

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF ENBRIDGE GAS FOR APPROVAL OF THE PICEANCE DEVELOPMENT AS A WEXPRO II PROPERTY	Docket No. 25-057-03
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REDACTED DIRECT TESTIMONY OF KELLY B MENDENHALL

FOR ENBRIDGE GAS

Enbridge Gas Redacted Exhibit 2.0

TABLE OF CONTENTS

I. INTRODUCTION.....1

II. PICEANCE AREA DRILLING PROGRAM.....2

III. WEXPRO II AGREEMENT REQUIREMENTS3

IV. PUBLIC INTEREST4

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 Enbridge Gas (“Company”) as Director of Regulatory and Pricing. I am
6 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 Enbridge Gas Exhibit 2.01.

9 **Q. Attached to your written testimony are Enbridge Gas Exhibits 2.1 through 2.2. Were
10 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 joint development agreement
14 (“Joint Agreement” or “Piceance Drilling Program”), 2) explain the requirements for
15 Enbridge Gas to bring acquisitions to the Utah Public Service Commission (“Utah
16 Commission”) and the Wyoming Public Service Commission (“Wyoming Commission”)
17 (together, “Commissions”) for approval as a Wexpro II property; and 3) explain why
18 including the Joint Agreement as a Wexpro II property is in the public interest and should
19 be approved by the Commission.

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

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

II. PICEANCE AREA DRILLING PROGRAM

24 **Q. Please describe Wexpro’s recent investment in the Piceance Development.**

25 A. On December 23, 2024, Wexpro signed a joint development agreement with [REDACTED]
26 [REDACTED] for assets located in the Piceance Basin. [REDACTED]

27 [REDACTED]

28 [REDACTED]

29 [REDACTED]

30 [REDACTED]

31 [REDACTED]

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

34 A. No. Under the terms of the Wexpro II Agreement, the Company is required to apply for
35 Utah and Wyoming Commission approval of Wexpro property acquisitions in the Wexpro
36 I Development Drilling areas. The Piceance wells are not located on property within a
37 Wexpro I Development Drilling area. Enbridge Gas has voluntarily brought the Piceance
38 interest to the Commissions for approval to be included as a Wexpro II property.

III. WEXPRO II AGREEMENT REQUIREMENTS

39 **Q. Please explain the requirements for Wexpro acquisitions related to the Wexpro II**
40 **Agreement.**

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

50 **Q. Do the Piceance wells fall within the Wexpro development drilling area?**

51 A. No. The working interests earned by Wexpro are outside the Wexpro I footprint. Wexpro
52 is familiar with the geology of the area and believes this area presents drilling locations at
53 a low cost of service. For this Application, the Company is proposing to include all wells
54 as Wexpro II properties.

55 **Q. Does Enbridge Gas Utah support the Piceance Development?**

56 A. Yes, the Company believes that the wells are beneficial to Enbridge Gas customers. The
57 Wexpro II concept was conceived to accommodate adding these types of properties to
58 Enbridge Gas' supply portfolio. In addition, given the volatility of the natural gas market,
59 increasing gas prices, and the project economics, which indicate that the Piceance
60 Development will lower the cost of service for Wexpro gas, the Company believes the
61 timing of this joint development and its inclusion as a Wexpro II Property is beneficial to
62 the Company's customers.

63 **Q. Does Enbridge Gas want Wexpro to develop gas reserves at or below today's current**
64 **5-Year Forward Curve?**

65 A. Yes. Events like the Texas weather event in February 2021 and the price volatility in the
66 2022/2023 winter heating season highlight the value of gas supply that is reliable and stable
67 in price. It is good for customers anytime Wexpro can develop natural gas that will produce
68 for 20 to 30 years at stable prices. Second, as more fully explained by Mr. Rasmussen, the
69 addition of new wells helps lower the per-unit cost of cost-of-service production and
70 preserves Wexpro's expertise and efficiencies in developing these properties.

IV. PUBLIC INTEREST

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

72 A. As Enbridge Gas Exhibit M shows, absent any new production, the percentage of Wexpro
73 production is expected to decline [REDACTED]
74 [REDACTED]
75 [REDACTED] additional supply to help stabilize the production. Additionally, these reserves will
76 provide natural gas production at prices that are expected to beat the five-year curve.

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

78 A. Yes, both the Utah and Wyoming Commissions should approve the Piceance drilling
79 program interest as a Wexpro II property and find that doing so is in the public interest.
80 The production from Wexpro I wells comes from a defined set of properties that are clearly
81 set forth in the Wexpro I Agreement. Because of technological improvements in drilling,
82 completion, and production methods, these properties have produced longer and at greater

DIRECT TESTIMONY OF
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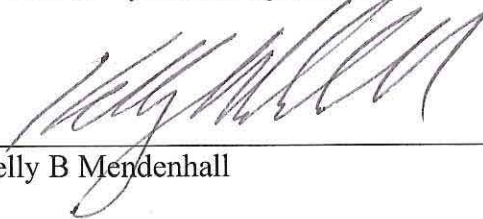
83 levels than the original parties to the Wexpro I Agreement anticipated. However, Wexpro
84 production is finite and limited to defined areas. The Company and Wexpro believe that
85 including the Piceance Development will benefit Enbridge Gas' customers.

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

87 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 24th day of January, 2025.



Notary Public

