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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION)
OF THE INDEPENDENT ENERGY)
PRODUCERS OF IDAHO FOR AN)
ORDER INCREASING THE SIZE AT)
WHICH A QF IS ENTITLED TO)
PUBLISHED AVOIDED COST RATES.)
_____)

CASE NO. GNR-E-03-1

ANSWER TO PETITION FOR
RECONSIDERATION OF
U.S. GEOTHERMAL INC.

Idaho Power Company, hereinafter referred to as "Idaho Power" or "the Company" herein, pursuant to RP 331.05 and Idaho Code § 61-626, hereby answers the petition for reconsideration filed by U.S. Geothermal Inc. ("USG").

As provided in RP 331.05, an Answer to a petition for reconsideration is used to express disagreement with the petition for reconsideration without asking for affirmative relief from the Commission's orders. Idaho Power's disagreement with USG's petition arises out of USG's failure to present all of the facts relating to the negotiations between Idaho Power and USG.

BACKGROUND

From the beginning of its implementation of PURPA in the state of Idaho, the Idaho Commission has drawn a distinction between small and large QF projects. The Commission has established posted rates for small QF projects on the assumption that the developers of smaller QF projects may not have the economic resources to negotiate a project-specific power purchase contract with the utility. The Commission has stated that the posted rates would be the starting point for negotiations with large QFs but the individual characteristics of large QF projects necessitate negotiated contracts to address reasonable variations in the rates, terms and conditions available to large QFs.

USG HAS NOT DISCUSSED A LARGE QF PROJECT WITH IDAHO POWER

USG has contacted Idaho Power about developing a small QF project that would be entitled to the posted rates. USG has not asked to negotiate a contract for a large QF project with Idaho Power. Idaho Power does not know what other discussions USG may have had with other electric utilities in Idaho.

In reading USG's petition there seems to be some confusion on USG's part that the Commission's order precludes QF projects larger than 10 MW. In its letter/petition USG states: "In short, we believe a larger QF size could increase the development of new energy sources in the state of Idaho." Of course Order No. 29216 made it clear that large QF projects are not precluded but contracts for large QF projects must be individually negotiated.

USG's petition goes on to state: "The Commission's aggressive changes to its PURPA rules made last year were a step in the right direction, but it is clear that they have not stimulated the desired effect."

Idaho Power believes it is disingenuous for USG to contend that the Commission's prior order changing the dividing line between small and large QF projects to 10 MW has not been successful when USG has not requested that Idaho Power negotiate a contract for a large QF project. It is unreasonable for USG to claim that the Commission's long-standing policy of requiring large QF projects to negotiate project-specific contracts is a failure when USG has made no effort to comply with the policy. Negotiations between utilities and QFs may not ultimately lead to contracts. But that does not necessarily indicate a failure of the policy of required negotiations. A QF developer that claims to have the management capability and creditworthiness to raise the millions of dollars of capital needed to build a generating facility larger than 10 MW is certainly capable of negotiating on an equal basis with an electric utility. This is particularly true where the electric utility is required by Commission order to negotiate in good faith based on prices that are equal to the utility's avoided cost as determined by the Commission.

Respectfully submitted this 24th day of April, 2003.

A handwritten signature in black ink, appearing to read 'B. L. Kline', written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 24th day of April, 2003, I mailed a true and correct copy of the above and foregoing ANSWER TO PETITION FOR RECONSIDERATION OF U.S. GEOTHERMAL INC. to the following at the addresses listed below:

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