



OFFICE OF THE NEVADA ENERGY COMMISSIONER
NEVADA STATE OFFICE OF ENERGY

THIS AGREEMENT is made on May 25, 2011 by the Acting Nevada Energy Commissioner (Commissioner) and ORNI 42, LLC (Owner) as a result of the determination by the Commissioner that Owner's project, as described herein, meets the criteria set out in Nevada Revised Statutes (NRS) 701A.300 through NRS 701A.390 such that Owner is entitled to the benefit of partial abatement of its sales and use taxes according to the following terms and conditions.

1. Approved Project. This Agreement is intended only and solely to allow partial abatement of the sales and use taxes upon Owner's Tuscarora facility (Facility) and partial abatement of the property taxes on the transmission line from the Facility according to the representations made in Owner's Application Filing No. (AFN) 11-01008G (Application) dated March 9, 2011, the Findings of Fact, Conclusions of Law, and Order (Order) issued by the Commissioner on May 25, 2011 regarding AFN 11-01008G resultant from a public hearing held by the Commissioner on May 11, 2011.

2. Approved Partial Tax Abatements. Pursuant to NRS 701A.370, Owner is entitled to the partial abatement of the following taxes:

(a) **Sales and Use Tax Abatement.** Between May 25, 2011 and June 30, 2011, any qualified purchaser of goods and equipment for the Facility shall be required to pay sales and use taxes imposed in this State at the rate of 2.6 percent. Between July 1, 2011 and May 25, 2014 any qualified purchaser of goods and equipment for Owner's facility shall be required to pay sales and use taxes imposed in this State at the rate of 2.25 percent.

(b) **Property Tax Abatement.** Property taxes imposed pursuant to NRS chapter 361 shall be equal to 55 percent of the taxes on real and personal property payable by Owner on the transmission line from the Facility each year. This abatement shall commence on May 25, 2011 and shall terminate on May 25, 2031.

3. Terms and Conditions of Partial Tax Abatements. The following terms and conditions govern the partial tax abatements granted pursuant to this Agreement:

(a) **Compliance with Law and Application.** Owner shall comply with all applicable Nevada, federal, and local laws related to the construction and operation of the Facility, including but not limited to NRS chapter 701A and Nevada Administrative Code (NAC) chapter 701A (presently uncodified as LCB No. R094-10). Owner shall also substantively honor all commitments and representations made in the documents submitted to the Commissioner that formed the basis upon which the Commissioner granted the abatements with the acknowledgement that some of the items contained therein were estimated and that in no case will the Owner's actual performance fail to meet the statutory or regulatory criteria upon which the Commissioner granted the approval of the Application.

(b) **List of Contractors, Subcontractors, and Other Entities.** For the term of the abatement of sales and use taxes, Owner shall maintain an accurate and current list with the Commissioner of all contractors, subcontractors, and other entities that will be purchasing goods and equipment for the construction of the Facility. Contractors, subcontractors, and other entities not included on the list submitted to the Commissioner are not entitled to claim or receive the abatement herein. Owner acknowledges that it may be held responsible and may be liable for repayment of any abated taxes resulting from the improper exercise of the abatements allowed herein by Owner, its contractor or subcontractors, or any other person or entity that Owner authorizes or allows to make use of the abatements herein. In any action seeking repayment of any abated taxes, the Owner will also be responsible for the payment of the fees and costs, including attorney's fees, incurred by the Commissioner in seeking the repayment of the abated taxes.

(c) **Effectiveness of Abatement and Actual Taxes Assessed.** The actual taxes assessed will be determined through the processes established by applicable tax laws and regulations, and the partial abatements will be applied to the taxes actually assessed. It may be that the actual taxes assessed throughout the abatement terms herein may vary from the estimates contained in the Order in this matter and the documents and evidence on which it was based. This Agreement shall remain in full force and effect regardless of whether any such variances favor or disfavor the Owner.

(d) **Annual Reports.** Throughout the abatement terms granted by this Agreement, Owner shall file with the Director of the Nevada State Office of Energy (NSOE) an annual report on a form provided by the Commissioner. The annual report form may change from year to year in the discretion of the Commissioner. The first annual report shall be submitted by the Owner on or before May 25, 2012 and on or before every May 25 thereafter until the abatements expires. The Owner

shall produce with the annual report such documents and data as are required by the Commissioner to ensure Owner's compliance with this Agreement.

(e) **Cooperation With the Commissioner, the Department of Taxation, and any other agencies authorized by Nevada law.** The Commissioner, employees or agents of the Commissioner, employees or agents of the Department of Taxation, and any other persons or agencies authorized by Nevada law may inspect the site of the facility at any time when the facility is under construction or operating with or without giving Owner prior notice. Owner shall cooperate with all requests for documents, data, or interviews, which may include providing such information as is requested by the Department of Taxation to assist it in making determinations regarding the correct application of the partial abatements granted herein. Owner shall allow access to the site of the Facility or any of its components, buildings, or other facilities, but any persons participating in such inspections shall comply with all of Owner's safety and security policies applicable to visitors of the Facility. Any lack of cooperation by Owner may be deemed a failure of compliance with this Agreement and may result in the suspension or revocation of the tax abatements in accordance with the terms of Paragraph 5 below.

(f) **Incorporation of Documents.** The Findings of Fact, Conclusions of Law, and Order entered by the Commissioner in this matter, the Application, and all other documents upon which the Commissioner rendered the determination to grant the abatements herein are incorporated into this Agreement by this reference. All representations, commitments, and assurances contained therein are part of this Agreement and shall be enforceable by and through this Agreement.

(g) **Severability.** If any portion of this Agreement is determined by a court of competent jurisdiction to be unenforceable, the remainder of this Agreement shall remain in full force and effect.

(h) **Applicable Law and Venue.** This Agreement shall be interpreted and enforced according to the laws of the State of Nevada. Venue for any action based upon this Agreement shall be the First Judicial District Court in and for Carson City, Nevada.

4. Issuance of Certificate. With and by this Agreement, the Owner is authorized to receive from the Department of Taxation a certificate authorizing the abatements for sales and use taxes granted herein.

5. Effects of Non-Compliance. Owner acknowledges that the Commissioner and the Nevada Department of Taxation have the right and authority to investigate and audit Owner's compliance with the terms of this Agreement. Owner further acknowledges that pursuant to applicable laws and regulations if the Commissioner determines that the terms and conditions of this Agreement have been violated, the Commissioner may provide Owner notice of the determination and allow Owner an opportunity to be heard regarding the determination. After providing Owner with notice and an opportunity to be heard, if the Commissioner concludes that the terms and conditions of this Agreement have not been complied with, the Commissioner may enter an order suspending the tax abatements and requiring Owner to remediate the failure of compliance, and if Owner does not do so, the Commissioner may revoke the tax abatements and/or further require that the Owner repay taxes abated, fees, costs, and attorney's fees as are just, appropriate, and necessary under the circumstances.

6. Assignment of Agreement. If Owner sells, transfers, or otherwise assigns some or all of its interests in the Facility, the successor-in-interest to Owner may not avail itself of the benefits of the tax abatements herein unless and until it has: (a) Acknowledged in writing that it is knowledgeable of the terms of this Agreement, (b) Acknowledged in writing that it intends to be bound by and will comply with the terms of this Agreement, and (c) Notified the Commissioner in writing of its acknowledgements under this paragraph on a form provided by the Commissioner.

SIGNED AND EFFECTIVE THIS 25 DAY OF May, 2011.

NEVADA OFFICE OF ENERGY

By: Stacey Crowley

STACEY CROWLEY, Acting Nevada Energy Commissioner

By signing below, I acknowledge that I am an owner, member, partner, officer, or employee of Owner with signatory authority to bind the Owner to this Agreement. I hereby declare that all matters contained in this Agreement are true and complete and that any misrepresentation contained herein may be deemed a cause for termination of this Agreement and the benefits conferred herein.

SIGNED THIS 25th DAY OF MAY, 2011.

ORNI 42, LLC

By: Connie Stechman

SIGNATURE

Name and Title: Connie Stechman, Assistant

PRINT NAME AND TITLE

Secretary