Geothermal Energy and Its Value

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Introduction

Market leader with proven track record in the geothermal sector

Our mission is to become a leading global renewable energy provider

52
Years of experience

663 $M
FY 2016 Revenues

Own & Operate
713 MW

324 $M
FY 2016 Adj. EBITDA

1,180
Employees

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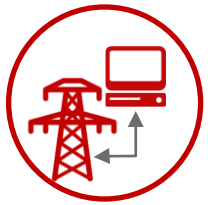
Expansion to Energy Storage

Global Business Development

EPC & Operation

Funding



Energy Storage Management Software

Battery

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viridityenergy

Technology Provider

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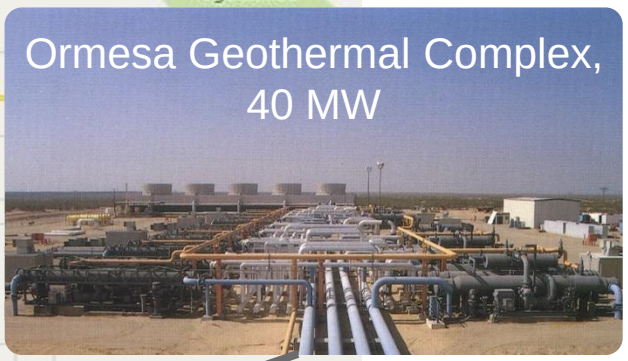
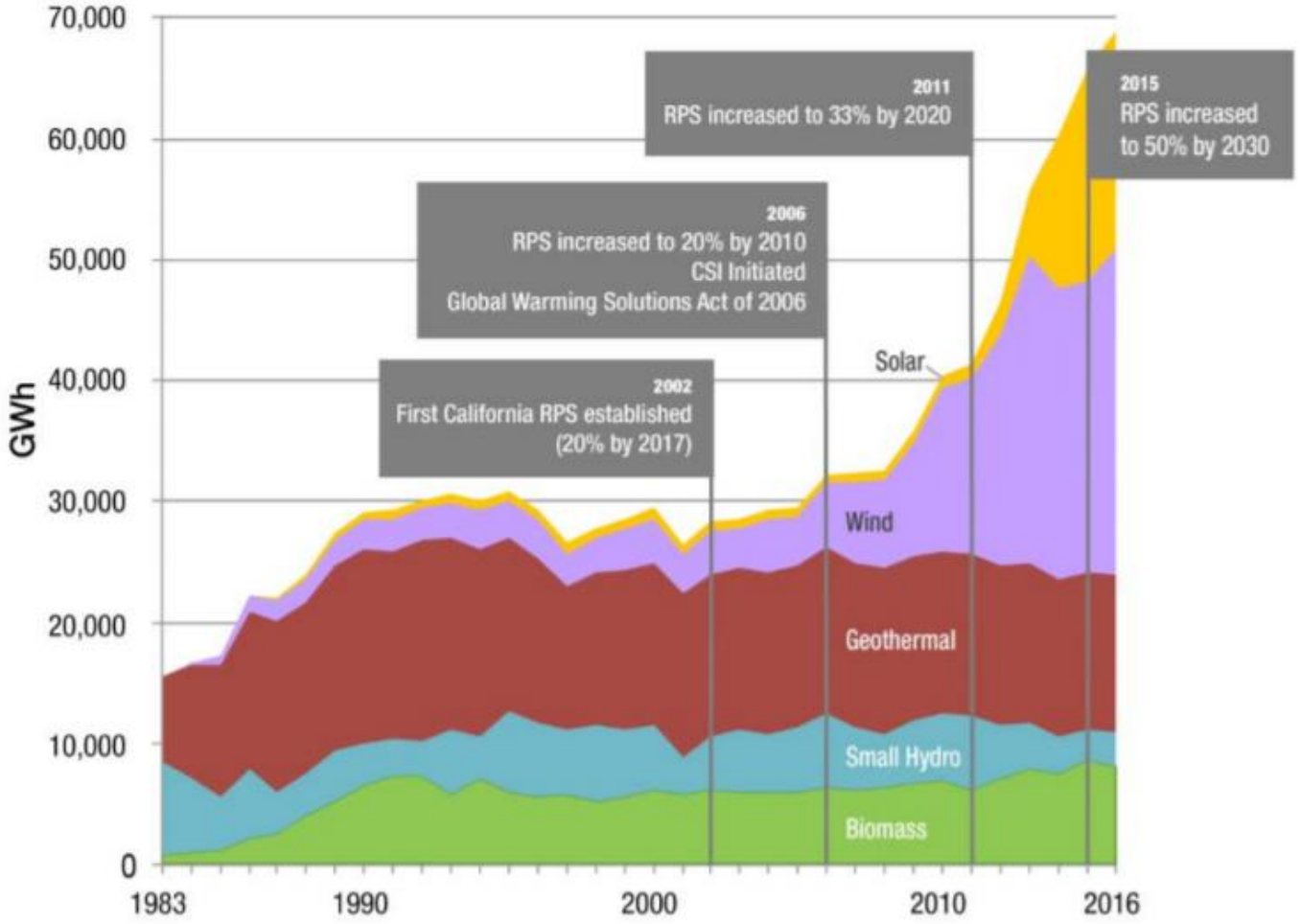
Ormat in the Imperial Valley



California's Renewable Resources Mix

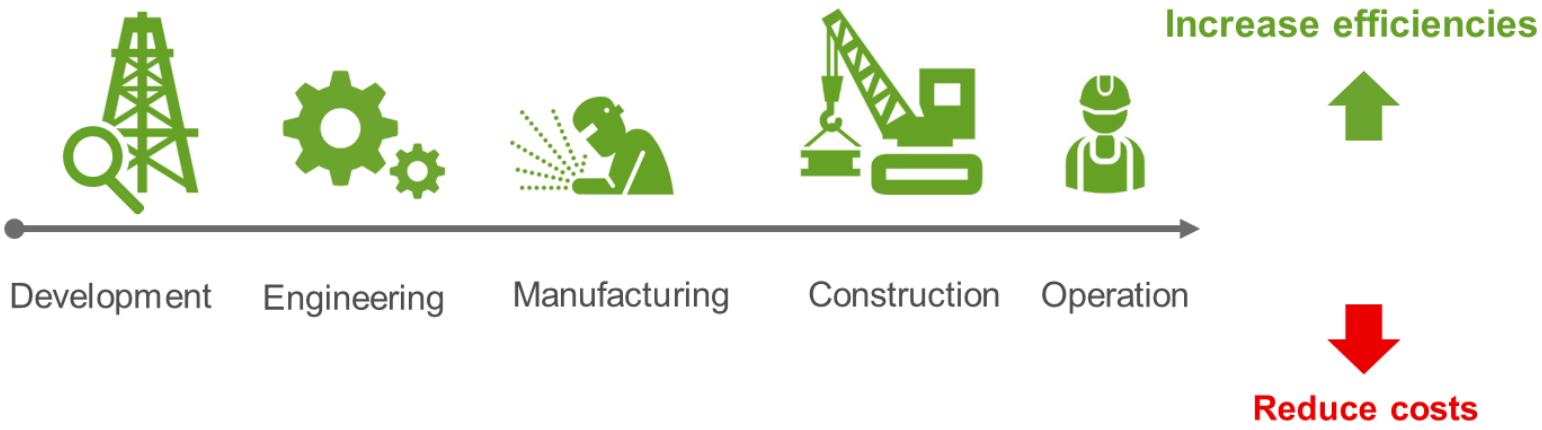


Source: CEC Tracking Progress Report, update December 22, 2016

Cost Reductions Across the Value Chain

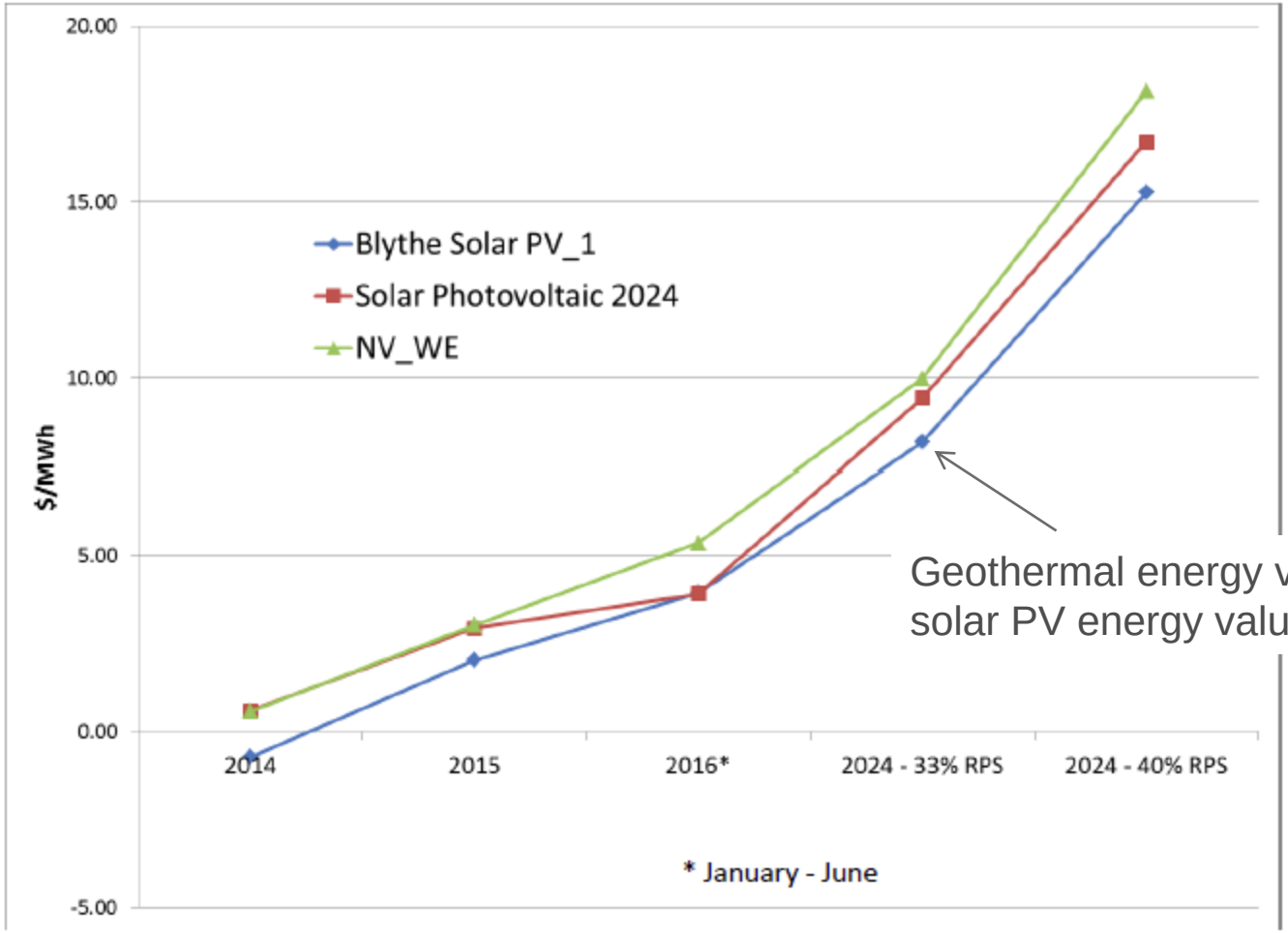
- Exploration:
  - Advanced geophysics
  - Core drilling
  - Fewer dry wells
- Development
  - Bigger production pumps = fewer wells per project
- Power plant CAPEX
  - Bigger, more efficient turbines and heat exchangers
- O&M costs
  - More automation
  - Regional O&M centers
  - Centralized procurement

Cost of Geothermal is Going Down



- Cost of new Ormat geothermal projects is $4,000-$4,500/kW
  - Down from $4,500-$5,000/kW several years ago
- Levelized PPA prices dropped from >$100/MWh to <$80/MWh

Value of Geothermal is Going Up: Energy



Source: Ormat, based on SCE market data, CAISO simulations and CPUC LTPP model

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Valuation Summary: Geo vs. Solar in CA 2024

Attribute	Added Value	Notes / Ref.
Energy	$15 - $20/MWh	(1)
Capacity	$10 - $19/MWh	(2)
Integration	$5 – $20/MWh	(3)
Curtailment	$4 - $9/MWh	(4)
Transmission utilization	>$2/MWh	(5)
Flexibility	?	
GHG emissions	?	
Total	**$36 ~ $70+/MWh**	

(1) Based on CAISO simulations and CPUC LTPP model
(2) Based on CAISO annual revenue requirement of a new 100 MW CT in its 2015 State of the Market report.
(3) Based on CPUC studies and LADWP IRP.
(4) Assumes 10% - 20% curtailment of solar at $40/MWh
(5) Assumes yearly transmission cost of $6/MW (taken from LADWP 2014 Power Service Cost of Service Study for the Barren Ridge project) and factors in 80-90% capacity factor for geothermal vs. 25-30% capacity factor for solar PV

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Dispatchable Geothermal Case Study: 38 MW Puna Geothermal Venture

- Big Island, Hawai'i
- Dispatchable energy
- Automatic Generator Control (AGC)
- Remotely and automatically controlled by HELCO System Operator
- Dispatch: 22 ~ 38 MW
- Ramp rate up or down: 2 MW / minute
- Spinning reserve at all times: 3 MW

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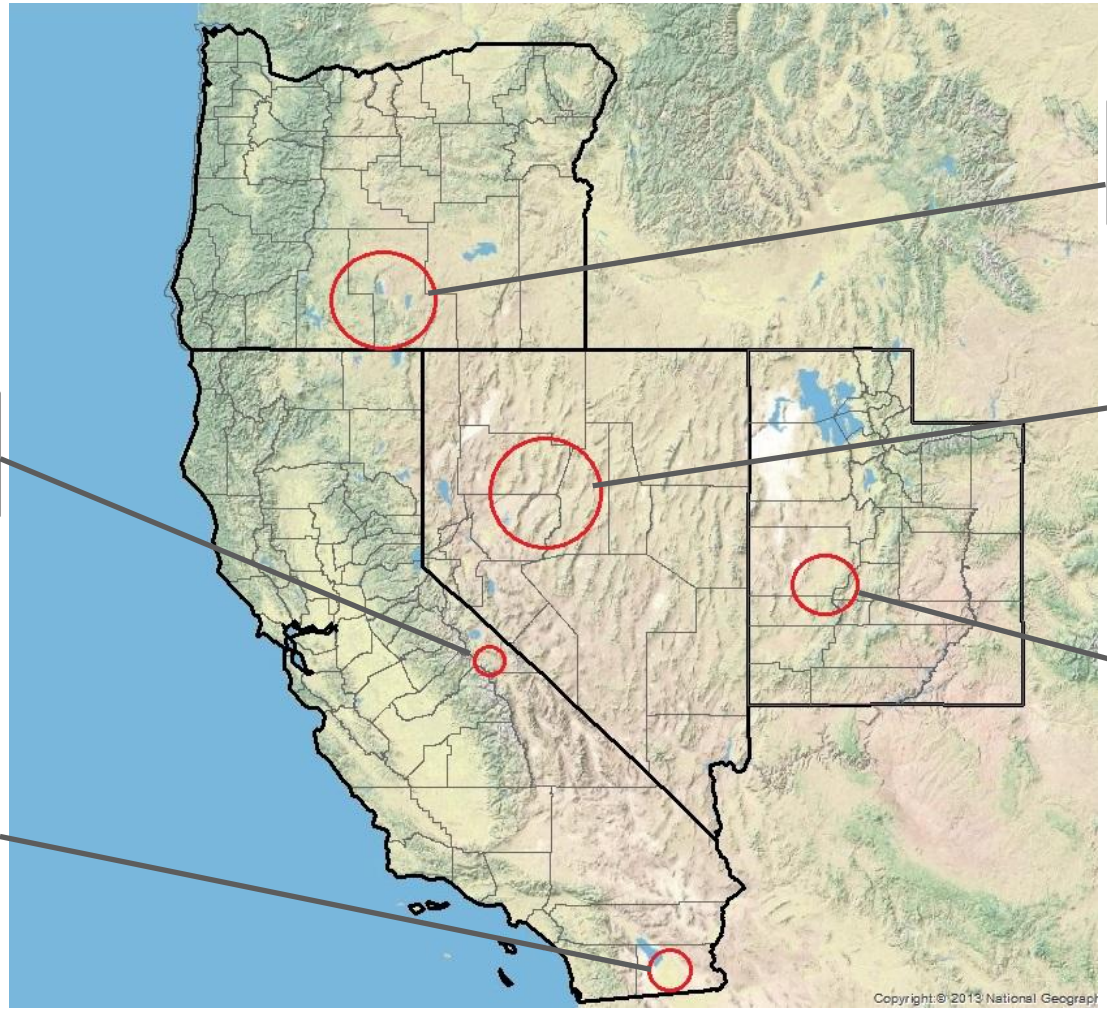
Main Potential for Incremental Development



Source: GeothermEx – *Geothermal Inventory* 2004; GEA – 2014 Annual US & Global Geothermal Power Production Report, Ormat estimates

Ormat's Imperial Valley Roadmap

- Continuous investment in improving operating fleet
  - Heber
  - Ormesa
  - North Brawley
- Greenfield development
  - Truckhaven
  - More

Thank You

For further information: www.ormat.com / info@ormat.com

How it Works