

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
Enbridge Gas Utah for Approval of)	
Wexpro Horizontal Drilling Pilot Program)	Docket No. 26-057-03
)	

DIRECT TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

April 3, 2026

REDACTED VERSION

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

2 A. My name is Béla Vastag. My business address is 160 East 300 South Salt
3 Lake City, Utah 84111. I am a Utility Technical Consultant employed by the
4 Utah Office of Consumer Services (“OCS”).

5 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS FOR PROVIDING**
6 **TESTIMONY IN THIS PROCEEDING.**

7 A. I have a Bachelor of Science in Physics from Virginia Tech and a Master of
8 Science in Finance from the University of Utah. I have been employed by
9 the OCS for 15 years and have testified before the Public Service
10 Commission of Utah (“PSC” or “Commission”) on numerous occasions.
11 Relevant to this proceeding, I have been involved for several years in the
12 review of Enbridge Gas Utah’s (“EGU” or “Company”) annual integrated
13 resource plan (“IRP”) and have testified before the PSC on several of EGU’s
14 Wexpro II property acquisitions including the Trail Unit (Docket No. 13-057-
15 13), Alkali Gulch (Docket No. 22-057-05), Horseshoe Bend (Docket No. 24-
16 057-03) and Piceance Phase II (Docket No. 25-057-10).

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

18 A. I will address EGU’s request in this proceeding for the PSC to approve a
19 Wexpro horizontal drilling pilot program. Specifically, I will discuss whether
20 the proposed horizontal drilling pilot program will provide sufficient benefits
21 and protections for ratepayers and I will provide the OCS’s recommendation
22 on whether EGU’s request should be approved as filed.

23 **Q. WHAT INFORMATION DID YOU CONSIDER IN YOUR REVIEW OF THE**
24 **PROPOSED HORIZONTAL DRILLING PILOT PROGRAM?**

25 A. I reviewed and analyzed the information provided in EGU's filing, i.e., the
26 Company's application and supporting testimonies and exhibits. I attended
27 the March 24, 2026, technical conference where EGU's presentation and
28 responses to parties' questions provided additional details and information
29 on the proposed pilot program. I obtained additional information on how the
30 pilot is proposed to operate through my review of the Company's responses
31 to OCS, Division of Public Utility ("DPU") and the Wyoming parties discovery
32 requests ("data requests" or "DRs").¹ I also attended several meetings prior
33 to the filing of this application, in late 2025 and early 2026, with EGU where
34 they provided background information on starting a pilot horizontal drilling
35 program.

36 **Q. BRIEFLY, WHY IS THE PROPOSED HORIZONTAL DRILLING**
37 **PROGRAM NEEDED AND WHY BEGIN WITH A PILOT PROGRAM?**

38 A. According to the Company, Wexpro production is declining from wells drilled
39 vertically, which is the only type of well drilled since the Wexpro program
40 began. Opportunities to acquire new properties to do more vertical drilling
41 are limited which makes it difficult for Wexpro to keep its production from

¹ The pdf versions of all DR responses are included with my testimony as OCS Exhibit 1D. Excel (.xlsx) attachments referenced in these responses have not been attached. Included are also responses on this matter in Wyoming PSCW Docket No. 30010-241-GA-26.

42 declining further.² Therefore, the company proposes to do horizontal drilling
43 on existing Wexpro I and Wexpro II properties to unlock additional economic
44 natural gas reserves. Drilling these wells in areas where there has been
45 proven vertical production is anticipated to involve less risk than drilling
46 horizontal wells in areas where Wexpro has no drilling experience.³
47 However, the use of the horizontal drilling technique is new for Wexpro and
48 has different risks than drilling vertical wells. Because of the new risks, the
49 Company proposes to start with a 5-year pilot program to test the concept
50 and to gather data to determine if horizontal drilling on existing Wexpro
51 properties is economically feasible.

52 **Q. THE PROPOSED HORIZONTAL DRILLING PILOT PROGRAM WOULD**
53 **BE A DEPARTURE FROM HOW THE WEXPRO AGREEMENT**
54 **CURRENTLY OPERATES, IS IT REASONABLE TO MAKE THE**
55 **PROPOSED CHANGES IN THIS PROCEEDING?**

56 A. The original Wexpro agreement was signed in 1981. The Wexpro II
57 agreement changing the original agreement and allowing for drilling outside
58 the original Wexpro I footprint was signed in 2012 and approved by the PSC
59 in 2013. Each of these first two agreements were completed through
60 settlement stipulations. Since the Wexpro II agreement, there have been
61 additional settlement stipulations altering how the Wexpro agreement

² Direct Testimony of Austin C. Summers, lines 241 – 247. Also see EGU Response to DPU DR No. 1.09, March 18, 2026.

³ See Direct Testimony of Brady B. Rasmussen, lines 120 – 123 and EGU Responses to Wyoming Staff CIR DRs No. 1.01 and 1.06, March 18, 2026.

62 operates, for example, the Trail settlement in 2014 (5-year curve, 65% cap),
63 the Canyon Creek settlement in 2015 (lower return, dry hole cost sharing,
64 55% cap, shared savings) and most recently, the Production Cap settlement
65 in 2022 (may increase cap to 65% under certain circumstances). I am not
66 a legal expert, but it seems reasonable for parties to alter the Wexpro
67 agreement again, as has been done several times since 1981, this time to
68 include a horizontal drilling pilot program.

69 **Q. DOES THE OCS SUPPORT WEXPRO BEGINNING A HORIZONTAL**
70 **DRILLING PROGRAM IN ORDER TO KEEP WEXPRO NATURAL GAS**
71 **SUPPLIES FROM DECLINING FURTHER?**

72 A. Generally, yes. Wexpro's annual contribution to EGU's gas supply is
73 declining and is below the 55% cap set in the Canyon Creek stipulation.
74 Currently, Wexpro is providing about 46% of the Company's annual gas
75 supply.⁴ [REDACTED]

76 [REDACTED].⁵ Maintaining Wexpro
77 supply as a physical hedge against natural gas market price spikes and
78 supply disruptions is an important benefit for ratepayers. With supply from
79 vertically drilled wells declining, starting a horizontal drilling program that
80 targets new economic natural gas reserves in existing Wexpro properties
81 makes sense. Wexpro estimates that horizontal wells [REDACTED]

⁴ EGU 2025-2026 Integrated Resource Plan, Docket No. 25-057-02, page 1-1.

⁵ EGU Response to DPU DR No. 1.09, March 18, 2026.

82 [REDACTED]
83 [REDACTED]⁶
84 [REDACTED]
85 [REDACTED]

86 [REDACTED].⁷ The 5-year pilot program anticipates drilling a total of between 8 –
87 12 wells.⁸

88 **Q. BESIDES MAINTAINING SUPPLY, ARE THERE OTHER BENEFITS FOR**
89 **RATEPAYERS OF MOVING FORWARD WITH A HORIZONTAL**
90 **DRILLING PROGRAM?**

91 A. Yes, a successful horizontal drilling program is projected to significantly
92 lower the overall cost of Wexpro cost of service (“COS”) gas. The overall
93 average COS price for Wexpro gas for the first 3 full years (2027 to 2029)
94 of the horizontal drilling pilot program, if successful, is forecasted to be
95 [REDACTED] per Dth lower due to the addition of the lower cost
96 horizontally drilled gas to Wexpro’s supply portfolio.⁹ The Company
97 forecasts that the 5-year average COS price for gas from the horizontal
98 drilling pilot program will be [REDACTED].¹⁰ These cost benefits are
99 important considerations for ratepayers deciding whether to support moving
100 forward with the proposed pilot program.

⁶ EGU Response to DPU DR No. 1.07, March 18, 2026.
⁷ See March 24, 2026 Technical Conference Confidential Presentation, slides 29, 35, 39 and 40.
⁸ Application page 7.
⁹ See Confidential EGU Exhibit 3.02.
¹⁰ EGU Response to DPU DR No. 1.01, DPU 1.01 Confidential Attachment.xlsx.

101 **Q. FOR WEXPRO TO MOVE FORWARD WITH THIS PILOT PROGRAM,**
102 **THE COMPANY STATES IT NEEDS A DIFFERENT SHARING OF**
103 **COSTS AND RISKS WITH RATEPAYERS THAN UNDER THE CURRENT**
104 **WEXPRO II PROGRAM. PLEASE EXPLAIN.**

105 A. According to the Company, horizontal drilling has higher upfront costs,
106 greater operational complexity and higher geologic and commercial
107 uncertainty than vertical drilling.¹¹ It is riskier for Wexpro because there are
108 likely to be a higher percentage of uneconomic horizontal wells (“dry holes”)
109 than when operating a vertical well program.¹² Under the current Wexpro
110 sharing of costs framework, Wexpro could have a higher percentage of
111 unrecovered capital for the horizontal drilling program due to these dry
112 holes. However, for horizontal drilling there is also a greater probability of
113 drilling very high producing wells than in a vertical drilling program.¹³ Under
114 the current Wexpro II agreement, Wexpro is limited to earning the utility rate
115 of return (the rate established in EGU rate cases)¹⁴ on successful wells, but
116 it must share in the costs of dry holes with ratepayers. It appears that the
117 Company is concerned because since its returns are capped at the utility
118 rate of return, the profits from the highly productive wells will not be enough
119 to offset its losses on dry holes under a framework where it shares dry hole
120 costs with ratepayers (currently 50/50 due to the Canyon Creek settlement).

¹¹ EGU Response to DPU DR No. 1.10, March 17, 2026.

¹² EGU Response to Wyoming Staff CIR DR No. 1.02, March 17, 2026.

¹³ Id.

¹⁴ Direct Testimony of Austin C. Summers, lines 153 – 155.

121 Therefore, under the current Wexpro II framework, the Company states that
122 it would not choose to pursue a horizontal drilling program for ratepayers.¹⁵

123 **Q. WHAT CHANGES TO THE COST AND RISK SHARING BETWEEN THE**
124 **COMPANY AND RATEPAYERS IS WEXPRO PROPOSING FOR THE**
125 **PILOT PROGRAM TO ADDRESS THESE RISKS OF DRY HOLE COST**
126 **RECOVERY FOR THE HORIZONTAL DRILLING PILOT PROGRAM?**

127 A. Wexpro is proposing that ratepayers shoulder 100% of the dry hole risk. In
128 exchange, Wexpro is offering to credit ratepayers with 100% of the
129 revenues from oil and natural gas liquids, rather than the 54/46 current split
130 with Wexpro. Wexpro will also accept the lower utility rate of return (i.e.
131 currently 6.86%)¹⁶ versus the typically much higher returns (~15%)¹⁷ that
132 E&P companies expect to receive in a horizontal drilling program. In
133 addition, Wexpro proposes to exclude the savings benefits of horizontal
134 drilling from the shared savings mechanism established in the Canyon
135 Creek settlement where ratepayers and Wexpro share 50/50 in the savings
136 when the annual COS price falls below the market price.

137 **Q. WHAT ARE THE FINANCIAL RISKS OR COSTS OF A DRY HOLE?**

138 A. Wexpro claims that early detection of a dry hole, i.e. where no natural gas
139 is detected in the removed material or “mud” during the initial drilling phase,
140 will limit the capital spend to [REDACTED]¹⁸, raising overall COS price by only

¹⁵ EGU Response to Wyoming Staff CIR DR No. 1.02, March 17, 2026.

¹⁶ Direct Testimony of Austin C. Summers, line 155.

¹⁷ Direct Testimony of Brady B. Rasmussen, lines 203 - 205.

¹⁸ Id., line 130.

141 [REDACTED],¹⁹ because further drilling will be stopped. However, it is
142 possible that the initial well could be fully drilled and completed and still be
143 an uneconomic well which would cost [REDACTED] and could raise the overall
144 COS price by up to [REDACTED].²⁰ Wexpro states that the risk of a true
145 dry hole is minimal because the targeted formation of the first well has been
146 productive in multiple vertical wells already drilled in the area.²¹ Wexpro
147 states further that it believes the risk is primarily commercial (i.e. financial),
148 that the initial well may not produce sufficient volumes of natural gas such
149 that the average COS price of gas from that well may not beat the required
150 financial hurdles, i.e. beating the 5-year curve for natural gas prices as
151 established in the Wexpro Trail settlement.

152 **Q. WHAT IS THE BENEFIT OF RATEPAYERS RECEIVING 100% OF THE**
153 **REVENUES FROM SALES OF OIL AND NATURAL GAS LIQUIDS?**

154 A. Based on the forecasts provided by the Company, I estimate the revenue
155 from the sale of these liquids lowers the COS price for gas recovered during
156 the horizontal drilling pilot program by [REDACTED].²² Under Wexpro II,
157 ratepayers share 54/46 in these revenues, therefore; Wexpro's proposal
158 provides ratepayers an additional 46% or [REDACTED], lowering
159 the average COS price from the horizontal wells by that amount.

¹⁹ Id., line 141.

²⁰ EGU Response to OCS DR No. 2.01, March 30, 2026.

²¹ EGU Response to Wyoming Staff CIR DR No. 1.06, March 17, 2026.

²² Calculated from EGU Response to DPU DR No. 1.01, DPU 1.01 Confidential Attachment.xlsx, tab labeled "Savings".

160 **Q. WITH THE OFFSETTING BENEFITS THE COMPANY HAS OFFERED**
161 **AGAINST THE RISK OF A DRY HOLE, DO YOU AGREE WITH HOW THE**
162 **COMPANY HAS PROPOSED TO STRUCTURE THE SHARING OF**
163 **RISKS AND COSTS BETWEEN WEXPRO AND RATEPAYERS IN THE**
164 **PILOT PROGRAM?**

165 A. No, while I see overall potential benefits in a horizontal drilling pilot program,
166 I am not convinced that it is properly structured in its entirety. For example,
167 it is possible that the first well of the pilot program could be uneconomic,
168 stopping the program from moving forward and burdening ratepayers with
169 the [REDACTED] with little or nothing to show for it.
170 I believe this is shifting too much risk onto ratepayers.

171 **Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE PROPOSED**
172 **DESIGN OF THE PILOT PROGRAM BEYOND THE COST AND RISK**
173 **SHARING PROVISIONS?**

174 A. In addition to my concerns about the risk sharing provisions, I only have
175 minor clarifications to recommend for the pilot design. For more clarity on
176 how the program will operate, the OCS recommends that Wexpro clearly
177 identify each phase of the program (including the expected number of wells,
178 the budget for each phase and expected start and end dates) and clearly
179 identify what work and analysis is expected from the hydrocarbon monitor
180 and how this work is included under his current contract doing work on
181 Wexpro drilling projects. The results of this pilot program, if implemented,
182 must also be closely monitored and I agree with the Company's proposal to

183 provide quarterly and annual reports.²³ I also recommend that the Company
184 should commit to meeting with parties as the pilot program progresses to
185 discuss the adequacy of the reports provided and be amenable to making
186 improvements or including new information as requested.

187 **Q. REGARDING THE DRY HOLE RISK, DOES THE OCS HAVE AN**
188 **ALTERNATIVE PROPOSAL AT THIS TIME ON HOW THE COSTS AND**
189 **RISKS SHOULD BE SHARED WITH WEXPRO FOR THIS PILOT**
190 **PROGRAM?**

191 A. No, not at this time. It is difficult for the OCS (and presumably also for the
192 DPU) to formulate agreeable alternatives as we do not have access to all
193 the information that the Company possesses. In addition, if each party
194 proposes its own alternative or framework for the pilot program, the
195 Commission will have competing alternatives to evaluate and could be put
196 in a difficult position deciding which one or combination to approve or not
197 approve.

198 **Q. WHAT DO YOU RECOMMEND IN ORDER TO DEVELOP AN**
199 **ALTERNATIVE FRAMEWORK FOR COST AND RISK SHARING FOR**
200 **THE PROPOSED HORIZONTAL DRILLING PILOT PROGRAM?**

201 A. I recommend that parties continue to meet and collaborate to find an
202 agreeable framework for the pilot program. As already done several times

²³ Application, page 9 and Direct Testimony of Austin C. Summers, lines 101 – 107 and 142 – 146.

203 during the life of the Wexpro program, parties have collaborated and
204 negotiated to develop mutually agreeable changes to how the drilling
205 program operates and then brought a settlement stipulation with the new
206 terms before the Commission for approval. I believe that this would also be
207 the best path forward for this proposed pilot program.

208 **Q. WHAT ARE YOUR OVERALL CONCLUSIONS AND**
209 **RECOMMENDATIONS AT THIS TIME?**

210 A. The OCS supports Wexpro initiating a horizontal drilling pilot program
211 because as I discussed earlier in this testimony, it can provide important
212 benefits for ratepayers. However, the OCS recommends that the
213 Commission not approve the pilot program as currently designed by the
214 Company due to too much risk being shifted to ratepayers. Instead, I
215 recommend that parties continue to meet and collaborate to develop a
216 mutually agreeable framework for the pilot program and then bring the new
217 proposal before the Commission as part of a settlement.

218 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

219 A. Yes, it does.