

1 **Q. Have you previously filed testimony in this docket?**

2 A. Yes. I filed direct and rebuttal testimony.

3 **PURPOSE AND SUMMARY OF TESTIMONY**

4 **Q. What is the Company asking the Commission to approve in this proceeding?**

5 A. The Company is requesting an order from the Public Service Commission of Utah
6 (“Commission”) directing implementation of a reduction of the maximum contract
7 term for PURPA contracts from 20 years to three years, to be consistent with the
8 Company’s hedging and trading policies and practices for non-PURPA energy
9 contracts and more aligned with the Integrated Resource Plan (“IRP”) cycle.

10 **Q. To which witnesses are you responding in your surrebuttal testimony?**

11 A. I respond specifically to the rebuttal testimony of Rocky Mountain Coalition for
12 Renewable Energy (“Coalition”) witnesses Bryan L. Harris and Hans Isern; Utah
13 Office of Consumer Services (“OCS”) witness Bela Vastag; and Utah Division of
14 Public Utilities (“DPU”) witness Charles E. Peterson.

15 **Q. After reading intervenors’ rebuttal testimony in this docket, what are your
16 general observations?**

17 A. No intervening party has provided evidence to refute the three primary arguments
18 supporting the reduction of Qualifying Facility (“QF”) contract terms. No party has
19 shown how a 20-year contract term is consistent with the Company’s hedging practices.
20 No party has shown how a 20-year contract term is consistent with resource acquisition
21 policies and practices for non-PURPA energy purchases. And no party has shown how
22 a 20-year contract term is consistent with the Company’s IRP planning cycle and action
23 plan. The Company has provided evidence demonstrating how the 20-year contract

24 term does not meet the PURPA ratepayer indifference standard. Further, the Company
25 has provided evidence demonstrating how a 20-year contract term exposes customers
26 to unnecessary fixed price risk to which they would not be exposed absent the 20-year
27 QF contract.

28 **RESPONSE TO THE ROCKY MOUNTAIN COALITION FOR**
29 **RENEWABLE ENERGY**

30 **Q. Mr. Isern states that QFs are only seeking terms that are “standard in almost**
31 **every other utility-scale renewable transaction.”¹ How is Mr. Isern’s comparison**
32 **of QF contracts to other utility-scale renewable transactions incomplete?**

33 A. Mr. Isern ignores the issue of need. As explained in detail in my direct testimony, the
34 Company typically acquires a long term utility-scale renewable resource only when a
35 need is identified in the Company’s IRP. The Company then goes through a
36 competitive bid process to acquire the lowest-cost, least-risk resource consistent with
37 the identified need, acquiring only the amount that is needed. No such competitive bid
38 and needs-driven process exists with QFs. If QFs were to be put on equal footing to
39 “other utility-scale renewable transactions” as Mr. Isern suggests, QF projects should
40 be required to bid into a Company RFP when an IRP or other need is identified.

41 **Q. Mr. Harris and Mr. Isern both argue that limiting the QF contract term to three**
42 **years would stop all development of renewable resources in Utah.² Have they**
43 **provided any evidence to support of those claims?**

44 A. No. Other than their own opinions, they have not provided evidence upon which the
45 Commission can rely to reach this same conclusion.

¹ Hans Isern Rebuttal Testimony, page 4, lines 80-81.

² Hans Isern Rebuttal Testimony, page 4, lines 69-73; Bryan Harris Rebuttal Testimony, page 4, 66-71.

46 **Q. Have Mr. Harris or Mr. Isern offered any evidence that limiting QF contract**
47 **terms to three years violates PURPA and/or FERC regulations?**

48 A. No Party in this proceeding has provided evidence demonstrating that a three-year
49 contract term violates PURPA or FERC regulations.

50 **Q. Does PURPA specify a mandatory length for QF contracts, or that such contracts**
51 **be of sufficient length to ensure financing of QF projects?**

52 A. PURPA does not require mandatory lengths of QF contracts, nor does PURPA require
53 that QF contracts be of sufficient length to ensure financing of QF projects. No Party
54 in this proceeding has provided evidence to refute this fact.

55 **Q. Mr. Isern suggests that “PPAs entered into at low energy-based rates will reduce**
56 **prices and price risks for all Utah consumers.”³ Do you agree?**

57 A. No. I presented evidence in my direct and rebuttal testimony showing how long-term,
58 fixed-price energy contracts increase price risk for customers. I presented evidence
59 showing how perceived “low” prices can increase costs to customers if prices go even
60 lower. I witnessed this firsthand in the past few years as I negotiated 20-year solar QF
61 PPAs at lower and lower prices over time, prices that just a few months prior to
62 execution were thought of as uneconomic and not financeable. And I presented
63 evidence showing how speculating on whether prices are “low” or “high” is
64 inconsistent with the Company’s hedging policies and practices and is not in the best
65 interest of customers.

66 **RESPONSE TO THE TESTIMONY OF THE RENEWABLE ENERGY COALITION**

³ Hans Isern Rebuttal Testimony, page 5, lines 97-98.

67 **Q. Renewable Energy Coalition witness Mr. Nathan Rich suggests that PPA**
68 **negotiations with the Company take a full year and thus a three-year contract**
69 **term is unreasonable.⁴ Is this consistent with your experience?**

70 A. No. My experience as the primary QF contract negotiator for the Company on Schedule
71 38 PPAs over the past 10 years shows that a typical negotiation takes six months or less
72 from the time the QF accepts the indicative avoided costs and requests a project-
73 specific contract. Negotiation of contracts under Schedule 37 typically takes even less
74 time because the standard prices are published and the QF can proceed directly to
75 request a PPA. The negotiation timeline is often driven by the state of development of
76 the QF project, with interconnection status, permitting, turbine or panel procurement,
77 and financing activities (all of which are under the control of the developer) impacting
78 the speed of negotiations.

79 **RESPONSE TO THE TESTIMONY OF THE OFFICE OF CONSUMER SERVICES**

80 **Q. Mr. Vastag states “it is not the Commission’s or other parties’ charge to find**
81 **speculative cost and/or benefit adders to increase avoided costs to ensure that QFs**
82 **are profitable.”⁵ Is this statement consistent with his recommendation in this**
83 **docket to maintain the 20-year contract term?**

84 A. No. As I explained in my direct testimony starting on page 9 line 165, a 20-year contract
85 term is a subsidy or benefit to the QF that is not provided to non-PURPA contracts.
86 Typical contracting and hedging horizons for non-PURPA energy contracts in the
87 utility industry are limited to less than 36 months. It is extremely rare for a utility to
88 voluntarily enter into a 20-year fixed-price energy contract without a specified energy

⁴ Nathan Rich Rebuttal Testimony, page 9, lines 98-102.

⁵ Bela Vastag Rebuttal Testimony, page 3, lines 53-55.

89 resource need due to concerns about price risk, market liquidity, and other risk
90 considerations. To grant QFs access to long-term, 20-year price certainty with no
91 adjustment to the price to account for that certainty is granting QFs contract certainty
92 no other market participant enjoys. For this reason, I would view a guaranteed, fixed-
93 price, 20-year contract at avoided cost to be a QF subsidy or benefit adder. Mr. Vastag
94 suggests such benefit adders should not be allowed, which is inconsistent with his
95 position to continue to provide to QFs the contract certainty benefit of a 20-year
96 contract term.

97 **RESPONSE TO THE TESTIMONY OF THE DIVISION OF PUBLIC UTILITIES**

98 **Q. Did the DPU change its recommendation in its rebuttal testimony?**

99 A. No. The DPU continues to recommend an alternative to the Company's proposal. The
100 DPU proposal allows energy prices to be fixed for up to five years but allows the
101 capacity payment to be based on a 20-year avoided cost calculation. The QF would
102 have the option every five years to seek alternate off-takers elsewhere.

103 **Q. Do you continue to have concerns with the DPU proposal?**

104 A. Yes. As I described in my rebuttal testimony, the DPU proposal is an improvement in
105 that it fixes energy prices for up to only five years (instead of the current 20). However,
106 the proposal allows a capacity payment based on a 20-year calculation but then requires
107 the QF to commit to only a five-year contract term. With a 20-year levelized capacity
108 payment, if the avoided capacity value occurs later in the contract term (which is
109 currently the case since the next avoidable resource is in 2028), customers over-pay the
110 QF for capacity in the early years as capacity value is brought forward but then bear
111 the risk of never receiving the actual benefit of that capacity if the QF leaves after five

112 years. This exposure imposed on customers by the DPU proposal does not meet the
113 ratepayer indifference standard. I continue to recommend the implementation of a
114 three-year contract term for all QF contracts.

115 **Q. Does this conclude your surrebuttal testimony?**

116 A. Yes.