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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
Béla Vastag, Utility Analyst

Date: March 10, 2022

Subject: Docket 22-057-04

**Application of Dominion Energy Utah to Modify the Wexpro
Production Cap**

BACKGROUND

On February 3, 2022, Dominion Energy Utah (“DEU”) filed with the Utah Public Service Commission (“PSC”) a request for approval of a Settlement Stipulation to modify the cap on Wexpro natural gas production. Dominion Energy Wexpro develops and produces gas reserves on behalf of DEU. Wexpro sells the natural gas it produces to DEU, and ultimately to DEU’s customers, at a price tied to its cost of production (i.e. “cost of service”). The current Wexpro agreement, as a result of the settlement in the Canyon Creek case (Docket No. 15-057-10), requires DEU and Wexpro to manage Wexpro’s annual production so that it will not exceed 55% of DEU’s annual forecasted demand (i.e. the Wexpro production cap). The Settlement Stipulation filed in this docket allows DEU to request approval from the PSC to increase the Wexpro cap up to 65% under certain conditions as outlined in the settlement.

On February 14, 2022, the PSC issued a Scheduling Order that set a deadline of March 10, 2022 for parties to file initial comments and March 17, 2022 for reply comments on DEU’s request for approval of the Settlement Stipulation allowing an increase in the Wexpro production cap. Pursuant to the PSC’s Order, the Utah Office of Consumer Services (“OCS”) submits these initial comments on DEU’s filing.

OFFICE OF CONSUMER SERVICES RECOMMENDS APPROVAL OF THE SETTLEMENT STIPULATION TO ALLOW INCREASING THE WEXPRO CAP

In its October 1, 2021 comments on DEU’s 2021-22 IRP, the OCS discussed DEU’s plans for natural gas price stabilization or the need for additional hedging of natural gas supplies. This need to pursue additional hedging is the result of the extreme high prices for spot market natural gas that occurred in February 2021 throughout the US. This one-week event in 2021 cost DEU ratepayers an additional \$60 million. Utilities in other parts of the country saw even more extreme financial impacts on their customers. After the 2021 event, DEU discussed the need for additional hedging with the OCS and Division of Public Utilities (“DPU”) and it was agreed that one option to explore was an increase in the Wexpro production cap (above the current 55%).¹

From September 2021 through January 2022, DEU, OCS, DPU and Wexpro held meetings to discuss the terms of when and how the Wexpro cap could be allowed to increase. Parties worked together to make sure that an increase to the cap would be in the public interest and that ratepayers would be protected. The direct testimony of Kelley B. Mendenhall in this docket describes the features of the proposed Settlement Stipulation that protect the public interest and the OCS will not repeat them here. The OCS was an active participant in developing these terms and supports the final proposal presented in the stipulation.

Therefore, the OCS believes that this settlement stipulation is just and reasonable in result and in the public interest. The OCS recommends Commission approval.

cc:

Jennifer Nelson Clark, Dominion Energy Utah
Chris Parker, Division of Public Utilities
Email Service List

¹ See Docket No. 21-057-01, OCS Comments on October 1, 2021, pages 5 - 7 (<https://psc.utah.gov/2021/01/07/docket-no-21-057-01/>)