

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	
)	Docket No. 25-057-03
)	
In the Matter of the Application of Enbridge)	Direct Testimony
Gas Utah for Approval of the Piceance)	of Jacob Zachary
Development as a Wexpro II Property)	On behalf of the
)	Office of Consumer Services
)	

February 25, 2025

REDACTED VERSION

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Jacob Zachary. I am a utility analyst for the Utah Office of
3 Consumer Services (“OCS”). My business address is 160 East 300 South,
4 Salt Lake City, Utah 84111.

5
6 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

7 A. I earned a Bachelor of Science in Business Administration with a
8 concentration in Finance from the University of Arizona. Upon graduation,
9 I was a Cost Accountant for Allegheny Technologies Inc., a specialty
10 metals manufacturer. After leaving Allegheny Technologies Inc. and prior
11 to joining OCS, I worked for the State of Oregon Office of Public Defense
12 Services (“OPDS”). With OPDS, I started as an Accounting Technician
13 and was promoted multiple times to hold positions of Jr. Data Analyst,
14 Fiscal Analyst, and Program Analyst. I have completed The Basics
15 Practical Regulatory Training course through New Mexico State
16 University, along with numerous other courses through NASUCA’s
17 (National Association of State Utility Consumer Advocates) regulatory
18 basics training program and NASUCA’s industry partnerships.

19
20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE
21 COMMISSION OF UTAH (“PSC”)?**

22 A. Yes. I previously prepared and filed Direct Testimony in Docket 23-057-
23 16, The Sale of Questar Gas Company to Enbridge Qual Holdings, LLC. I

24 have also been the primary author for the last two years of the OCS's filed
25 memos in Enbridge Gas Utah's ("EGU" or "the Company") integrated
26 resource plan dockets, and a contributing author in other dockets.

27

28 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

29 A. I will address Enbridge Gas Utah's request in this proceeding for the PSC
30 to approve the Piceance Development as a new Wexpro II property. From
31 a cost and supply-reliability perspective, I will discuss the likely benefits
32 and potential risks to ratepayers of including the Piceance Development
33 as a Wexpro II property and ultimately provide the OCS's recommendation
34 on whether EGU's request should be approved.

35

36 **Q. WHAT INFORMATION DID YOU USE TO REVIEW EGU'S REQUEST**
37 **FOR INCLUSION OF THE PICEANCE DEVELOPMENT AS A WEXPRO**
38 **II PROPERTY?**

39 A. I reviewed EGU's Verified Application, accompanying Exhibits and Direct
40 Testimony, submitted questions and attended the technical conference on
41 February 13, 2025. I analyzed EGU's responses to my and the Division of
42 Public Utilities' ("DPU") data requests and in addition to the materials in
43 this docket, reviewed the previous request to add a new Wexpro property
44 in Docket 24-057-03.¹ Finally, in the context of the current request, I re-

¹ Docket 24-057-03: Application of Dominion Energy Utah for Approval of the Horseshoe Bend Development as a Wexpro II Property, <https://psc.utah.gov/2024/02/02/docket-no-24-057-03/>

45 read the Agreement Documents, Settlement Stipulations and Guideline
46 Letters from the Wexpro program located on the Company’s website².

47

48 **Q. WHAT DID YOU CONCLUDE REGARDING EGU’S REQUEST IN THIS**
49 **DOCKET?**

50 A. Inclusion of the Piceance Development as a Wexpro II Property would
51 bring a package of likely benefits and potential risks for ratepayers. In my
52 opinion, these benefits outweigh the potential risks, and including the
53 Piceance Development is likely to be beneficial to ratepayers.

54

55 **Q. WHAT COMPONENTS OF THE CASE DID YOU REVIEW?**

56 A. I reviewed the following:

- 57 • The projected costs of the Piceance Development, both on a
58 standalone basis and in comparison to the forward market curve.
- 59 • The projected volumes from the Piceance Development and
60 potential risks to the 55% cost of service (“COS”) supply production
61 limit set in the 2015 Canyon Creek Settlement Stipulation.³
- 62 • The Joint Development Agreement (“JDA”) Wexpro has entered for
63 receiving natural gas supply from the Piceance Development and
64 any potential risks it would pose to ratepayers due to its [REDACTED]
65 [REDACTED] terms.

² <https://www.enbridgegas.com/utwyid/wexpro>

³ Docket 15-057-10: Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property, Canyon Creek Settlement Stipulation, October 26, 2015

66

67 **Q. PLEASE DESCRIBE THE LIKELY BENEFITS TO RATEPAYERS IF**
68 **THE PICEANCE DEVELOPMENT IS INCLUDED AS A WEXPRO II**
69 **PROPERTY.**

70 A. Within the scope of my review, I see the following three likely benefits to
71 ratepayers:

72 1. EGU’s provided analysis shows that from [REDACTED], the projected
73 all-in natural gas supply ranges in reasonable cost from [REDACTED]

74 [REDACTED]⁴ Additionally, for the [REDACTED]
75 [REDACTED]

76 [REDACTED]⁵ This is compared to a projected 6-year average market price of

77 [REDACTED]⁶ If these projections hold, even allowing for some margin of
78 error, ratepayers would benefit from these cost savings on a short-term
79 and cumulative basis.

80

81 2. The Piceance Development would meaningfully contribute COS gas
82 supply without threatening the 55% cap. According to Kelly Mendenhall’s
83 direct testimony, [REDACTED]

84 [REDACTED]

85 [REDACTED].” Additionally, it was presented during the

86 February 13th technical conference that even with this proposed

⁴ Docket 25-057-03: Forecasted Cost of Service, Confidential Exhibit 3.3, Page 1, January 24, 2025

⁵ Docket 25-057-03: Technical Conference Presentation, Confidential Slide 3, February 13, 2025

⁶ Docket 25-057-03: Technical Conference Presentation, Confidential Slide 3, February 13, 2025

87 acquisition, Wexpro peak COS supply would reach [REDACTED]
88 [REDACTED]⁷ In previous Wexpro docket 24-057-03, the OCS
89 testified that additional cost of service supply “serves as a physical hedge
90 against volatility in both natural gas market prices and supply reliability.” In
91 my opinion, this continues to hold true and may even grow in importance
92 as the industry experiences possible supply disruptions due to weather
93 events, market disturbances, and regulatory challenges. Having reliable
94 access to a cost-effective and physical gas supply is a clear benefit to
95 ratepayers.

96
97 3. Because of the [REDACTED] nature of the joint development
98 agreement Wexpro has with [REDACTED], ratepayers stand to
99 benefit from the [REDACTED] to increase cost-effective
100 gas supply. [REDACTED]

101 [REDACTED]
102 [REDACTED]⁸

103

104 **Q. IS IT GUARANTEED THAT THE ALL-IN COS PRICE WILL CONTINUE**
105 **TO STAY BELOW THE FIVE-YEAR FORWARD MARKET PRICE?**

106 A. No, there is no guarantee that COS prices will continue to be lower than
107 market prices as determined by the five-year forward curve. If market
108 prices fall below the COS prices, further drilling in the Piceance

⁷ Docket 25-057-03: Technical Conference Presentation, Confidential Slide 7, February 13, 2025

⁸ Docket 25-057-03: Confidential Direct Testimony of Brady Rasmussen, Page 2 Lines 32-41, January 24, 2025

109 Development would become uneconomic and any initially invested fixed
110 costs would then be charged to ratepayers on a higher per unit basis. [REDACTED]
111 [REDACTED], this is a potential risk.
112 However, the current cost evaluation passes the test as established in the
113 2014 Trail⁹ and 2015 Canyon Creek Settlement Stipulations¹⁰, as well as
114 the Commercial Well Designation and Market Price Convention Guideline
115 Letters¹¹ dated July 20, 2016, and May 16, 2024, respectively.

116

117 **Q. PLEASE EXPLAIN IF YOU BELIEVE THAT TAKING ON THIS**
118 **POTENTIAL RISK WOULD BE IN RATEPAYERS' BEST INTEREST.**

119 A. The projected COS prices for the Piceance Development are [REDACTED]
120 [REDACTED] the 5-year forward curve prices, even to the point that including the
121 development would lower the [REDACTED]
122 [REDACTED].¹² In my opinion, [REDACTED]
123 [REDACTED]
124 [REDACTED].

125 The concern is that market prices may go down much more, but I note that
126 with market volatility, it is also possible to see market prices go up and
127 cost savings become even greater. While it's impossible to predict exactly
128 where the market will go in the future, I believe the COS prices the
129 Company is projecting in this request are beneficial to ratepayers and

⁹ Wexpro Agreement Documents, Trail Stipulation 2014, <https://www.enbridgegas.com/utwyid/wexpro>

¹⁰ Wexpro Agreement Documents, Canyon Creek Stipulation 2015,
<https://www.enbridgegas.com/utwyid/wexpro>

¹¹ Wexpro Guideline Letters, 2014-present, <https://www.enbridgegas.com/utwyid/wexpro>

130 represent a favorable trade-off between downside risk and upside
131 potential.

132

133 **Q. DOES THE ADDED GAS SUPPLY FROM THE PICEANCE**
134 **DEVELOPMENT RISK PUSHING TOTAL WEXPRO PRODUCTION**
135 **ABOVE THE 55% CAP?**

136 A. The Canyon Creek Settlement Stipulation in Docket 15-057-10, provides
137 that the annual total Wexpro COS production cannot exceed 55% of
138 EGU's annual total gas supply.¹³ In my opinion, the added supply from the
139 Piceance Development does not threaten the 55% limit. As I described in
140 my summary of benefits, EGU has provided adequate evidence to indicate
141 that even [REDACTED] from the Piceance Development, [REDACTED]
142 [REDACTED]. This also accounts for
143 increased production from already approved properties. If current
144 properties were to become more abundant than originally thought and
145 EGU and Wexpro wanted to increase production to capitalize, I still
146 believe [REDACTED]
147 [REDACTED].

148

149 **Q. DO YOU SEE ANY OTHER POTENTIAL RISKS OF ADDING THE**
150 **ADDITIONAL SUPPLY FROM THE PICEANCE DEVELOPMENT?**

¹² Docket 25-057-03: Forecasted Cost of Service, Confidential Exhibit 3.3, Page 1, January 24, 2025

¹³ Docket 15-057-10: Canyon Creek Settlement Stipulation, Pages 8-9, October 26, 2015

151 A. The only additional potential risk I can see would be one of missed
152 opportunity. If in the future there was a property that was more beneficial
153 to ratepayers and couldn't be added to the program due to risking the 55%
154 total cap, ratepayers could potentially miss out. However, this is not
155 necessarily a negative to ratepayers right now, simply a note for the
156 future.

157

158 **Q. DO YOU HAVE ANY CONCERNS REGARDING [REDACTED]**
159 **[REDACTED] TERMS OF THE JOINT DEVELOPMENT**
160 **AGREEMENT?**

161 A. While I was initially hesitant to support the JDA, I have come to recognize
162 the potentially cost-saving and resource-efficient benefits it can provide for
163 ratepayers. It is different relative to the other recently approved Wexpro
164 properties in the sense that [REDACTED]
165 [REDACTED]
166 [REDACTED]. While recently approved properties don't have this type of
167 operational structure, EGU witness Brady Rasmussen provided
168 explanation during the technical conference that [REDACTED]
169 [REDACTED]
170 [REDACTED] Additionally, as explained in Mr. Rasmussen's Confidential
171 Direct Testimony, [REDACTED]
172 [REDACTED]. Finally, it was explained during the technical
173 conference that the [REDACTED]

174 [REDACTED]. With all the
175 information provided, in my opinion the cumulative legal and logistic
176 complexities arising from the JDA are unlikely to be greater than cost and
177 efficiency benefits.

178

179 **Q. ARE THERE OTHER POTENTIAL BENEFITS AND RISKS**
180 **ASSOCIATED WITH INCLUSION OF THE PICEANCE DEVELOPMENT**
181 **INTO WEXPRO THAT ARE NOT DISCUSSED IN YOUR TESTIMONY?**

182 A. Most likely yes. The scope of my review of EGU's request, and my
183 testimony in this document, focused on what I believe are the main likely
184 benefits and potential risks of including the Piceance Development into
185 Wexpro. However, I acknowledge that my evaluation is not all-
186 encompassing, and other factors may contribute to the PSC's final
187 decision given the size, complexity, and potential complications of Wexpro
188 expansion.

189

190 **Q. DOES THE OCS RECOMMEND THE PSC APPROVE EGU'S REQUEST**
191 **TO INCLUDE THE PICEANCE DEVELOPMENT AS A WEXPRO II**
192 **PROPERTY?**

193 A. Yes. When taken cumulatively, I believe any potential risks are more than
194 made up for by the likely benefits and the PSC should approve EGU's
195 request.

196

197 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

198 A. Yes.

199