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## State of Utah

### Department of Commerce Division of Public Utilities

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## Action Request Response

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director-

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

**Date:** March 10, 2022

**Re:** **Docket No. 22-057-04**, Application of Dominion Energy Utah to Modify the Wexpro Production Cap.

### Recommendation (Approve)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the application of Dominion Energy Utah (Dominion) and adopt the Settlement Stipulation attached as Exhibit No. 1.0 to its filing submitted on February 3, 2022.

### Issue

The Settlement Stipulation could allow future modification of the 55% Wexpro production limitation that was imposed as part of the Canyon Creek stipulation dated November 17, 2015. This stipulation outlines certain conditions and requirements for seeking approval in the future. The Company is not asking for approval to include a specific property that would increase production above 55% at this time.

## **Background**

On October 14, 1981, parties entered into a settlement stipulation creating the Wexpro Agreement which was approved by the Commission on December 31, 1981. The management of the Wexpro Agreement has subsequently been amended through several later proceedings and Guideline Letters over the last 40 years. On March 28, 2013 the Wexpro II agreement was approved which created the framework for including additional properties. On November 17, 2015, the Canyon Creek stipulation was approved which added new properties to the cost-of-service production and established a 55% production cap.

On February 3, 2022, Dominion filed this application requesting Commission permission to modify the current Wexpro production cap. On February 4, 2022, the Commission issued its Action Request to the Division directing it to review the application and make recommendations on or before March 4, 2022. On that same day, the Commission issued a Notice of a Virtual Scheduling Conference which was held on February 10, 2022. The order emanating from this Scheduling Conference outlined a schedule and “Notice of Virtual Hearing” which changed the Division’s Action Request Response. Comments were changed from the original due date to March 10, 2022, with reply comments due March 17, 2022, and the hearing set for March 24, 2022. This is the Division’s Action Request Response and Comments.

## **Discussion**

The above mentioned Wexpro and Wexpro II Agreements, Guideline Letters, and Agreements help govern how Wexpro develops the resources. The Trail Settlement Stipulation provides, in part, that the total production will be held at or below 65% of the IRP forecasted demand. The subsequent Canyon Creek Settlement Stipulation reduced the upper boundary whereby Wexpro agreed that it will manage these resources such that it will not provide more than 55% of the forecasted IRP demand.

In February 2021, many areas of the United States experienced unusually cold weather conditions. Extremely cold conditions in Texas placed unusual demand on the electric as well as

the natural gas supply and distribution systems which caused parties with less fluid demand to bid up the price. This had a ripple effect on the demand for natural gas in the region and throughout the US. The most recent 191 filing (Docket No. 21-057-28) included increased natural gas costs incurred by Dominion which can be attributable to market conditions related to this event in February. Dominion and the Division are aware of forecasted natural gas prices, as well as other possible demand and supply constraints, which indicate higher natural gas prices may reasonably be possible. As a result of this possibility, Dominion reviewed natural gas price hedging opportunities. Among other actions, Dominion began exploring the option of increasing the production of Wexpro gas volumes. Dominion then approached the parties and “discussed the possibility of changing the requirement” of the 55% Wexpro production limit. Based on these discussions, the parties have come to an agreement, which is attached to the application as Exhibit No. 1.0.

In summary, the Settlement Stipulation would allow Wexpro (if approved by the Commission in a separate Docket) to exceed the 55% threshold subject to Wexpro filing an acquisition or drilling plan related to the increased production that demonstrates:

- a) that this particular planned production will be provided at a cost lower than the five-year forecast curve including shut-in costs;
- b) the increased production does not exceed 65% of the IRP’s annual forecasted demand or “the Minimum Threshold as defined in the Trail Settlement Stipulation;”
- c) the date the production supply levels will again return to be below the 55% cap; and
- d) that this increased Wexpro supply must be found to be in the public interest considering the following factors:
  - The categorization, use and efficacy of this additional Wexpro production as a hedge against gas price volatility;
  - The comparative options of other natural gas hedging opportunities;

- The potential for and effect of shut-in costs generated in non-peak months;
- Lost opportunities and their associated costs/savings for low-cost summer gas supplies, which can be put into storage in non-peak months;
- Long-term natural gas market trends;
- The environmental regulatory outlook; and
- Any other factors the Commission considers relevant.

## **Conclusion**

Given the above-mentioned conditions and following extensive arm's length negotiations between parties, the Division agreed with the contents of the Settlement Stipulation submitted in this docket and considers it to be just and reasonable in result. Therefore, the Division recommends that the Commission approve the Settlement Stipulation.

Cc: Kelly Mendenhall, Dominion Energy Utah  
Michele Beck, Office of Consumer Services