

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of The Application of
Enbridge Gas Utah for Approval of the
Wexpro Horizontal Drilling Pilot Program

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Docket No. 26-057-03
Exhibit No. DPU 1.0 DIR
Direct Testimony of Ryan Daigle

Redacted

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

Direct Testimony of

Ryan Daigle

April 3, 2026

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1 **INTRODUCTION**

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

3 A. My name is Ryan Daigle. My business address is 160 East 300 South, Salt Lake
4 City, Utah 84114.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I work for the Utah Division of Public Utilities (Division) as a Utility Technical
7 Consultant.

8 **Q. CAN YOU DESCRIBE YOUR PROFESSIONAL BACKGROUND AND RELEVANT
9 WORK EXPERIENCE?**

10 A. I have approximately ten years of experience in oil and gas and regulatory work and
11 have worked for the Division for approximately three and a half years.

12 **SUMMARY**

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

14 A. The purpose of my testimony is to summarize the relevant information for the Public
15 Service Commission of Utah (Commission) and provide a recommendation based on
16 the Division's analysis of the information provided by Enbridge Gas Utah (EGU or
17 the Company) and the Company's forecasts used in its Application for Approval of
18 the Wexpro Horizontal Drilling Pilot Program (Application).

19 **Q. SHOULD THE COMMISSION APPROVE THE PROPOSED PILOT PROGRAM AS
20 PRESENTED?**

21 A. Not without additional safeguards for ratepayers. The Division is not opposed to the
22 idea of horizontal drilling; however, the proposed program is too broad and does not
23 have sufficient safeguards or restrictions to protect ratepayers. The Division could
24 support a more limited three well drilling program in the [REDACTED] area with a maximum
25 dollar amount of [REDACTED]. Results from such a program could inform the decision

26 about whether to pursue additional horizontal drilling for Wexpro properties.
27 Additionally, the performance of each well should be evaluated before additional
28 drilling occurs. Ratepayers should not be left to cover the full capital impact of the
29 proposed program without intermediate evaluation and further Commission input.

30 **BACKGROUND**

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

32 A. On February 27, 2026, the Company filed its Application seeking approval of a five-
33 year horizontal drilling pilot program to drill between eight and twelve horizontal wells
34 within existing Wexpro properties at a cost of \$150 million.¹ The first wells are
35 proposed for the [REDACTED] unit where Wexpro has existing directional (vertical) wells.²
36 The proposed horizontal wells would be drilled to a different depth and could utilize
37 some of the existing infrastructure. The first well could be drilled within a few months
38 following Commission approval.

39 **Q. PLEASE PROVIDE BACKGROUND INFORMATION ON EGU'S APPLICATION.**

40 A. For several decades, the Company has received a significant portion of its natural
41 gas supply from Wexpro under the Wexpro agreements. The Wexpro II Agreement
42 was approved in 2012 and was derived from, and supplementary to, the Wexpro
43 Stipulation and Agreement, which was executed in 1981 (Wexpro I). The parties to
44 the Wexpro II agreement were Wexpro Company (Wexpro), EGU's predecessor
45 Questar Gas Company, the Division, and the Wyoming Office of Consumer
46 Advocate (OCA). The Wexpro II Agreement established a process by which EGU
47 may identify, evaluate, and seek approval for additional properties to be developed
48 and managed as Wexpro II properties.³

49 The Commission has approved several settlements for Wexpro II properties. In
50 2014, the Commission approved a settlement stipulation, the Trail Unit Stipulation, to

¹ Application at 7.

² Direct Test. of Brady B. Rasmussen (Feb. 27, 2026) at 6:121-23.

³ Wexpro II Agreement at 1.

51 allow the first property to be included under the Wexpro II Agreement.⁴ In 2015, the
52 Commission approved another settlement agreement to include the Canyon Creek
53 acquisition as a Wexpro II property and further modified the Wexpro agreement.⁵ In
54 2017, the Commission approved a settlement stipulation to include the Vermillion
55 properties under the Wexpro II agreement.⁶

56 In 2022, Dominion, EGU's predecessor company, filed two applications with the
57 Commission. The first, filed in February, proposed to increase the ceiling of Wexpro
58 gas as part of the gas supply mix up to 65% (with plans to reduce it back to 55%).⁷
59 The second, filed in April, sought approval to include the Alkali Gulch property under
60 the Wexpro II agreement.⁸ On February 1, 2024, Dominion filed the application for
61 approval of the Horseshoe Bend Development farmout agreement.⁹ The
62 Commission approved these Applications.

63 In 2025, EGU filed two applications to include properties outside of the Wexpro I
64 Development Drilling Area. The first filing for Piceance Development¹⁰ on January
65 24, 2025, and the second filing for Piceance Development Phase II¹¹ on June 11,
66 2025. It appears that Wexpro has been actively looking for opportunities to expand
67 drilling locations. The Commission approved these Applications.

⁴ *Application of Questar Gas Company for Approval to Include Property under the Wexpro II Agreement*, Docket No. 13-057-13, Order (Jan. 17, 2014).

⁵ *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).

⁶ *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).

⁷ *Application of Dominion Energy Utah to Modify the Wexpro Production Cap*, Docket No. 22-057-04, Order (Apr. 13, 2022)

⁸ *Application of Dominion Energy Utah for Approval of the Alkali Gulch Acquisition as a Wexpro II Property*, Docket No. 22-057-05, Order (June 10, 2022).

⁹ *Application of Dominion Energy Utah for Approval of the Horseshoe Bend Development as a Wexpro II Property*, Docket No. 24-057-03, Order (Apr. 18, 2024).

¹⁰ *Application of Enbridge Gas Utah for Approval of the Piceance Development as a Wexpro II Property*, Docket No. 25-057-03, Order (Mar. 27, 2025).

¹¹ *Application of Enbridge Gas Utah for Approval of the Piceance Development Phase II as a Wexpro II Property*, Docket No. 25-057-10, Order Approving Settlement Stipulation (Aug. 25, 2025).

68 **HORIZONTAL DRILLING PILOT PROGRAM**

69 **Q. IS THIS A NEW OPPORTUNITY OR HAS WEXPRO BEEN WORKING ON A**
70 **HORIZONTAL DRILLING PROPOSAL FOR SOME TIME?**

71 A. The Application suggests that this is a new opportunity requiring a prompt response;
72 however, it appears that a horizontal drilling program has been in development for
73 some time. On January 13, 2025, Wexpro filed two applications for permits to drill
74 horizontal wells in the [REDACTED] unit, and in June 2025, the permits were approved.¹²
75 These permits allow Wexpro to drill within a specific time frame, and the permits will
76 expire in approximately two years with the option to extend the permits for an
77 additional year. There appears to be some urgency to meet those timelines but it is
78 likely that permits could be obtained in the future if drilling does not occur within this
79 earlier window of time.

80 **Q. IS THE PROPOSED PROGRAM SIMILAR TO PREVIOUSLY FILED REQUESTS?**

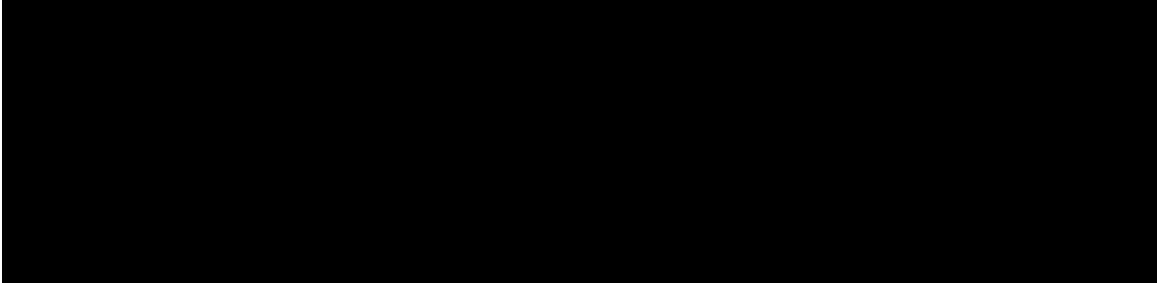
81 A. No. Wexpro has never drilled a horizontal well. The wells drilled most recently have
82 been directional (vertical) wells. A horizontal drilling program is new to Wexpro but
83 not new to industry. As shown below in Table 2, the expected cost of the first
84 horizontal well is significantly more expensive than the typical directional (vertical)
85 wells previously drilled in the [REDACTED] unit. The added expense of the horizontal drilling
86 program could be negated if the horizontal wells produce significantly greater
87 amounts of natural gas. The Company has stated that greater volumes can be
88 realized but has not produced any performance metrics that would allow the Division
89 or the Commission to determine the viability of the proposed program. The Company
90 intends to use this proposed pilot program to gather data to determine how
91 successful horizontal drilling might be in existing Wexpro properties.¹³

¹² <https://dataexplorer.ogm.utah.gov/>

¹³ Direct Test. of Brady B. Rasmussen at 2:33-36, 4:71-75.

92

Table 2



93

94 **Q. DOES THE REQUEST IN THIS DOCKET FOLLOW THE PARAMETERS**
95 **ESTABLISHED UNDER THE WEXPRO I OR WEXPRO II AGREEMENTS?**

96 A. No. There are several aspects of this filing which do not fall within the Wexpro I or
97 Wexpro II agreements. This is why EGU has filed this application. While not an
98 exhaustive list, the following items are some of the specific variations from the
99 agreements:

100 1. The Wexpro II Canyon Creek Settlement Stipulation specifies that the dry hole or
101 unsuccessful drilling risk will be shared on a 50/50 basis between Questar Gas
102 customers and Wexpro.¹⁴ The proposed pilot program would place 100% of all dry
103 hole risk on ratepayers and the cost would be included in the investment base.¹⁵

104 2. Under the current Wexpro II agreement, the forecast cost of service (COS) price
105 for new wells must be lower than the 5-year forward price curve in order to begin
106 drilling. The proposed pilot program does not include the same protection. The 2026
107 vertical drilling program has been cancelled due to low market prices.¹⁶ While the
108 Company has indicated that the forecast COS price for the horizontal wells could be
109 significantly less than the current price,¹⁷ the actual price will depend on the

¹⁴ Docket No.15-057-10, Canyon Creek Settlement Stipulation at 6.

¹⁵ Application at 8.

¹⁶EGU Tech. Conf. Presentation (March 24, 2026) Recorded Live Stream at [1:11:00]

¹⁷ Direct Test. of Brady B. Rasmussen (Feb. 27, 2026) at 15:327-29.

110 production from the wells. Lower than anticipated production will increase the cost
111 per unit from each well and will be paid by ratepayers.

112 3. Oil and liquids profit sharing is shared 54/46 in the current Wexpro II agreement.¹⁸
113 The proposed pilot program would have 100% of the revenue from oil and liquids
114 from the pilot program wells paid to customers, which would be a benefit.¹⁹

115 4. The current Wexpro agreements call for an independent hydrocarbon monitor to
116 review the production from new wells to determine if they meet the commercial
117 performance guidelines as outlined in the agreements and in guideline letters.²⁰ The
118 proposed pilot program would use the hydrocarbon monitor to approve wells prior to
119 drilling as well as a review of the performance after completion.²¹

120 The items mentioned represent a significant departure from the terms and conditions
121 specified in the current Wexpro agreements.

122 **Q. IN HIS DIRECT TESTIMONY, MR. SUMMERS STATES THAT THE WEXPRO**
123 **AGREEMENTS HAVE PROVIDED “LOW-COST, CONSISTENT NATURAL GAS**
124 **SUPPLIES AND HAS PROVIDED A NATURAL HEDGE THAT HAS PROTECTED**
125 **CUSTOMERS DURING HIGH-PRICE ENVIRONMENTS.”²² DO YOU AGREE WITH**
126 **THIS STATEMENT?**

127 A. Somewhat. The cost-of-service gas from 1981 to 2008 (28 years) was beneficial to
128 customers based on the prices paid and Dth usage, which equates to a theoretical
129 total calculated value of approximately \$1.383 billion dollars. This calculation is
130 based on taking the difference from the Wexpro COS gas and the purchased gas
131 prices and multiplying that difference by the amount of total Dths into pipe. However,
132 since 2008 the price of natural gas has remained relatively low and the monetary

¹⁸ Docket No. 12-057-13, Wexpro II Agreement.

¹⁹ Application at 7, ¶ 19.

²⁰ Docket No. 12-057-13, Wexpro II Agreement.

²¹ Application at 7, ¶ 19.

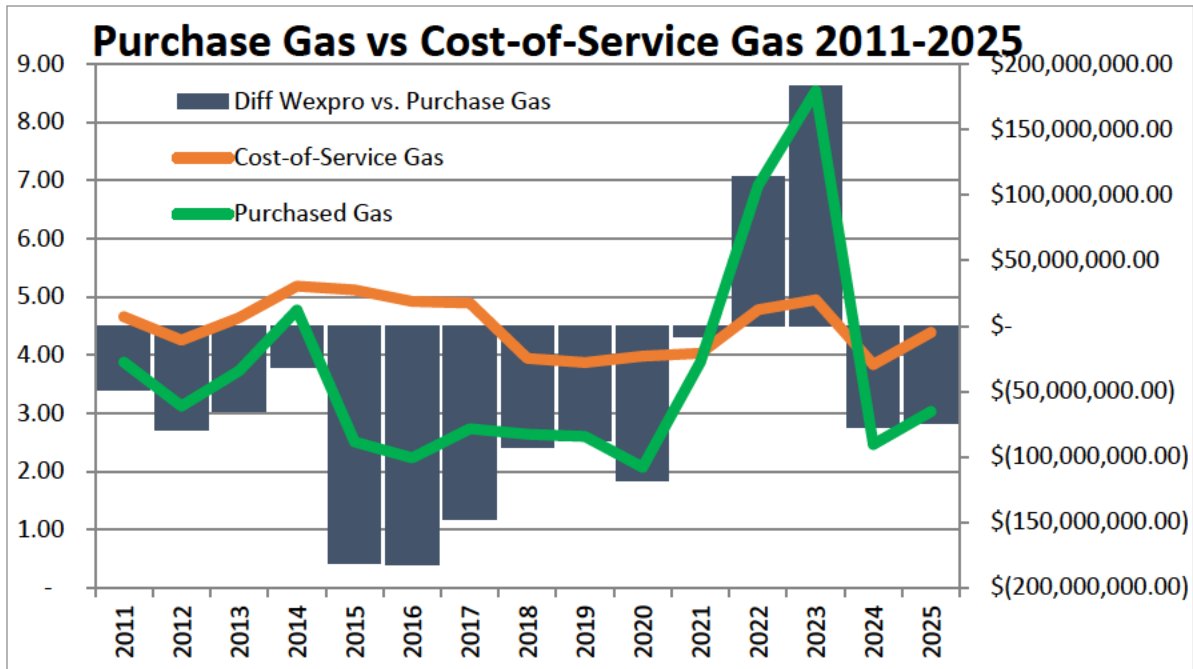
²² Direct Test. of Austin C. Summers (Feb. 27, 2026) at 2:44-46.

133 value of Wexpro production has decreased in many periods of time. The COS gas
134 has acted as a supply hedge. The Company has not provided any evidence that
135 without this “supply hedge” they would have been unable to bring adequate amounts
136 of gas to meet customer demand.

137 **Q. MR. SUMMERS STATES IN HIS DIRECT TESTIMONY THAT THERE WERE**
138 **CUSTOMER SAVINGS DURING A PERIOD OF SEVERE COLD IN THE WINTER**
139 **OF 2021-2022.²³ WERE THE SAVINGS LARGE ENOUGH TO OFFSET THE**
140 **OTHER YEARS?**

141 **A.** No. Chart 1 below shows that although there were “savings” over two years, there is
142 a net negative to customers when reviewing the previous fifteen years of the Wexpro
143 I and Wexpro II agreements.

144 **Chart 1**



145

²³ *Id.* at 7-8:181-86.

146 Based on the calculations provided in EGU Exhibit 2.03, tab EGU Ex pg2, there was
147 a total customer savings of approximately \$298 million in 2022 and 2023. When
148 reviewing the benefit of the Wexpro agreements over their entire life (around 45
149 years) the total savings equates to approximately \$424 million. However, using the
150 same calculation to determine the “savings” passed on to customers for the most
151 recent fifteen years, the value changes from a savings to a cost of approximately
152 \$897 million to the GS customer. Based on the performance of COS gas versus the
153 purchased gas, it is difficult to recommend a Wexpro horizontal drilling pilot program
154 to increase the supply of COS gas to ratepayers. I also note that the value of the
155 physical supply of natural gas from Wexpro is not reasonably quantified in any of the
156 Company’s calculations. However, the Division does acknowledge that the physical
157 supply does provide a value which includes having a significant amount of gas for
158 the heating season that is relatively fixed in price. This allows EGU to procure a
159 lower volume of higher priced hedges for the heating season.

160 **Q. WILL YOU BRIEFLY DESCRIBE POTENTIAL BENEFITS OF THE PROPOSED**
161 **HORIZONTAL DRILLING PROGRAM?**

162 A. Yes. Although EGU outlines many of the potential benefits of a drilling program, I
163 think it is important to view those potential benefits from the ratepayers’
164 perspectives.

165 As the Commission is aware, Wexpro gas supplies provide a relatively low-cost,
166 physical hedge of significant gas supply near EGU’s service territory. The dedicated
167 Wexpro properties are effectively ratepayer assets. Consistent with the Division’s
168 statutory objectives, listed in Utah Code Section 54-4a-6, I have evaluated the
169 proposal with many factors in mind. These include economic and efficient use of
170 natural resources, reasonable rates of return, long-range customer interests, and
171 rate stability. The proposed program has the potential to either bolster or undermine
172 each of those factors.

173 If successful, the program could significantly expand customer gas supplies at
174 reasonable costs with gas that would otherwise not be economically recoverable
175 with the current pricing environment. Given the relatively front-loaded supply curves
176 for natural gas, continued development is needed if Wexpro benefits are to continue
177 for ratepayers in the long run. Similarly, if positive results are achieved, the current
178 rate of return could prove reasonable, giving Wexpro fair earning on investments and
179 providing ratepayer benefits.

180 Of course, if the program is not successful, gas supplies will not be expanded,
181 ratepayers will have borne substantially all of the program's risk, and rates will
182 include significant amounts paid for unproductive capital. The dilemma presented
183 guides the Division's suggestions for a more narrowly prescribed program. If
184 ratepayer risks can be fairly narrowed, it could be reasonable to undertake a
185 program designed to determine the full scope of the ratepayer resource that remains
186 untapped. If those risks cannot be narrowed from the proposed program, it is a
187 gamble for which the player of the hand faces little risk.

188 **Q. MR. SUMMERS TESTIMONY STATES THAT "IF THE INITIAL RESULTS ARE**
189 **DISAPPOINTING, THE COMPANY AND WEXPRO WOULD LIKELY NOT**
190 **CONTINUE TO PROPOSE DRILLING WELLS UNDER THE PILOT PROGRAM."**²⁴
191 **IS IT YOUR UNDERSTANDING THAT THE PERFORMANCE OF THE FIRST**
192 **WELL AND EACH SUBSEQUENT WELL CAN BE CLEARLY AND PROMPTLY**
193 **EVALUATED BEFORE SUBSEQUENT DRILLING TAKES PLACE?**

194 **A.** Not exactly. It is the Division's understanding based on experience and from
195 discussions with Wexpro that there is a period after completion of a well to determine
196 the ultimate success and estimated ultimate recovery (EUR) from each well. In
197 response to a field data request, Wexpro provided the following response to a

²⁴ *Id.* at 4:83.

198 question about the flowback period or water recovery period for the proposed
199 horizontal wells:

200 We will have flowback on the well for 45 days. Early time flowback will
201 be mostly water and looking for gas breakout after 7-10 days. After
202 flowback is complete and we turn the well over to daily operations, the
203 actual production will take several months before we can forecast an
204 accurate EUR. After the first few months, we will have a decent idea
205 of the well performance and how the well stacks up to our
206 assumptions. To really nail down an accurate EUR, we will need
207 several more months of continuous production.

208 Based on this response, it will take several months to determine if the first well is
209 successful. Due to the potential of lengthy lead times for mobilization and setup for
210 subsequent wells, additional drilling could be underway for the second well before
211 the actual results from the first well are known.

212 **Q. DOES THE TESTIMONY OF MR. RASMUSSEN INDICATE A CONCERN THAT**
213 **THE PROPOSED PROGRAM DOES NOT FIT WITHIN THE CURRENT WEXPRO I**
214 **AND WEXPRO II AGREEMENTS?**

215 A. Yes. Mr. Rasmussen states that “horizontal drilling doesn’t fit in the Wexpro I and
216 Wexpro II agreements”²⁵ He also states that “[t]he proposed pilot program would
217 modify the drilling terms in a manner that would allow Wexpro to do initial exploration
218 and development while allocating the costs and risks in a manner that would allow
219 Wexpro to undertake that work.”²⁶ In other words, in order for Wexpro to drill these
220 horizontal wells they will require modifications to, or exist outside of, the current
221 Wexpro agreements as without these modifications the pilot program is not
222 worthwhile.

223 This request seems out of place when reviewing the current Wexpro agreements. It
224 would be more logical for the Company to submit an application to create a Wexpro

²⁵ Direct Test. of Brady B. Rasmussen at 5:94-95.

²⁶ *Id.* at 5:105-07.

225 III or other similar agreement for this type of program as well as additional
226 acquisitions or new development types which may exist in the future.

227 **Q. DO YOU AGREE WITH MR. RASMUSSEN'S STATEMENT THAT "THE**
228 **PURPOSE OF THE PILOT PROGRAM IS TO PROVIDE WEXPRO WITH AN**
229 **INCENTIVE TO INVESTIGATE THESE POTENTIAL RESOURCES FOR THE**
230 **BENEFIT OF CUSTOMERS?"²⁷**

231 A. No. I think it is more accurate to say that the proposed pilot program is intended to
232 narrow Wexpro's risk, rather than creating an incentive. It is clear that the pilot
233 program significantly shifts the risks of drilling to ratepayers on the hope that drilling
234 success will make it worthwhile. Given the significant limitations on Wexpro's risk, it
235 is important that if the Commission determines to proceed, it imposes strong
236 protections to narrow that risk. Also, based on the information provided in Chart 1, a
237 lower COS from the horizontal drilling pilot program does not significantly lower the
238 overall COS natural gas. Any significant number of unproductive wells could
239 dramatically deplete any benefit of productive wells.

240 **Q. DOES THE APPLICATION PROVIDE ENOUGH INFORMATION TO APPROVE**
241 **THE PROPOSED PILOT PROGRAM AS FILED?**

242 A. No. The Application requests \$150 million to drill eight to twelve horizontal wells.²⁸ I
243 do not believe the Company has provided enough information to confidently support
244 its request for a horizontal drilling pilot program of this size. As stated above, the
245 Company has projected that the COS from the horizontal wells could be lower than
246 the current price. This is based on the Company's projections and forecasts, which
247 could be significantly different than actuals. If the Commission determines that a pilot
248 program could be approved, it should only be approved if it includes safeguards and
249 substantial reviews of the program.

²⁷ *Id.* at 14:293-94.

²⁸ Application at 7, ¶ 16.

250 **Q. DID THE DIVISION HAVE ANY ISSUES OBTAINING ADDITIONAL**
251 **INFORMATION FROM THE COMPANY?**

252 A. Yes. This is an expensive and complicated proposal with many aspects to
253 investigate and review. The Division assumed that the Company had completed
254 much of the analysis and forecast results prior to the Application being filed. After the
255 Application was filed, the Division asked for additional information to clarify certain
256 aspects of the filing. The first set of data requests were submitted on March 6, 2026,
257 but the complete set of responses and accompanying data were not received until
258 March 19, 2026. The second set of data requests were submitted on March 20,
259 2026, and the complete set of responses and accompanying data were received on
260 March 27, 2026. With a compressed time to complete the analysis and a “best
261 efforts” discovery response time agreed to in the scheduling conference, it is unclear
262 to the Division why the Company did not provide information in a more timely
263 manner.

264 **Q. DO YOU HAVE ANY SUGGESTIONS FOR HOW TO MITIGATE THE ISSUES YOU**
265 **SEE IN EGU’S APPLICATION?**

266 A. Yes, the Division does not find that the Application can be approved as initially filed
267 because the requests within the Application do not follow the guidelines in the
268 Wexpro I and Wexpro II agreements. The following recommendations would result in
269 a more reasonable pilot program:

270 1. Limit the program to [REDACTED] rather than the requested \$150 million. This would
271 allow Wexpro to drill approximately [REDACTED] wells during this pilot program. It is
272 important to include performance metrics to evaluate the well production during this
273 pilot program and to limit risk exposure to ratepayers.

274 2. Limit the amount covered by ratepayers when the cost is above the projected [REDACTED]
275 [REDACTED] per well, with any amount over this being the sole responsibility of Wexpro
276 and not covered by ratepayers.

277 3. A rate of return lower than the current approved rate would be appropriate for the
278 reduced risk to Wexpro if the program is unsuccessful. Wexpro is currently allowed
279 to recover the utility approved rate of return, however the proposed program shifts all
280 risks for an unsuccessful drilling program to ratepayers. Reducing the return to one
281 lower than the current return recognizes the reduced business risk to Wexpro and
282 helps protect customers. A return nearer to bond rates could be appropriate given
283 the narrow risk and the relative certainty of ratepayer repayment of the investment.

284 4. In the long-run, specific terms that are included in the Wexpro I and Wexpro II
285 agreements should be carefully reviewed and most of the existing terms of the
286 agreements should apply to a horizontal drilling program.

287 5. Wexpro should take on the burden of any new science on wells within this pilot
288 program. In this context, "science" meaning any coring, routine core analysis (RCA),
289 any special core analysis, drill stem testing (DST), or any logging outside of logging
290 required by regulatory agencies. These costs should be paid by Wexpro and not
291 passed on to customers.

292 6. If the horizontal drilling program is successful, specific terms for a continuation of
293 a horizontal drilling program should be identified in a Wexpro III or similar
294 agreement.

295 **CONCLUSION**

296 **Q. WHAT ARE THE DIVISION'S RECOMMENDATIONS?**

297 A. Based on the information provided, the Division concludes that Commission
298 approval of EGU's Application as filed would not likely result in rates that are just,
299 reasonable, and in the public interest. The Division recommends that the
300 Commission deny the Application as filed. The Division could support a scaled down
301 version of a horizontal drilling pilot program with additional limitations and
302 safeguards as provided earlier in this testimony. A more limited pilot program could
303 reduce the level of unnecessary risk of an untested and unproven drilling program to

304 ratepayers. Just as Wexpro seeks a program that more appropriately balances risks
305 and rewards, ratepayer risk tolerances must be accounted for as well.

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

307 **A.** Yes, it does.