

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Enbridge Gas Utah for Approval of the Piceance Development as a Wexpro II Property	<u>DOCKET NO. 25-057-03</u>  <u>ORDER</u>
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ISSUED: March 27, 2025

SYNOPSIS

The Public Service Commission (PSC) approves Enbridge Gas Utah's (EGU) application to include the Piceance Development as a Wexpro II property.

PROCEDURAL BACKGROUND

On January 24, 2025, EGU filed an application, along with supporting testimony and exhibits, seeking to add the recently acquired properties within the Piceance Development as Wexpro II properties ("Application") pursuant to procedures and conditions established in the Wexpro II Agreement,<sup>1</sup> Trail Unit Settlement Stipulation,<sup>2</sup> Canyon Creek Settlement Stipulation,<sup>3</sup> and Production Cap Settlement Stipulation<sup>4</sup> (collectively, "Wexpro II Agreements").

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<sup>1</sup> *Application of Questar Gas Company for Approval of the Wexpro II Agreement*, Docket No. 12-057-13, Order issued March 28, 2013.

<sup>2</sup> *Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13, Order issued January 17, 2014.

<sup>3</sup> *Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property*, Docket No. 15-057-10, Order issued November 17, 2015.

<sup>4</sup> *Application of Dominion Energy Utah to Modify the Wexpro Production Cap*, Docket No. 22-057-04, Order issued April 13, 2022.

On February 5, 2025, the PSC issued its Scheduling Order, Notice of Technical Conference, and Notice of Hearing. The technical conference was held on February 13, 2025.<sup>5</sup>

The Division of Public Utilities (DPU) and the Office of Consumer Services (OCS) filed written testimony on February 25, 2025, and EGU filed rebuttal testimony on March 4, 2025.

On March 13, 2025, the PSC held an evidentiary hearing during which EGU, DPU, and OCS provided testimony supporting the Application.<sup>6</sup> There were no intervenors in this docket, and there was no opposition to the Application.

#### THE APPLICATION

The Application states that on December 23, 2024, Wexpro Development Company (WDC) entered into a Joint Development Agreement (“JDA”)<sup>7</sup> with the owner of a working interest located in Garfield and Mesa Counties, Colorado known as Piceance Basin (the “Piceance Development”). The Application represents that, although not technically subject to the Wexpro II Agreements, EGU “voluntarily offers the entire Piceance Development for approval to be included as a Wexpro II property.”<sup>8</sup> EGU also represents it contemporaneously filed an application with the

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<sup>5</sup> See <https://www.youtube.com/live/bf86lIT61Yk> and <https://pscdocs.utah.gov/gas/25docs/2505703/338272RdctdEGUPrsntnFeb132025TechCnfrnc2-13-2025.pdf>.

<sup>6</sup> The hearing recording is available at <https://www.youtube.com/live/8liAknmuLbw> (“Hearing”).

<sup>7</sup> The JDA is sometimes referred to by witness testimony as a “JOA.”

<sup>8</sup> Application at 2.

Wyoming Public Service Commission for approval of inclusion of the Piceance Development as a Wexpro II property.<sup>9</sup> The Application states that WDC initiated development of the Piceance Development at its own risk and, if the Application is approved, the drilling costs incurred will be passed on to EGU customers.<sup>10</sup>

PRE-FILED TESTIMONY

EGU witnesses Kelly Mendenhall and Brady Rasmussen provided testimony supporting the Application. Mr. Mendenhall's written direct testimony describes the JDA, summarizes the requirements for acquiring properties for inclusion as Wexpro II properties, and discusses why including the Piceance Development as a Wexpro II property is in the public interest. For example, Mr. Mendenhall explains that the Piceance Development will produce gas at a price point at or below the 5-year curve with stable pricing for 20-30 years, all of which will benefit EGU customers.<sup>11</sup>

Mr. Rasmussen's written direct testimony outlines how WDC determines its annual drilling program, explains how WDC can continue to drill at or below the 5-year forward curve, and explains what WDC is doing to help reduce the overall price of cost-of-service gas.<sup>12</sup> Mr. Rasmussen states the Piceance Development is a low-risk opportunity and, if the Application is approved, EGU and WDC will continue to

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<sup>9</sup> Approval by the Utah and Wyoming Commissions is required for newly acquired interests and property to be included under the Wexpro II Agreements.

<sup>10</sup> See Application at 6-7.

<sup>11</sup> See Kelly Mendenhall Written Direct Testimony at 4.

<sup>12</sup> See *generally* Brady Rasmussen Written Direct Testimony at 5-8.

ensure that cost-of-service production does not exceed the 55 percent supply limitation established in the Wexpro II Agreements.

DPU witness Eric Orton's written direct testimony outlines his observations about the Application and the Piceance Development,<sup>13</sup> such as identifying differences between this development and other Wexpro II Agreements.<sup>14</sup> Mr. Orton also identifies other issues and makes recommendations relating to the timing of, and informational requirements for, future Wexpro II applications.<sup>15</sup> For example, DPU recommends that it be allowed a certain amount of additional time within which it must provide required information in response to future Wexpro II applications (the "Hydrocarbon Monitor Issue").<sup>16</sup> DPU further recommends that EGU be required to provide information covering 12 additional categories in any future Wexpro II applications.

However, DPU states the overall cost of service will be lower with the inclusion of the Piceance Development, the cost of gas is below the five-year forward price curve, and the JDA does not carry more risk than other Wexpro II ventures. Therefore, based on the information provided in the Application, exhibits, EGU's witness testimony, the Hydrocarbon Monitor report, at the technical conference, meetings with EGU and WDC, and responses to DPU and OCS data requests, DPU recommends PSC approval of the Application.

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<sup>13</sup> See generally Eric Orton Written Direct Testimony at 3-4.

<sup>14</sup> See *id.* at 11.

<sup>15</sup> See generally *id.* at 9-11.

<sup>16</sup> See *id.* at 9.

OCS witness Jacob Zachary's written testimony identifies the potential benefits to customers based on its review of the Application, attached exhibits, technical conference presentation, and EGU responses to OCS data requests. These benefits include ratepayers receiving cost savings on a short-term and cumulative basis, the Piceance Development meaningfully contributing cost-of-service gas supply within the 55 percent cap, and ratepayers benefiting from increased cost-effective gas supply.<sup>17</sup> Based on these benefits, and other considerations, OCS recommends the PSC approve the Application.

In rebuttal to Mr. Orton's written testimony, Mr. Mendenhall states EGU is not averse to providing DPU with additional information relating to future Wexpro II applications. However, Mr. Mendenhall testified that EGU is opposed to adding filing requirements for future Wexpro II applications because, in part, formalizing such requirements would require amending the Wexpro II Agreements, which in turn would require obtaining consent from the four signatories to those agreements – DPU, OCS, Wyoming Office of Consumer Advocate and the Wyoming Public Service Commission. Mr. Mendenhall asserts that formalizing additional requirements “seems overly burdensome when the [DPU] can simply ask [EGU through data requests] and receive the information anytime it is needed.”<sup>18</sup>

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<sup>17</sup> See generally Jacob Zachary Written Direct Testimony at 4-5.

<sup>18</sup> See Kelly Mendenhall Written Rebuttal Testimony at 2.

In further rebuttal to Mr. Orton's written testimony, Mr. Rasmussen explains and clarifies, among other things, WDC's specific role in the Piceance Development in greater detail, WDC's historical involvement in similar projects, and the consistency of its role in the Piceance Development and other Wexpro II agreement properties. Mr. Rasmussen also addresses the Hydrocarbon Monitor Issue, committing to provide DPU with the needed information two weeks prior to any future Wexpro II application.<sup>19</sup>

TESTIMONY AT HEARING

For EGU, Mr. Mendenhall provided summary of his written testimony, including addressing the issues raised by the written direct testimony of DPU's witness Mr. Orton. Specifically, Mr. Mendenhall testified "the Company believes it has addressed [and resolved] Mr. Orton's concerns ... outlined in his [direct] testimony,"<sup>20</sup> and commits to work with the DPU to provide it the information it needs thorough the data request process. Mr. Mendenhall also testified that "the inclusion of the Piceance [Development as a Wexpro II] property is expected to reduce [EGU's] overall cost of service price going forward and, for that reason, [EGU] believes it's just, reasonable, and in the customers' best interest" for the PSC to approve it as a Wexpro II property.<sup>21</sup>

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<sup>19</sup> See Brady Rasmussen Written Rebuttal Testimony at 6.

<sup>20</sup> Hearing at 00:09:00-00:09:09.

<sup>21</sup> *Id.* at 00:09:09-00:09:32.

Mr. Rasmussen also provided a summary of his written testimony and addressed the issues raised by Mr. Orton's written testimony. Specifically, Mr. Rasmussen testified that while the Piceance Development "is the first time that a joint development agreement has been the subject of a Wexpro II application, the ... JDA [at issue in this docket] is nothing more than an acquisition of property that will be developed for the benefit of [EGU] customers, [which] ... is fully consistent with the purpose of the Wexpro II Agreement[s]."<sup>22</sup> Mr. Rasmussen also testified about the Hydrocarbon Monitor Issue, and specifically represented that WDC will provide the needed information two weeks before any future Wexpro II application is filed.<sup>23</sup> Finally, Mr. Rasmussen testified that the JDA affords certain protections, such as the requirement that WDC approve any work on the Piceance Development in advance and, if there is a disagreement between WDC and the operator concerning the economics of a business decision, WDC could be relieved from having to participate in the development and therefore mitigate the risk to EGU customers.<sup>24</sup>

For DPU, Mr. Orton summarized his written testimony, addressed the written rebuttal testimony of Messrs. Mendenhall and Rasmussen, and testified that EGU has generally addressed the concerns raised in his written direct testimony.<sup>25</sup> For example, DPU accepts EGU's commitment to respond to data requests seeking any

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<sup>22</sup> *Id.* at 00:19:25-00:19:39.

<sup>23</sup> *Id.* at 00:19:58-00:20:32.

<sup>24</sup> *Id.* at 00:22:10-00:23:15.

<sup>25</sup> *Id.* at 00:39:09-00:39:31.

additional information DPU may need for any future Wexpro II applications, and DPU also accepts WDC's commitment to provide DPU the needed information two weeks prior to any future Wexpro II application to address the Hydrocarbon Monitor Issue. Mr. Orton concluded that "including this acquisition in the Wexpro II portfolio will be of greater benefit to customers than without it."<sup>26</sup>

For OCS, Mr. Zachary testified that, based upon his analysis, the "ratepayers will benefit from the projected cost savings and increased [gas] supply reliability, all with minimized exposure to the downside."<sup>27</sup> Mr. Zachary also reiterated OCS's recommendation that the PSC approve the Application.

#### FINDINGS AND CONCLUSIONS

We evaluate the Application's compliance with the Wexpro II Agreements and past PSC orders. We find the Piceance Development reasonably demonstrates the likelihood to reduce the price of cost-of-service gas produced by WDC, provide a supply hedge to EGU customers, and maintain cost-of-service gas production below the 55 percent production cap established in the Wexpro II Agreements. Accordingly, based on our review of the Application, the testimony of EGU's witnesses, the testimony of DPU and OCS witnesses and their recommendations, we find that substantial evidence exists to conclude that the Piceance Development acquisition

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<sup>26</sup> *Id.* at 00:39:35-00:39:44.

<sup>27</sup> *Id.* at 00:47:51-00:48:00.



DOCKET NO. 25-057-03

- 9 -

meets the requirements outlined in the Wexpro II Agreements and is just, reasonable, and in the public interest.

ORDER

Pursuant to our above findings and conclusions, we approve the Application allowing the inclusion of the Piceance Development as a Wexpro II property.

DATED at Salt Lake City, Utah, March 27, 2025.

/s/ John E. Delaney  
Presiding Officer

Approved and Confirmed March 27, 2025 as the Order of the Public Service Commission of Utah.

/s/ Jerry D. Fenn, Commissioner

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner

Attest:

/s/ Gary L. Widerburg  
PSC Secretary  
DW#338992

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on March 27, 2025, a true and correct copy of the foregoing was served upon the following as indicated below:

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