

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
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REDACTED REBUTTAL TESTIMONY OF BRADY RASMUSSEN

FOR ENBRIDGE GAS UTAH

April 10, 2026

Redacted EGU Exhibit 3.0R

1 **Q. Please state your name and business address.**

2 A. My name is Brady Rasmussen. My business address is 333 South State Street, Salt Lake
3 City, Utah.

4 **Q. Did you file direct testimony in this docket?**

5 A. Yes. I submitted direct testimony on behalf of Questar Gas Company dba Enbridge Gas
6 Utah (“EGU”, “Enbridge Gas” or “Company”).

7 **Q. What is the purpose of your testimony in this Docket?**

8 A. The purpose of my rebuttal testimony is to respond to the prefiled direct testimonies of
9 Ryan Daigle of the Utah Division of Public Utilities (“Division”) and Béla Vastag of the
10 Utah Office of Consumer Services (“Office”) regarding the proposed Wexpro Horizontal
11 Drilling Pilot Program. In particular, my testimony addresses technical and operational
12 considerations related to horizontal drilling, the timing and sequencing of pilot wells, the
13 assessment of drilling risk and costs, and the appropriateness of evaluating a limited pilot
14 program before making longer-term decisions about horizontal development of the Wexpro
15 fields.

16 In my rebuttal testimony, I also clarify how the proposed pilot program is designed to
17 generate the information necessary to assess the economic and technical viability of formal
18 horizontal drilling program in existing Wexpro fields, while also incorporating various
19 additional customer safeguards, including, among other things, more robust reporting and
20 oversight than exists under the current Wexpro program, the allocation of all benefits from
21 pilot wells to customers, and an investment cap and short-term drilling timeframe. Finally,
22 my testimony explains why certain recommendations—such as imposing rigid cost caps or
23 terminating the pilot program after a single well—would not allow the parties or the
24 Commission to meaningfully evaluate the potential benefits and risks associated with
25 horizontal drilling in existing Wexpro fields.

26 **Q. In lines 69-79 of his testimony, Mr. Daigle seems to suggest that Wexpro is rushing to**
27 **drill a horizontal well. Why does Wexpro plan to drill its first horizontal well in 2026?**

28 A. I do not agree with Mr. Daigle's characterization that the proposal to drill a well in 2026 is
29 rushing. Wexpro and the Company have been having substantive discussions with the
30 Division, the Office, and the Wyoming OCA regarding horizontal drilling and the proposed
31 pilot program since last fall. In preparation for those discussions and since that time,
32 Wexpro's team has worked diligently to perform geologic and engineering analysis to
33 assess the viability of horizontal development for the benefit of customers and to identify
34 where and how the drilling should proceed if approved. Wexpro has also obtained the
35 necessary permits to proceed with drilling a first well, and it and the Company would like
36 to begin drilling in 2026 because they recognize that it will take some time to complete the
37 pilot, and delays now will delay the ultimate determination of what benefits horizontal
38 drilling could provide to the customers. In order to do that, Wexpro will need to contract
39 for drilling services prior to this summer. The Company and Wexpro discussed all of this
40 with the Division, the Office, and the Wyoming OCA prior to the Company filing its
41 Application in this matter. Wexpro has provided ample information in this docket to
42 support a limited pilot program. As such, while there is no need to rush, there is also no
43 need to delay drilling a first well.

44 **Q. In lines 94-121, 223-226, and 292-294 Mr. Daigle outlines ways that the proposed pilot**
45 **program differs from the existing Wexpro agreements. Does this call for a new**
46 **Wexpro III agreement?**

47 A. No, not necessarily and certainly not before Wexpro is able to obtain information from the
48 pilot. As explained in detail in the Company's Application and direct testimony, the very
49 purpose of the proposed pilot program is to gather information necessary to thoroughly
50 evaluate the risks and benefits of a more formal horizontal drilling program if the results
51 justify such a program. The existing Wexpro I and Wexpro II Agreements were developed
52 and exist because, historically, the parties had abundant information about well-developed
53 directionally drilled fields, and understood the range of risks and benefits. As such,

54 interested parties were able to use that knowledge to develop and modify the terms of the
55 Wexpro agreements over time. That kind of information does not exist for horizontal
56 drilling because, to date, no horizontal drilling has been conducted in the Wexpro fields.
57 Through the pilot program, the Company and Wexpro hope to obtain the information
58 necessary to understand initially whether a horizontal drilling program will be beneficial
59 for customers. If so, they and other interested parties will be able to use the information
60 gleaned from the pilot program to identify what terms would have to be put in place to
61 provide benefit to customers and protect their interests, while at the same time properly
62 incentivizing Wexpro to deploy capital to conduct a horizontal drilling program through a
63 cost-of-service framework. It is at that time that the parties, the Commission, and others
64 could identify whether the current agreements should simply be modified to accommodate
65 such a program or whether a Wexpro III agreement, of the kind Mr. Daigle suggests, should
66 be put in place.

67 **Q. In lines 127-133 Mr. Daigle compared the Wexpro cost-of-service production and**
68 **market-sourced natural gas and argued that, during various periods, Wexpro gas was**
69 **more expensive than market resources. Why have there been times when Wexpro gas**
70 **has been more expensive than market gas?**

71 A. In the mid-2000s, natural gas market prices rose to historical highs. Wexpro drilled many
72 wells in those years with forecast cost-of-service production that was anticipated to be at
73 prices below the five-year strip price. As a result, in those years, the prices of Wexpro gas
74 was very often below market prices. However, in 2008, the shale revolution caused
75 upstream operators to drill horizontal wells in shale formations. That in turn brought a
76 significant amount of relatively inexpensive oil and gas to the market, causing market
77 prices to fall dramatically. When that happened, the wells Wexpro had previously drilled
78 during higher-market-price periods continued to produce hydrocarbons for the benefit of
79 customers, but the cost-of-service prices became higher than the market prices due to the
80 shale revolution. That said, there have been other periods since that time where Wexpro
81 gas has provided not only lower priced gas than was available in the market but also a

82 consistent physical supply of gas when supply has been constrained. As such, I do not agree
83 with Mr. Daigle that Wexpro gas has generally been more expensive than market gas.

84 **Q. In Lines 208-211 Mr. Daigle expresses concern that there will be insufficient time to**
85 **assess the results from the first horizontal well before commencing drilling on the**
86 **second well. Do you agree with his concern?**

87 A. No. Wexpro plans to begin drilling the first well around July 1 if the pilot is approved by
88 the Commission. If drilling commenced at that time, drilling would take approximately 30
89 days, with completion occurring within about 45 additional days. Wexpro would then have
90 six months or more of observable production to assess the first well before commencing
91 drilling on a second well in 2027. Six months of data is more than sufficient time to identify
92 and evaluate the results from the first well.

93 **Q. Does the proposed pilot program adequately protect customer interests?**

94 A. Yes, I believe that it does. As explained in the Company's direct testimony, the pilot
95 program has been designed as a limited, carefully monitored, and short-term horizontal
96 drilling program with a number of customer protections that have been included. For
97 instance, the program would be limited to five years and would involve a cap on investment
98 that would only allow up to approximately 12 wells to be drilled in specifically identified
99 areas of the Wexpro fields. In addition, customers would receive 100% of the gas and all
100 liquids revenue from the drilling, which is not the case under the Wexpro II Agreement,
101 and Wexpro's return, rather than being comparable to a standard market return for this kind
102 of exploratory drilling, would be capped at the Commission-approved rate of return that
103 exists under the Wexpro II Agreement. Further, the capital investment that would be used
104 to drill the proposed wells would not be subject to the cost-savings sharing mechanism
105 under the Wexpro II Agreement. Also, the Commission could terminate the pilot at any
106 time, and Wexpro would be required to provide quarterly reporting on the drilling to not
107 only the hydrocarbon monitor but also the Commission, the Division, the Office, and the
108 Wyoming OCA. While customers would bear the cost of non-economic wells, such losses,

109 if they occurred, may be offset by the gas and oil generated from additional drilling, and
110 the overall cost of service may still benefit customers. Again, the Commission could
111 terminate the program at any time. Finally, as noted below, even under a worst-case
112 scenario, the cost to customers would not significantly impact the typical customer's bill.

113 **Q. In Lines 270-273 of Mr. Daigle's testimony he states that the pilot program, in his**
114 **view, should be limited to [REDACTED] wells and [REDACTED]. Do you agree with this**
115 **suggestion?**

116 A. No. If the pilot is going to go forward, [REDACTED] wells would not, in my view, provide the
117 information the pilot is designed to elicit. While narrowing the program to one field and to
118 an agreed-upon number of wells is a reasonable option to starting the horizontal
119 development in Wexpro's fields, Wexpro does not believe the results from [REDACTED] wells
120 would be sufficient to make overall field determinations. It believes [REDACTED] wells, at a
121 minimum, is necessary to provide a sufficient basis to perform [REDACTED]

122 [REDACTED]
123 With the data from those [REDACTED] wells, Wexpro would likely be able to have reasonable
124 certainty around the mean to make informed decisions regarding whether a more formal
125 horizontal drilling program should go forward and, if so, on what terms. As I've indicated,
126 the proposed pilot program provides protections for customers, including the opportunity
127 for the Commission to terminate the program if early wells are not successful and,
128 therefore, it is unnecessary to limit the pilot program as Mr. Daigle suggests. That said, if
129 the Commission were inclined to limit the program, it should, at a minimum, approve a
130 [REDACTED] well pilot program with a \$55 million cap on capital costs over a five-year period.

131 **Q. In the testimony of Bela Vastag, line 165, he discusses a hypothetical event where a**
132 **first well is determined to be uneconomic, the pilot ends, and customers are burdened**

133 **with the full cost of an uneconomic well. Do you have any comments on such a**
134 **scenario?**

135 A. Yes. As an initial point, I would note that, given the very limited cost impact on the typical
136 customer from one uneconomic well, there would be little burden on customers if the first
137 well turned out to be uneconomic. Even if it turned out to be the case, customers would not
138 be bearing a significant cost burden from that outcome. In the unlikely event that a [REDACTED]
139 [REDACTED] well is drilled and is completely dry, it would add about [REDACTED] to the overall
140 cost of Wexpro gas. Furthermore, as explained in the Company's direct testimony,
141 although it is possible that a first well could be uneconomic, given that a second or third
142 well could be highly productive, any losses on the first well could be offset by further
143 drilling. Wexpro believes that to be a realistic scenario given that horizontal development
144 often occurs in that way and Wexpro has significant information regarding where pilot
145 wells would be drilled. As such, while there is some admitted uncertainty about the reserves
146 that will be produced by horizontal wells, it is worth the risk of undertaking the pilot
147 because the potential upside could be very good, and a cost of service that will beat futures
148 prices is a realistic outcome. Finally, if results were unfavorable and the Commission felt
149 that the pilot should be stopped, that offramp is built into the proposed pilot.

150 **Q. In lines 274-276 of his testimony, Mr. Daigle recommends that the cost of a well be**
151 **capped at [REDACTED] per well. Do you agree?**

152 A. No. The [REDACTED] cost to drill and complete a horizontal well is an average cost
153 assumption based on development scale. For example, the first 10,000' lateral well will
154 have to bear the costs of the pad, so the total estimated cost to drill and complete that well
155 would be around [REDACTED]. A [REDACTED] cap on each well, therefore, would not make
156 sense. In addition, there are too many variables to set a per-well cap. Wexpro and its
157 vendors do not control many of these variables and, as such, setting a cap could cause a
158 lack of flexibility that would be inefficient and detrimental to the program's success.
159 Further, Mr. Daigle's recommendation does not account for the time it would take to obtain
160 Commission approval to exceed the cap, even if the circumstances warranted that and if

161 the pilot, as approved, allowed for such an alternative. The frequent reporting and
162 hydrocarbon monitor reviews are sufficient to ensure that Wexpro is properly managing
163 well costs.

164 **Q. Does Wexpro have incentives to drill wells under the budget?**

165 A. Yes. Wexpro's goal is to demonstrate that horizontal development can benefit customers
166 by producing hydrocarbons at a cost of service that is attractive as a long-term price hedge
167 as well as a reliable supply of gas. The cost of obtaining that gas at the lowest price possible
168 is a key goal to Wexpro's approach with every project. If the pilot program is unsuccessful,
169 it means customers will not benefit from a vast resource of hydrocarbons in Wexpro fields.
170 It also means Wexpro will not be able to invest capital to develop the fields. All interested
171 parties stand to benefit from a successful and low-cost development approach.

172 **Q. In lines 277-283, Mr. Daigle contends that Wexpro should accept a lower return for**
173 **drilling the pilot program wells. Is Wexpro willing to accept a ROE that is less than**
174 **the utility-allowed ROE?**

175 Mr. Daigle's statement is unrealistic and inconsistent with the way in which the market
176 works. If the Company, instead of having Wexpro, hired a third-party to perform the
177 functions Wexpro would provide under the pilot, Mr. Daigle's approach would make
178 development impossible as third parties would not be sufficiently incented to be willing to
179 assist the Company in developing the properties under a horizontal drilling plan. Given the
180 uncertainty of results with any given well, Wexpro simply cannot prudently accept dry hole
181 risk as it does under the Wexpro II Agreement with such a low return because the risk is
182 not being offset by the return. Under the proposed pilot, Wexpro has already reduced the
183 proposed return to a point that is below market based on the other offsets of the program.
184 That said, at most, Wexpro could reduce its return on capital used to drill horizontal wells
185 under this program by 50 basis points for wells that do not pass the Commercial Well test
186 as defined in the Wexpro II agreement and modified in guideline letters as a way of further
187 addressing the concern about the allocation of risk under the proposed program.

188 **Q. In lines 284-286 Mr. Daigle suggests that, after the pilot period has ended, Wexpro**
189 **should rely on the existing terms of Wexpro I and II Agreements. Does Wexpro agree?**

190 A. Not necessarily. There will likely be many relevant terms in the existing agreements that
191 would apply to an ongoing horizontal program. However, whether those agreements can
192 be used to govern a long-term horizontal development program is a question better
193 answered after the parties have the additional information and experience the pilot program
194 is designed to provide.

195 **Q. In lines 287-291. Mr. Daigle proposes Wexpro pay for the costs of any “science”**
196 **procedures related to the horizontal wells. Does Wexpro agree?**

197 A. No. While Wexpro understands the concern about additional costs, science costs are a
198 standard part of responsible development. Without an adequate return on its entire
199 investment, Wexpro would not have an incentive to invest in developing new cost-of-
200 service supply for customers. The purpose of the pilot program is for the parties to learn as
201 much as possible about horizontally developing certain formations in Wexpro’s fields,
202 while restricting Wexpro’s return. Coring, for example, is a common practice and is often
203 quite useful for operators to better understand the nature of the rock they are drilling,
204 leading to better future results.

205 **Q. In lines 178-181, Mr. Vastag proposes that Wexpro clarify what work the**
206 **Hydrocarbon Monitor will perform under the proposed pilot program and whether**
207 **this work is covered under the existing agreement. What can you say in response to**
208 **his proposal?**

209 A. The hydrocarbon monitor will perform the same kind of work and analysis that he performs
210 related to directional drilling. However, he will be receiving more frequent and detailed
211 information. His review will include assessing geologic and engineering analysis of a
212 proposed well as well as cost estimates. Following completion of a well, he will also review
213 production data, actual costs vs. budget, and any other factors impacting well performance

214 and cost of service. He will then take that information, together with his analyses, and
215 provide his views to the Division, as he currently does with regard to other wells.

216 **Q. In conclusion, what do you recommend regarding the proposed Wexpro Horizontal**
217 **Drilling Pilot Program?**

218 A. The Commission should approve the horizontal drilling pilot program, as it represents a
219 prudent and measured approach to evaluating a development technique that differs
220 materially from the vertical drilling historically conducted under the Wexpro program.
221 While horizontal drilling introduces additional technical and commercial uncertainty on
222 individual wells, it also presents the opportunity to access formations that cannot be
223 economically developed using directional methods.

224 My testimony explains why a limited, staged pilot is necessary to generate the technical
225 and economic information needed to assess whether horizontal drilling can be developed
226 in a manner that benefits customers while appropriately balancing risk. Recommendations
227 to impose rigid cost caps, terminate the pilot after a single well, or predetermine long-term
228 agreement terms would, in my view, defeat the purpose of the pilot program, as it would
229 limit the parties' and the Commission's ability to meaningfully evaluate this development
230 option for the existing Wexpro properties.

231 The pilot framework, including enhanced reporting, oversight by the hydrocarbon monitor,
232 Commission authority to modify or discontinue the program, and the allocation of all
233 benefits of the pilot to customers, is designed to protect customer interests while still
234 acquiring necessary information to develop additional customer inventory. Ultimately, the
235 information gained from this pilot will place the parties and the Commission in a better
236 position to determine whether and how horizontal development should proceed under the
237 Wexpro framework in the future.

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

239 A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Brady Rasmussen, 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. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.



Brady Rasmussen

SUBSCRIBED AND SWORN TO this 10th day of April, 2026.



Notary Public

