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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for U.S. Geothermal, Inc.
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

U.S. GEOTHERMAL, INC., an Idaho
corporation,

Complainant,

vs.

IDAHO POWER COMPANY, an Idaho
corporation,

Respondent.

Case No. IPC-E-04-08

BOB LEWANDOWSKI and MARK
SCHROEDER,

Complainants,

vs.

IDAHO POWER COMPANY, an Idaho
corporation,

Respondent.

Case No. IPC-E-04-10

DIRECT TESTIMONY OF DANIEL N. SCHOCHET

ON BEHALF OF U.S. GEOTHERMAL, INC.

June 9, 2004

ORIGINAL

1 Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

2 A. My name is Daniel N. Schochet and my business address is 980 Greg Street, Sparks,
3 Nevada, 89431-6039.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am Vice President of ORMAT Nevada, Inc., with responsibility for Market
6 Development

7 Q. PLEASE DESCRIBE ORMAT NEVADA, INC.

8 A. ORMAT Nevada Inc. is the third largest operator of geothermal power plant projects in
9 the United States, as well as the leading manufacturer of modular geothermal power
10 plants. The Company has supplied over 700 MW in nearly 20 countries and owns and
11 operates geothermal power plants in 5 countries worldwide providing close to 500 MW
12 total. Currently ORMAT has some 200 employees in the U.S.A. and supplies 290 MW
13 total to investor owned utilities in Nevada, California and Hawaii.

14 Q. WHY IS ORMAT INTERESTED IN THIS PROCEEDING?

15 A. ORMAT is both a geothermal project developer and a supplier of power plant equipment
16 to third party developers, which includes providing debt financing for the purchase of our
17 power plant equipment. As such we have an interest in fostering geothermal power
18 project development in as many states as possible in the U.S.A.

19 Q. DOES ORMAT HAVE A SPECIFIC INTEREST IN U.S. GEOTHERMAL'S
20 PROJECT?

21 A. Yes. We are in discussions with U.S. Geothermal regarding our possible participation in
22 the supply of a modular geothermal power plant to their Raft River project.

23 Q. HAVE YOU REVIEWED THE COMPLAINT IN THIS PROCEEDING?

1 A. ORMAT has reviewed the Complaint to the Idaho Public Utilities Commission against
2 Idaho Power Company by U.S. Geothermal, Inc. The purpose of our review was to
3 consider how the three proposed provisions by Idaho Power Company will influence the
4 ability of U.S. Geothermal, Inc. to raise debt financing for the Raft River Facility.

5 Q. WILL THE ISSUES RAISED IN THE COMPLAINT HAVE AN EFFECT ON THE
6 FINANCING OF THE PROJECT?

7 A. Yes. In our view, all three of the Idaho Power Company proposals cited in the Complaint
8 will have a negative effect on U.S. Geothermal's ability to secure debt financing for its
9 Raft River Facility.

10 Q. WHY IS THAT?

11 A. When a lender considers financing a project such as the Raft River Facility, the primary
12 consideration is the security and dependability of the Facility's projected revenue stream
13 that will be used to service the debt financing costs. Anything that negatively impacts the
14 revenue stream, or that increases the risk that the revenue stream may not materialize
15 may preclude the ability of U.S. Geothermal to attract financing.

16 Q. TURNING TO THE SPECIFIC COUNTS CONTAINED IN THE COMPLAINT,
17 WOULD YOU PLEASE EXPLAIN THE IMPACT OF IDAHO POWER'S PROPOSAL
18 TO LIMIT PURCHASES FROM THE FACILITY TO 10 PEAK MEGAWATTS
19 RATHER THAN 10 AVERAGE MEGAWATTS?

20 A. Geothermal power plants, particularly zero emission air-cooled geothermal plants, unlike
21 large water cooled fossil fuel plants, produce power which varies with ambient
22 temperature. Limiting the purchase to 10 MW peak would simply mean that, based on a
23 10 MW winter peak and an 8 MW summer peak, the average power sales for the year

1 would be approximately 9 MW. Similarly increasing the plant capacity to 10 MW in the
2 summer would mean that the increased winter generation could not be sold at the ESA
3 price. Either scenario increases the cost of electricity production unnecessarily.

4 Q. IS THE ISSUE RAISED BY THE SECOND COUNT OF THE COMPLAINT ALSO A
5 CONCERN?

6 A. Yes it is. In our experience, where these types of provisions are found in a power
7 purchase contract, there is typically a “true up” period allowed, which is not present in
8 the Idaho Power Company proposal. The potential liquidated damages will significantly
9 increase the risk associated with financing the project.

10 Q. WOULD YOU PLEASE EXPLAIN HOW THE “REGULATORY OUT” PROVISION
11 WOULD AFFECT FINANCING?

12 A. Allowing Idaho Power Company to terminate the ESA in the event of changes to Idaho’s
13 regulatory laws would probably preclude the ability to obtain debt financing for the
14 Facility. Our experience is that lenders are not willing to take the risk that the Facility
15 might lose its revenue stream before its debt is retired.

16 Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

17 A. Capping the Facility’s sales at 10 peak megawatts, rather than 10 average megawatts, will
18 artificially limit U.S. Geothermal’s access to debt financing. The “liquidated damages”
19 and “regulatory out” provisions are even more serious. Both would greatly increase the
20 risk assumed by a debtor and, in our opinion, could make the facility difficult or
21 impossible to finance.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 9th day of June 2004, I caused to be served a true and correct copy of the foregoing document by the method indicated below and addressed to the following:

Jean Jewell
Idaho Public Utilities Secretary
472 W. Washington Street
P.O. Box 83720
Boise, ID 83720-0074

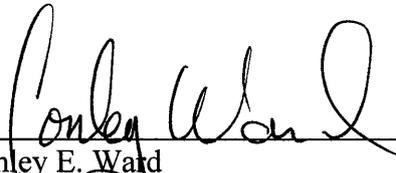
U.S. Mail
 Hand Delivered
 Overnight Mail
 Facsimile

Barton L. Kline
Idaho Power Company
1221 W. Idaho Street
P.O. Box 70
Boise, ID 83707

U.S. Mail
 Hand Delivered
 Overnight Mail
 Facsimile

Peter J. Richardson
Richardson & O'Leary
99 E. State Street, Ste. 200
P.O. Box 1849
Eagle, ID 83616

U.S. Mail
 Hand Delivered
 Overnight Mail
 Facsimile



Conley E. Ward

DANIEL N. SCHOCHET

CURRENT POSITION: VICE PRESIDENT, ORMAT TECHNOLOGIES, INC.

PROFESSIONAL EXPERIENCE:

1975 to Present: Various positions within the ORMAT group of Companies, including Director of International Marketing, Vice President General Manager of ORMAT Nevada, and Vice President Business Development. Assignments have included directing marketing and customer service operations, establishing geothermal development division and managing geothermal project development operations in the USA and overseas.

Since 1980 these activities included managing geothermal resource acquisition and assessment, permitting, defining exploration, drilling and testing regimes, feasibility studies, conceptual definition of power plant systems, project financing, permitting and regulatory relationships, and developing new project opportunities. In the period between 1980 and 20002, ORMAT has installed over 700 MW of geothermal power plant projects in 20 countries, ranging in size from 300kW to 130MW, utilizing geothermal resources from 210° F to 600° F.

Member of the Board of Directors of the Geothermal Energy Association (International Vice President), Member of the Board of Directors of the Geothermal Resources Council, past Member of the Board of Directors of the International Geothermal Association, and ORMAT company representative for the National Association of Corrosion Engineers and the Power Sources Manufacturers Association.

1953 to 1975: Held a number of technical and management positions in the aerospace, electrical power and biomedical research industries. Assignments included aerospace engineering and research, reliability engineering, management of engineering testing and evaluation laboratories, international project management and international marketing.

EDUCATION:

Master of Science, Electrical Engineering (MSEE)
Columbia University School of Engineering, New York,

Bachelor of Electrical Engineering (BEE)
Cooper Union School of Engineering, New York, NY