

ORMAT TECHNOLOGIES, INC.
Form 10-Q
May 10, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission file number: 001-32347

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of

incorporation or organization)

88-0326081

(I.R.S. Employer

Identification Number)

6225 Neil Road, Reno, Nevada 89511-1136

(Address of principal executive offices)

Registrant's telephone number, including area code:

(775) 356-9029

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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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of the date of this filing, the number of outstanding shares of common stock of Ormat Technologies, Inc. is 45,430,886 par value of \$0.001 per share.

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ORMAT TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2012

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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 Techno
or our refer to Ormat Technologies, Inc. and its consolidated subsidiaries.*

Table of Contents**PART I UNAUDITED FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,580	\$ 99,886
Marketable securities	15,719	18,521
Restricted cash, cash equivalents and marketable securities (all related to VIEs)	75,145	75,521
Receivables:		
Trade	43,545	51,274
Related entity	307	287
Other	8,058	9,415
Due from Parent	123	260
Inventories	17,200	12,541
Costs and estimated earnings in excess of billings on uncompleted contracts	8,618	3,966
Deferred income taxes	2,315	1,842
Prepaid expenses and other	19,863	18,672
Total current assets	275,473	292,185
Unconsolidated investments	3,732	3,757
Deposits and other	22,940	22,194
Deferred charges	40,066	40,236
Property, plant and equipment, net (\$1,438,586 and \$1,477,580 related to VIEs, respectively)	1,505,543	1,518,532
Construction-in-process (\$299,126 and \$271,859 related to VIEs, respectively)	413,998	370,551
Deferred financing and lease costs, net	28,054	28,482
Intangible assets, net	37,963	38,781
Total assets	\$ 2,327,769	\$ 2,314,718
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 98,993	\$ 105,112
Billings in excess of costs and estimated earnings on uncompleted contracts	32,155	33,104
Current portion of long-term debt:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	22,247	21,464
Other loans	13,612	13,547
Full recourse	20,647	20,543
Total current liabilities	187,654	193,770
Long-term debt, net of current portion:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	340,374	341,157
Other loans	99,921	100,585
Full recourse:		
Senior unsecured bonds (plus unamortized premium based upon 7% of \$1,667)	249,964	250,042
Other loans	60,273	63,623

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Revolving credit lines with banks	227,642	214,049
Liability associated with sale of tax benefits	64,383	69,269
Deferred lease income	68,321	68,955
Deferred income taxes	59,399	54,665
Liability for unrecognized tax benefits	6,409	5,875
Liabilities for severance pay	21,674	20,547
Asset retirement obligation	21,697	21,284
Other long-term liabilities	4,021	4,253
Total liabilities	1,411,732	1,408,074
Commitments and contingencies		
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 45,430,886 shares issued and outstanding	46	46
Additional paid-in capital	727,403	725,746
Retained earnings	180,226	172,331
Accumulated other comprehensive income	518	595
	908,193	898,718
Noncontrolling interest	7,844	7,926
Total equity	916,037	906,644
Total liabilities and equity	\$ 2,327,769	\$ 2,314,718

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 OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
	(In thousands, except per share data)	
Revenues:		
Electricity	\$ 82,247	\$ 78,268
Product	50,105	19,552
Total revenues	132,352	97,820
Cost of revenues:		
Electricity	57,931	65,937
Product	34,627	16,890
Total cost of revenues	92,558	82,827
Gross margin	39,794	14,993
Operating expenses:		
Research and development expenses	1,048	2,207
Selling and marketing expenses	4,922	2,660
General and administrative expenses	7,314	7,007
Write-off of unsuccessful exploration activities	768	
Operating income	25,742	3,119
Other income (expense):		
Interest income	388	135
Interest expense, net	(14,878)	(13,080)
Foreign currency translation and transaction gains	14	517
Income attributable to sale of tax benefits	2,517	2,139
Other non-operating expense, net	(161)	(797)
Income (loss), before income taxes and equity in losses of investees	13,622	(7,967)
Income tax provision	(5,457)	(586)
Equity in losses of investees	(140)	(412)
Net income (loss)	8,025	(8,965)
Net income attributable to noncontrolling interest	(130)	(10)
Net income (loss) attributable to the Company's stockholders	\$ 7,895	\$ (8,975)
Comprehensive income (loss):		
Net income (loss)	8,025	(8,965)
Other comprehensive income (loss), net of related taxes:		
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(47)	(53)

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Change in unrealized gains or losses on marketable securities available-for-sale	(30)	(23)
Comprehensive income (loss)	7,948	(9,041)
Comprehensive income attributable to noncontrolling interest	(130)	(10)
Comprehensive income (loss) attributable to the Company's stockholders	\$ 7,818	\$ (9,051)
Earnings (loss) per share attributable to the Company's stockholders - basic and diluted	\$ 0.17	\$ (0.20)
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company's stockholders:		
Basic	45,431	45,431
Diluted	45,437	45,431
Dividend per share declared	\$	\$ 0.05

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 EQUITY

(Unaudited)

	Common Stock		The Company's Stockholders' Equity			Total	Noncontrolling Interest	Total Equity
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income			
	(In thousands, except per share data)							
Balance at December 31, 2010	45,431	\$ 46	\$ 716,731	\$ 221,311	\$ 1,044	\$ 939,132	\$ 6,095	\$ 945,227
Stock-based compensation			1,727			1,727		1,727
Increase in noncontrolling interest due to sale of equity interest in OPC LLC			2,343			2,343	2,070	4,413
Cash dividend declared, \$0.05 per share				(2,290)		(2,290)		(2,290)
Net income (loss)				(8,975)		(8,975)	10	(8,965)
Other comprehensive income (loss), net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$32)					(53)	(53)		(53)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$14)					(23)	(23)		(23)
Balance at March 31, 2011	45,431	\$ 46	\$ 720,801	\$ 210,046	\$ 968	\$ 931,861	\$ 8,175	\$ 940,036
Balance at December 31, 2011	45,431	\$ 46	\$ 725,746	\$ 172,331	\$ 595	\$ 898,718	\$ 7,926	\$ 906,644
Stock-based compensation			1,657			1,657		1,657
Cash paid to non-controlling interest							(212)	(212)
Net income				7,895		7,895	130	8,025
Other comprehensive income (loss), net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$29)					(47)	(47)		(47)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of \$0)					(30)	(30)		(30)
Balance at March 31, 2012	45,431	\$ 46	\$ 727,403	\$ 180,226	\$ 518	\$ 908,193	\$ 7,844	\$ 916,037

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

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	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 8,025	\$ (8,965)
Adjustments to reconcile net income or loss to net cash provided by operating activities:		
Depreciation and amortization	24,744	23,370
Amortization of premium from senior unsecured bonds	(78)	
Accretion of asset retirement obligation	413	387
Stock-based compensation	1,657	1,727
Amortization of deferred lease income	(671)	(671)
Income attributable to sale of tax benefits, net of interest expense	(869)	(542)
Equity in losses of investees	140	412
Impairment of auction rate securities		207
Write-off of unsuccessful exploration activities	768	
Loss on severance pay fund asset	(641)	(614)
Premium from issuance senior unsecured bonds		1,975
Deferred income tax provision	4,460	145
Liability for unrecognized tax benefits	534	(1,137)
Deferred lease revenues	37	(269)
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	9,086	(14,367)
Costs and estimated earnings in excess of billings on uncompleted contracts	(4,652)	2,615
Inventories	(4,659)	(2,016)
Prepaid expenses and other	(1,191)	1,138
Deposits and other	(169)	(132)
Accounts payable and accrued expenses	4,877	(3,184)
Due from/to related entities, net	(20)	(29)
Billings in excess of costs and estimated earnings on uncompleted contracts	(949)	12,223
Liabilities for severance pay	1,127	1,281
Other long-term liabilities	(232)	(257)
Due from/to Parent	137	(231)
 Net cash provided by operating activities	 41,874	 13,066
Cash flows from investing activities:		
Marketable securities, net	2,772	(22,965)
Net change in restricted cash, cash equivalents and marketable securities	376	(29,920)
Capital expenditures	(65,430)	(55,052)
Investment in unconsolidated companies	(115)	
Increase in severance pay fund asset, net of payments made to retired employees	64	13
 Net cash used in investing activities	 (62,333)	 (107,924)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured bonds		107,447
Proceeds from the sale of limited liability company interest in OPC LLC		24,878
Proceeds from revolving credit lines with banks	182,641	79,334
Repayment of revolving credit lines with banks	(169,048)	(150,300)
Repayments of long-term debt	(3,845)	(2,434)
Cash paid to non-controlling interest	(4,229)	(2,616)
Deferred debt issuance costs	(366)	(1,301)
Cash dividends paid		(2,290)

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Net cash provided by financing activities	5,153	52,718
Net change in cash and cash equivalents	(15,306)	(42,140)
Cash and cash equivalents at beginning of period	99,886	82,815
Cash and cash equivalents at end of period	\$ 84,580	\$ 40,675
Supplemental non-cash investing and financing activities:		
Decrease in accounts payable related to purchases of property, plant and equipment	\$ (11,509)	\$ (5,947)
Accrued liabilities related to financing activities	\$ 513	\$ 325

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

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 GENERAL AND BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of Ormat Technologies, Inc. and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company's consolidated financial position as of March 31, 2012, the consolidated results of operations and comprehensive income (loss), and the consolidated cash flows for the three-month periods ended March 31, 2012 and 2011.

The financial data and other information disclosed in the notes to the condensed consolidated financial statements related to these periods are unaudited. The results for the three-month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2011. The condensed consolidated balance sheet data as of December 31, 2011 was derived from the audited consolidated financial statements for the year ended December 31, 2011, but does not include all disclosures required by U.S. GAAP.

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

Concentration of credit risk

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

The Company places its temporary cash investments with high credit quality financial institutions located in the United States (U.S.) and in foreign countries. At March 31, 2012 and December 31, 2011, the Company had deposits totaling \$14,292,000 and \$39,569,000, respectively, in seven U.S. financial institutions that were federally insured up to \$250,000 per account. At March 31, 2012 and December 31, 2011, the Company's deposits in foreign countries amounted to approximately \$62,367,000 and \$57,838,000, respectively.

At March 31, 2012 and December 31, 2011, accounts receivable related to operations in foreign countries amounted to approximately \$14,971,000 and \$21,453,000, respectively. At March 31, 2012 and December 31, 2011, accounts receivable from the Company's major customers that have generated 10% or more of its revenues amounted to approximately 51% and 58% of the Company's accounts receivable, respectively.

Southern California Edison Company (SCE) accounted for 19.7% and 27.0% of the Company's total revenues for the three months ended March 31, 2012 and 2011, respectively.

Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 12.9% and 16.2% of the Company's total revenues for the three months ended March 31, 2012 and 2011, respectively.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Hawaii Electric Light Company accounted for 9.3% and 10.6% of the Company's total revenues for the three months ended March 31, 2012 and 2011, respectively.

Kenya Power and Lighting Co. Ltd. accounted for 7.3% and 8.9% of the Company's total revenues for the three months ended March 31, 2012 and 2011, respectively.

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

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements effective in the three-month period ended March 31, 2012

Accounting for Fair Value Measurement

In May 2011, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance regarding fair value measurements and disclosures. Required disclosures are expanded under the new guidance, especially for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs, the valuation processes used by the entity, and the sensitivity of the measurement to the unobservable inputs are required. In addition, entities are required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. The adoption of this guidance by the Company on January 1, 2012 did not have a material impact on the Company's consolidated financial statements.

Update on Presentation of Comprehensive Income in the Financial Statements

In June 2011, the FASB issued authoritative guidance requiring entities to present net income and other comprehensive income in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. The new guidance does not change the components that are recognized in net income and the components that are recognized in other comprehensive income. The guidance originally required entities to present reclassifications between net income and other comprehensive income at the financial statement line item level; however, in December 2011, the FASB deferred this requirement. The adoption of this guidance by the Company on January 1, 2012 did not have a material impact on the Company's consolidated financial statements.

New accounting pronouncements effective in future periods

Update on Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued new accounting guidance that revises the manner in which entities disclose the offsetting of assets and liabilities. The new guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The amendment is applicable retrospectively effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of this amendment is not expected to have a material effect on the Company's consolidated financial statements.

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Inventories consist of the following:

	March 31, 2012	December 31, 2011
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	\$ 10,057	\$ 6,058
Self-manufactured assembly parts and finished products	7,143	6,483
Total	\$ 17,200	\$ 12,541

NOTE 4 UNCONSOLIDATED INVESTMENTS

Unconsolidated investments, mainly in power plants, consist of the following:

	March 31, 2012	December 31, 2011
	(Dollars in thousands)	
Sarulla	\$ 2,330	\$ 2,215
Watts & More Ltd.	1,402	1,542
	\$ 3,732	\$ 3,757

The Sarulla Project

The Company is a 12.75% member of a consortium which is in the process of developing a geothermal power project in Indonesia with expected generating capacity of approximately 330 MW. The project is located in Tapanuli Utara, North Sumatra, Indonesia and will be owned and operated by the consortium members under the framework of a Joint Operating Contract with PT Pertamina Geothermal Energy. The project will be constructed in three phases over five years, with each phase utilizing the Company's 110 MW to 120 MW combined cycle geothermal plants in which the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant, which produces additional power. The consortium is still negotiating certain contractual amendments for facilitation of project financing and for signing the resulting amended energy sales contract, and intends to proceed with the project after those amendments have become effective.

The Company's share in the results of operations of the Sarulla project was not significant for each of the periods presented in these condensed consolidated financial statements.

Watts & More Ltd.

In October 2010, the Company invested \$2.0 million in Watts & More Ltd. (W&M), an early stage start-up company, engaged in the development of energy harvesting and system balancing solutions for electrical sources and, in particular, solar photovoltaic systems. The Company holds approximately 28.6% of W&M's shares.

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The Company's share in the results of operations of W&M was not significant for each of the periods presented in these condensed consolidated financial statements.

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth certain fair value information at March 31, 2012 and December 31, 2011 for financial assets and liabilities measured at fair value by level within the fair value hierarchy, as well as cost or amortized cost. As required by the fair value measurement guidance, assets and liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurement.

	Cost or Amortized Cost at March 31, 2012	Fair Value at March 31, 2012			
		Total	Level 1	Level 2	Level 3
(Dollars in thousands)					
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	\$ 43,371	\$ 43,371	\$ 43,371	\$	\$
Marketable Securities	15,453	15,719	15,719		
Derivatives ⁽¹⁾		296		296	
	\$ 58,824	\$ 59,386	\$ 59,090	\$ 296	\$

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

	Cost or Amortized Cost at December 31, 2011	Fair Value at December 31, 2011			
		Total	Level 1 (Dollars in thousands)	Level 2	Level 3
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	\$ 61,649	\$ 61,649	\$ 61,649	\$	\$
Marketable Securities	18,284	18,521	18,521		
Liabilities:					
Current liabilities:					
Derivatives ⁽²⁾		(890)		(890)	
	\$ 79,933	\$ 79,280	\$ 80,170	\$ (890)	\$

- (1) Amounts relating to derivatives which represent currency forward contracts which are valued primarily based on observable inputs, including forward and spot prices for currencies which are netted against contracted rates and then multiplied against notational amounts, and are included within receivables others in the balance sheet with the corresponding gain or loss being recognized within foreign currency translation and transaction gains (losses) in the condensed consolidated statement of operations and comprehensive income (loss).
- (2) Amounts relating to derivatives which represent currency forward contracts which are valued primarily based on observable inputs, including forward and spot prices for currencies which are netted against contracted rates and then multiplied against notational amounts, and are included within accounts payable and accrued expenses in the balance sheet with the corresponding gain or loss being recognized within foreign currency translation and transaction gains (losses) in the condensed consolidated statement of operations and comprehensive income (loss).

The Company's financial assets measured at fair value (including restricted cash accounts) at March 31, 2012 and December 31, 2011 include investments in debt instruments (which are included in marketable securities) and money market funds (which are included in cash equivalents). Those securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

As of March 31, 2011, all of the Company's auction rate securities are associated with failed auctions. Such securities have par values totaling \$4.5 million, all of which have been in a loss position since the fourth quarter of 2007. The Company's auction rate securities at December 31, 2010, were valued using Level 3 inputs. Historically, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rates. While the Company continued to earn interest on these investments at the contractual rates, the estimated market value of these auction rate securities no longer approximated par value. Due to the lack of observable market quotes on the Company's illiquid auction rate securities, the Company utilized valuation models that relied exclusively on Level 3 inputs including, among other things: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect the uncertainty of current market conditions; (iii) consideration of the probabilities of default, auction failure, or repurchase at par for each period; (iv) assessments of counterparty credit quality; (v) estimates of the recovery rates in the event of default for each security; and (vi) overall capital market liquidity. These estimated fair values were subject to uncertainties that were difficult to predict. Therefore, such auction rate securities were classified as of December 31, 2010 as Level 3 in the fair value hierarchy. In the first quarter of 2011, the

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

Company identified a buyer outside of the auction process and, in April 2011, it sold the balance of the auction rate securities for consideration of \$2,822,000. Therefore, such auction rate securities have been classified as of March 31, 2011 as Level 2 in the fair value hierarchy, based on the prices which were negotiated in March 2011.

The table below sets forth a summary of the changes in the fair value of the Company's financial assets classified as Level 3 (i.e. illiquid auction rates securities) for the three months ended March 31, 2011:

	(Dollars in thousands)
Balance at beginning of period	\$ 3,027
Total unrealized losses:	
Included in net income	(205)
Transferred to Level 2	(2,822)
Balance at end of period	\$

There were no transfers of assets or liabilities between Level 1 and Level 2 during the three months ended March 31, 2012.

The fair value of the Company's long-term debt approximates its carrying amount, except for the following:

	Fair Value		Carrying Amount	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(Dollars in millions)		(Dollars in millions)	
Olkaria III Loan	\$ 80.3	\$ 79.2	\$ 77.4	\$ 77.4
Amatitlan Loan	36.6	37.2	36.2	36.8
Senior Secured Notes:				
Ormat Funding Corp. (OFC)	118.7	114.8	125.0	125.0
OrCal Geothermal Inc. (OrCal)	85.8	84.4	85.9	85.9
OFC 2 LLC (OFC 2)	125.0	131.0	151.7	151.7
Senior Unsecured Bonds	238.7	252.8	248.3	248.3
Loans from institutional investors	32.5	34.2	32.6	34.2

The fair value of OFC Senior Secured Notes is determined using observable market prices as these securities are traded. The fair value of other long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of estimated current borrowing rates. The fair value of revolving lines of credit is determined using comparison of market-based price sources that are reflective of similar credit ratings to those of the Company.

The carrying value of other financial instruments, such as revolving lines of credit, deposits, and other long-term debt approximates fair value.

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

The following table presents fair value of financial instruments as of March 31, 2012:

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Olkaria III Loan	\$	\$	\$ 80.3	\$ 80.3
Amatitlan Loan			36.6	36.6
Senior Secured Notes:				
Ormat Funding Corp. (OFC)		118.7		118.7
OrCal Geothermal Inc. (OrCal)			85.8	85.8
OFC 2 LLC (OFC 2)			125.0	125.0
Senior Unsecured Bonds			238.7	238.7
Loan from institutional investors			32.5	32.5
Other long-term debt			50.0	50.0
Deposits	21.1			21.1
Revolving lines of credit		227.6		227.6

NOTE 6 INTEREST EXPENSE, NET

The components of interest expense, net, are as follows:

	Three Months Ended March 31,	
	2012	2011
	(Dollars in thousands)	
Interest related to sale of tax benefits	\$ 1,837	\$ 1,710
Loss on interest rate lock transactions*		733
Other	16,468	12,918
Less amount capitalized	(3,427)	(2,281)
	\$ 14,878	\$ 13,080

* The interest rate lock transactions are related to the OFC 2 Senior Secured Notes and were not accounted for using hedge accounting.

NOTE 7 EARNINGS (LOSS) PER SHARE

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

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

The table below shows the reconciliation of the number of shares used in the computation of basic and diluted earnings (loss) per share:

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Weighted average number of shares used in computation of basic earnings (loss) per share	45,431	45,431
Add:		
Additional shares from the assumed exercise of employee stock-based awards	6	
Weighted average number of shares used in computation of diluted earnings (loss) per share	45,437	45,431

In the three months ended March 31, 2011, the employee stock-based awards were anti-dilutive because of the Company's net loss, and therefore they have been excluded from the diluted earnings (loss) per share calculation.

The number of stock-based awards that could potentially dilute future earnings per share and that were not included in the computation of diluted earnings (loss) per share because to do so would have been anti-dilutive was 5,134,381 and 3,025,249 for the three months ended March 31, 2012 and 2011, respectively.

NOTE 8 BUSINESS SEGMENTS

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

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

	Electricity	Product	Consolidated
	(Dollars in thousands)		
Three Months Ended March 31, 2012:			
Net revenues from external customers	\$ 82,247	\$ 50,105	\$ 132,352
Intersegment revenues		12,966	12,966
Operating income	15,875	9,867	25,742
Segment assets at period end *	2,227,064	100,705	2,327,769
* Including unconsolidated investments	2,330	1,402	3,732
Three Months Ended March 31, 2011:			
Net revenues from external customers	\$ 78,268	\$ 19,552	\$ 97,820
Intersegment revenues		13,362	13,362
Operating income (loss)	4,004	(885)	3,119
Segment assets at period end *	2,005,182	88,765	2,093,947

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* Including unconsolidated investments	1,980	1,852	3,832
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Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	Three Months Ended March 31,	
	2012	2011
	(Dollars in thousands)	
Operating income	\$ 25,742	\$ 3,119
Interest income	388	135
Interest expense, net	(14,878)	(13,080)
Foreign currency translation and transaction gains	14	517
Income attributable to sale of equity interest	2,517	2,139
Other non-operating (expense), net	(161)	(797)
Total income (loss), before income taxes and equity in losses of investees	\$ 13,622	\$ (7,967)

NOTE 9 CONTINGENCIES**Securities Class Actions**

Following the Company's public announcement that it would restate certain of its financial results due to a change in the Company's accounting treatment for certain exploration and development costs, three securities class action lawsuits were filed in the United States District Court for the District of Nevada on March 9, 2010, March 18, 2010 and April 7, 2010. These complaints assert claims against the Company and certain officers and directors for alleged violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act). One complaint also asserts claims for alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act. All three complaints allege claims on behalf of a putative class of purchasers of Company common stock between May 6, 2008 or May 7, 2008 and February 23, 2010 or February 24, 2010. These three lawsuits were consolidated by the Court in an order issued on June 3, 2010 and the Court appointed three of the Company's stockholders to serve as lead plaintiffs.

Lead plaintiffs filed a consolidated amended class action complaint (CAC) on July 9, 2010 that asserts claims under Sections 10(b) and 20(a) of the Exchange Act on behalf of a putative class of purchasers of Company common stock between May 7, 2008 and February 24, 2010. The CAC alleges that certain of the Company's public statements were false and misleading for failing to account properly for the Company's exploration and development costs based on the Company's announcement on February 24, 2010 that it was going to restate certain of its financial results to change its method of accounting for exploration and development costs in certain respects. The CAC also alleges that certain of the Company's statements concerning the North Brawley project were false and misleading. The CAC seeks compensatory damages, expenses, and such further relief as the Court may deem proper.

Defendants filed a motion to dismiss the CAC on August 13, 2010. On March 3, 2011, the court granted in part and denied in part defendants motion to dismiss. The court dismissed plaintiffs' allegations that the Company's statements regarding the North Brawley project were false or misleading, but did not dismiss plaintiffs' allegations regarding the 2008 restatement. Defendants answered the remaining allegations in the CAC regarding the restatement on April 8, 2011 and the case has now entered the discovery phase. On July 22, 2011, plaintiffs filed a motion to certify the case as a class action on behalf of a class of purchasers of Company common stock between February 25, 2009 and February 24, 2010, and defendants filed an opposition to the motion for class certification on October 4, 2011.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Subsequently, the parties participated in a mediation where they reached an agreement in principle to settle the securities class action lawsuits. The parties thereafter filed a stipulation of settlement with the U.S. District Court for the District of Nevada on March 27, 2012 providing that the claims against the Company and its officers and directors will be dismissed with prejudice and plaintiffs will release the defendants from all claims in exchange for a cash payment of \$3.1 million to be funded by the Company's insurers. The stipulation of settlement received preliminary approval by the Court on March 30, 2012. It still remains subject to final approval by the Court following notice to members of the class.

The Company and the individual defendants have steadfastly maintained that the claims raised in the securities class action lawsuits were without merit, and have vigorously contested those claims. As part of the settlement, the Company and the individual defendants continue to deny any liability or wrongdoing under the securities laws or otherwise.

Stockholder Derivative Cases

Four stockholder derivative lawsuits have also been filed in connection with the Company's public announcement that it would restate certain of its financial results due to a change in the Company's accounting treatment for certain exploration and development costs. Two cases were filed in the Second Judicial District Court of the State of Nevada in and for the County of Washoe on March 16, 2010 and April 21, 2010 and two cases were filed in the United States District Court for the District of Nevada on March 29, 2010 and June 7, 2010. All four lawsuits assert claims brought derivatively on behalf of the Company against certain of its officers and directors for alleged breach of fiduciary duty and other claims, including waste of corporate assets and unjust enrichment.

The two stockholder derivative cases filed in the Second Judicial District Court of the State of Nevada in and for the County of Washoe were consolidated by the Court in an order dated May 27, 2010 and the plaintiffs filed a consolidated derivative complaint on September 7, 2010. In accordance with a stipulation between the parties, defendants filed a motion to dismiss on November 16, 2010. On April 18, 2011, the court stayed the state derivative case pending the resolution of the securities class action lawsuits. The Company cannot make an estimate of the reasonably possible loss or range of reasonably possible loss on the state derivative case.

The two stockholder derivative cases filed in the United States District Court for the District of Nevada were consolidated by the Court in an order dated August 31, 2010, and plaintiffs filed a consolidated derivative complaint on October 28, 2010. The Company filed a motion to dismiss on December 13, 2010. On March 7, 2011, the Court transferred the federal derivative case to the Court presiding over the securities class action, and on August 29, 2011, the Court stayed the federal derivative case pending the resolution of the securities class action lawsuits. The Company cannot make an estimate of the reasonably possible loss or range of reasonably possible loss on the federal derivative case.

The Company believes the allegations in these purported derivative actions are without merit and is defending the actions vigorously.

Other

On January 4, 2012, the California Unions for Reliable Energy (CURE) filed a petition in Alameda Superior Court, naming the California Energy Commission (CEC) and the Company as defendant and real party in interest, respectively. The petition asks the court to order the CEC to vacate its decision which denied, with prejudice, the complaint filed by CURE against the Company with the CEC. The CURE complaint alleged

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

that the Company's North Brawley project and East Brawley Project both exceed the CEC's 50 MW jurisdictional threshold and therefore are subject to the CEC licensing authority rather than the Imperial County licensing authority. In addition, the CURE petition asks the court to investigate and halt any ongoing violation of the Warren Alquist Act by the Company, and to award CURE attorney's fees and costs. As to North Brawley, CURE alleges that the CEC decision violated the Warren Alquist Act because it failed to consider provisions of the County permit for North Brawley, which CURE contends authorizes the Company to build a generating facility with a number of Ormat Energy Converters capable of generating more than 50 MW. As to East Brawley, CURE alleges that the CEC decision violated the Warren Alquist Act because it failed to consider the conditional use permit application for East Brawley, which CURE contends shows that the Company requested authorization to build a facility with a number of Ormat Energy Converters capable of generating more than 50 MW.

The Company believes that the petition is without merit and intends to respond and take necessary legal action to dismiss the proceedings. The Company was notified that CURE intends to file the administrative record from the underlying administrative proceeding in the Alameda County Superior Court proceeding. This notice extended the time for the Company to respond to CURE's petition. Once the Company is served with a certified copy of the administrative record, the Company will have thirty days in which to respond to CURE's petition, unless the Company agrees to a shorter time. Filing of the petition in and of itself does not have any immediate adverse implications for the North Brawley or East Brawley projects and the Company continues to operate the North Brawley project in the ordinary course of business and continues with its development work on the East Brawley project.

From time to time, the Company is named as a party in various lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of its 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, the Company accrues reserves when a loss is probable and the amount of such loss can be reasonably estimated. It is the opinion of the Company's management that the outcome of these proceedings, individually and collectively, will not be material to the financial statements as a whole.

NOTE 10 INCOME TAXES

The Company's effective tax rate for the three months ended March 31, 2012 and 2011 was 40.1% and 7.4%, respectively. The effective tax rate differs from the federal statutory rate of 35% for the three months ended March 31, 2012 primarily due to the \$6.4 million increase in the valuation allowance against our U.S. deferred tax assets in respect of net operating loss carryforwards and unutilized tax credits (see below), offset by: (i) lower tax rates in Israel; and (ii) a tax credit and tax exemption related to the Company's subsidiaries in Guatemala.

At December 31, 2011, the Company had U.S. federal net operating loss (NOL) carryforwards of approximately \$349.5 million and state NOL carryforwards of approximately \$159.0 million available to reduce future taxable income, which expire between 2021 and 2031 for federal NOLs and between 2015 and 2031 for state NOLs. Investment tax credits in the amount of \$2.0 million at December 31, 2011 are available for a 20-year period and expire between 2022 and 2024. Production tax credits in the amount of \$59.9 million at December 31, 2011 are available for a 20-year period and expire between 2026 and 2031.

Realization of the deferred tax assets is dependent on generating sufficient taxable income in appropriate jurisdictions prior to expiration of the NOL carryforwards and tax credits. The scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies were considered in determining the

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

amount of valuation allowance. A valuation allowance in the amount of \$61.5 million was recorded against the U.S. deferred tax assets as of December 31, 2011 as, at this point in time, it is more likely than not that the deferred tax assets will not be realized. Such valuation allowance was increased to \$67.9 million as of March 31, 2012. If sufficient evidence of the Company's ability to generate taxable income is established in the future, the Company may be required to reduce this valuation allowance, resulting in income tax benefits in its consolidated statement of operations.

The Company's subsidiary, Ormat Systems Ltd. (Ormat Systems), received Benefited Enterprise status under Israel's Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs. As a Benefited Enterprise, Ormat Systems was exempt from Israeli income taxes with respect to income derived from the first benefited investment for a period of two years beginning in 2004, and thereafter such income was subject to reduced Israeli income tax rates, which will not exceed 25% for an additional five years. Ormat Systems was also exempt from Israeli income taxes with respect to income derived from the second benefited investment for a period of two years beginning in 2007, and thereafter such income was subject to reduced Israeli income tax rates, which will not exceed 25% for an additional five years. In January 2011, new legislation amending the Investment Law was enacted. Under the new legislation, a uniform rate of corporate tax would apply to all qualified income of certain industrial companies, as opposed to the current law's incentives that are limited to income from a Benefited Enterprise during their benefits period. According to the amendment, the uniform tax rate applicable to the zone where the production facilities of Ormat Systems are located would be 15% in 2011 and 2012, 12.5% in 2013 and 2014, and 12% in 2015 and thereafter. Under the transitory provisions of the new legislation, Ormat Systems had the option either to irrevocably comply with the new law while waiving benefits provided under the previous law or to continue to comply with the previous law during a transition period with the option to move from the previous law to the new law at any stage. Ormat Systems decided to irrevocably comply with the new law starting in 2011. As a result, the deferred taxes as of December 31, 2010 have been reduced by \$0.5 million. This amount reduced the tax provision for the three months ended March 31, 2012 by such amount.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	Three Months Ended March 31,	
	2012	2011
	(Dollars in thousands)	
Balance at beginning of period	\$ 5,875	\$ 5,431
Additions based on tax positions taken in prior years	534	239
Decrease for settlements with taxing authorities		(1,376)
Balance at end of period	\$ 6,409	\$ 4,294

NOTE 11 SUBSEQUENT EVENTS**Stock-based Awards Grant**

On April 2, 2012, the Company granted to employees 605,500 stock appreciation rights (SARs) under the Company's 2004 Incentive Plan. The exercise price of each SAR is \$20.13, which represented the fair market value of the Company's common stock on the date of grant. Such SARs will expire seven years from the date of grant and will cliff vest and are exercisable from the grant date as follows: 25% after 24 months, an additional 25% after 36 months, and the remaining 50% after 48 months. Upon exercise, SARs entitle the recipient to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Swap Contracts on Oil Prices

On April 18, 2012, the Company entered into two swap contracts with a bank effective from May 1, 2012 until March 31, 2013 to reduce the Company's exposure to fluctuations in the energy rate under the 25 MW PPA for the Puna complex as a result of fluctuations in oil prices. The Company decided to enter into a NYMEX Heating Oil swap contract (85%) and an ICE Brent swap contract (15%) as both swaps had a high correlation with the avoided costs that Hawaii Electric Light Company uses to calculate the energy rate. The current fuel prices are at historically high levels and the Company wanted to protect itself from a decrease in prices over the next twelve months. The contracts did not have up-front costs. Under these contracts the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contracts have monthly settlements whereby the difference between the fixed price and the monthly average price will be settled on a cash basis. These contracts will not be accounted for as hedge transactions and will be marked to market with the corresponding gains or losses which will be recognized within electricity revenues.

Cash Dividend

On May 8, 2012, the Company's Board of Directors declared, approved and authorized payment of a quarterly dividend of \$1.8 million (\$0.04 per share) to all holders of the Company's issued and outstanding shares of common stock on May 21, 2012, payable on May 30, 2012.

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

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

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

significant considerations, risks and uncertainties discussed in this quarterly report;

operating risks, including equipment failures and the amounts and timing of revenues and expenses;

geothermal resource risk (such as the heat content, useful life and geological formation of the reservoir);

financial market conditions and the results of financing efforts;

the impact of fluctuations in natural gas prices on the energy price component under certain of our power purchase agreements (PPAs);

environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorizations;

construction or other project delays or cancellations;

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 PPAs for our power plants;

contract counterparty risk;

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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 at the federal and state level in the United States and elsewhere, and carbon-related legislation;

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 existing geothermal energy projects and new geothermal energy projects developed in the future, as well as 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 the threat or occurrence of terrorist incidents or cyber-attacks or responses to such threatened or actual incidents or attacks, including the effect on the availability of and premiums on insurance;

the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate;

development and construction of the solar photovoltaic (Solar PV) projects may not materialize as planned;

the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011;

other uncertainties which are difficult to predict or beyond our control and the risk that we incorrectly analyze these risks and forces or that the strategies we develop to address them could be unsuccessful; and

other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission (SEC).

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

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The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report and the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2011 and any updates contained herein as well as those set forth in our reports and other filings made with the SEC.

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General

Overview

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

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while all of our recovered energy-based plants have been constructed by us. We conduct our business activities in two business segments, which we refer to as our Electricity Segment and Product Segment. In our Electricity Segment, we develop, build, own and operate geothermal and recovered energy-based power plants in the United States and geothermal power plants in other countries around the world, and sell the electricity they generate. We have expanded our activities in the Electricity Segment to include the ownership and operation of power plants that produce electricity generated by solar photovoltaic (Solar PV) systems that we do not manufacture. In our Product Segment, we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation, remote power units and other power generating units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy-based power plants. Both our Electricity Segment and Product Segment operations are conducted in the United States and throughout the world. Our current generating portfolio includes geothermal power plants in the United States, Guatemala, Kenya, and Nicaragua, as well as recovered energy generation (REG) plants in the United States.

For the three months ended March 31, 2012, our Electricity Segment revenues represented approximately 62.1% of our total revenues, while our Product Segment revenues represented approximately 37.9% of our total revenues. For the three months ended March 31, 2011, our Electricity Segment revenues represented approximately 80.0% of our total revenues, while our Product Segment revenues represented approximately 20.0% of our total revenues.

For the three months ended March 31, 2012, our total revenues increased by 35.3% (from \$97.8 million to \$132.4 million) over the same period last year.

For the three months ended March 31, 2012, total Electricity Segment revenues were \$82.2 million, compared to \$78.3 million for the three months ended March 31, 2011, an increase of 5.1%, while Product Segment revenues were \$50.1 million for the three months ended March 31, 2012, compared to \$19.6 million for the three months ended March 31, 2011, an increase of 156.3%.

Revenues from our Electricity Segment are derived from sales of electricity generated by our power plants pursuant to long-term PPAs. We have variable price PPAs in California, Hawaii and Guatemala. The energy rate under the PPAs in California for the Ormesa complex, the Mammoth complex, and the Heber 1 and Heber 2 power plants, converted, in the beginning of May 2012, from a fixed to a variable rate that is subject to the impact of fluctuations in natural gas prices. The prices paid for the electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii are variable and based on the local utility's avoided cost, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others. The prices, which are calculated on a monthly basis, are mainly impacted by the price of oil. However, we have hedged our exposure to fluctuations in the price of oil until March 31, 2013 (see further details under "Recent Developments" below). In the three months ended March 31, 2012, approximately 82.6% of our electricity revenues were derived from contracts with fixed energy rates, which are not affected by the fluctuations in energy commodity prices. However, electricity revenues are subject to seasonal variations and can be affected by higher-than average ambient temperatures, as described below under the heading "Seasonality".

Revenues attributable to our Product Segment are based on the sale of equipment and the provision of various services to our customers. These revenues may vary from period to period because of the timing of our receipt of purchase orders and the progress of our execution of each project.

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Our management assesses the performance of our two segments of operation differently. In the case of our Electricity Segment, when making decisions about potential acquisitions or the development of new projects, we typically focus on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. We evaluate our operating power plants based on revenues and expenses, and our projects that are under development based on costs attributable to each such project. We evaluate the performance of our Product Segment based on the timely delivery of our products, performance quality of our products, and costs actually incurred to complete customer orders compared to the costs originally budgeted for such orders.

Recent Developments

Since the beginning of 2012, we have entered into new leases for approximately 16,500 acres in Nevada.

On April 18, 2012, we entered into two swap contracts with a bank effective from May 1, 2012 until March 31, 2013 to reduce our exposure to fluctuations in the energy rate under our 25 MW PPA for the Puna complex as a result of fluctuations in oil prices. We decided to enter into a NYMEX Heating Oil swap contract (85%) and an ICE Brent swap contract (15%) as both swaps had a high correlation with the avoided costs that Hawaii Electric Light Company (HELCO) uses to calculate the energy rate. The current fuel prices are at historically high levels and we wanted to protect ourselves from a decrease in prices over the next twelve months. The contracts did not have up-front costs. Under these contracts we will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contracts have monthly settlements whereby the difference between the fixed price and the monthly average price will be settled on a cash basis. These contracts will not be accounted for as hedge transactions and will be marked to market with the corresponding gains or losses which will be recognized within electricity revenues.

In April 2012, our wholly owned subsidiary, Ormat Nevada Inc. (Ormat Nevada) won a \$61.2 million engineering, procurement and construction (EPC) contract. Under the expected EPC contract, which is currently under negotiation, we will provide two air-cooled Ormat Energy Converters at a geothermal power plant project in North America. The project is expected to be completed by the end of 2013. Until the signing of the full EPC contract, the parties have entered into an interim service agreement in the amount of approximately \$9.0 million for a limited scope of work to ensure timely completion of the project.

In April 2012, we received from the U.S. Department of the Treasury (U.S. Treasury) \$13.8 million in a cash grant for Specified Energy Property in Lieu of Tax Credits relating to our Puna geothermal complex under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA).

On February 16, 2012, Geothermal Development Company (GDC), a company owned by the Government of Kenya, awarded our subsidiary the first well head power plant project in the Menengai geothermal field in Kenya on a Build-Own-Transfer basis. The award was the result of an international tender for the design, manufacturing, procurement, construction and commissioning of a 6 MW geothermal well head power plant. GDC will supply the steam for conversion to electricity by Ormat's power plant. The Menengai geothermal field is located on the outskirts of the town of Nakuru, about 110 miles west of Nairobi.

On January 30, 2012, the Public Utilities Commission of Nevada (PUCN) approved the 20-year PPA that we signed in February 2011 with NV Energy, Inc. (NV Energy) to sell 30 MW from the Dixie Meadows geothermal project that we are developing in Churchill County, Nevada.

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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 costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel generation. This has partly been due to increasing natural gas and oil prices during much of this period and, equally important, to newly enacted legislative and regulatory requirements and incentives, such as state renewable portfolio standards and federal tax credits. The ARRA further encourages the use of geothermal energy through production or investment tax credits (ITCs) as well as cash grants (which are discussed in more detail in the section entitled "Government Grants and Tax Benefits"). In response, the geothermal industry in the U.S. has seen a wave of new entrants and, over the last several years, consolidation involving smaller developers. 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 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.

We expect to continue to generate the majority of our revenues from our Electricity Segment through the sale of electricity from our power plants. Substantially all of our current revenues from the sale of electricity are derived from payments under long-term PPAs related to fully-contracted power plants. We also intend to continue to pursue opportunities, as they arise, in our recovered energy business and in the Solar PV sector.

In our Product Segment, we expect our increased backlog to have a positive impact on our revenues in that segment over the next couple of years.

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

Our primary focus continues to be our organic growth through exploration, development, and construction of new projects and enhancements of existing power plants. We expect that this investment in organic growth will increase our total generating capacity, consolidated revenues and operating income attributable to our Electricity Segment from year to year. In addition, we routinely look at acquisition opportunities.

We expect that the continued awareness of climate change may result in significant changes in the business and regulatory environments, which may create business opportunities for us. In 2011, the first phase of the U.S. Environmental Protection Agency's (EPA) Tailoring Rule took effect. The Tailoring Rule sets thresholds addressing the applicability of the permitting requirements under the Clean Air Act's Prevention of Significant Deterioration and Title V programs to certain major sources of greenhouse gas (GHG) emissions. Federal legislation or additional federal regulations addressing climate change are possible. Several states and regions are already addressing climate change. For example, California's state climate change law, AB 32, which was signed into law in September 2006, regulates most sources of GHG emissions and aims to reduce GHG emissions to 1990 levels by 2020. On October 20, 2011 the California Air Resources Board (CARB) adopted cap-and-trade regulations to reduce California's greenhouse gas emissions under AB 32. Compliance obligations under the cap-and-trade program are anticipated to commence in January 2013. However, implementation of this cap-and-trade program under AB 32 has been the subject of legal challenges that may hinder and/or ultimately thwart its implementation. In September of 2006, California also passed Senate Bill 1368, which prohibits the state's utilities from entering into long-term financial commitments for base-load generation with power plants that fail to meet a CO₂ emission performance standard established by the California Energy Commission and the California Public Utilities Commission. California's long-term climate change goals

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are reflected in Executive Order S-3-05, which requires a reduction in GHGs to: (i) 2000 levels by 2010; (ii) 1990 levels by 2020; and (iii) 80% of 1990 levels by 2050. In addition to California, twenty-two other states have set GHG emissions targets or goals (Arizona, Colorado, Connecticut, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, Utah, Vermont, Virginia and Washington). Regional initiatives, such as the Western Climate Initiative (which includes California and four Canadian provinces) and the Midwest GHG Reduction Accord (which includes six U.S. states and one Canadian province), are also being developed to reduce GHG emissions and develop trading systems for renewable energy credits. In September 2008, the first-in-the-nation auction of CO₂ allowances was held under the RGGI, a regional cap-and-trade system, which includes nine Northeast and Mid-Atlantic States. Under RGGI, the participating states plan to stabilize power sector carbon emissions at their capped level, and then reduce the cap by a total of 10% at a rate of 2.5% each year between 2015 and 2018. In addition, twenty-nine states and the District of Columbia have adopted RPS and eight other states have adopted renewable portfolio goals. On April 12, 2011, Governor Jerry Brown signed California Senate Bill X1-2 (SBX1-2) which increased California's RPS to 33% by December 31, 2020 and instituted a tradable REC program, according to which California utilities can purchase three products to comply with SBX1-2: (i) bundled electricity and RECs from electricity generators that interconnect with a California balancing authority, (ii) tradable RECs that are purchased either from out-of-state electricity generators or in-state electricity generators that do not interconnect with a California balancing authority, and (iii) firmed and shaped transactions with out-of-state electricity generators. Until December 31, 2013, unbundled tradable RECs may account for only 25% of a utility's annual RPS, but this limit on unbundled RECs does not apply to municipal utilities and other small entities. The percentage will be reduced after 2013. SBX1-2 is expected to foster a liquid tradable REC market and lead to more creative off-take arrangements. Although we cannot predict at this time whether the tradable REC program under SBX1-2 and its implementing regulations will have a significant impact on our operations or revenue, it may facilitate additional options when negotiating PPAs and selling electricity from our projects. We expect that the additional demand for renewable energy from utilities in states with RPS will outpace a possible reduction in general demand for energy (if any) due to the effect of economic conditions. We see this increased demand expected principally after 2016 driven by the impact of the increase in California Renewable Portfolio Standards (RPS), as one of the most significant opportunities for us to expand existing power plants and develop new power plants.

Outside of the United States, we expect that a variety of government initiatives will create new opportunities for the development of new projects, as well as create additional markets for our products. These initiatives include the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products, and the adoption of programs designed to encourage clean renewable and sustainable energy sources.

We expect competition from the wind and solar power generation industry to continue. While the expected demand for renewable energy is large to accommodate increased competition, the increase in competition and the amount of renewable energy under contract may contribute to a reduction in electricity prices. Despite increased competition from the wind and solar power generation industry, we believe that baseload electricity, such as geothermal-based energy, will continue to be a leading source of renewable energy in areas with commercially viable geothermal resources.

The business environment for obtaining new PPAs has become more difficult. Currently, at least one of the three main investor-owned utilities in California appears to have sufficient renewable energy under contract to satisfy its RPS goals over the next few years. However, we believe that this is a temporary market condition and remain confident in our ability to secure new long-term PPAs.

In the Product Segment, we expect increased competition from binary power plant equipment suppliers. While we believe that we have a distinct competitive advantage based on our accumulated experience and

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current worldwide share of installed binary generation capacity, which is in excess of 90%, an increase in competition may impact our ability to secure new purchase orders from potential customers. The increased competition may also lead to a reduction in the prices that we are able to charge for our binary equipment, which in turn may impact our profitability.

North America is the largest and most developed natural gas market in the world. As recently as five years ago, the region was considered to be short on supply, with an expected need to import significant volumes of liquefied natural gas (LNG) from the international gas market to balance supply with expected demand. The rise of shale gas production over the last three years has completely changed the natural gas market landscape in North America. The unexpected growth in supply at increasingly lower costs has come at a time when the U.S. economy has been facing constrained demand growth for natural gas. Among other things, this has led to an increased interest in exporting natural gas from the U.S., in the form of LNG. Various natural gas companies and other project sponsors have recently applied, and in some cases, have already received an export license to export liquefied natural gas, to countries with which the U.S. has a free trade agreement providing comity in trading natural gas (FTA-nations) and to other non-FTA nations. At the same time, environmentalists, regulators, natural gas companies and the public have been focusing more attention on the potential environmental impacts associated with natural gas fracking, including possible chemicals leakage, ground water contamination and other effects, which may slow development in some areas. The changing natural gas landscape, and the resulting effect on natural gas pricing (in either direction) and the corresponding implications for electric utilities and other producers of electricity in terms of planning for and choosing a source of fuel, all combine to affect the pricing under our PPAs that have SRAC pricing or that are otherwise tied to natural gas prices. In addition, the current low natural gas price level is causing some producers to shut-in wells, which in turn may increase natural gas prices.

Our 25 MW PPA for the Puna complex has a monthly variable energy rate based on the local utility's short run avoided costs, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others. A decrease in the price of oil will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from oil, which will result in a reduction of the energy rate that we may charge under this PPA and under any other variable energy rate in PPAs that we may enter into in the future.

Our PPAs for the Ormesa complex, the Mammoth complex and the Heber 1 and 2 power plants were fixed until May 1, 2012. As of this date, the energy price component under these PPAs has changed from a fixed rate to a variable rate based on SRAC pricing, as required under a global settlement relating primarily to purchase and payment obligations of investor-owned utilities in California. These PPAs are impacted by fluctuations in natural gas prices.

We are experiencing a notable decrease in competition in the geothermal industry, specifically in the acquisition of geothermal leases. The reduced level of competition has contributed to a decrease in lease costs.

In the United States, we have noticed increased activity from union organizers to encourage employees to join unions that will act as bargaining representatives. We currently do not have employees represented by collective bargaining agreements. However, the International Brotherhood of Electrical Workers (IBEW) has recently filed a petition with the National Labor Relations Board (NLRB) in an attempt to organize our employees in our Puna complex in Hawaii.

The viability of a geothermal resource depends on various factors, such as the resource temperature, the permeability of the resource (i.e., the ability to get geothermal fluids to the surface) and operational factors relating to the extraction and injection of the geothermal fluids. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties that we face in connection with our growth expectations.

As our power plants age, they may require increased maintenance with a resulting decrease in their availability, potentially leading to the imposition of penalties if we are not able to meet the requirements under our PPAs as a result of any decrease in availability.

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Our foreign operations are subject to significant political, economic and financial risks, which vary by country. As of today, those risks include the partial privatization of the electricity sector in Guatemala, labor unrest in Nicaragua and the political uncertainty currently prevailing in some of the countries in which we operate. Although we maintain political risk insurance for most of our foreign power plants to mitigate these risks, insurance does not provide complete coverage with respect to all such risks.

The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission (FERC) to revise the Public Utility Regulatory Policies Act (PURPA) so as to terminate the obligation of electric utilities to purchase the output of a Qualifying Facility if FERC finds that there is an accessible competitive market for energy and capacity from the Qualifying Facility. The legislation does not affect existing PPAs. We do not expect this change in law to affect our U.S. power plants significantly, as all except one of our current contracts are long-term. FERC recently granted the California investor-owned utilities a waiver of the mandatory purchase obligations from Qualifying Facilities above 20 MW. If the utilities in the regions in which our domestic power plants operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from us upon termination of the existing PPA, which could have an adverse effect on our revenues.

Revenues

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

Revenues attributable to our Electricity Segment are derived from the sale of electricity from our power plants pursuant to long-term PPAs. We have variable price PPAs in California, Hawaii and Amatitlan. Our California PPAs are subject to the impact of fluctuations in natural gas prices. The prices paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii are impacted by the price of oil. The energy price under the Amatitlan PPA is fixed, but we have the option to sell the power with an advance notice to the spot market. Accordingly, our revenues from those power plants may fluctuate. In April 2012, we hedged our exposure to the price of oil, under the 25 MW PPA for the Puna complex, until March 31, 2013 (for further details please see discussion under *Recent Developments* above). Our Electricity Segment revenues are also subject to seasonal variations, as more fully described in the section entitled *Seasonality*, and may also be affected by higher-than-average ambient temperature, which could cause a decrease in the generating capacity of our power plants, and by unplanned major maintenance activities related to our power plants.

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

Revenues attributable to our Product Segment fluctuate between periods, mainly based on our ability to win customer orders and the status and timing of such orders. Larger customer orders for our products are typically the result of our participating in, and winning, tenders or requests for proposals issued by potential customers in connection with projects they are developing. Such projects often take a significant amount of 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

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and may not be able to replace existing orders that we have completed with new ones. As a result, revenues from our Product Segment fluctuate (and at times, extensively) from period to period. In 2011, we experienced a significant increase in our Product Segment customer orders, which has increased our Product Segment backlog. We expect that our Product Segment revenues will increase over the next two years as a result of the new orders and increased backlog.

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

	Three Months Ended March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
Revenues:				
Electricity	\$ 82,247	\$ 78,268	62.1%	80.0%
Product	50,105	19,552	37.9	20.0
Total	\$ 132,352	\$ 97,820	100.0%	100.0%

Geographical Breakdown of Revenues

The following table sets forth the geographic breakdown of the revenues attributable to our Electricity Segment for the periods indicated:

	Three Months Ended March 31,		Three Months Ended March 31,	
	2012	2011	2012	2011
United States	\$ 62,244	\$ 59,491	75.7%	76.0%
Foreign	20,003	18,777	24.3	24.0
Total	\$ 82,247	\$ 78,268	100.0%	100.0%

For the three months ended March 31, 2012 and 2011, all of our revenues attributable to our Product Segment were generated outside of the United States.

Seasonality

The prices paid for the electricity generated by some of our domestic power plants pursuant to our PPAs are subject to seasonal variations. The prices paid for electricity under the PPAs with Southern California Edison Company (Southern California Edison) for the Heber 1 and 2 plants, the Mammoth complex, the Ormesa complex, and the North Brawley plant are higher in the months of June through September. As a result, we receive, and will receive in the future, higher revenues during such months. The prices paid for electricity pursuant to the PPAs of our power plants in Nevada have no significant changes during the year. In the winter, due principally to the lower ambient temperature, our power plants produce more energy and as a result we receive higher energy revenues. However, the higher capacity payments payable by Southern California Edison in California in the summer months have a more significant impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency. As a result, our electricity revenues are generally higher in the summer than in the winter.

Breakdown of Cost of Revenues*Electricity Segment*

The principal cost of revenues attributable to our operating power plants includes operation and maintenance expenses, such as depreciation and amortization, salaries and related employee benefits, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes and insurance. In our California power plants, our principal cost of

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revenues also includes transmission charges, scheduling charges and purchases of make-up water for use in our cooling towers. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis. This results in fluctuations in our expenses and our results of operations for individual power plants from quarter to quarter. Payments made to government agencies and private entities on account of site leases where plants are located are included in cost of revenues. Royalty payments, included in cost of revenues, are made as compensation for the right to use certain geothermal resources and are paid as a percentage of the revenues derived from the associated geothermal rights. Royalties constituted approximately 4.5% and 3.0%, respectively, for the three months ended March 31, 2012 and 2011, respectively.

Product Segment

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

Cash, Cash Equivalents and Marketable Securities

Our cash, cash equivalents and marketable securities as of March 31, 2012 decreased to \$100.3 million from \$118.4 million as of December 31, 2011. This decrease is principally due to: (i) our use of \$65.4 million to fund capital expenditures; (ii) repayment of \$3.8 million of long-term debt; and (iii) cash paid to non-controlling interest of \$4.2 million. The decrease in our cash resources was partially offset by: (i) \$41.9 million derived from operating activities during the three months ended March 31, 2012; and (ii) net proceeds of \$13.6 million against our revolving credit lines with commercial banks. Our corporate borrowing capacity under committed lines of credit with different commercial banks as of March 31, 2012 was \$420.0 million, as described below in the section entitled *Liquidity and Capital Resources*, of which we utilized \$367.4 million (including \$149.7 million of letters of credit) as of March 31, 2012.

Critical Accounting Estimates and Assumptions

A comprehensive discussion of our critical accounting estimates and assumptions is included in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section in our annual report on Form 10-K for the year ended December 31, 2011.

New Accounting Pronouncements

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

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Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different periods described below may be of limited utility as a result of each of the following: (i) our recent construction of new power plants and enhancement of acquired power plants; and (ii) fluctuation in revenues from our Product Segment.

	Three Months Ended March 31,	
	2012	2011
	(In thousands, except	
	per share data)	
Statements of Operations Historical Data:		
Revenues:		
Electricity	\$ 82,247	\$ 78,268
Product	50,105	19,552
	132,352	97,820
Cost of revenues:		
Electricity	57,931	65,937
Product	34,627	16,890
	92,558	82,827
Gross margin:		
Electricity	24,316	12,331
Product	15,478	2,662
	39,794	14,993
Operating expenses:		