

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE APPLICATION OF
ENBRIDGE GAS UTAH FOR APPROVAL OF THE
PICEANCE DEVELOPMENT AS A WEXPRO II
PROPERTY

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DOCKET No. 25-057-03
Exhibit No. DPU 1.0 DIR
Eric Orton

Redacted

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

Eric Orton

February 25, 2025

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

3 A. My name is Eric Orton. My business address is 160 East 300 South, Salt Lake City,
4 Utah 84114. I am a Technical Consultant in the Utah Division of Public Utilities
5 (Division).

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

7 A. The Division.

8 **Q. WOULD YOU SUMMARIZE YOUR RELEVANT BACKGROUND FOR THE**
9 **RECORD?**

10 A. I have been employed in utility regulation by the State of Utah for over 25 years,
11 focusing mainly on Enbridge Gas Utah (Enbridge) and its ancillary industries.

12 **SUMMARY**

13 **Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR TESTIMONY.**

14 A. The purpose of my testimony is to summarize Enbridge's request and provide the
15 Division's recommendation based on our analysis of the information and forecasts
16 provided by Wexpro Company or Wexpro Development Company (Collectively
17 Wexpro), and Enbridge related to its Application for Approval of the Piceance
18 Development (Piceance) as a Wexpro II Property (Application).

19 **BACKGROUND**

20 **Q. PLEASE PROVIDE SOME BACKGROUND INFORMATION PERTAINING TO**
21 **THIS APPLICATION.**

22 A. The Wexpro II Agreement was approved in 2012 and was derived from, and
23 supplementary to, the Wexpro Stipulation and Agreement, which was executed in
24 1981 (Wexpro I). The parties to the Wexpro II agreement were Wexpro, Enbridge's
25 predecessor Questar Gas Company, the Division, and the Wyoming Office of

26 Consumer Advocate (OCA) (Parties). The Wexpro II Agreement established a
27 process by which Enbridge may identify, evaluate, and seek approval for additional
28 properties to be developed and managed as Wexpro II properties.¹

29 The Commission has approved several settlements for Wexpro II properties. In
30 2014, the Commission approved the Trail Unit Stipulation, to allow the first property
31 to be included under the Wexpro II Agreement.² The next year, in 2015, the
32 Commission approved the Canyon Creek acquisition as a Wexpro II property.³ In
33 2017, the parties again entered a settlement stipulation to include the Vermillion
34 properties under the Wexpro II agreement.⁴

35 In 2022, Dominion filed two applications with the Commission. The first, filed in
36 February, proposed to increase the ceiling of Wexpro gas as part of the gas supply
37 mix up to 65% (with plans to reduce it back to 55%). The second, filed in April,
38 sought approval to include the Alkali Gulch property under the Wexpro II
39 agreement.⁵ Both applications were approved.

40 On February 1, 2024, Enbridge filed to include the property called Horseshoe Bend
41 as a Wexpro II property. On April 18, 2024, the Commission issued its final order
42 approving the application.⁶

43 The current Application was filed on January 24, 2025.

44 **Q. PLEASE SUMMARIZE THE APPLICATION IN THIS DOCKET.**

¹ Wexpro II Agreement at 1.

² *Application of Questar Gas Company for Approval to Include Property under the Wexpro II Agreement*, Docket No. 13-057-13, Order (Jan. 17, 2014).

³ *Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property*, Docket No. 15-057-10, Order Approving Stipulation (Nov. 17, 2015).

⁴ *Application of Questar Gas Company for Approval of the Vermillion Acquisition as a Wexpro II Property*, Docket No. 17-057-01, Order Memorializing Bench Ruling Approving Stipulation (Mar. 30, 2017).

⁵ *Application of Dominion Energy Utah for Approval of the Alkali Gulch Acquisition as a Wexpro II Property*, Docket No. 22-057-05, Order (Jun. 10, 2022).

⁶ *Application of Dominion Energy Utah for Approval of the Horseshoe Bend Acquisition as a Wexpro II property*, Docket No. 24-057-03, Order (Apr. 18, 2024).

45 A. On December 23, 2024, Wexpro entered into a Joint Development Agreement (JDA)
46 with the current owner and operator of certain working interests (WI) in the Piceance
47 Basin located in western Colorado. [REDACTED]
48 [REDACTED]
49 [REDACTED]
50 [REDACTED]
51 [REDACTED]
52 [REDACTED]
53 [REDACTED]
54 [REDACTED]
55 [REDACTED]

56 **Q. PLEASE SUMMARIZE THIS JDA.**

57 A. The Piceance Agreement is simply a JDA which in practicality, [REDACTED]
58 [REDACTED]
59 [REDACTED]

60 **Q. PLEASE SUMMARIZE THE INVESTIGATION YOU PERFORMED IN THIS**
61 **MATTER.**

62 A. I reviewed the Application, the testimony of the witnesses, and the exhibits, attended
63 the technical conference, submitted data requests, and reviewed responses to data
64 requests. I also met with representatives from Enbridge and Wexpro to discuss
65 specific questions. I also reviewed prior Wexpro II dockets, stipulations and orders in
66 which the Commission has approved other Wexpro requests. I have also closely
67 consulted with the Division’s Wexpro Hydrocarbon Monitor who was intensely
68 involved in providing his expertise. This additional perspective has been of great
69 benefit in assisting the Division in making its determination. The Hydrocarbon
70 Monitor has reviewed the production projections, reservoir qualities, drilling costs,
71 operating expenses, and decline rates and has concluded that the Company’s

72 projections are in line with forecasts currently used in the area. His review is
73 attached to this testimony.

74 **Q. PLEASE SUMMARIZE THE DIVISION'S RECOMMENDATION THAT**
75 **RESULTED FROM THIS ANALYSIS.**

76 A. For the reasons set forth below, the Division recommends that the Piceance Basin
77 agreement be included as a Wexpro II property as outlined in the Application if the
78 caveats mentioned below are satisfied.

79 **PICEANCE BASIN AGREEMENT**

80 **Q. IS THE APPLICATION IN THIS WEXPRO II AGREEMENT SIMILAR TO OTHER**
81 **PROPERTIES INCLUDED IN THE WEXPRO II AGREEMENT?**

82 A. No. The most recently approved Wexpro II application was called the Horseshoe
83 Bend application and was a Farmout agreement which required Wexpro to drill two
84 wells in 2023.⁷ That agreement allowed Wexpro to have 100% WI until it has
85 recovered its drilling and completion costs.⁸ Wexpro is then allowed to drill more
86 wells in the same area, but production from these future wells would be at a smaller
87 WI.⁹ None of the Horseshoe Bend area was in the Wexpro I Development Drilling
88 Area (DDA), and as such was unique as a Wexpro II property.¹⁰

89 It should be noted that until this Application, all the Wexpro II wells were drilled and
90 operated by Wexpro and were within Wexpro DDA (except for Horseshoe Bend).
91 Also, the produced gas is not in Utah, is not in the previously known Wexpro
92 acreage, and is not drilled or operated by Wexpro.

⁷ Direct Testimony of Eric Orton for The Division of Public Utilities in Docket No. 24-057-04 Line 48.

⁸ Direct Testimony of Eric Orton for The Division of Public Utilities in Docket No. 24-057-04 Line 58.

⁹ Direct Testimony of Eric Orton for The Division of Public Utilities in Docket No. 24-057-04 Line 59.

¹⁰ Direct Testimony of Eric Orton for The Division of Public Utilities in Docket No. 24-057-04 Line 98.

93 **Q. WERE THE PROVISIONS RELATED TO THIS FILING SIMILAR TO THE**
94 **HORSESHOE BEND DEVELOPMENT?**

95 A. The Horseshoe Bend Development was the first Wexpro II property outside of the
96 Development Drilling Area. The current Application is also outside the Development
97 Drilling Area. Section IV-1 in the Wexpro II Agreement outlines the standards
98 Wexpro is required to meet when it wants to add a property outside the Development
99 Drilling Area. Specifically, Section IV-1(b) provides that Dominion (now Enbridge)
100 “may apply for Commission approval to include these (properties outside the
101 development drilling areas) properties under this agreement.” This “may apply” is the
102 main similarity between the Horseshoe Bend Development and the Piceance JDA,
103 and these two differ from the other Wexpro II properties in that Wexpro was
104 “required to apply” because they were within the Wexpro I Development Drilling
105 Area.

106 **Q. WHAT IS UNIQUE ABOUT THIS WEXPRO II APPLICATION?**

107 A. This Application is the only Wexpro II application where Wexpro is a passive
108 participant.

109 **Q. GIVEN THAT THE INVESTMENT IN THIS APPLICATION IS FOR A PASSIVE**
110 **INVOLVEMENT IN HYDROCARBON PRODUCTION AND THEREFORE**
111 **DIFFERENT FROM PAST WEXPRO II APPLICATIONS, SHOULD THE COMPANY**
112 **BE REQUIRED TO PROVIDE DIFFERENT INFORMATION?**

113 A. No. That isn’t the reason for the Applicants to provide additional or different
114 information. The same information would be required for either circumstance.
115 Section IV-2 of the Wexpro II Agreement specifies that when the Applicants file an
116 application requesting approval to include properties under the Wexpro II
117 Agreement, either within or outside the Development Drilling Area, it must include
118 certain information. This information provides most of the evidentiary basis for the
119 Division’s recommendation to the Commission and is the same type of information
120 the Applicants would be required to provide if this acquisition was within the Wexpro

121 DDA. However, the Division is requesting additional information going forward as
122 outlined below.

123 **Q. DID THE APPLICANT PROVIDE THE RELEVANT INFORMATION?**

124 A. Yes. It provided beneficial information in its Application and attached exhibits. Other
125 relevant information was included in the direct redacted and confidential testimony of
126 Kelly Mendenhall and Brady Rasmussen and their respective attached exhibits.
127 Without revealing any confidential information, Exhibits A-P can be summarized as
128 follows:

129 Exhibit A: Identifies the purchase price and gas pricing assumptions Wexpro used in
130 deciding to make this investment.

131 Exhibit B: Provides the locations of the current and future wells.

132 Exhibit C: Shows that Wexpro has no operating wells within the immediate area and,
133 as such, it provided no current or historical production or identified remaining
134 reserves from existing wells. However, the Division points out that this area has
135 been producing for many years and is currently producing. As such, Wexpro should
136 have provided information which it could have gathered from its co-agreement
137 producer or from publicly available information in order to provide regulators with a
138 more complete picture of the property.

139 Exhibit D: Provides the forecasted production and reserves for the wells it invested
140 in.

141 Exhibit E: Provides the forecasted decline curves for these wells.

142 Exhibit F: Provides the estimated capital drilling cost per well.

143 Exhibit G: Provides the estimated operating expenses.

144 Exhibit H: Provides the working interest and net revenue interest for the proposed
145 wells.

146 Exhibit I: Provides the estimated production tax per Decatherm (Dth) based on a
147 range of natural gas prices ranging from \$2.00 to \$6.00.

148 Exhibit J: Provides the estimated gathering and processing costs per Dth.

149 Exhibit K: Provides a copy of the JDA.

150 Exhibit L: Provides the forecasted annual and cumulative cost-of-service (COS)
151 analysis over a 25- and 30-year period.

152 Exhibit M: Provides the estimated impact that additional production from this area
153 might have on the utility's gas supply for the next five (5) years.

154 Exhibit N: Provides the geologic data of the proposed development area.

155 Exhibit O: Provides a summary of the planned wells to drill in 2024 and 2025.

156 Exhibit P: Includes the economic model used to make the determinations for this
157 investment.

158 **Q. DO THESE EXHIBITS AND TESTIMONY PROVIDE WHAT THE DIVISION**
159 **REQUIRES IN ORDER TO MAKE A RECOMMENDATION?**

160 A. Yes. The Application, exhibits, and testimony are sufficient for the Division to provide
161 its recommendation to the Commission with the caveats specified below. The
162 Application is also supplemented by information provided in the technical
163 conference, meetings with the Company and Wexpro, the Hydrocarbon Monitor's
164 report as well as responses to the Division's and the Office of Consumer Services's
165 data requests.

166 **Q. WHAT ARE THESE CAVEATS YOU MENTIONED BEFORE JUST REFERRED TO**
167 **HERE?**

168 There are several issues that have come to the surface in this Application that need
169 to be addressed. The most important of these is that the Hydrocarbon Monitor is
170 required to submit a report to the Division within seven business (7) days from the
171 day the application is filed. In this case, the Hydrocarbon Monitor did not receive the
172 information he needed until the day of the Scheduling Conference (February 4,
173 2025), which was six (6) working days after the Application was filed. Accordingly, he
174 could not complete his report within the “seven business days following receipt of the
175 application.”¹¹ Although there are no direct consequences for a delayed report, this
176 compressed schedule limits the Division’s ability to provide a thorough analysis to
177 the Commission. Below is a sample of the information the Hydrocarbon Monitor
178 requested from Wexpro:

- 179 • Actual Lease Operating Expenses (LOE) information from the operator for producing
180 wells in the field to support the amount per month used plus water and gas transport
181 costs. Perhaps a summary of their 2024 statements.
- 182 • Authorization for Expenditure (AFE) and actual wells costs for the 2024 program that
183 supports the expected dollar drill and complete costs.
- 184 • Actual production curves for offsetting wells in the field along with type curve(s) from
185 these wells supporting the new well forecasts of production/well and condensate
186 yields.
- 187 • Maps showing the proposed drilling locations with respect to offset production.
- 188 • Geologic isopach and structure maps for the area.
- 189 • Cross-sections through drilling area and tying into existing wells within the target
190 zone.

¹¹ In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement, Docket No. 12-057-13, Report and Order, Attachment A, the Wexpro 2 Agreement, IV3C, Page 14

191 • Info on the price forecasts used for the strip or 5-yr strip or past/present average
192 strips.

193 • A summary of the farm-in terms (if not included in the submittal) – 1/3 for ¼
194 etc.... Should I assume ALL economic runs are on the same Promote?

195 • What kind of future drilling programs do you anticipate after 2025?

196 **Q. DOES THE DIVISION RECOMMENDED A SOLUTION?**

197 A. Yes. The Applicants could agree that the seven (7) business day turnaround for the
198 Hydrocarbon Monitor's report does not begin until all the required information is
199 received and the corresponding schedule for the Division's end product be
200 postponed equitably or the Wexpro II agreement be amended.

201 **Q. WOULD YOU EXPECT THAT AGREEING TO THIS WILL BE A BURDEN TO THE**
202 **APPLICANTS?**

203 A. No. This Application was filed a month after the JDA was signed. It is reasonable
204 that prior to that time and in the intervening time the applicants were preparing
205 information, analysis, were in discussions with the other party and the work for the
206 exhibits was in the process of being prepared. I would expect that with each of these
207 steps and processes, the Hydrocarbon Monitor could easily be included as an
208 integral part and included in these preparatory steps in a timely fashion. Additionally,
209 the Division is proposing the following list of additional filing requirements be
210 included for any future Wexpro II applications:

211 ○ The total annual Wexpro Inventory beginning with the commencement of the
212 Wexpro II agreement through to the present specifying the incremental
213 increase from each Wexpro II property.

214 ○ A comparison of the expected COS for each Wexpro II filing (as filed in the
215 application) compared to the current/actual COS for each one.

- 216 ○ A comparison of the five-year inventory projection as used in each Wexpro II
217 filing including the current filing.

- 218 ○ If the new application alters Wexpro's current drilling/production/supply plans,
219 provide the change and explain the reasoning behind altering the plans.

- 220 ○ If the new application is with an interest partner, provide financial and
221 operational information on that interest partner. Also, include each agreement
222 Wexpro has had with this partner in the past.

- 223 ○ The annual revenue from each Wexpro II property from the filing time to the
224 present with the revenue components separated so that the revenue from
225 liquids can be distinguished.

- 226 ○ The total number of employees, their job title, salary and other compensation,
227 as well as job duties, in such a format that it can be determined what the
228 incremental employee demand is and man-hours are for each of the Wexpro
229 II property acquisitions on a total basis and on a per Dth of production basis.

- 230 ○ The annual volume and COS price from the beginning of the Wexpro II
231 agreement compared to the market volume and price for the same period in
232 excel format including a separate line item showing Shared Revenue.

- 233 ○ The capacity, transportation costs, route, transporting companies and
234 contracts expected to be used to transport the gas referencing Section 10 of
235 the most recent IRP. Especially delineate any additional incremental costs
236 which would be required to deliver the additional gas to the Local Distribution
237 Company's (LDC) system when compared to Purchased gas.

- 238 ○ The Aries type cash flow analysis showing the resulting expected payout with
239 the input and output pages.

240 ○ The expected Net Present Value (NPV) and Rate of Return (ROR) for a
241 typical drilled well in this area using the typical Drilling & Completion (D&C)
242 costs with the supporting documentation.

243 ○ All logs and maps be provided in a format that is legible enough to read all
244 identifying numbers, names, and metrics.

245 **Q. WHAT OTHER CAVEATS NEED TO BE MENTIONED?**

246 A. The Division recommends that the applicants include the Excel spreadsheet for
247 Exhibit D and M in addition to the PDF format.

248 **Q. IN ADDITION TO THE CAVEATS MENTIONED ABOVE, WHAT OTHER**
249 **CONCERNS DO YOU RAISE?**

250 A. The Wexpro II, Canyon Creek, and Trail stipulations and agreements all specify that
251 Wexpro will “drill and operate”¹² for the benefit of the ratepayers. There are other
252 references too numerous to list that state that Wexpro will “explore and develop”
253 “fund and drill” gas properties, that it will “acquire oil or gas properties or
254 undeveloped leases” for the benefit of the Company’s ratepayers. In this JDA,
255 Wexpro has neither [REDACTED]
256 [REDACTED] This is an
257 area of concern for the Division. The scope of this Application may be out of the
258 realm contemplated by the above-mentioned stipulations and their accompanying
259 orders. Although JDAs are common in the industry, this is a first for Wexpro II and a
260 possible step outside the parameters of the original intent of the Wexpro II
261 agreement in drilling, producing, and operating wells for the benefit of ratepayers.
262 The Wexpro II agreements do not authorize Wexpro to behave as [REDACTED]
263 natural gas companies, rather it is expected to operate as an exploration and
264 production company for the benefit of ratepayers.

¹² *In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement*,
Docket No. 12-057-13, Report and Order, Attachment A, the Wexpro 2 Agreement, Page 17

265 **Q. ASSUMING THESE CAVEATS AND CONCERNS MENTIONED ABOVE ARE**
266 **ADEQUATELY ADDRESSED, IS THE AVERAGE COST OF SERVICE**
267 **FAVORABLE AS A RESULT OF THIS JDA OVER THE NEXT 5 YEARS?**

268 A. Yes. If the forecasts provided in the Application, exhibits, and testimony are
269 reasonably accurate, the overall COS for gas produced from the Wexpro II
270 properties will be lower for the ratepayers than if the property is not approved for
271 inclusion. Of course, forecasts are always different from reality. Based on the best
272 available information, the inclusion of this natural gas production in the Wexpro II
273 portfolio will benefit customers. Additionally, as lower-than-market COS gas is
274 included as Wexpro II inventory, the more favorable it will be to the ratepayers, all
275 else being equal.

276 **Q. DOES THIS JDA CARRY MORE RISK THAN OTHER WEXPRO II VENTURES?**

277 A. Not necessarily. The Division is aware that the JDA party is a producer of
278 considerable size in the production basin and appears to be a competent
279 counterparty. Also, Wexpro personnel will not be drilling, operating, or managing the
280 development of the area or wells and will therefore not need to hire additional
281 personnel to produce and operate this property. This could help reduce costs to
282 ratepayers on a per Dth basis.

283 **Q. IF THE ASSUMPTIONS ARE REASONABLY CORRECT, WILL THIS PROPERTY**
284 **BE A COST-EFFECTIVE SUPPLY FOR ENBRIDGE CUSTOMERS?**

285 A. Yes. The comparison of the cost of this gas to the market is favorable and below the
286 five-year forward price curve.

287 **DIVISION'S CONCLUSION**

288 **Q. DOES THE EVIDENCE PROVIDED BY THE APPLICANTS SHOW THAT THIS**
289 **JDA IS LIKELY TO BE BENEFICIAL TO RATEPAYERS?**

290 A. Yes. Assuming that the caveats and recommendations mentioned above are
291 adequately addressed, based on our analysis, the price that Enbridge's customers

292 would pay for Wexpro gas in total will be less if this Application is approved than it
293 would be otherwise.

294 **DIVISION'S POSITION**

295 **Q. WHAT IS THE DIVISION'S POSITION?**

296 A. Notwithstanding the Division's caveats and concerns mentioned above, the Division
297 recommends the Commission approve the Application and include the Piceance
298 JDA as set forth in the Application as a Wexpro II property. Approval of the
299 Application should lower the overall COS for the ratepayers and increase the gas
300 volumes available while keeping their total production below the allowed cap of 55%
301 of the Integrated Resource Plan (IRP) forecast threshold as required in the Wexpro II
302 agreement. The Division recommends that the Commission approve the Application
303 with the outlined caveats mentioned above.

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

305 A. Yes, it does.