Section 13 as a result of the particular event or condition described in Section 13.1 (a) or (b) then giving rise to the option to terminate this Project Lease under Section 13.1 during the remainder of the Project Lease Term, provided that if the notice to prepay Senior Notes given as a result of the Burdensome Termination Notice has become irrevocable in accordance with the terms of the Indenture, the Lessee shall make a Supplemental Rent Payment (on an After-Tax Basis to the Owner Lessor and the Equity Investor) equal to the principal of, and interest and Make-Whole Premium, if any, on the Senior Notes which are due and payable on the Burdensome Termination Date. Whether or not

this Project Lease is terminated, the Lessee shall in any event pay all reasonable out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders in connection with the exercise by the Lessee of its right to terminate this Project Lease under this Section 13.

SECTION 14. TERMINATION FOR OBSOLESCENCE

Section 14.1. Termination. Upon at least six month's prior written notice to the Owner Lessor, the Equity Investor and, so long as the Lien of the Indenture has not been terminated and fully discharged, the Indenture Trustee (which notice shall be accompanied by an Officer's Certificate setting forth in reasonable detail the basis on which it is exercising this termination option), the Lessee shall have the option, so long as no Significant Lease Default or Lease Event of Default shall have occurred and be continuing on the proposed Obsolescence Termination Date, to terminate this Project Lease on any Termination Date occurring on or after

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the seventh anniversary of the Closing Date (the date of termination selected by the Lessee being the "Obsolescence Termination Date") on the terms and conditions set forth in this Section 14 if the Lessee determines as certified by either of the Lessee's partners that the Project is economically or technologically obsolete or surplus to its needs or is no longer useful in its trade or business (a) as a result of a change in Applicable Law, regulation or tariff of general application, or imposition by any Governmental Entity having or claiming jurisdiction over the Lessee or the Project of any conditions or requirements (including requiring significant capital improvement to the Project) upon the availability, continued effectiveness or renewal of any license or permit required for the ownership or operation of the Project or (b) for any other reason. No termination of this Project Lease pursuant to this Section 14.1 shall become effective unless the conditions set forth in Section 14.4 hereof are satisfied.

Section 14.2. Solicitation of Offers. If the Lessee shall give the Owner Lessor notice pursuant to Section 14.1 and the Owner Lessor shall not have elected to retain the Owner Lessor's Leasehold Interest pursuant to Section 14.3 hereof, the Lessee shall, as non-exclusive agent for the Owner Lessor, use its commercially reasonable efforts to obtain bids for the sale of and, subject to Section 14.4 hereof, sell such Owner Lessor's Leasehold Interest on the Obsolescence Termination Date, and all of the proceeds of such sale will be for the account of the Owner Lessor; provided that so long as the Lien of the Indenture shall not have been terminated and fully discharged, the proceeds of such sale shall be paid directly to or at the direction of the Indenture Trustee. The Owner Lessor shall also have the right, but no obligation, to obtain bids for the sale of such Owner Lessor's Leasehold Interest either directly or through agents other than the Lessee. At least 90 days prior to the Obsolescence Termination Date the Lessee shall certify to the Owner Lessor and the Indenture Trustee each bid or offer, the amount and terms thereof and the name and address of the party (which shall not be the Lessee, any Affiliate of the Lessee or any third party with whom the Lessee or an Affiliate of the Lessee has an arrangement to use or operate the Project to generate power for the benefit of the Lessee or such Affiliate after the termination of this Project Lease) submitting such bid or offer.

Section 14.3. Right of Owner Lessor to Retain the Owner Lessor's Leasehold Interest. If the Owner Lessor has provided to the Indenture Trustee an irrevocable commitment to pay, and reasonable assurances of its ability to pay the principal of, and interest and Make-Whole Premium, if applicable, on, the Senior Notes which would be payable on the Obsolescence Termination Date, the Owner Lessor may irrevocably elect to retain, rather than sell, the Owner Lessor's Leasehold Interest by giving notice to the Lessee not less than 90 days

after the Lessee elects to terminate this Project Lease under Section 14.1. If the Owner Lessor elects to retain such Owner Lessor's Leasehold Interest pursuant to this Section 14.3, on the Obsolescence Termination Date the Lessee shall pay to the Owner Lessor (a) all Supplemental Lease Rent (including all reasonable out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders (excluding the fees and costs of any broker unless engaged by the Lessee on the Owner Lessor's behalf), but excluding Termination Value) due and payable on or prior to such Obsolescence Termination Date, (b) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Obsolescence Termination Date, plus (c) any premium, including any Make Whole Premium, due on the Senior Notes being prepaid pursuant to this Section 14, but the Lessee shall not be required to pay Termination Value. All Rent payments, including payments of Make Whole Premium, if applicable, under

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this Section 14.3 shall, so long as the Lien of the Indenture shall not have been terminated and fully discharged, be made to or at the direction of the Indenture Trustee. Upon payment of all sums required to be paid pursuant to this Section 14.3, (i) Allocated Rent shall cease to accrue and the obligation to pay Periodic Lease Rent and Renewal Lease Rent shall cease, (ii) the Lessee shall cease to have any liability to the Owner Lessor, the Equity Investor or the Indenture Trustee with respect to the Project, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement and the Tax Indemnity Agreement) surviving pursuant to the express terms of any Operative Document, (iii) the Owner Lessor shall pay the outstanding principal and accrued and unpaid interest (and Make Whole Premium, if applicable) on the Senior Notes, (iv) this Project Lease and the Head Lease shall terminate, (v) the Owner Lessor shall, at the Lessee's cost and expense, execute and deliver to the Lessee a release and termination of this Project Lease and the Sublease of the Power Plant Sublease, (vi) the Lessee will return the Project to the Owner Lessor in accordance with Section 5, and (vii) the Owner Lessor shall use all reasonable efforts to cause the Indenture Trustee to discharge the Lien of the Indenture and to execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) at the cost and expense of the Lessee. It shall be a condition to the termination of this Project Lease pursuant to this Section 14.3 that the Lessee shall pay all amounts that it is obligated to pay under this Section 14.3. If the Owner Lessor shall not have complied with its obligations set forth in the next preceding sentence, on the Obsolescence Termination Date, the notice of termination shall be deemed revoked and this Project Lease shall continue in full force and effect in accordance with its terms (without prejudice to the Lessee's right to exercise its rights under this Section 14 or the rights of the Noteholders to exercise their rights under the Indenture if such revocation is given after the date on which the notice of prepayment of the Senior Notes is irrevocable under the Indenture).

Section 14.4. Procedure for Exercise of Termination Option. If the Owner Lessor has not elected to retain the Owner Lessor's Leasehold Interest in accordance with Section 14.3 hereof, on the Obsolescence Termination Date the Owner Lessor shall sell the Owner Lessor's Leasehold Interest under this Section 14.4 hereof to the bidder or bidders (which shall not be the Lessee, any Affiliate thereof or any third party with whom the Lessee or an Affiliate of the Lessee has an arrangement to use or operate the Project to generate power for the benefit of the Lessee or such Affiliate after the termination of this Project Lease), that shall have submitted the highest cash bid and the net proceeds of such sale shall be for the account of the Owner Lessor. In addition, the Lessee shall certify to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee that such buyer is not the Lessee, any Affiliate thereof or any third party with whom the Lessee or an Affiliate of the Lessee has an arrangement to

use or operate the Project to generate power for the benefit of the Lessee or such Affiliate after the termination of this Project Lease. On the Obsolescence Termination Date, the Lessee shall pay to the Owner Lessor (a) the excess, if any, of Termination Value determined as of such Obsolescence Termination Date, over the total sales price of the Owner Lessor's Leasehold Interest retained by the Owner Lessor (net of the fees, commissions, costs and other amounts of any broker engaged by the Lessee or any Affiliate thereof on the Owner Lessor's behalf), plus (b) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Obsolescence Termination Date, plus (c) all Supplemental Lease Rent (including all reasonable out-of-pocket costs and expenses of the Owner Lessor, the

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Equity Investor, the Indenture Trustee and the Noteholders (excluding the fees and costs of any broker unless engaged by the Lessee on the Owner Lessor's behalf)) due and payable on or prior to such Obsolescence Termination Date, plus (d) any premium, including Make Whole Premium, if applicable, due on the Senior Notes being prepaid pursuant to this Section 14. All Rent payments, including payments of Make Whole Premium, under this Section 14.4 shall, so long as the Lien of the Indenture shall not have been terminated and fully discharged, be made to or at the direction of the Indenture Trustee. Upon the payment of all sums specified in this Section 14.4, (i) Allocated Rent shall cease to accrue and the obligation to pay Periodic Lease Rent or Renewal Lease Rent shall cease, (ii) the Lessee shall cease to have any liability to the Owner Lessor, the Equity Investor or the Indenture Trustee, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement and the Tax Indemnity Agreement) surviving pursuant to the express terms of any Operative Document, (iii) the Owner Lessor shall pay the outstanding principal and accrued and unpaid interest (and Make Whole Premium, if applicable) on the Senior Notes, (iv) this Project Lease and the Head Lease shall terminate, (v) the Owner Lessor shall, at the Lessee's cost and expense, execute and deliver to the Lessee a release and termination of this Project Lease, the Head Lease and the Real Estate Documents, (vi) the Lessee will return the Project to the Owner Lessor in accordance with Section 5, (vii) in connection with any sale of the Owner Lessor's Leasehold Interest pursuant to this Section 14.4, such sale shall be made subject to the Lessee's rights to remove Severable Modifications as permitted in Section 8.3 and the Owner Lessor shall transfer (by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared and recorded by and at the expense of the Lessee) the Owner Lessor's Leasehold Interest to the purchaser pursuant to this Section 14.4 on an "as is, where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty from the Equity Investor as to the absence of Equity Investor's Liens, and (viii) the Owner Lessor shall use all reasonable efforts to cause the Indenture Trustee to discharge the Lien of the Indenture and shall execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) at the sole cost and expense of the Lessee. Unless the Owner Lessor shall have elected to retain the Owner Lessor's Leasehold Interest pursuant to Section 14.3 or the Owner Lessor with the consent of the Lessee shall have entered into a legally binding contract to sell the Owner Lessor's Leasehold Interest, the Lessee may, at its election, revoke its notice of termination on at least 30 days' prior notice to the Owner Lessor and, so long as the Lien of the Indenture shall not have been terminated and fully discharged, the Indenture Trustee, in which event this Project Lease shall continue, and the Lessee will reimburse the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders on an After-Tax Basis for all reasonable, documented out-of-pocket costs and expenses incurred in connection with the election (and subsequent revocation) by the Lessee of its right to terminate this Project Lease under this Section 14; provided, however, that the Lessee shall not be permitted to initiate a notice to terminate pursuant to Section 14.1 more than three times during the term of this Project

Lease or more than twice in any five year period. The Owner Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise take any action in arranging any such sale of the Owner Lessor's Leasehold Interest other than, if the Owner Lessor has not elected to retain the Owner Lessor's Leasehold Interest, to transfer the Owner Lessor's Leasehold Interest in accordance with clause (vii) of this Section 14.4. It shall be a condition of the Owner Lessor's obligation to consummate

a sale of the Owner Lessor's Leasehold Interest that the Lessee shall pay all amounts it is obligated to pay under this Section 14.4. If no sale shall occur on the Obsolescence Termination Date, the notice of termination shall be deemed revoked and this Project Lease shall continue in full force and effect in accordance with its terms (without prejudice to the Lessee's right to exercise its rights under this Section 14); provided that if the Lessee has not given a notice of revocation before the date on which the notice of prepayment of Senior Notes has become irrevocable in accordance with the terms of the Indenture, the Lessee shall be obligated to make a Supplemental Rent payment (on an After-Tax Basis to the Owner Lessor and the Equity Investor) equal to the principal of, and interest and Make-Whole Premium, if applicable, on the Senior Notes which are due and payable.

SECTION 15. LEASE RENEWAL

Section 15.1. Wintergreen Renewal Lease Term. Not earlier than twenty-four (24) months and not later than eighteen (18) months prior to the expiration of the Basic Lease Term, the Lessee may deliver to the Owner Lessor written notice (which notice may be in addition to a notice of the Lessee's tentative interest in electing an FMV Renewal Lease Term under Section 15.2) of the Lessee's tentative interest in renewing this Project Lease for a term (the "Wintergreen Renewal Lease Term") commencing on the day following the last day of the Basic Lease Term and ending on a date (a) as of which the sum of the number of years of the proposed Wintergreen Renewal Lease Term and the Basic Lease Term is not more than seventy-five (75%) of the estimated economic useful life of the Project measured from the Closing Date, but determined by an Independent Appraiser (which Independent Appraiser shall be selected by the Owner Lessor and be reasonably acceptable to the Lessee) in accordance with the Appraisal Procedure not more than twelve (12) months before the end of the Basic Lease Term, and (b) as of which the estimated fair market value of the Project determined, by such Independent Appraiser, subsequent to the Lessee's tentative election of the Wintergreen Renewal Lease Term (but not earlier than twelve (12) months prior to the expiration of the Basic Lease Term), shall equal or exceed twenty percent (20%) of the Head Lease Rent (without taking into account inflation or deflation subsequent to the Closing Date), provided that no Wintergreen Renewal Lease Term shall be for a period of less than one (1) year. Unless the Lessee shall have irrevocably elected to renew this Project Lease for an FMV Renewal Lease Term under Section 15.2, and provided that no Lease Event of Default shall have occurred and be continuing on such notice date on or prior to eighteen (18) months before the expiration of the Basic Lease Term, the Lessee may deliver to the Owner Lessor a further notice in writing irrevocably electing to renew this Project Lease for the Wintergreen Renewal Lease Term determined as aforesaid and, subject to no Significant Lease Default or Lease Event of Default having occurred and continuing on the last day of the Basic Lease Term, the Wintergreen Renewal Lease Term shall thereupon take effect as provided herein. The Independent Appraiser's fees and expenses shall be borne by the Lessee.

Section 15.2. Fair Market Value Renewal Lease Terms. Not earlier than thirty-six (36) months and not later than eighteen (18) months prior to the expiration of the Basic Lease Term, the Wintergreen Renewal Lease Term or any other Renewal Lease Term, unless a Lease Event of Default shall have occurred and be continuing, the Lessee may deliver to the Owner Lessor notice (which

electing the Wintergreen Renewal Lease Term) of the Lessee's tentative interest in renewing this Project Lease for a term (each such term, a "FMV Renewal Lease Term") commencing on the day following the last day of the Basic Lease Term or a Renewal Lease Term otherwise expiring and extending for a period equal to three years; provided that unless such FMV Renewal Lease Term extends to the end of the useful life of the Project, no such FMV Renewal Lease Term shall extend beyond the date that is three (3) years prior to the end of the useful life of the Project (as set forth in the most recent of (a) the Closing Appraisal or (b) the appraisal obtained in connection with the exercise of the Wintergreen Renewal Lease Term or the most recent FMV Renewal Lease Term, if any). Unless the Lessee shall have irrevocably elected to renew this Project Lease for the Wintergreen Renewal Lease Term pursuant to Section 15.1 (it being understood that the exercise by the Lessee of its right to renew this Project Lease at the end of the Basic Lease Term pursuant to Section 15.1 hereof shall not impair its right to renew this Project Lease at any time thereafter pursuant to this Section 15.2), and provided that no Lease Event of Default shall have occurred and be continuing on any such notice date or on the date of expiration of the Basic Lease Term or the Renewal Lease Term immediately preceding such FMV Renewal Lease Term, as the case may be, on or prior to eighteen (18) months before the expiration of the existing Basic Lease Term or the relevant Renewal Lease Term, as the case may be, the Lessee may deliver to the Owner Lessor a further notice irrevocably electing to renew this Project Lease for the FMV Renewal Lease Term tentatively elected as aforesaid and, subject to no Significant Lease Default or Lease Event of Default having occurred and continuing on the last day of the Basic Lease Term or the Renewal Lease Term immediately preceding such FMV Renewal Lease Term, as the case may be, the FMV Renewal Lease Term shall thereupon take effect as provided herein.

Section 15.3. Renewal Lease Rent for the Renewal Lease Term.

(a) Renewal Lease Rent shall be paid on each Rent Payment Date, in arrears, during each Renewal Lease Term.

(b) The installment of Renewal Lease Rent payable on each Rent Payment Date during the Wintergreen Renewal Lease Term is an amount equal to 100% of the average annual Periodic Lease Rent during the Project Lease Term.

(c) Renewal Lease Rent payable on each Rent Payment Date during any FMV Renewal Lease Term shall be the Fair Market Rental Value for the Project as determined in accordance with Section 15.4.

Section 15.4. Determination of Fair Market Rental Value. The Fair Market Rental Value of the Project as of the commencement of any Renewal Lease Term shall be determined by agreement of the Owner Lessor and the Lessee within six months after receipt by the Owner Lessor of the tentative notice from the Lessee of its election to renew pursuant to Section 15.2, (but not more than twelve (12) months before the commencement of such Renewal Lease Term) or, if they shall fail to agree within such six-month period, shall be determined by an Independent Appraiser in accordance with the Appraisal Procedures, which Independent Appraiser shall be selected by the Owner Lessor and reasonably acceptable to the Lessee. The appraiser's fees and expenses shall be borne by the Lessee.

Section 15.5. Termination Value During Renewal Lease Terms. The

amounts which are payable during any Renewal Lease Term in respect of Termination Value shall be determined on the basis of the Fair Market Sales Value of the Project as of the commencement of such Renewal Lease Term, amortized on a straight-line basis over such Renewal Lease Term to the projected Fair Market Sales Value of the Project as of the expiration of such Renewal Lease Term, as such Fair Market Sales Value in each case is determined prior to the commencement of such Renewal Lease Term, plus any amount of Renewal Lease Rent accrued and unpaid to the date of termination. In determining Fair Market Sales Value for any Renewal Lease Term, effect shall be given, whether positive or negative, to the encumbrance on the Project of any FMV Renewal Lease Term available or in force.

Section 15.6. Rebuilding Related Extensions. In the event that the Project has suffered an Event of Loss or Significant Partial Loss and the Lessee has elected to rebuild the Project pursuant to Section 10.1 but is unable to satisfy the conditions set forth in Section 10.3 prior to the last day of the Project Lease Term, then, notwithstanding the provisions of Section 15.2, the Lessee shall be deemed to have elected the renewal option set forth in Section 15.2. The term of any such renewal shall extend until the date that is 18 months following the date on which all of the conditions set forth in Section 10.3 are satisfied. The Fair Market Rental Value payable during any such renewal term shall be equal to the Fair Market Rental Value of the Project assuming that the Project had been fully rebuilt on the first day of such renewal term in accordance with Section 10.3.

SECTION 16. EVENTS OF DEFAULT

The following events shall constitute a "Lease Event of Default" hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Governmental Entity):

(a) the Lessee shall fail to make any payment of Periodic Lease Rent, Renewal Lease Rent or Termination Value (or amounts computed by reference to Termination Value) after the same shall have become due and payable, and such failure shall have continued for five (5) Business Days after the same shall have become due and payable; or

(b) the Lessee shall fail to make any payment of Supplemental Lease Rent (other than Excepted Payments, unless the Equity Investor shall have acknowledged in writing that such failure to pay any such Excepted Payment shall constitute a default hereunder) after the same shall have become due and such failure shall have continued for a period of 30 days after receipt by the Lessee of written notice of such failure from the Equity Investor, the Owner Lessor or the Indenture Trustee; or

(c) [intentionally omitted]

(d) the Lessee or the Pledgor shall fail to perform or observe any other covenant, obligation or agreement to be performed or observed by it under this Project Lease or any other Operative Document to which it is a party (other than any covenant, obligation or agreement referred to in any other clause of this Section 16 or contained in the Tax Indemnity

Agreement or in Section 3.2(c) of this Project Lease or Section 5.31 or 11.2 of the Participation Agreement), and such failure shall continue unremedied for 30 days after receipt by the Lessee of written notice of such failure from the Equity Investor, the Owner Lessor or the Indenture Trustee (or, in the case of a failure described in this clause (d), a longer period, not to exceed (A) in the case of failure to comply with Governmental Approvals or Applicable Laws, 210

days, so long as the Owner Lessor and the Indenture Trustee receive written confirmation from the Engineering Consultant that such failure can be cured within such period; and (B) in all other cases, 180 days, in each case, as long as the Lessee or the Pledgor is diligently pursuing a cure in good faith and such failure is capable of being cured); or

(e) any representation or warranty made by the Lessee or the Pledgor in the Operative Documents (other than a Tax Representation) shall prove to have been incorrect as of the date made in any significant respect and shall continue to be significant and the condition giving rise to such incorrect representation or warranty is unremedied for a period of 30 days after receipt by the Lessee of written notice thereof from the Equity Investor, the Owner Lessor or the Indenture Trustee; provided, however, that if (i) the condition giving rise to such incorrect representation or warranty is capable of being remedied but not within such 30-day period, and (ii) such party is diligently proceeding to remedy such condition, then the period for cure shall be extended for the period necessary to remedy such condition, but in no event shall the aggregate cure period under this Section 16(e) exceed 180 days; or

(f) the bankruptcy, insolvency or reorganization of, or the appointment of an administrator for, (i) the Power Purchaser and the Power Purchase Agreement shall not have been replaced with Replacement PPA or (ii) KLP or KLDC and as a result thereof the Lessee's right to possession of the Project Site shall have been disturbed; or

(g) (i) the Lessee or the Pledgor shall commence any case or other proceeding (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Lessee or the Pledgor shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Lessee or the Pledgor any case or other proceeding of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Lessee or the Pledgor any case or other proceeding seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Lessee or the Pledgor shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Lessee or the Pledgor shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

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(h) the dissolution of the Lessee under Applicable Law, including, without limitation, the dissolution of the Lessee as a result of the bankruptcy, insolvency or reorganization of any Lessee Partner;

(i) a final and non-appealable judgment or judgments for the payment of money in excess of \$5,000,000 not covered by insurance shall be rendered against the Lessee, and such judgment or judgments shall not have been vacated, stayed, discharged, bonded or satisfied by Lessee or its Affiliates within 30 days from the date of entry thereof; or

(j) any party to a Project Document shall default in its significant

obligations thereunder and such default remains uncured for the longer of (A) the period allowed for the cure of such default under the applicable Project Document and (B) in the case of a default by a party (other than the Lessee) to a Project Document, 180 days during which the Lessee shall have a right to cure such default or replace such defaulting party with a Replacement Contract; or

(k) any significant provision of any Project Document or any Governmental Approval required to be obtained and/or maintained by the Lessee shall at any time for any reason cease to be valid and binding or the enforceability thereof is contested and the applicable Project Document shall not have been replaced with a Replacement Contract that is on substantially similar or better terms to the Lessee within 180 days or the applicable Governmental Approval shall not have been replaced or reinstated within 180 days; or

(l) (i) the Indenture Trustee shall cease to have a valid first priority security interest in the Collateral or any part thereof or (ii) the Owner Lessor shall cease to have a valid first priority security interest in the property subject to the Lien of any of the Lessee Security Documents or any part thereof, provided, that upon receipt by the Lessee of written notice of such cessation from the Equity Investor, the Owner Lessor or the Indenture Trustee, the Lessee shall have a period of three (3) Business Days to cure such default; or

(m) a Change of Control shall have occurred; or

(n) the occurrence of a Head Lease Event of Default caused by the Lessee.

SECTION 17. REMEDIES

Section 17.1. Remedies for Lease Event of Default. Upon the occurrence of any Lease Event of Default and at any time thereafter so long as the same shall be continuing (the Owner Lessor acknowledging that in making a determination that a Lease Event of Default has occurred under Section 16(d) or (e), to the extent the Lessor exercises discretion in making such determination, it shall exercise such discretion in a commercially reasonable manner), the Owner Lessor may, at its option, declare this Project Lease to be in default by written notice to the Lessee; provided that upon the occurrence of a Lease Event of Default described in paragraph (g) of Section 16, this Project Lease shall automatically be deemed to be in default without the need for giving any notice; and at any time thereafter, so long as the Lessee shall not have remedied all outstanding Lease Events of Default, the Owner Lessor may do one or more of the following as the Owner Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, Applicable Law then in effect:

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(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee, at the Lessee's sole cost and expense, of the applicable covenants and terms of this Project Lease or to recover damages for breach thereof;

(b) by notice in writing to the Lessee, terminate this Project Lease whereupon all right of the Lessee to the possession and use under this Project Lease of the Project shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon, the Owner Lessor may demand that the Lessee, and the Lessee shall upon written demand of the Owner Lessor and at the Lessee's expense, forthwith return possession of the Project to the Owner Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of Section 5, except those provisions relating to periods of notice; and the Owner Lessor may thenceforth hold,

possess and enjoy the same free from any right of the Lessee, or its successor or assigns, to use the Project for any purpose whatever;

(c) sell the Owner Lessor's Leasehold Interest at public or private sale, as the Owner Lessor may determine, free and clear of any rights of the Lessee under this Project Lease and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (f) below if the Owner Lessor elects to exercise its rights under said paragraph and by Applicable Law), in which event Allocated Rent shall cease to accrue and the Lessee's obligation to pay Periodic Lease Rent or Renewal Lease Rent hereunder due for any periods subsequent to the date of such sale shall terminate (except to the extent that Periodic Lease Rent and Renewal Lease Rent is to be included in computations under paragraph (e) or (f) below if the Owner Lessor elects to exercise its rights under said paragraphs);

(d) hold, keep idle or lease to others the Project as the Owner Lessor in its sole discretion may determine, free and clear of any rights of the Lessee under this Project Lease and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Periodic Lease Rent or Renewal Lease Rent due for any periods subsequent to the date upon which the Lessee shall have been deprived of possession and use of the Project pursuant to this Section 17 shall be reduced by the net proceeds, if any, received by the Owner Lessor from leasing the Project to any Person other than the Lessee;

(e) whether or not the Owner Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (b) above, the Owner Lessor, by written notice to the Lessee specifying a Termination Date that shall be not earlier than 10 days after the date of such notice, may demand that the Lessee pay to the Owner Lessor, and the Lessee shall pay to the Owner Lessor, on the Termination Date specified in such notice, any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Termination Date, any Supplemental Lease Rent due and payable on or prior to such Termination Date, plus as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Lease Rent or Renewal Lease Rent due on and after such Termination Date), (i) an amount equal to the excess, if any, of the Termination Value computed as of such Termination Date over the Fair Market Sales Value of the Project as of such Termination Date, or (ii) an amount equal to the excess, if any, of Termination Value computed as of such Termination Date over the Fair Market Rental Value of

the Project until the end of the Basic Lease Term or the then current Renewal Lease Term, after discounting such Fair Market Rental Value semiannually to present value as of such Termination Date at a rate equal to the Lease Debt Rate, or (iii) an amount equal to the Termination Value computed as of such Termination Date; provided that upon payment of such Termination Value by the Lessee pursuant to this clause (iii) and all other Rent (not otherwise included in the calculation of such Termination Value) then due and unpaid, or accrued and unpaid, by the Lessee, then upon any sale of the Owner Lessor's Leasehold Interest as a result of such exercise of remedies at public or private sale, the Owner Lessor shall pay over to the Lessee upon consummation of any such sale the net proceeds of such sale (after deducting from such proceeds all costs and expenses incurred by the Owner Lessor in connection therewith and all other amounts that may become payable to the Owner Lessor, the Equity Investor, the Indenture Trustee or any Noteholder) but not to exceed the sum of such Termination Value paid by the Lessee plus interest at the Prime Rate (as published in the Wall Street Journal from time to time) from such Termination Date until the date of payment of such proceeds to the Lessee and the Lessee waives all claims against the Owner Lessor and the Equity Investor in connection with the sale of the Owner Lessor's Leasehold Interest efforts pursuant to this proviso. Upon payment of such amount under either clause (i), (ii) or (iii) of

this paragraph (e) and all other Rent then due and unpaid, or accrued and unpaid, by the Lessee, Allocated Rent shall cease to accrue and the Lessee's obligation to pay Periodic Lease Rent or Renewal Lease Rent hereunder due for any periods subsequent to the date of such payment shall terminate and this Project Lease, the Head Lease and the Sublease of the Power Plant Sublease shall terminate;

(f) if the Owner Lessor shall have sold the Owner Lessor's Leasehold Interest pursuant to paragraph (c) above, the Owner Lessor may, if it shall so elect, demand that the Lessee pay to the Owner Lessor, and the Lessee shall pay to the Owner Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Lease Rent or Renewal Lease Rent due for any periods subsequent to the date of such sale), an amount equal to (i) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before the date of such sale and, plus (ii) if the date is not a Termination Date, the sum of (A) accrued and unpaid interest on the Senior Notes from the Termination Date next preceding the date of such sale (after payment of principal, premium and interest on the Senior Notes on such Termination Date (if such Termination Date is a Rent Payment Date)) to the date of such sale, plus (B) the product of (x) the positive or negative difference between the Equity Portion of Termination Value on the Termination Date next preceding the date of such sale (after any payment of the Equity Portion of Periodic Lease Rent due on such Termination Date (if such Termination Date is a Rent Payment Date)) and the Equity Portion of Termination Value on the Termination Date next succeeding the date of such sale, and (y) a fraction, the numerator of which is the number of days from the Termination Date next preceding the date of such sale to the date of such sale, and the denominator of which is the number of days between the Termination Date next preceding the date of such sale and the Termination Date next succeeding the date of such sale, plus (iii) either (A) if the date of such sale is not a Termination Date, the amount, if any, by which the Termination Value computed as of the Termination Date next preceding the date of such sale (after deducting any payment of the Periodic Lease Rent due on such Termination Date (if such Termination Date is a Rent Payment Date)), exceeds the net proceeds of such sale or (B) if the date of such sale is a Termination Date, the amount by which the Termination Value as of the date of sale exceeds the net proceeds of such sale, together with interest on the amounts payable

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pursuant to this Section 17.1(f) at the Overdue Rate for the period, if any, from the date of sale to and including the date of actual payment of all such amounts to the Owner Lessor; and, upon payment of all such amounts, the Lessee's obligation to pay Periodic Lease Rent or Renewal Lease Rent for any periods subsequent to the date of such payment shall terminate and this Project Lease, the Head Lease and the Sublease of the Power Plant Sublease shall terminate; or

(g) apply any amounts that are held by the Owner Lessor or the Lease Indenture Trustee as security for the Lessee's obligations hereunder or under any Security Document against any amounts owed by the Lessee hereunder or under any other Operative Document, subject to Section 12.17 of the Participation Agreement.

In addition, the Lessee shall be liable, except as otherwise provided above, for (i) any and all unpaid Periodic Lease Rent and Renewal Lease Rent due hereunder before or during the exercise of any of the foregoing remedies, and (ii) on an After-Tax Basis, for legal fees and other costs and expenses incurred by reason of the occurrence of any Lease Event of Default or the exercise of the remedies with respect thereto, including the repayment in full of any costs and expenses necessary to be expended in connection with the return of the Project in accordance with Section 5 hereof, including, any costs and expenses incurred by the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders in connection with retaking constructive possession of, or in repairing, the Project in order to cause it to be in compliance with all

maintenance standards imposed by this Project Lease.

All payments of Rent under this Section 17.1 shall, so long as the Lien of the Indenture shall not have been terminated and fully discharged, be made to or at the direction of the Indenture Trustee.

Section 17.2. Cumulative Remedies. The remedies in this Project Lease provided in favor of the Owner Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity; and the exercise or beginning of exercise by the Owner Lessor of any one or more of such remedies shall not, except as specifically provided in this Section 17, preclude the simultaneous or later exercise by the Owner Lessor of any or all of such other remedies. To the extent permitted by Applicable Law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Owner Lessor to sell, lease or otherwise use the Project or any Component thereof in mitigation of the Owner Lessor's damages as set forth in this Section 17 or which may otherwise limit or modify any of the Owner Lessor's rights and remedies in this Section 17.

Section 17.3. No Delay or Omission to be Construed as Waiver. No delay or omission to exercise any right, power or remedy accruing to the Owner Lessor upon any breach or default by the Lessee under this Project Lease shall impair any such right, power or remedy of the Owner Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default hereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default.

Section 17.4. Limited Recourse. Notwithstanding anything else in any Operative Document to the contrary, if the sole Lease Event of Default is triggered by the occurrence of (each a "Limited Recourse Event" (x) an event set forth in Section 16(d) (as it pertains to any

covenant, obligation or agreement (other than a payment obligation) of the Lessee in any Real Estate Document or any Project Document) or (y) an event set forth in Section 16(e) as it pertains to (i) the representation and warranty of the Lessee in Section 3.1(c)(iii), 3.1(d)(i)(B) (to the extent such representation and warranty relates to the Owner Lessor), 3.1(e), 3.1(h)(iii), and 3.1(x) of the Participation Agreement, or (ii) any representation or warranty of the Lessee in any Real Estate Document or in any Project Document) or (z) an event set forth in Section 16(f), (j), (k) and (l) (as it pertains to any party to a Project Document), or any combination of the foregoing and no other event that gives rise to a Lease Event of Default has occurred and is continuing, the Lessee's recourse liability to the Owner Lessor including recourse with respect to amounts in the Accounts as a consequence of such Lease Event of Default (including any liability for enforcement costs or losses arising as a result of such Lease Event of Default and Section 9 of the Participation Agreement for any Claims arising out of any Limited Recourse Event) shall be limited to the Limited Recourse Amount (it being understood by the parties hereto that the limit on the Lessee's recourse liability with respect to any indemnification provisions shall only pertain to Claims that directly arise from a Limited Recourse Event). In addition, any amounts owed to the Owner Lessor which are not paid in full from the Lessee's liability to pay the Limited Recourse Amount may be realized by the exercise of remedies with respect to the Collateral under this Section 17. For the avoidance of doubt, the Owner Lessor (or the Indenture Trustee) shall not be entitled to claim the excess, if any, of (i) the aggregate of the balances in the Payment Accounts and the Accounts (other than the Loss Proceeds Account) over (ii) the Limited Recourse Amount, in each case as of the date of the declaration of a Limited Recourse Event.

SECTION 18. SUBLEASE

The Lessee shall not have the right to sublease the Project or assign its interest in this Project Lease, the Project Documents or the Project Site, in whole or in part, without the prior consent of the Owner Lessor.

SECTION 19. OWNER LESSOR'S RIGHT TO PERFORM

If the Lessee fails to make any payment required to be made by it hereunder or fails to perform or comply with any of its other agreements contained herein after notice to the Lessee and failure of the Lessee to so perform or comply, the Owner Lessor may itself, or may cause the Equity Investor to, make such payment or perform or comply with such agreement in a reasonable manner, but shall not be obligated hereunder to do so, and the amount of such payment and of the reasonable expenses of the Owner Lessor or the Equity Investor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Overdue Rate, to the extent permitted by Applicable Law, shall be deemed to be Supplemental Lease Rent, payable by the Lessee to the Owner Lessor on demand. Notwithstanding anything to the contrary contained in the foregoing, the provisions of this Section 19 shall in no event restrict any of the Owner Lessor's rights following the occurrence of the a Lease Event of Default, it being agreed and understood that the Owner Lessor shall be entitled to exercise all of its remedies pursuant to Section 17 upon the occurrence of any such event.

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SECTION 20. SECURITY FOR OWNER LESSOR'S OBLIGATION TO THE INDENTURE TRUSTEE

In order to secure the Senior Notes, the Owner Lessor will assign and grant a Lien to the Indenture Trustee in and to all of the Owner Lessor's right, title and interest in, to and under this Project Lease (other than Excepted Payments), and grant a security interest in favor of the Indenture Trustee in all of the Owner Lessor's right, title and interest in and to the Owner Lessor's Leasehold Interest. The Lessee hereby consents to such assignment and to the creation of such Lien and security interest and acknowledges receipt of copies of the Indenture and the other Operative Documents, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent of the Lessee under any other circumstances. Unless and until the Lessee shall have received written notice from the Indenture Trustee that the Lien of the Indenture has been terminated and fully discharged, the Indenture Trustee shall have the right to exercise the rights of the Owner Lessor under this Project Lease to the extent set forth in and subject in each case to the exceptions set forth in the Indenture. TO THE EXTENT, IF ANY, THAT THIS PROJECT LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS PROJECT LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE ORIGINAL COUNTERPART, WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY THE INDENTURE TRUSTEE ON THE SIGNATURE PAGE THEREOF.

SECTION 21. PURCHASE OPTIONS

Section 21.1. Election of Purchase Options. So long as no Significant Lease Default or Lease Event of Default shall have occurred and be continuing, the Lessee shall have the option to purchase the Owner Lessor's Leasehold Interest from the Owner Lessor (i) on the EBO Date for the EBO Amount (the "Early Buyout Option") and (ii) on the last day of the Basic Lease Term at the FPPO Price by giving the Owner Lessor written notice not earlier than forty-eight (48) months and not later than eighteen 18 months prior to the date such purchase option may be exercised.

Section 21.2. Purchase Option Payments.

(a) On the Purchase Date, the Lessee shall pay to the Owner Lessor, or at its direction the EBO Amount or the FPPO Price, as applicable.

(b) On the Purchase Date, the Lessee shall pay to the Owner Lessor (a) all Supplemental Lease Rent (including all reasonable out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders) due and payable on or prior to the Purchase Date, and (b) any unpaid Periodic Lease Rent and Renewal Lease Rent due on or before such Purchase Date. All Rent payments under this Section 21 shall, so long as the Lien of Indenture shall not have been terminated and fully discharged, be made to or at the direction of the Indenture Trustee. Upon payment of all sums specified in this Section 21.2, (i) Allocated Rent shall cease to accrue and the obligation to pay Periodic Lease Rent or

Renewal Lease Rent shall cease, (ii) the Lessee shall cease to have any liability to the Owner Lessor with respect to the Project, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement and the Tax Indemnity Agreement) surviving pursuant to the express terms of any Operative Document, (iii) the Owner Lessor shall pay the outstanding principal, accrued and unpaid interest, and premium, if any, on the Senior Notes, (iv) this Project Lease, the Head Lease and the Sublease of Power Plant Sublease shall terminate, (v) the Owner Lessor shall, at the Lessee's cost and expense, execute and deliver to the Lessee a release and termination of this Project Lease, the Head Lease and the Sublease of Power Plant Sublease and (vi) the Owner Lessor shall transfer (by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared by and at the expense of the Lessee) the Owner Lessor's Leasehold Interest to the Lessee pursuant to this Section 21 on an "as is, where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Equity Investor as to the absence of Equity Investor's Liens, and shall execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) at the cost and expense of the Lessee. It shall be a condition of the termination of this Project Lease pursuant to this Section 21 that the Lessee shall pay all amounts it is obligated to pay under this Section 21.2. If the Lessee fails to consummate any purchase pursuant to the exercise of the option set forth in Section 21.1(i) hereof, after giving notice of its intention to do so, (i) this Project Lease shall continue and (ii) such failure to consummate shall not constitute a Lease Default; provided, however, that, unless the exercise of the purchase option has been withdrawn before the date on which any related notice of prepayment of Senior Notes has become irrevocable in accordance with the terms of the Indenture, the Lessee shall be obligated to make a Supplemental Rent payment (on an After-Tax Basis to the Owner Lessor and the Equity Investor) equal to the principal of, and interest and Make-Whole Premium, if any on the Senior Notes which are due and payable. Whether or not this Project Lease is terminated and whether or not the Lessee fails to consummate any purchase pursuant to the exercise of the option set forth in Section 21.1(i) hereof, the Lessee shall in any event pay all reasonable out-of-pocket costs and expenses of the Owner Lessor, the Equity Investor, the Indenture Trustee and the Noteholders in connection with the exercise by the Lessee of its right to purchase the Owner Lessor's Leasehold Interest under this Section 21.

Section 21.3. Assumption of the Senior Notes. Notwithstanding the provisions of Section 21.2, if (a) the Lessee (or its designee) shall have executed and delivered an assumption agreement to assume in full the Senior Notes and the obligations and liabilities of the Owner Lessor under the Indenture as permitted by and in accordance with Section 2.10(B) of the

Indenture, (b) all other conditions contained in such Section 2.10(B) shall have been satisfied, and (c) no Significant Lease Default or Lease Event of Default shall have occurred and be continuing after giving effect to such assumption, then the amounts otherwise payable by the Lessee pursuant to this Section 21 shall be reduced by the outstanding principal amount of and accrued interest on the Senior Notes so assumed by the Lessee.

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SECTION 22. MISCELLANEOUS

Section 22.1. Amendments and Waivers. No term, covenant, agreement or condition of this Project Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto.

Section 22.2. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein to a party hereto shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by such a telecommunications device, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (a) and (b) above, in each case addressed to such party and copy party at its address set forth below or in the case of any such party or copy party hereto, at such other address as such party or copy party may from time to time designate by written notice to the other party:

If to the Owner Lessor:

SE Puna, L.L.C.
c/o Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-0001
Telephone No.: (302) 636-6000
Facsimile No.: (302) 636-4141
Attention: Corporate Trust Administration

with a copy to the Equity Investor:

SE Puna Lease, L.L.C.
c/o Southern Company
270 Peachtree Street NW
Atlanta, GA 30303
Telephone No.: (404) 506-5162
Facsimile No.: (404) 506-0708
Attention: Director, Finance and Capital Markets

and to the Indenture Trustee:

Union Bank of California, N.A.
475 Sansome Street, 12th Floor
San Francisco, CA 94111
Telephone No.: (415) 296-6754

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Facsimile No.: (415) 296-6767
Attention: Corporate Trust Department

If to the Lessee:

Puna Geothermal Venture
980 Greg Street
Sparks, NV 89431
Telephone No.: (775) 356-9029
Facsimile No.: (775) 356-9039
Attention: President

Section 22.3. Survival. Except for the provisions of Sections 3.3, 3.5, 5, 9 and 17 (and any other provisions hereof which expressly contemplate that they shall so survive), which shall survive, the warranties and covenants made by each party hereto shall not survive the expiration or termination of this Project Lease in accordance with its terms.

Section 22.4. Successors and Assigns. This Project Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns as permitted by and in accordance with the terms hereof. Except as expressly provided herein or in the other Operative Documents, neither party hereto may assign its interests or transfer its obligations herein without the consent of the other party hereto.

Section 22.5. True Lease. The parties intend that the Owner Lessor (or the Equity Investor) is the owner and lessor of the Project and that the Lessee is the lessee thereof for all purposes including Federal income tax purposes (subject to the Head Lessor's retention of legal title to the Project). Nothing herein shall be construed to affect the Owner Lessor's status as owner of the Project or as conveying to the Lessee any right, title or interest in or to the Project except as lessee only.

Section 22.6. Governing Law. This Project Lease was negotiated in the State of New York, and in all respects this Project Lease shall be governed by, and construed in accordance with, the laws of the State of New York, except that provisions for the creation and enforcement of any interest in real estate created hereby shall be governed by and construed according to the laws of the State of Hawaii, it being understood that, to the fullest extent permitted by the law of the State of Hawaii, the law of the State of New York shall govern the validity and enforceability of the representations, warranties, covenants and obligations of the Lessee and the Owner Lessor under this Project Lease and all other Operative Documents and all of the obligations arising hereunder or thereunder.

Section 22.7. Severability. Any provision of this Project Lease that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.8. Counterparts. This Project Lease may be executed by the parties hereto on any number of separate counterparts, each of which, subject to Section 20, when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 22.9. Headings and Table of Contents. The headings of the sections of this Project Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or

construction of any of the provisions hereof.

Section 22.10. Further Assurances. Each party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by the other party, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Project Lease.

Section 22.11. Effectiveness. This Project Lease has been dated as of the date first above written for convenience only. This Project Lease shall be effective on the Closing Date.

Section 22.12. Limitation of Liability. It is expressly understood and agreed by the parties hereto that (a) this Project Lease is executed and delivered by the Trust Company, not individually or personally but solely as manager of the Owner Lessor under the LLC Agreement, in the exercise of the powers and authority conferred and vested in it pursuant thereto, (b) each of the representations, undertakings and agreements herein made on the part of the Owner Lessor is made and intended not as personal representations, undertakings and agreements by the Trust Company but is made and intended for the purpose for binding only the Owner Lessor, (c) nothing herein contained shall be construed as creating any liability on the Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto or by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall the Trust Company, be personally liable for the payment of any indebtedness or expenses of the Owner Lessor or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Owner Lessor under this Project Lease.

Section 22.13. Entire Agreement. This Agreement, together with the other applicable Operative Documents, constitutes the entire agreement of the parties hereto and thereto with respect to the subject matter hereof and thereof and supercedes all oral and prior written agreements and understandings with respect to such subject matter.

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IN WITNESS WHEREOF, the Owner Lessor and the Lessee have caused this Project Lease to be duly executed and delivered by their respective officers thereunto duly authorized.

SE Puna, L.L.C.

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Manager

By: /s/ Janel R. Harvilla

Name: Janel R. Harvilla

Title: Financial Services Officer

PUNA GEOTHERMAL VENTURE

By: ORNI 8 LLC, its partner

By: Ormat Nevada Inc., its Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

By: OrPuna LLC, its partner
By: Ormat Nevada Inc., its Manager

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

*Receipt of the original counterpart of the foregoing Project Lease is hereby acknowledged on this 18th day of May 2005.

Union Bank of California, N.A.,
as Indenture Trustee

By: /s/ Sonia N. Flores

Name: Sonia N. Flores
Title: Vice President

* This acknowledgment executed in the original counterpart only.

PROJECT LEASE SUPPLEMENT NO. 1

This PROJECT LEASE SUPPLEMENT NO. 1, dated as of May 18, 2005, is between SE PUNA, L.L.C., a Delaware limited liability company (the "Owner Lessor"), and PUNA GEOTHERMAL VENTURE, a Hawaii general partnership (the "Lessee").

WITNESSETH:

WHEREAS, the Owner Lessor and the Lessee have heretofore entered into that certain Project Lease Agreement, dated as of May 18, 2005 (the "Project Lease"). The terms used herein are used with the meanings specified in the Project Lease; and

WHEREAS, the Project Lease provides for the execution and delivery of a Project Lease Supplement substantially in the form hereof for, among other things, the purpose of leasing the Project and confirming Periodic Lease Rent, Allocated Rent and Termination Values with respect thereto.

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

Section 1. Lease. The Owner Lessor hereby leases the Project, upon the terms and conditions set forth in the Project Lease, to the Lessee for the Basic Lease Term (and Renewal Lease Term, if any) and the Lessee hereby leases the Project upon the terms and conditions set forth in the Project Lease, from the Owner Lessor for such Basic Lease Term (and Renewal Lease Term, if any). The Head Lease Rent for the Project, designated as such in the Head Lease Supplement therefor, is \$71,000,000.

Section 2. Payment of Periodic Rent. The Lessee hereby agrees to pay to the Owner Lessor basic lease rent for the lease of the Project (the "Periodic Lease Rent"), payable with respect to the Basic Lease Term thereof, as follows: each payment of Periodic Lease Rent shall be payable on each Rent Payment Date

in the amount equal to, subject to Section 3.4 of the Project Lease, the product of (x) the Head Lease Rent therefor multiplied by (y) the percentage set forth opposite such Rent Payment Date on Schedule 1 hereto under the caption "Periodic Lease Rent Percentage."

Section 3. Allocation of Rent. The Periodic Lease Rent allocated to each Rental Period for the use by the Lessee of the Project shall be an amount equal to the product of (x) the Head Lease Rent therefor multiplied by (y) the percentage set forth opposite such Rental Period in Schedule 2 hereof under the caption "Allocation Percentage" (the "Allocated Rent").

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Section 4. Termination Values. Termination Values for any Termination Date in respect of the Project shall be an amount equal to the product of (x) the Head Lease Rent therefor multiplied by (y) the percentage set forth under the heading "Termination Value Percentages" on Schedule 3 hereto.

Section 5. EBO Price; EBO Date Prepaid Rent Balance. The EBO Price in respect of the Project shall mean an amount equal to \$74,137,981.97. The EBO Date Prepaid Rent Balance shall mean an amount equal to \$3,023,892.07.

Section 6. FPPO Price. The FPPO Price in respect of the Project shall mean an amount equal to \$42,850,709.17.

Section 7. Miscellaneous. (a) This Project Lease Supplement No. 1 shall be construed in connection with and as part of the Project Lease, and all terms, conditions and covenants contained in the Project Lease, except as herein modified, shall be and remain in full force and effect.

(b) This Project Lease Supplement No. 1 may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

IN WITNESS WHEREOF, the Owner Lessor and the Lessee have caused this Project Lease Supplement No. 1 to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

SE PUNA, L.L.C.

By: Wilmington Trust Company, not in its individual capacity but solely as Owner Manager

By: /s/ Janel R. Harvilla

Name: Janel R. Harvilla

Title: Financial Services Officer

PUNA GEOTHERMAL VENTURE

By: ORNI 8 LLC, its partner

By: /s/ Connie Stechman

Name: Connie Stechman

Title: Assistant Secretary

By: OrPuna LLC, its partner

By: /s/ Connie Stechman

Name: Connie Stechman
Title: Assistant Secretary

*Receipt of the original counterpart of the foregoing Project Lease Supplement No. 1 is hereby acknowledged on this 18th day of May 2005.

Union Bank of California, N.A.,
as Indenture Trustee

By: /s/ Sonia N. Flores

Name: Sonia N. Flores
Title: Vice President

* This acknowledgment executed in the original counterpart only.

SCHEDULE 1
TO THE
PROJECT LEASE SUPPLEMENT NO. 1
PERIODIC LEASE RENT

(expressed as a percentage of Head Lease Rent and in dollars)

RENT PAYMENT DATE	PERIODIC LEASE RENT PERCENTAGE	PERIODIC LEASE RENT
-----	-----	-----
June 30, 2005	0.6473227042	459,599.12
December 30, 2005	2.8464218732	2,020,959.53
June 30, 2006	4.3784005070	3,108,664.36
December 30, 2006	4.3784005070	3,108,664.36
June 30, 2007	4.2254682113	3,000,082.43
December 30, 2007	4.2254682113	3,000,082.43
June 30, 2008	4.6768710141	3,320,578.42
December 30, 2008	4.6768710141	3,320,578.42
June 30, 2009	3.3255457465	2,361,137.48
December 30, 2009	5.0010715634	3,550,760.81
June 30, 2010	2.7606800000	1,960,082.80
December 30, 2010	4.6806017746	3,323,227.26
June 30, 2011	4.9906810563	3,543,383.55
December 30, 2011	4.9906810563	3,543,383.55
June 30, 2012	5.0771234507	3,604,757.65
December 30, 2012	5.0771234507	3,604,757.65
June 30, 2013	4.9704976620	3,529,053.34
December 30, 2013	4.9704976620	3,529,053.34
June 30, 2014	5.3714510704	3,813,730.26
December 30, 2014	5.3714510704	3,813,730.26
June 30, 2015	5.0612968028	3,593,520.73
December 30, 2015	5.0612968028	3,593,520.73
June 30, 2016	5.1572162113	3,661,623.51
December 30, 2016	5.1572162113	3,661,623.51
June 30, 2017	5.4082660423	3,839,868.89

December 30, 2017	5.4082660423	3,839,868.89
June 30, 2018	5.5358332535	3,930,441.61
December 30, 2018	5.5358332535	3,930,441.61
June 30, 2019	5.6862400704	4,037,230.45
December 30, 2019	5.6862400704	4,037,230.45
June 30, 2020	2.5095298592	1,781,766.20
December 30, 2020	5.3780137042	3,818,389.73
June 30, 2021	0.0000000000	0.00
December 30, 2021	5.8578008310	4,159,038.59
June 30, 2022	0.0000000000	0,00
December 30, 2022	2.5535723521	1,813,036.37
June 30, 2023	0.0000000000	0.00
December 30, 2023	0.0000000000	0.00
June 30, 2024	0.0000000000	0.00
December 30, 2024	0.0000000000	0.00
June 30, 2025	0.0000000000	0.00
December 30, 2025	0.0000000000	0.00
June 30, 2026	0.0000000000	0.00
December 30, 2026	0.0000000000	0.00
June 30, 2027	0.0000000000	0.00
December 30, 2027	0.0000000000	0.00
Total	156.6392511126	111,213,868.29

SCHEDULE 2
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

ALLOCATED RENT, PROPORTIONAL RENT AND SECTION 467 INTEREST PERCENTAGES

(expressed as a percentage of Head Lease Rent)

<TABLE>

RENTAL PERIOD

FROM AND INCLUDING	TO AND INCLUDING	ALLOCATION PERCENTAGE	PROPORTIONAL RENT PERCENTAGE	SECTION 467 INTEREST PERCENTAGE
-----	-----	-----	-----	-----
May 19, 2005	December 30, 2005	2.5672189155	2.8862298169	0.0000000000
January 1, 2006	December 30, 2006	7.0015061268	7.8715358732	0.0318945211
January 1, 2007	December 30, 2007	7.0015061268	7.8715358732	0.0800454085
January 1, 2008	December 30, 2008	7.0015061268	7.8715358732	0.1146663239
January 1, 2009	December 30, 2009	7.0015061268	7.8715358732	0.1985021268
January 1, 2010	December 30, 2010	7.0015061268	7.8715358732	0.2328152535
January 1, 2011	December 30, 2011	7.0015061268	7.8715358732	0.2224497183
January 1, 2012	December 30, 2012	7.0015061268	7.8715358732	0.3448942113
January 1, 2013	December 30, 2013	7.0015061268	7.8715358732	0.4828434789

January 1, 2014	December 30, 2014	7.0015061268	7.8715358732	0.6168393803
January 1, 2015	December 30, 2015	7.0015061268	7.8715358732	0.7999701831
January 1, 2016	December 30, 2016	7.0015061268	7.8715358732	0.9601491549
January 1, 2017	December 30, 2017	7.0015061268	7.8715358732	1.1388090423
January 1, 2018	December 30, 2018	7.0015061268	7.8715358732	1.3532088169
January 1, 2019	December 30, 2019	7.0015061268	7.8715358732	1.5922591408
January 1, 2020	December 30, 2020	7.0015061268	7.8715358732	1.8596523239
January 1, 2021	December 30, 2021	7.0015061268	7.8715358732	1.9581244789
January 1, 2022	December 30, 2022	7.0015061268	7.8715358732	1.9552049155
January 1, 2023	December 30, 2023	7.0015061268	7.8715358732	1.7786600845
January 1, 2024	December 30, 2024	7.0015061268	7.8715358732	1.4587841127
January 1, 2025	December 30, 2025	7.0015061268	7.8715358732	1.1221146479
January 1, 2026	December 30, 2026	7.0015061268	7.8715358732	0.7677700282
January 1, 2027	December 30, 2027	7.0015061268	7.8715358732	0.3948223239
January 1, 2028	January 3, 2028	0.0388974075	0.0437309249	0.0000191635
Total		156.6392511126	176.1037499522	19.4644988396

</TABLE>

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
May 30, 2005	106.3202447183
June 30, 2005	106.5414426479
July 30, 2005	107.3672670704
August 30, 2005	108.1967439014
September 30, 2005	109.0299003662
October 30, 2005	109.8490624930
November 30, 2005	110.6718273803
December 30, 2005	108.6518000141
January 30, 2006	109.4490959437
February 28, 2006	110.2498318451
March 30, 2006	111.0540333521
April 30, 2006	111.8573009437
May 30, 2006	112.6449368592

June 30, 2006	109.0575402676
July 30, 2006	109.7770797183
August 30, 2006	110.4994797887
September 30, 2006	111.2247618028
October 30, 2006	111.9274590282
November 30, 2006	112.6328913803
December 30, 2006	108.9626787606
January 30, 2007	109.6151808310
February 28, 2007	110.2700626901
March 30, 2007	110.9273420423
April 30, 2007	111.5806647183
May 30, 2007	112.2258624225
June 30, 2007	108.6479172676
July 30, 2007	109.2520861549
August 30, 2007	109.8583120423
September 30, 2007	110.4666102254
October 30, 2007	111.0629816901
November 30, 2007	111.6613520423
December 30, 2007	108.0362679718
January 30, 2008	108.5998349577
February 29, 2008	109.1651949014
March 30, 2008	109.7323611690
April 30, 2008	110.2978436056
May 30, 2008	110.8598466901
June 30, 2008	106.7467600704
July 30, 2008	107.2748676197
August 30, 2008	107.8045544930
September 30, 2008	108.3358324648
October 30, 2008	108.8616645775
November 30, 2008	109.3890590704
December 30, 2008	105.2411565493
January 30, 2009	105.7362144930
February 28, 2009	106.2326508451

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
March 30, 2009	106.7304758310
April 30, 2009	107.2279376479
May 30, 2009	107.7215289155
June 30, 2009	104.8909419014
July 30, 2009	105.3562444366
August 30, 2009	105.8227036479
September 30, 2009	106.2903281690
October 30, 2009	106.7521042394
November 30, 2009	107.2150107183
December 30, 2009	102.6779844648
January 30, 2010	103.0942189155
February 28, 2010	103.5112444507
March 30, 2010	103.9290669577
April 30, 2010	104.3459367746

May 30, 2010	104.7621812535
June 30, 2010	102.4185368873
July 30, 2010	102.8215354225
August 30, 2010	103.2252264366
September 30, 2010	103.6296150704
October 30, 2010	104.0328116479
November 30, 2010	104.4367021549
December 30, 2010	100.1606900000
January 30, 2011	100.5275350704
February 28, 2011	100.8948032254
March 30, 2011	101.2624976338
April 30, 2011	101.6301477465
May 30, 2011	102.0007365070
June 30, 2011	97.3810951972
July 30, 2011	97.7381267183
August 30, 2011	98.0956088873
September 30, 2011	98.4535450704
October 30, 2011	98.8152846901
November 30, 2011	99.1775100423
December 30, 2011	94.5495436761
January 30, 2012	94.8964908873
February 29, 2012	95.2439189296
March 30, 2012	95.5918313803
April 30, 2012	95.9410683662
May 30, 2012	96.2934571972
June 30, 2012	91.5692439577
July 30, 2012	91.9066932817
August 30, 2012	92.2446603099
September 30, 2012	92.5831488873
October 30, 2012	92.9257015352
November 30, 2012	93.2688099014
December 30, 2012	88.5353546901

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
January 30, 2013	88.8620157183
February 28, 2013	89.1892283099
March 30, 2013	89.5169965634
April 30, 2013	89.8462092958
May 30, 2013	90.1787953099
June 30, 2013	85.5414793803
July 30, 2013	85.8592020986
August 30, 2013	86.1775199859
September 30, 2013	86.4964374789
October 30, 2013	86.8196960000
November 30, 2013	87.1435909437
December 30, 2013	82.4976293662
January 30, 2014	82.8050977183
February 28, 2014	83.1132019155

March 30, 2014	83.4219467042
April 30, 2014	83.7322710845
May 30, 2014	84.0462218592
June 30, 2014	78.9894056901
July 30, 2014	79.2854033239
August 30, 2014	79.5820810141
September 30, 2014	79,8794438310
October 30, 2014	80.1814558592
November 30, 2014	80.4841927465
December 30, 2014	75.4162088310
January 30, 2015	75.6992816901
February 28, 2015	75.9830756761
March 30, 2015	76.2675961831
April 30, 2015	76.5538383521
May 30, 2015	76.8439588028
June 30, 2015	72.0735560845
July 30, 2015	72.3469298732
August 30, 2015	72.6210792676
September 30, 2015	72.8960100704
October 30, 2015	73.1759061127
November 30, 2015	73.4566263662
December 30, 2015	68.6768801690
January 30, 2016	68.9391129155
February 29, 2016	69.2021728592
March 30, 2016	69.4660661972
April 30, 2016	69.7318436056
May 30, 2016	70.0017883944
June 30, 2016	65.1154016338
July 30, 2016	65.3671490000
August 30, 2016	65.6197815211
September 30, 2016	65.8733057746
October 30, 2016	66.1321467324

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
November 30, 2016	66.3919256901
December 30, 2016	61.4954334225
January 30, 2017	61.7351882958
February 28, 2017	61.9758834930
March 30, 2017	62.2175260282
April 30, 2017	62.4612275493
May 30, 2017	62.7093997746
June 30, 2017	57.5503090141
July 30, 2017	57.7761732817
August 30, 2017	58.0030171690
September 30, 2017	58.2308479718
October 30, 2017	58.4643410000
November 30, 2017	58.6988704930
December 30, 2017	53.5261781268

January 30, 2018	53.7366224930
February 28, 2018	53.9480842958
March 30, 2018	54.1605711268
April 30, 2018	54.3752575915
May 30, 2018	54.5946757042
June 30, 2018	49.2793448732
JULY 30, 2018	49.4745167606
August 30, 2018	49.6707460563
September 30, 2018	49.8680406338
October 30, 2018	50.0713185634
November 30, 2018	50.2757142958
December 30, 2018	44.9454029014
January 30, 2019	45.1238531831
February 28, 2019	45.3034015352
March 30, 2019	45.4840561549
April 30, 2019	45.6670528169
May 30, 2019	45.8550564085
June 30, 2019	40.3579891831
July 30, 2019	40.5200875070
August 30, 2019	40.6833308028
September 30, 2019	40.8477275775
October 30, 2019	41.0184530986
November 30, 2019	41.1903878451
December 30, 2019	35.6773007887
January 30, 2020	35.7983495352
February 29, 2020	35.9203001831
March 30, 2020	36.0431594789
April 30, 2020	36.1682258451
May 30, 2020	36.2980779296
June 30, 2020	33.9193676761
July 30, 2020	34.0280491549
August 30, 2020	34.1375404085

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
September 30, 2020	34.2478474648
October 30, 2020	34.3641149014
November 30, 2020	34.4812486338
December 30, 2020	29.2212414225
January 30, 2021	29.2777475915
February 28, 2021	29.3346748028
March 30, 2021	29.3920261549
April 30, 2021	29.4510894507
May 30, 2021	29.5143805775
June 30, 2021	29.5781432676
July 30, 2021	29.6512191127
August 30, 2021	29.7248394507
September 30, 2021	29.7990083099
October 30, 2021	29.8787801127
November 30, 2021	29.9591462958

December 30, 2021	24.1823104366
January 30, 2022	24.1952508169
February 28, 2022	24.2082876197
March 30, 2022	24.2214215493
April 30, 2022	24.2359159296
May 30, 2022	24.2543080000
June 30, 2022	24.2728371268
July 30, 2022	24.3003469437
August 30, 2022	24.3280617465
September 30, 2022	24.3559830423
October 30, 2022	24.3891653099
November 30, 2022	24.4225948310
December 30, 2022	21.9027010563
January 30, 2023	21.9102780845
February 28, 2023	21.9179115493
March 30, 2023	21.9256019014
April 30, 2023	21.9346127887
May 30, 2023	21.9475990986
June 30, 2023	21.9606821690
July 30, 2023	21.9829820423
August 30, 2023	22.0054480704
September 30, 2023	22.0280814930
October 30, 2023	22.0560946056
November 30, 2023	22.0843164225
December 30, 2023	22.1127485352
January 30, 2024	22.1479062817
February 29, 2024	22.1833259859
March 30, 2024	22.2190096056
April 30, 2024	22.2562618592
May 30, 2024	22.2979147887
June 30, 2024	22.3398780845

SCHEDULE 3
TO THE
PROJECT LEASE SUPPLEMENT NO. 1

TERMINATION VALUE PERCENTAGES

(expressed as a percentage of Head Lease Rent)

TERMINATION DATE	TERMINATION VALUE PERCENTAGE
-----	-----
July 30, 2024	22.3917746620
August 30, 2024	22.4440579155
September 30, 2024	22.4967307324
October 30, 2024	22.5552934930
November 30, 2024	22.6142926056
December 30, 2024	22.6737313239
January 30, 2025	22.7404847746
February 28, 2025	22.8077355915
March 30, 2025	22.8754874930
April 30, 2025	22.9451185775
May 30, 2025	23.0196177324
June 30, 2025	23.0946719577
July 30, 2025	23.1804336479
August 30, 2025	23.2668343521
September 30, 2025	23.3538788028
October 30, 2025	23.4473708169

November 30, 2025	23.5415594225
December 30, 2025	23.6364498028
January 30, 2026	24.1928156056
February 28, 2026	24.2964280563
March 30, 2026	24.4008125070
April 30, 2026	24.5074244507
May 30, 2026	24.6198905915
June 30, 2026	24.7331947042
July 30, 2026	24.8583517042
August 30, 2026	24.9844412394
September 30, 2026	25.1114702254
October 30, 2026	25.2459927606
November 30, 2026	25.3815175915
December 30, 2026	25.5180521972
January 30, 2027	25.0796465211
February 28, 2027	25.2263174225
March 30, 2027	25.3740811408
April 30, 2027	25.5244330423
May 30, 2027	25.6819076620
June 30, 2027	25.8405556056
July 30, 2027	26.0124255915
August 30, 2027	26.1855761408
September 30, 2027	26.3600168169
October 30, 2027	26.5432690704
November 30, 2027	26.7278867042
December 30, 2027	26.9138799014

Exhibit 31.1

Ormat Technologies, Inc. Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yehudit "Dita" 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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 Quarterly 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)) 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year 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: August 11, 2005

By: /s/ YEHUDIT BRONICKI
Name: Yehudit Bronicki
Title: Chief Executive Officer & President

Exhibit 31.2

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year 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: August 11, 2005

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

Exhibit 32.1

**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 "Dita" 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 June 30, 2005 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: August 11, 2005

By: /s/ YEHUDIT BRONICKI
Name: Yehudit Bronicki
Title: Chief Executive Officer & President

Exhibit 32.2

**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 Mach 31, 2005 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: August 11, 2005

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