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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities	**Docket No. 15-035-53**

PREFILED DIRECT TESTIMONY AND EXHIBITS OF HANS ISERN

The Rocky Mountain Coalition for Renewable Energy hereby submits the Prefiled Direct Testimony of Hans Isern in this docket.

DATED this 16th day of September 2015.

HATCH, JAMES & DODGE

/s/ _________________________
Gary A. Dodge
Attorneys for the Coalition

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 16th day of September 2015 on the following:

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Direct Testimony of Hans Isern

On Behalf of the

Rocky Mountain Coalition for Renewable Energy

September 16, 2015

Q. Please state your name and business address.

A. My name is Hans Isern. My employer is headquartered at 2180 South 1300 East, Suite 600 Salt Lake City, UT 84106-2749, and I am based in its San Francisco office at 2 Embarcadero Center Suite 410, San Francisco, CA 94111.

Q. By whom are you employed and in what capacity?

A. I am the Senior Vice President of Origination for Sustainable Power Group ("sPower"). sPower is a developer, financier, owner, and operator of renewable generation projects. We own several solar and wind projects across the country, including two projects with Qualifying Facility ("QF") contracts in Rocky Mountain Power Company ("RMP") territory. Additionally, we are in development of several potential projects in Utah in RMP territory and intend to seek new QF contracts on these.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by the Rocky Mountain Coalition for Renewable Energy ("Coalition"). The Coalition is an unincorporated, informal trade group coalition that was formed for the limited purpose of opposing the efforts of Rocky Mountain Power Company in Utah and Wyoming to limit the maximum term of QF power purchase agreements to three years. Among the current supporters of the Coalition are the Utah Association of Energy Users ("UAE"), EverPower Wind Holdings Inc., Scatec Solar North America, Inc., SunEdison, Sustainable Power Group ("sPower") and Wasatch Wind.

Q. Please provide a brief summary of your background and experience.

A. I have 13 years of experience in the electric energy industry. I formerly worked as an electrical engineer for PacifiCorp, as a power marketer for 3 Phases Renewables, and as a developer of renewable projects for Recurrent Energy and Silverado Power. I have led development efforts for over 100 renewable generation projects and have brought more than 30 utility-scale generation projects from inception to construction, with hundreds of megawatts of power generation projects now in operation. I have negotiated and executed power purchase agreements ("PPAs") with many of the largest utilities in the country, and I have seen these same PPAs through the financing process.

Q. Do you have any experience with renewable energy development in Utah or Wyoming?

A. Yes. sPower has acquired two development-stage projects with QF contracts in RMP territory. One of these projects is in Utah and the other is in Wyoming. The first of these projects (the one in Utah) is now in construction. Additionally, we are developing several solar projects in southern Utah with an intent to participate in RMP's QF program.

Q. Why does the Coalition oppose RMP's efforts to limit QF PPAs to three years?

A. Supporters of the Coalition share the belief that limiting the maximum term of QF PPAs to three years in Utah and Wyoming would severely and negatively impact the ability of renewable energy developers to finance QF projects in these two states, which would thwart future development of cost-effective renewable resources. We believe such a result would be inconsistent with the intent and goals of federal and state laws designed to encourage cogeneration and renewable energy development, would have anti-competitive impacts, and would be contrary to sound public policy.

Q. Why would a three-year PPA term affect the ability of developers to finance QF projects?

A. In virtually all cases of which I am aware, project financing of new projects requires PPAs with terms of twenty years, which is the industry standard contract length. The only projects having PPAs with shorter terms that I have seen financed have had additional incentives such as state SREC programs with high SREC prices or state specific tax credits, and even then the PPA terms were 15 years, which is well beyond three years.

sPower is a provider of equity capital to other developers' projects, and we would be unlikely to provide capital to a project with only three years of contracted revenue. Additionally, providers of other forms of capital would likely be unwilling to invest as well. Renewable generation finance typically requires the use of federal tax incentives such as the Investment Tax Credit and Production Tax Credit. Since the tax credits generated can be a substantial percentage of the project cost, often in the tens of millions of dollars, most IPPs and developers of renewable generation require third party tax investors such as large banks or other corporate entities. In my opinion and experience, a three-year PPA term, or any term significantly different from the industry standard, would almost certainly prevent third party tax equity in otherwise unsubsidized markets.

Q. Why would cessation of future QF development have anti-competitive effects?

A. If third-party developers are unable to secure project financing for renewable energy projects in Utah and Wyoming, presumably only regulated utilities -- with captive customers, relative assurance of cost recovery, and ability to monetize tax credits without third party financiers -- will be left to "compete" in this market sector. It is my belief that it is much more efficient for ratepayers to have a working QF program with 20 year contract terms than a QF program with shorter terms and limited competition.

Q. Do you believe such a result would be consistent with the goals of laws designed to encourage development of cogeneration and renewable energy?

A. No, I believe it would be inconsistent with the goals of those laws as I understand them. I believe it is sound public policy to encourage third-party development of clean energy projects at prices reasonably projected to reflect the costs that the regulated utilities would otherwise incur, and with contract terms in line with industry standards. I believe that the QF programs as currently designed lead to lower ratepayer costs over time by encouraging additional competition in energy markets to drive marginal prices down.

Q. Do you believe that ratepayers of regulated utilities should subsidize companies who develop QF projects?

A. No, that is neither a requirement nor our goal. If avoided costs are projected based on reasonable assumptions and are reasonably calculated, neither ratepayers nor QF developers should pay or receive a subsidy. Additionally, we believe that ratepayer subsidies are not needed under 20-year QF contracts, but shorter term QF contracts would either not get financed or would require either higher prices or some form subsidy to compensate investors for the additional uncertainty around future power rates.

Q. Does this conclude your direct testimony?

A. Yes, it does.