

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Petition of Spring Canyon LLC for Approval of a Contract For the Sale of Capacity and Energy From Its Proposed QF Facilities	Docket No. 05-035-08
In the Matter of the Petition of Pioneer Ridge LLC & Mountain Wind For Approval of a Contract For the Sale of Capacity and Energy from its Existing and Proposed QF Facilities	Docket No. 05-035-09

**Rebuttal Testimony of James W. Sharp
on behalf of ExxonMobil Production Company**

March 18, 2005

1 **Q. Please state your name, business address and employer.**

2 A. My name is James W. Sharp. My business address is 800 Bell Street, CORP-
3 EMB-3903K, Houston, Texas, 77002-2180. I am employed by ExxonMobil Gas
4 & Power Marketing Company, a division of Exxon Mobil Corporation, in the
5 position of Regional Supply Manager.

6
7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying on behalf of ExxonMobil Production Company, a division of
9 Exxon Mobil Corporation. ExxonMobil Production Company is the operator of
10 the Shute Creek Cogeneration Facility.

11

12 **Q. Please summarize your professional and educational background.**

13 A. I joined Exxon in 1991 as an Electrical Engineer with Exxon Research and
14 Engineering Company in Florham Park, NJ. My fourteen-year career with the
15 company has been spent predominantly in the areas of electric power
16 engineering, utilities, and energy management working across a broad cross-
17 section of domestic business segments. I was named Regional Supply Manager
18 for ExxonMobil Power and Gas Services Inc., effective March 1, 2002. I
19 graduated from The Ohio State University in 1989 with a Bachelor of Science
20 degree in electrical engineering and in 1991 with a Master of Science degree in
21 power engineering. I also received an MBA degree from the Rice University
22 Jesse H. Jones Graduate School of Management in 2001.

23

1 **Q. Have you reviewed the prefiled direct testimony of Messrs. Graeber and**
2 **Olive for Spring Canyon Energy, LLC and the prefiled direct testimony of**
3 **Mr. Swenson for Pioneer Ridge, LLC and Mountain Wind, LLC?**

4 A. Yes.

5

6 **Q. Please summarize the key points you take from those witnesses' testimony.**

7 A. From my perspective, there are two key points. First, neither the Spring Canyon
8 nor the two wind projects are currently operational. Indeed, Spring Canyon's QF
9 project will not be in a position to produce electricity until mid-to-late 2007. It
10 may still be possible that they will be able to meet the June 1, 2007 in-service
11 date specified by the Stipulation in Docket No. 03-035-14. But from their
12 testimony (and the Motion to Extend that deadline which Spring Canyon filed on
13 Feb. 24, 2005) it appears at least possible that the Spring Canyon project will not
14 be able to meet that deadline. Second, the two wind projects are expected to
15 have a nameplate capacity of 48-MW but are expected to operate at only a 25-
16 40% capacity factor. Thus, since the Stipulation QF capacity cap is 275-MW
17 with the assumption that the projects operate at an 85% capacity factor, the two
18 wind projects will supply only a small fraction of the electricity envisioned
19 under the Stipulation.

20

21 **Q. Does this mean that PacifiCorp and the Commission do not have a viable**
22 **option to obtain QF capacity and energy up to the amount of the cap during**
23 **2006 and 2007?**

1 A. No. Now that I understand that neither the Spring Canyon project nor the two
2 proposed wind projects can supply all of the electricity contemplated under the
3 Stipulation during 2006 and 2007, I would like to present PacifiCorp and the
4 Commission with another option.

5

6 **Q. What does ExxonMobil propose?**

7 A. As PacifiCorp and the Commission are aware, ExxonMobil operates a 107.4-MW
8 Qualified Facility (QF02-80-0000) near Kemmerer, Wyoming called the Shute
9 Creek Cogeneration Facility. ExxonMobil currently sells the full output from the
10 facility to PacifiCorp under a QF contract that runs through the end of 2005. If
11 the Commission were to determine that ExxonMobil would be entitled to receive
12 the prices set forth in the Stipulation, ExxonMobil would be willing to enter into
13 negotiations with PacifiCorp to supply 75-MW of capacity and associated energy
14 delivered to Utah for calendar years 2006 and 2007.

15

16 **Q. Is ExxonMobil asking the Commission to accept its Shute Creek proposal**
17 **instead of the proposals offered by Spring Canyon and the two wind**
18 **projects?**

19 A. Not at all. Again, my understanding from reading the testimony filed in support
20 of the other projects is that they will not be in a position to provide the full
21 amount of capped QF capacity and energy until mid-to-late 2007. With the
22 caveat that sales from Spring Canyon not commence until January 1, 2008,
23 ExxonMobil believes that the Commission could approve all three proposals –

1 the Spring Canyon project, the two wind projects, and a sale from ExxonMobil's
2 Shute Creek facility – and still be within the cap contemplated by the
3 Stipulation.

4
5 **Q. Please describe the Shute Creek facility.**

6 A. The Shute Creek Cogeneration Facility consists of three identical GE Frame 6B
7 Combustion Turbine Generators that operate together to produce approximately
8 107.4-MW. The facility received QF certification in May of 2002. *See* Exhibit
9 JWS-1. The generators have been operating since mid-2004 and ExxonMobil
10 and PacifiCorp agreed on an effective date of January 1, 2005 for the onset of
11 commercial operation. Between start-up and January 31, 2005, the generators'
12 output was used to serve ExxonMobil's own electric load at the adjacent Shute
13 Creek Treating Facility. However, starting on February 1, 2005, ExxonMobil
14 began commercially selling capacity and energy to PacifiCorp as a QF.
15 ExxonMobil's Shute Creek facilities are interconnected to the PacifiCorp
16 transmission system at 230-kV at the Sweetwater Metering Station,
17 approximately 10-miles north of PacifiCorp's Monument Substation.

18
19 **Q. Please explain the advantages of ExxonMobil's proposal.**

20 A. The Shute Creek Cogeneration Facility has been completed, commissioned,
21 commercially dedicated, and operating successfully since mid-2004. There is no
22 risk that construction or permitting delays will cause ExxonMobil to be unable to
23 deliver the electricity promised. Indeed, Exxon Mobil Corporation's financial

1 strength makes it an attractive counterparty in volatile energy markets.

2 ExxonMobil has shown its commitment to its Shute Creek operations with nearly
3 \$2-billion in investments over the past twenty years. Further, ExxonMobil has a
4 proven track record as an excellent operator of cogeneration equipment in the
5 U.S. and around the world.

6 The only variable in the equation is that ExxonMobil does not currently
7 own transmission rights from the facility to Utah. However, ExxonMobil does
8 have an option available for 75-MW of firm transmission capacity into Utah and
9 expects that it would be able to quickly secure those rights if it successfully
10 negotiated a sales agreement with PacifiCorp.

11
12 **Q. Is ExxonMobil seeking a long-term contract?**

13 A. No, not at this time. ExxonMobil is only asking the Commission to approve
14 Stipulation pricing for a contract between ExxonMobil and PacifiCorp for the
15 sale of 75-MW of capacity and energy from January 1, 2006 through December
16 31, 2007. ExxonMobil understands that if it wishes to sell electricity to
17 PacifiCorp beyond that date that a new contract would need to be negotiated and
18 the Commission may need to make a new determination about the appropriate
19 avoided cost.

20
21 **Q. If the Commission accepts ExxonMobil's proposal, what does ExxonMobil**
22 **expect would happen next?**

1 A. If the Commission accepts ExxonMobil's proposal that Stipulation pricing is
2 appropriate for a sale of QF capacity and energy from ExxonMobil as described
3 above, ExxonMobil expects to immediately enter into negotiations with
4 PacifiCorp to establish an appropriate QF sales contract. In the course of those
5 negotiations, ExxonMobil will notify PacifiCorp whether it prefers the Fixed or
6 Variable Energy option as described in the Stipulation. Further, once
7 ExxonMobil is satisfied that those negotiations are reasonably likely to be
8 successfully completed, ExxonMobil will obtain the necessary transmission
9 rights.

10

11 **Q. Should a QF located in Wyoming with firm transmission rights to Utah**
12 **treated any differently than a QF located physically in the state of UT?**

13 A. No. It is my lay understanding that under federal law a QF possessing firm
14 transmission rights to a given location should be treated no differently than a QF
15 interconnected at that same point. Of course, the QF is responsible to secure and
16 pay for the transmission services.

17

18 **Q. Does this conclude your rebuttal testimony?**

19 A. Yes.