

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION
OF DOMINION ENERGY FOR APPROVAL
OF THE ALKALI GULCH ACQUISITION
AS A WEXPRO II PROPERTY

Docket No. 22-057-05

REDACTED DIRECT TESTIMONY OF BRADY B. RASMUSSEN

FOR DOMINION ENERGY

Dominion Energy Redacted Exhibit 3.0

TABLE OF CONTENTS

I. INTRODUCTION.....1

II. ALKALI GULCH ACQUISITION.....2

III. WEXPRO’S DRILLING PROGRAM.....4

IV. MANAGEMENT OF ALKALI GULCH PROPERTY PRODUCTION6

I. INTRODUCTION

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

2 A. My name is Brady B. Rasmussen. My business address is 333 South State Street, Salt Lake
3 City, Utah.

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Wexpro Company (Wexpro) as Vice President and General Manager. I
6 oversee and am responsible for managing drilling, development, and operations associated
7 with Wexpro's cost-of-service properties. I am also responsible for compliance associated
8 with oil and gas operations and compliance with the Wexpro I and Wexpro II Agreements.

9 **Q. What are your qualifications to testify in this proceeding?**

10 A. I have listed my qualifications in Dominion Energy Exhibit 3.1.

11 **Q. Attached to your written testimony are Dominion Energy Exhibits 3.1 through 3.5.
12 Were these prepared by you or under your direction?**

13 A. Yes.

14 **Q. What is the purpose of your testimony in this Docket?**

15 A. The purpose of my testimony is to: 1) provide an overview of the Alkali Gulch acquisition;
16 2) explain how Wexpro determines its annual drilling program; 3) explain how Wexpro
17 can continue to drill at or below the 5-Year Forward Curve; 4) explain what Wexpro is
18 doing and will continue to do to help reduce the overall price of cost-of-service gas; and 5)
19 identify the guideline letters that will apply to the Alkali Gulch Acquisition if it is included
20 as a Wexpro II property.

21 **Q. Are you familiar with the Application and its exhibits filed in this Docket?**

22 A. Yes. Many of the exhibits were prepared under my supervision and direction.

23 **II. ALKALI GULCH ACQUISITION**

24 **Q. What led to Wexpro's purchase of the Alkali Gulch Acquisition?**

25 A. [REDACTED]
26 [REDACTED]
27 [REDACTED] Wexpro had the opportunity to purchase these
28 properties from HRM when HRM listed these properties for sale on EnergyNet.

29 **Q. Why would this property be valuable for Dominion Energy's customers?**

30 A. These properties offer many low-risk and low-finding-cost drilling opportunities and are
31 within or directly adjacent to Wexpro's current operating footprint where the current
32 production is very competitive with forecasted gas prices. Wexpro believes that these
33 properties have great value to Dominion Energy¹ customers and hopes that the Utah Public
34 Service Commission (Utah Commission) and the Wyoming Public Service Commission
35 (Wyoming Commission) (together with the Utah Commission, "Commissions") will
36 approve their inclusion as Wexpro II properties. Wexpro was willing to purchase the
37 properties at its own risk, regardless of whether they are included as Wexpro II properties.
38 Wexpro believes these properties would be equally beneficial to shareholders if developed
39 outside the Wexpro II Agreement.

¹ Questar Gas Company dba Dominion Energy Utah (in Utah), Dominion Energy Wyoming (in Wyoming), and Dominion Energy Idaho (in Idaho) is referred to throughout my testimony as "Dominion Energy."

40 **Q. Please describe the acquisition of the HRM assets?**

41 A. In January 2022, HRM Resources III listed its upstream assets in the Vermillion Basin and
42 surrounding areas, including working interest ownership in operated and non-operated
43 wells. The Alkali Gulch Field was included in these assets.

44 [REDACTED]
45 [REDACTED]
46 [REDACTED] Wexpro closed on these assets on March 25, 2022. A copy of the Purchase
47 and Sale Agreement between HRM Resources III and Wexpro Development Company is
48 attached to this Application as Confidential Exhibit K. An amendment to the Purchase and
49 Sale Agreement is attached as Confidential Exhibit K-1.

50 **Q. Who bears the risk of the property acquisition until the Commissions either approve
51 or reject the new properties as Wexpro II Properties?**

52 A. Wexpro bears the burden and risk of purchasing these properties and producing the gas
53 until the Commissions decide whether they should be approved as Wexpro II properties.
54 Currently, Wexpro is selling production from this acquisition on the open market.

55 **Q. If the Alkali Gulch Acquisition is approved as a Wexpro II Property, will the
56 acquisition cost be adjusted for the gas that Wexpro has sold?**

57 A. Yes. Dominion Energy Confidential Exhibit 3.2 shows an estimate, as of the date of this
58 filing, of the acquisition cost adjusted for the gas that has been or will be sold by Wexpro
59 up to the estimated time of Commission approval.

60 **Q. If the Alkali Gulch Acquisition is not included as a Wexpro II Property, does Wexpro plan to
61 produce this property for other potential customers?**

62 A. Yes. If the Alkali Gulch Acquisition is not approved for inclusion as a Wexpro II Property,
63 Wexpro would still produce the natural gas from that acquisition for other customers.

64

III. WEXPRO'S DRILLING PROGRAM

65 **Q. Please explain how Wexpro determines its annual drilling program?**

66 A. Throughout the year, Wexpro reviews its inventory of potential future wells to determine
67 an efficient mix of low-cost wells, leasehold obligation wells, and wells that must be drilled
68 in accordance with Bureau of Land Management mandates governing well development.

69 **Q. How does Wexpro help ensure that development drilling properties are cost effective?**

70 A. Wexpro will only contract for a drilling rig once Wexpro has developed a drilling program,
71 the Hydrocarbon Monitor² has reviewed the program, and the wells can provide cost-of-
72 service production that is, on average, at or below the 5-Year Forward Curve. Contracting
73 for drilling and completion services typically occurs six months before drilling on the first
74 well in the program commences.

75 **Q. Given today's volatile natural gas prices, can Wexpro continue a drilling program
76 and provide cost-of-service gas at or below the 5-Year Forward Curve?**

77 A. Yes, for a number of reasons. First, the stipulation approved in the Canyon Creek dockets³
78 resulted in lowering the return Wexpro earns from newly-drilled wells. Second, the market
79 price of gas has significantly increased over the last 12 months, which has led to significant
80 customer savings from Wexpro production. Third, Wexpro has significantly lowered
81 overall general and administrative (G&A) and operating expenses (O&M) in recent years,
82 which will help Wexpro keep costs low (see attached Exhibit 3.3).

² The Hydrocarbon Monitor is an independent evaluator retained by the Utah Division of Public Utilities to review Wexpro's drilling program, as well as any new properties proposed to be included as Wexpro II properties. See Section IV of the Wexpro II Agreement.

³ Utah Docket No. 15-057-10; Wyoming Docket No. 30010-145-GA-15.

83 **Q. How does having an ongoing drilling program benefit Dominion Energy customers?**

84 A. Attached as Dominion Energy Exhibit 3.4 is a chart representing the typical cumulative
85 production of a well. As the chart shows, about half of the production from a typical well
86 is produced during the first five years of its 20 to 30-year life. If these volumes are not
87 replaced with volumes from new wells, then fixed costs of producing wells will be spread
88 over fewer and fewer volumes thus causing the cost per-unit to go up. A drilling program
89 helps to keep costs per-dekatherm lower. In addition, given the volatility of natural gas
90 prices during the past few years, and the increase in gas prices over the past year, an
91 ongoing drilling program as proposed in this Application will help to keep gas prices stable
92 and low for Dominion Energy customers.

93 **Q. Are there other benefits of having an ongoing drilling program?**

94 A. Yes, having a continuous drilling program ensures Wexpro can continue to provide
95 customers cost-efficient operations. Starting and stopping a drilling program by erratically
96 adding and removing drilling and completions personnel can be very costly and inefficient.
97 Also, in times of industry growth, Wexpro struggles to find and retain qualified personnel,
98 which it has experienced many times over the decades. Consistently adding wells to the
99 portfolio keeps costs lower and avoids the “boom and bust” approach that is often
100 associated with this industry. The key is being able to add wells at or below the current 5-
101 Year Forward Curve.

102 **Q. Has Wexpro taken steps in the last year to reduce the price of cost-of-service
103 production?**

104 A. Yes. Column A of Dominion Energy Confidential Exhibit 3.5 shows the forecast all-in
105 cost of service for Wexpro I and II during the Company’s most recent acquisition of the

106 Vermillion properties⁴. Column B of Dominion Energy Confidential Exhibit 3.5 shows an
107 updated forecast. As you can see, the combination of reduced G&A and O&M expenses,
108 decreased drilling and completion costs, and continued below-market drilling results have
109 all contributed to decreasing overall forecasted cost of service.

110 **Q. If the Commissions approve the Alkali Gulch Acquisition to be included as a Wexpro**
111 **II property, will it reduce the overall cost of service?**

112 A. Yes. Column C of Dominion Energy Confidential Exhibit 3.5 shows the anticipated cost
113 of service from the Alkali Gulch Acquisition by itself. Column D shows a forecast of the
114 overall Wexpro II cost of service if the Commissions agree to include the Alkali Gulch
115 properties' production in Wexpro II. As is clear from the exhibit, adding the Alkali Gulch
116 Acquisition as a Wexpro II property will further reduce the cost of service.

117 **IV. MANAGEMENT OF ALKALI GULCH PROPERTY PRODUCTION**

118 **Q. How will Wexpro manage the Alkali Gulch properties if the Commissions approve**
119 **the request to include those properties as Wexpro II properties?**

120 A. Wexpro and Dominion Energy will continue to coordinate to manage cost-of-service
121 production to ensure that customers have a long-term reliable supply of low-cost gas now
122 and in the future. Wexpro understands the dynamics surrounding Dominion Energy's
123 current gas supply.

124 **Q. Can Wexpro continue to comply with the 55% supply limitation if the Commissions**
125 **approve the inclusion of the Alkali Gulch properties as Wexpro II properties?**

126 A. Yes. Application Exhibit M shows that the addition of the Alkali Gulch Acquisition as a
127 Wexpro II property will not cause Wexpro to produce volumes over the 55% supply limit.

⁴ The Utah Commission approved the inclusion of the Vermillion properties as Wexpro II properties in Docket No. 17-057-01. The Wyoming Commission did the same in Docket No. 30010-162-GA-17.

128 It will, however, increase the benefit of allocating fixed costs over the greater number of
129 volumes, thus helping to reduce the cost of service as discussed above.

130 **Q. If the Alkali Gulch Acquisition is approved as a Wexpro II property, are there**
131 **Guideline Letters that will apply to the property?**

132 A. Yes. The Alkali Gulch properties are subject to the guideline letters that can be found on
133 Dominion Energy’s website⁵.

134 **Q. In summary, what are your recommendations regarding the Alkali Gulch**
135 **Acquisition?**

136 A. The Alkali Gulch Acquisition Area is Wexpro’s best performing property with a current
137 below-market drilling program. Wexpro believes it can manage the Alkali Gulch
138 Acquisition properties as part of the Dominion Energy Gas portfolio for the benefit of its
139 customers for years to come.

140 **Q. Does this conclude your testimony?**

141 A. Yes.

⁵ <https://www.dominionenergy.com/our-company/delivering-energy/dominion-energy-wexpro>

State of Utah)
) ss.
County of Salt Lake)

I, Brady B. Rasmussen, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

Brady B. Rasmussen
Brady B. Rasmussen

SUBSCRIBED AND SWORN TO this 14th day of April, 2022.



[Signature]
Notary Public