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Case No. GNR-E-03-01

2003 APR 17 PM 4:53

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UTILITIES COMMISSION

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April 17, 2003

Idaho Public Utilities Commission  
472 W. Washington  
Boise, Idaho 83702

RE: Order No. 29216 - Petition to Increase Size of Qualifying Facilities

Dear Commissioners,

We request that the Commission reconsider their order No. 29216 regarding the IEPI petition to increase the size of QF facilities from 10 MW to 30 MW. We believe an increase in QF size is very important to the development of renewable energy sources in Idaho with the current avoided cost rates in effect.

US Geothermal is working on the development of the Raft River geothermal field in Cassia, County. Using our project as an example, one of the advantages of increased QF size is a significant reduction in on-site O&M costs. The largest O&M cost for a small geothermal facility is labor. Our studies show a 10 MW facility will have a labor burden of 73% of its O&M cost. A 20 MW plant, which utilizes nearly the same labor force as a 10 MW plant and produces twice the power, could reduce its O&M cost per kilowatt by approximately 50%.

Renewable energy is more capital intensive than the comparative SAR, due primarily to the smaller size of the allowed QF. Not only are the direct capital costs higher for renewable energy projects when compared to the SAR, but many of the ancillary capital costs of project development, such as permitting, infrastructure, interconnection, and transmission facilities all increase the cost per MW for a smaller facility. Again, these costs may increase 15-20% if a 20 MW plant is constructed rather than a 10 MW plant, but with twice the power output, debt repayment is accelerated and a lower cost per kilowatt is achieved.

In short, we believe a larger QF size could increase the development of new energy sources in the state of Idaho. 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. Short of adjusting the avoided cost rate to reflect the current natural gas price, an increased QF size can have a very positive effect on PURPA project economics, especially for development of renewable energy such as geothermal and wind. A 50 MW QF size would not be unreasonable in my opinion.

Sincerely,

Doug Glaspey  
CEO