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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 REDACTED SETTLEMENT STIPULATION
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Pursuant to Utah Code Ann. § 54-7-1 and Wyoming Statutes Ann. § 37-2-101 et seq., Enbridge Gas Utah and Enbridge Gas Wyoming (collectively, “EGU” or “Company”), the Utah Division of Public Utilities (“Division”), the Utah Office of Consumer Services (“Office”), and the Wyoming Office of Consumer Advocate (“Wyoming OCA”) (collectively, the “Parties”) submit this Settlement Stipulation (“Stipulation”) in resolution of issues raised in Docket No. 26-057-03, which is pending before the Public Service Commission of Utah (“Utah PSC”), and Docket No. 30010-241-GA-26, which is pending before the Wyoming Public Service Commission (“Wyoming PSC”).

PROCEDURAL HISTORY

A. Wexpro I

1. In 1976, the Company (then Mountain Fuel Supply) organized Wexpro as a wholly owned subsidiary and transferred certain property rights to Wexpro for the purpose of exploring and developing natural resources on those properties. The Company and Wexpro entered into a Joint Exploration Agreement (“JEA”), which defined the properties that would be explored and developed and set forth how costs and revenues would be shared. That approach was challenged by the Division and the Committee of Consumer Services (the predecessor to the Office).

2. Stakeholders ultimately negotiated the Wexpro Stipulation and Agreement, executed October 14, 1981 (“Wexpro I Agreement”), which the Utah PSC approved on December 31, 1981.¹ The Utah PSC’s decision was affirmed by the Supreme Court of Utah in *Utah Department of Administrative Services v. Public Service Commission*.² For decades thereafter, the Company acquired a significant portion of its gas supply from Wexpro under the terms of that agreement.

3. The terms of the Wexpro I Agreement applied differently depending on the type of property at issue, including Productive Oil Reservoirs (“oil properties”) and Productive Gas Reservoirs (“gas properties”). Under the Wexpro I Agreement, Wexpro owned and operated oil properties and developed them at its own expense and risk.³ Wexpro sold all natural gas produced from oil properties to the Company at Wexpro’s cost of service. The cost-of-service charge for gas produced from oil properties is defined in Exhibit A of the Wexpro I Agreement. It included

¹ Report and Order on Stipulation and Agreement, *In the Matter of the Petition of the Division of Public Utilities to Consider the Proposed Transfer of Certain Wells, Leases, Lands and Related Facilities and Interests of Mountain Fuel Supply Company to Wexpro Company on Remand from the Utah Supreme Court*, Docket No. 76-057-14 (Dec. 31, 1981).

² 658 P.2d 601 (Utah 1983) (hereinafter *Department*).

³ See Wexpro I, Art. II and Ex. A.

Wexpro's reasonable and necessary operating expenses, depreciation, taxes, and a return on investment. Wexpro also deducted certain expenses, royalties, and a return on investment from the proceeds of the sale of oil and natural gas liquids (from existing and future wells).⁴ The Company received 54% of the net revenues from sales of oil and natural gas liquids, and Wexpro retained 46% of those revenues.⁵ If a development well was unsuccessful and resulted in a dry hole, those costs were borne by Wexpro.⁶

4. As to gas properties, the Wexpro I Agreement specified that the Company retained ownership of producing gas wells and related facilities that had been included in its rate base.⁷ Natural gas, natural gas liquids, and oil produced from those properties was also owned by the Company, and the leaseholds and operating rights were transferred to Wexpro, which operated the wells and facilities on a service contract basis.⁸ As with oil properties, if a gas property development resulted in a dry hole, the associated costs were borne by Wexpro.⁹ If the well was successful, however, the development cost was capitalized and included in rate base, and the service contract cost paid to Wexpro included a base rate of return, plus an additional risk premium of 8% for investment in commercial development wells.¹⁰ The proceeds from oil and natural gas sales from wells defined in the Wexpro I Agreement as "prior company wells" were owned by the Company. The proceeds from the sale of oil from commercial wells completed after July 31, 1981, on gas properties ("new oil"), were allocated to the Company and Wexpro according to the 54-46

⁴ See Wexpro I, Art. II.

⁵ See *id.* at 4(e), (f), and (g) (defining the "54-46 formula").

⁶ See *id.* at 4(a).

⁷ See Wexpro I, Art. III.

⁸ See *id.*

⁹ See Wexpro I, Ex. E.

¹⁰ *Id.*, Art. III.5.

formula.¹¹ Finally, a hydrocarbon monitor was retained to assess and review Wexpro's drilling activities.

B. Wexpro II

5. Due to the benefits provided by the Wexpro I Agreement and the fact that production from vertical drilling operations on Wexpro I properties was being exhausted, the Company and Wexpro identified additional properties that could be vertically drilled to continue producing cost-of-service natural gas supply for the Company's customers. However, because that expansion would go beyond the authorization provided in Wexpro I, the Company, Wexpro, the Division, the Office, and the Wyoming OCA began meeting and discussing a potential expansion of drilling operations on prospective drilling properties pursuant to a new agreement, the Wexpro II Agreement.

6. On September 12, 2012, the Company, Wexpro, the Division, and the Wyoming OCA reached an agreement to allow the Company and Wexpro to develop new properties that would be acquired under the terms of the Wexpro II Agreement. That agreement was submitted to the Utah PSC for approval on September 18, 2012 in Docket No. 12-057-13 and was submitted to the Wyoming PSC for approval on September 18, 2012 in Docket No. 30010-123-GA-12.

7. The Wexpro II Agreement did not set forth a specified set of properties that would be developed, as was the case under the Wexpro I Agreement. Rather, it provided a process and terms pursuant to which properties or property rights could be acquired and developed subject to the Wexpro II Agreement. Under that agreement, Wexpro would acquire oil and gas properties or leases at its own cost, and the Utah PSC and the Wyoming PSC would have a right of first refusal with respect to such properties or property rights within Wexpro I areas. The Company could also

¹¹ See Wexpro I, Art. II-4(e), (f), and (g) (defining the "54-46 formula").

seek approval under Wexpro II for oil or gas properties outside of the Wexpro I development area. As with the Wexpro I Agreement, under the Wexpro II Agreement, a hydrocarbon monitor assessed and reviewed Wexpro's activities.

8. The Wexpro II Agreement had many of the same terms and conditions as the Wexpro I Agreement. For example, Wexpro bore the risk of dry holes and recovered its cost of service as defined in the Wexpro II Agreement.¹² Commercial development drilling wells earned the same rates of return as specified in the Wexpro I Agreement. Wexpro's acquisition costs, however, earned a lower return calculated using the returns approved by the Utah PSC and the Wyoming PSC, respectively.¹³

9. Once a property was approved under the Wexpro II Agreement, Wexpro would develop the property, and all gas produced by Wexpro would be sold to the Company at Wexpro's cost of service, as defined in the Wexpro II Agreement.¹⁴ However, with regard to oil and natural gas liquids, the Wexpro II Agreement provided that those liquids were owned by Wexpro and sold by Wexpro, with the proceeds first being used to offset any holding and operating costs and the return on the portion of properties allocated to oil and natural gas liquids production, with the remaining proceeds being allocated 54% to the Company and 46% to Wexpro.

10. On March 28, 2013, the Utah PSC approved the Wexpro II Agreement, and on April 11, 2013, the Wyoming PSC held a hearing at which it approved the Wexpro II Agreement, which was later memorialized in a written order dated October 16, 2013.¹⁵

¹² See Wexpro I, Exs. A and E; see also Wexpro II, Ex. A and Ex. D at ¶ 1.

¹³ See Wexpro II, Sec. IV-6.

¹⁴ See Wexpro II, Sec. III-3.

¹⁵ See Report and Order, *In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement*, Docket No. 12-057-13 (March 28, 2013); Memorandum Opinion, Findings and Order Approving the Wexpro II Agreement, *In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement*, Docket No. 30010-123-GA-12 (Record No. 13347) (Oct. 16, 2013).

11. Since that time, Wexpro has acquired developmental properties, and the Company has applied to the Utah PSC and the Wyoming PSC for approval of those properties to be developed under the terms of the Wexpro II Agreement. Both commissions have approved those applications, and Wexpro has developed and drilled those properties and continued to provide natural gas to the Company's customers at Wexpro's cost of service as defined in the Wexpro II Agreement.¹⁶

C. Current Status and the Proposed Pilot Program

12. As with Wexpro I properties previously, the production from vertical wells on Wexpro II properties is being exhausted. Technological developments provide Wexpro another opportunity to drill for economic natural gas reserves. Wexpro properties contain formations that have not been developed. Some of these formations are not economic if drilled vertically but are prospective for horizontal development.

¹⁶ See Report and Order, *In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13 (Jan. 17, 2014); Order Approving Stipulation, *In the Matter of the Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property*, Docket No. 15-057-10 (Nov. 17, 2015); Order Memorializing Bench Ruling Approving Stipulation, *In the Matter of the Application of Questar Gas Company for Approval of the Vermillion Acquisition as a Wexpro II Property*, Docket No. 17-057-01 (March 30, 2017); Order, *Application of Dominion Energy Utah for Approval of the Alkali Gulch Acquisition as a Wexpro II Property*, Docket No. 22-057-05 (June 10, 2022); Order, *Application of Dominion Energy Utah for Approval of the Horseshoe Bend Development as a Wexpro II Property*, Docket No. 24-057-03 (April 18, 2024); Order, *Application of Enbridge Gas Utah for Approval of the Piceance Development as a Wexpro II Property*, Docket No. 25-057-03 (March 27, 2025); Memorandum Opinion, Findings and Order Approving the Stipulation to Include Property Under the Wexpro II Agreement, *In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 30010-134-GA-13 (Record No. 13720) (March 18, 2014); Memorandum Opinion, Findings and Order Approving Stipulation, *In the Matter of the Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property*, Docket No. 30010-145-GA-15 (Record No. 14224) (Feb. 24, 2016); Memorandum Opinion, Findings, and Order Approving Stipulation, *In the Matter of the Application of Questar Gas Company dba Dominion Energy Wyoming for Approval of the Vermillion Acquisition as a Wexpro II Property*, Docket No. 30010-162-GA-17 (Record No. 14631) (Nov. 2, 2017); Order, *In the Matter of the Application of Dominion Energy Wyoming for Approval of the Alkali Gulch Acquisition as a Wexpro II Property*, Docket No. 30010-204-GA-22 (Record No. 17036) (July 25, 2022); Order, *In the Matter of the Application of Questar Gas Company dba Dominion Energy Wyoming for Approval of the Horseshoe Bend Development as a Wexpro II Property*, Docket No. 30010-222-GA-24 (Record No. 17496) (April 25, 2024); Order, *In the Matter of the Application of Questar Gas Company dba Enbridge Gas Wyoming for Approval of the Piceance Development as a Wexpro II Property*, Docket No. 30010-234-GA-25 (Record No. 17852) (Dec. 22, 2025).

13. Horizontal wells tend to produce hydrocarbons more efficiently than vertical wells. They cost more to drill but can yield an even greater increase in production, resulting in higher efficiency. Horizontal drilling, however, has a larger distribution of results and presents a higher commercial risk for Wexpro on individual wells. That said, the efficiency of horizontal drilling is likely to benefit customers if the parties can properly balance the relevant risks and rewards. Accordingly, the Company proposes a pilot program to drill a limited number of horizontal wells on existing Wexpro properties.

14. On February 27, 2026, EGU filed its applications with the Utah PSC and the Wyoming PSC, requesting that the Utah PSC and the Wyoming PSC, respectively, approve a Wexpro Horizontal Drilling Pilot Program under applicable law (“Applications”). In the Applications, the Company seeks approval of a pilot program that would involve a maximum investment of \$150 million to be expended over a five-year period to drill pilot wells in areas of the current Wexpro I and Wexpro II property footprints.

15. After discussions between the Parties, they have agreed to a reduced proposed pilot program focused only on development in the [REDACTED] area of the Wexpro properties and involving the following terms and conditions, which represent the Parties’ proposed resolution and settlement of the Utah and Wyoming dockets and, specifically, the terms under which the Parties propose that the Company and Wexpro be authorized to pursue a horizontal drilling pilot program. The Parties request the Utah PSC and the Wyoming PSC approve this Stipulation.

TERMS AND CONDITIONS**Program Duration and Scope**

15. The Parties stipulate that the duration of the pilot program shall not exceed four years from the date of the later of a Utah PSC or Wyoming PSC order approving this Stipulation unless that date is extended by further order of the Utah PSC and the Wyoming PSC.

16. The capital investment for the pilot program, including any contingency for unanticipated operational events, shall be capped at \$55 million, and this amount will not be exceeded or increased without prior approval of the Utah PSC and the Wyoming PSC. The Parties anticipate that, subject to Paragraph 17 below, the pilot program will consist of between [REDACTED] horizontal wells, with all wells being drilled within the [REDACTED] region of the current Wexpro I and Wexpro II property footprint.¹⁷

17. The Utah PSC and the Wyoming PSC may, for Utah or Wyoming, respectively, discontinue the pilot program at any time. However, any investment already placed in the investment base as of the date of any discontinuance of the pilot program will be recoverable on the terms set forth below notwithstanding any such discontinuance.

Drilling Operations

18. The Parties stipulate that drilling decisions under the pilot program will not be based on a commercial well test. Instead, as Wexpro makes drilling decisions, it shall first meet and discuss those plans with the hydrocarbon monitor (as discussed below) and shall provide

¹⁷ The Company has filed rebuttal testimony in the Utah proceeding in which it explains that it believes a minimum of [REDACTED] pilot wells are necessary to obtain sufficient information from the pilot to determine whether a more formal horizontal drilling program is warranted and, if so, to identify how that program should be designed. However, the Parties have not set a minimum number of wells that will be drilled under the pilot program but have agreed to make drilling decisions as the program progresses.

quarterly reports to and meet with the Division, Office, and the Wyoming OCA as detailed in the subsequent paragraphs of this Stipulation.

19. The Company and Wexpro shall provide quarterly drilling reports to the Utah PSC staff, the Wyoming PSC staff, the Division, the Office, and the Wyoming OCA. Those reports shall show the drilling results for each well drilled under the pilot program, including quarterly and cumulative cost-of-service rates, actual volumes versus estimated volumes, actual drilling days versus estimated drilling days by well and area, and provide any other relevant data requested.

20. After the first pilot program well has been drilled, Wexpro and the Company shall meet with the Division, Office, and the Wyoming OCA to discuss the results from the first well before Wexpro can proceed with additional horizontal drilling. A similar meeting shall be held after drilling each additional pilot program well and before Wexpro can proceed with drilling a subsequent horizontal well. Nothing in the preceding two sentences is intended to limit communication and reporting that would otherwise occur prior to Wexpro drilling the first horizontal well. If, at any point, the Division, Office, or Wyoming OCA object to further drilling under the pilot program, they may seek relief from the Utah PSC or the Wyoming PSC, as applicable, to stop further drilling under the pilot program.

21. All natural gas produced from pilot program wells will be sold by Wexpro to the Company for customer use at Wexpro's "cost of service," as that term is defined in the Wexpro II Agreement and as that term is modified by Paragraph 29 below.

22. All revenues from the sale of oil or natural gas liquids produced from pilot program wells will be credited to customers, with no portion of those revenues being received by or benefiting Wexpro.

23. Non-commercial well risk under the program shall be addressed as follows. For any well that is not a “commercial well” (as that is defined in the Wexpro II Agreement), customers shall bear the cost of that well; however, Wexpro’s return on that well shall be reduced to the commission-allowed rate of return (as set forth in paragraph 27 below) minus 50 basis points. Customer risk for non-commercial wells will also be offset by customers receiving one hundred percent of all revenues from oil and natural gas liquids produced from pilot program wells and by all pilot program financial results being excluded from the cost savings calculation under Section 18 of the Canyon Creek Stipulation for the Wexpro I and Wexpro II programs.

24. If, during the pilot program, a pilot well is determined to be a “dry hole” (a development well that, upon conclusion of drilling, is clearly uneconomical to produce and is not completed), the Parties agree that dry hole costs paid by customers shall be capped at no more than [REDACTED] of the overall cost of service per dekatherm for that dry hole pilot well.

25. At the conclusion of the pilot program, the Parties agree to meet and discuss whether a more formal horizontal drilling program should be implemented. If the Parties agree that a more formal program should be pursued, they also agree to discuss what the terms of such a program should be and whether those terms should be implemented through an amendment to existing Wexpro agreements or a new horizontal drilling agreement, either of which would be subject to Utah PSC and Wyoming PSC review and approval before it could be implemented in their respective states.

Investment Base, Rate of Return, and Cost Recovery

26. The Parties agree that all capital investment for drilled wells under the pilot program will be tracked and included in a new investment category that will be segregated from capital investment under the Wexpro I or Wexpro II programs.

27. As with the Wexpro II program, the rate of return on all “commercial wells” (as that term is defined in the Wexpro II Agreement) will be the “Commission-Allowed Rate of Return” as defined in Section I-31 of the Wexpro II Agreement on the monthly net investment base, which will be net of deferred taxes.

28. The financial results from all pilot program wells will be excluded from the calculation of cost savings under Section 18 of the Canyon Creek Stipulation for the Wexpro I and Wexpro II programs.

29. Except as explained in paragraphs 22, 23, 24, and 28, Wexpro’s cost of service shall be calculated in the same manner as provided in the Wexpro II Agreement.

Hydrocarbon Monitor

30. Before drilling a pilot program well, Wexpro shall first provide the hydrocarbon monitor with the same kind of information it has historically provided for prior drilling activities, which shall include, but is not limited to: the well location, relevant maps, drilling plans, proposed drilling schedule, relevant geologic data and analysis, well spacing analyses, volumetric analyses, the EUR forecasting methodology, the EUR forecast, the well economic analysis, and the cost-of-service analysis. The hydrocarbon monitor’s pre-drilling consultation is intended to be primarily collaborative and informative. The hydrocarbon monitor will provide any feedback from the reports to the Parties. Nothing in this paragraph is intended to suggest that the hydrocarbon monitor is responsible for making decisions about drilling under the pilot program.

31. The Parties agree that, if Wexpro obtains permits for a pilot well and then determines not to drill that well, Wexpro will be responsible for those permit costs and will not include those costs in the cost of service under the pilot program.

32. On a quarterly basis, Wexpro will also provide to the hydrocarbon monitor the same information set forth in Paragraph 19 above that it will be providing to the Parties and the Utah PSC and Wyoming PSC staff.

GENERAL

33. The Parties agree that the settlement contained in this Stipulation is just and reasonable in result, and in the public interest.

34. The Parties request a hearing on this Stipulation. The Parties agree that no part of this Stipulation or the formulae or methods used in developing the same, or a Utah PSC or Wyoming PSC order approving the same shall in any manner be argued or considered as precedential in any future case. All negotiations related to this Stipulation are privileged and confidential, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

35. The Parties, respectively, shall support the Utah PSC's and the Wyoming PSC's approval of this Stipulation. EGU, the Division, and the Office (in the Utah PSC proceeding) and EGU and the Wyoming OCA (in the Wyoming PSC proceeding) will each make one or more witnesses available to explain and support this Stipulation to the appropriate commission. Such witnesses will be available for questioning. As applied to the Division, the Office, and the Wyoming OCA, the explanation and support shall be consistent with their statutory authority and responsibility. So that the record in this docket is complete, all testimony, exhibits, and

attachments to the Applications that have been filed on the issues resolved by this Stipulation shall be admitted as evidence.

36. The Parties agree that, if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Utah PSC or the Wyoming PSC approving this Stipulation, each Party will use its best efforts to support the terms and conditions of the Stipulation. As applied to the Division, the Office, and the Wyoming OCA, the phrase “use its best efforts” means that they shall do so in a manner consistent with their statutory authorities and responsibilities. In the event any person seeks judicial review of a Utah PSC or Wyoming PSC order approving this Stipulation, no Party shall take a position in that judicial review opposed to the Stipulation.

37. This Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Utah PSC and the Wyoming PSC. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Utah PSC or the Wyoming PSC, or if the commission’s approval is rejected or materially conditioned by a reviewing court. If the Utah PSC or the Wyoming PSC reject any part of this Stipulation or imposes any material change or condition on approval of this Stipulation, or if the Utah PSC’s or the Wyoming PSC’s approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the appropriate commission, including presentation of

testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no Party shall be bound or prejudiced by the terms and conditions of the Stipulation.

38. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Utah PSC and the Wyoming PSC issue an order approving this Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: April 21, 2026.



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Director

Utah Division of Public Utilities



Michele Beck
Director

Office of Consumer Services



Austin Summers
Director, Regulatory and Pricing

Enbridge Gas Utah



Justin Ballard
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