

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY FOR APPROVAL OF THE HORSESHOE BEND DEVELOPMENT AS A WEXPRO II PROPERTY	Docket No. 24-057-03
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REDACTED DIRECT TESTIMONY OF KELLY B MENDENHALL

FOR DOMINION ENERGY

Dominion Energy Redacted Exhibit 2.0

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I. INTRODUCTION

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

2 A. My name is Kelly B Mendenhall. 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 Dominion Energy (“Company”) as Director of Regulatory and Pricing.
6 I am responsible for state regulatory matters in Utah, Idaho, and Wyoming.

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

8 A. I have listed my qualifications in Dominion Energy Exhibit 2.1.

9 **Q. Attached to your written testimony are Dominion Energy Exhibits 2.1 through 2.2.
10 Were these prepared by you or under your direction?**

11 A. Yes.

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

13 A. The purpose of my testimony is to: 1) describe Wexpro’s recent farmout agreement of oil
14 and gas leases identified in this proceeding as the Horseshoe Bend development
15 (“Development” or “Horseshoe Bend Development”), 2) explain the requirements for
16 Dominion Energy Utah to bring acquisitions to the Utah Public Service Commission
17 (“Utah Commission”) and the Wyoming Public Service Commission (“Wyoming
18 Commission”) (together, “Commissions”) for approval as a Wexpro II property; and 3)
19 explain why including the Horseshoe Bend Development as a Wexpro II property is in the
20 public interest and should be approved by the Commission.

21 **Q. Are there others who will provide testimony in this proceeding?**

22 A. Yes, Mr. Brady B. Rasmussen, Vice President and General Manager of Wexpro Company
23 (“Wexpro”), will also provide an overview of the Horseshoe Bend Development and
24 explain how the proposed properties improve the overall cost of service.

II. HORSESHOE BEND DEVELOPMENT

25 **Q. Please describe Wexpro’s recent acquisition of natural-gas producing properties in**
26 **the Horseshoe Bend Development area.**

27 A. On October 16, 2023, Wexpro signed the Farmout Agreement with [REDACTED]
28 [REDACTED] for the Horseshoe Bend property (“Farmout Agreement” or “Agreement”). [REDACTED]
29 [REDACTED]
30 [REDACTED]
31 [REDACTED]
32 [REDACTED]
33 [REDACTED]

34 **Q. Is this a Wexpro property acquisition that the Company must bring to the Utah and**
35 **Wyoming Public Service Commissions for approval?**

36 A. No. Under the terms of the Wexpro II Agreement, the Company is required to apply for
37 Utah and Wyoming Commission approval of Wexpro property acquisitions in the Wexpro
38 I Development Drilling areas. The Horseshoe Bend Acquisition is not a property within a
39 Wexpro I Development Drilling area. Dominion Energy has voluntarily brought the
40 Horseshoe Bend Development to the Commissions for approval to be included as a Wexpro
41 II property.

42

III. WEXPRO II AGREEMENT REQUIREMENTS

43 **Q. Please explain the requirements for Wexpro acquisitions related to the Wexpro II**
44 **Agreement.**

45 A. A flow diagram summarizing the requirements for including properties under the Wexpro
46 I and Wexpro II agreements is attached as Dominion Energy Exhibit 2.2. As the exhibit
47 shows, if Wexpro makes an acquisition that falls within the Wexpro Development Drilling
48 Area, Dominion Energy is required to bring the property to the Utah and Wyoming
49 Commissions for consideration to be included as Wexpro II properties. If the acquisition
50 falls outside of the Wexpro Development Drilling Area, Wexpro has the option to seek
51 approval to include the property as a Wexpro property or to keep it as an unregulated
52 property in Wexpro Development Company where direct costs and overheads are assigned
53 to it and none of the production or costs are included as part of the Wexpro II portfolio.

54 **Q. Does the Horseshoe Bend Development fall within the Wexpro development drilling**
55 **area?**

56 A. No. The working interests earned by Wexpro are outside the Wexpro I footprint. Wexpro
57 is familiar with the geography of the area and believes this area presents future drilling
58 locations at a low cost of service, similar to the drilling opportunities in Wexpro's Island
59 field, which is located 15 miles southwest of the leases. For the purpose of this Application,
60 the Company is proposing to include all wells as Wexpro II properties.

61 **Q. Does Dominion Energy support the Horseshoe Bend Development?**

62 A. Yes. For a number of reasons, the Company believes that all of the future wells are
63 beneficial to Dominion Energy customers. As explained in Mr. Rasmussen's testimony,
64 the Development is in an area where Wexpro already operates and has significant
65 experience. The Wexpro II concept was conceived to accommodate adding these types of
66 properties to Dominion Energy's supply portfolio. In addition, given the volatility of the

67 natural gas market, increasing gas prices, and the project economics, which indicate that
68 the Horseshoe Bend Development will lower the cost of service for Wexpro gas, the
69 Company believes the timing of this Development and its inclusion as a Wexpro II Property
70 is beneficial to the Company's customers.

71 **Q. If the Development is approved as a Wexpro II Property, would Wexpro be able to**
72 **develop the property in today's gas market?**

73 A. Yes, as more fully explained by Mr. Rasmussen, if today's natural gas prices continue as
74 forecasted, then based on Wexpro's current model, Wexpro would drill new wells
75 according to the plan submitted in this Application.

76 **Q. Does Dominion Energy want Wexpro to develop gas reserves at or below today's**
77 **current 5-Year Forward Curve?**

78 A. Yes. Events like the Texas weather event in February 2021 and the price volatility in the
79 2022/2023 winter heating season highlight the value of gas supply that is reliable and stable
80 in price. It is good for customers anytime Wexpro can develop natural gas that will produce
81 for 20 to 30 years at stable prices. Second, as more fully explained by Mr. Rasmussen, an
82 ongoing drilling program helps lower the per-unit cost of cost-of-service production and
83 preserves Wexpro's expertise and efficiencies in developing these properties.

IV. PUBLIC INTEREST

84 **Q. How could this acquisition be beneficial to customers?**

85 A. As Dominion Energy Exhibit M shows, absent any new production, the percentage of
86 Wexpro production is expected to decline [REDACTED]
87 [REDACTED]
88 [REDACTED] additional supply to help stabilize the production. Additionally, these
89 reserves will provide natural gas production at prices that are expected to beat the five-year
90 curve.

91 **Q. Should this property be approved as a Wexpro II property?**


92 A. Yes, both the Utah and Wyoming Commissions should approve the Horseshoe Bend
93 Development as a Wexpro II property and find that doing so is in the public interest. The
94 production from Wexpro I wells comes from a defined set of properties that are clearly set
95 forth in the Wexpro I Agreement. Because of technological improvements in drilling,
96 completion, and production methods, these properties have produced longer and at greater
97 levels than the original parties to the Wexpro I Agreement anticipated. However, Wexpro
98 production is finite and limited to defined areas. The Company and Wexpro believe that
99 including the Horseshoe Bend Development properties will benefit Dominion Energy's
100 customers.

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

102 A. Yes.

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

I, Kelly B Mendenhall, 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. 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.



Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this 1st day of February, 2024.



Notary Public

