
Application of Dominion Energy Utah to
Modify the Wexpro Production Cap

DOCKET NO. 22-057-04

ORDER APPROVING SETTLEMENT
STIPULATION

ISSUED: April 13, 2022

SYNOPSIS

The Public Service Commission (PSC) approves a Settlement Stipulation that resolves the Application of Dominion Energy Utah (DEU) to Modify the Wexpro Production Cap.

1. PROCEDURAL HISTORY

On February 3, 2022, the PSC received the Application of Dominion Energy Utah to Modify the Wexpro Production Cap, requesting approval of a Settlement Stipulation (“Settlement”) that was reached by DEU, the Utah Division of Public Utilities (DPU), the Utah Office of Consumer Services (OCS), Wexpro Company (“Wexpro”), and the Wyoming Office of Consumer Advocate (collectively, the “Parties”). The Settlement reflects an agreement on how and under what conditions DEU and Wexpro can modify the Wexpro Production Cap (defined and described below) to take advantage of potentially lower production costs.

On February 14, 2022, the PSC issued its Scheduling Order and Notice of Virtual Hearing. DPU and OCS filed comments on March 10, 2022, and on March 24, 2022, the PSC held a virtual hearing during which DEU, DPU, and OCS provided testimony supporting the Settlement.

2. BACKGROUND

a. The Settlement

The Settlement provides an overview of the history of the various Wexpro agreements and states that the February 2021 Texas weather event (“Weather Event”) caused the Parties to meet to evaluate whether the production cap established in the Trail Unit,¹ Canyon Creek,² and Vermillion³ settlement stipulations and approved by the PSC and the Wyoming Public Service Commission (together, “Commissions”) could be adjusted as a hedge against market conditions under certain circumstances. The production cap (“Wexpro Production Cap”) requires DEU and Wexpro to limit combined cost-of-service production from Wexpro I and Wexpro II properties to (a) 55 percent of DEU’s annual forecasted demand identified in the Integrated Resource Plan (IRP); or (b) 55 percent of the “Minimum Threshold” defined in the Trail Unit Settlement Stipulation, which is equal to 110,000,000 Dth.

The Settlement then describes the specific conditions under which the Parties agree that DEU and Wexpro can increase production above the Wexpro Production Cap. Specifically, Wexpro must file a plan for acquisition or drilling of properties with the Commissions that:

(1) shows the planned production from the acquisition or additional drilling will result in a cost lower than the five-year forecast curve inclusive of shut-in costs,

¹ *Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13, Report and Order issued Jan. 17, 2014.

² *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 issued Nov. 17, 2015.

³ *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 issued Mar. 30, 2017.

(2) provides that the planned increase in production does not exceed 65 percent of DEU's forecasted demand outlined in its IRP or 65 percent of the Minimum Threshold as outlined in the Trail Settlement Stipulation, and

(3) includes a date when Wexpro production will be reduced to 55 percent of DEU's forecasted IRP demand or the Minimum Threshold. In addition, the Commissions must determine the submitted plan to be in the public interest.

In determining that the plan is in the public interest, the Parties agree the Commissions should consider: (1) the use of additional Wexpro supply as a hedge against price volatility, (2) the existence and nature of other hedging opportunities, (3) the potential for and the effect of shut-in costs from added Wexpro supply in non-peak months, (4) lost opportunities for low-cost summer gas supplies being put into storage in non-peak months, (5) long-term market trends, (6) the environmental regulatory outlook, and (7) other factors the Commissions consider relevant. The Settlement also states that DEU and Wexpro may request approval from the Commissions to adjust, extend, or update a plan at any time. Finally, the Settlement will become effective only after the Commissions issue orders of approval.

b. Party Comments

DPU states that the Parties conducted extensive arms-length negotiations, and reiterates the Settlement's terms and conditions. DPU explains that market conditions could create higher natural gas prices in the future, leading the Parties to discuss hedging opportunities, including those involving Wexpro. DPU asserts that, given the conditions for increasing the Wexpro Production Cap outlined in the Settlement, it considers the Settlement to be just and reasonable and recommends PSC approval.

OCS states that it has mentioned in previous IRP meetings the need for DEU to pursue additional hedging in response to the Weather Event. According to OCS, the Parties held numerous meetings to discuss the terms of when and how Wexpro could increase production in a way that would be in the public interest. OCS asserts that it was an active participant in developing the Settlement's terms and that features of the Settlement ultimately protect the public interest. Therefore, OCS states that the Settlement is just and reasonable and in the public interest and recommends PSC approval.

c. Testimony at Hearing

At hearing, DEU witness Mr. Mendenhall testified that “[] once [a] plan is provided to both the Utah and Wyoming commissions, they would need to approve it and find that it is in the public interest.”⁴ DEU also summarized the key terms and conditions of the Settlement and explained that the Settlement requires DEU and Wexpro to submit and obtain the Commissions' approval before making any updates to a plan that has already been approved. DEU also discussed the estimated future trend of Wexpro's production, and testified that the Settlement is in the public interest.⁵

OCS witness Mr. Vastag testified that “[i]ncreasing the Wexpro cap would provide additional hedging of DEU's natural gas supplies.”⁶ OCS also mentioned that its goal in the discussions with DEU and DPU was to ensure the conditions in the Settlement would be in the public interest and that ratepayers would be protected.⁷ OCS further testified that the Settlement

⁴ March 24, 2022 Hr'g Tr., 7:22-25.

⁵ *Id.*, 6:22-25 through 8:1-25 and 15:6-8.

⁶ *Id.*, 17:16-18.

⁷ *Id.*, 18:1-3.

is just and reasonable in result and in the public interest, and recommends that the PSC approve the Settlement.⁸

DPU witness Mr. Orton testified that “[i]n the current environment, [DPU] is aware that forecasted natural gas market prices and demand, along with possible supply constraints, may result in higher natural gas prices in the future and precautionary mitigation efforts may be reasonable.”⁹ Mr. Orton also testified that two conditions that were particularly important to DPU were that the plant production costs must be lower than the five-year forecast curve while including shut-in costs, and that any plan to increase the Production Cap must include a date by which production will fall back to 55 percent.¹⁰ Mr. Orton also highlighted certain terms and conditions of the Settlement and testified that DPU supports the Settlement as being just and reasonable in result and in the public interest. Therefore, he recommends the PSC approve the Settlement.¹¹

No party opposed the Settlement.

3. DISCUSSION, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

The unexpected Weather Event that occurred in February 2021 demonstrates that natural gas and other utilities must have flexibility to manage these and other types of events to protect customers from exorbitant energy prices resulting from natural gas constraints and short supplies. We commend the Parties for collaborating to review current agreements to ensure they are sufficiently flexible for these reasons.

⁸ *Id.*, 18:4-6.

⁹ *Id.*, 21:4-9.

¹⁰ *Id.*, 22:3-9.

¹¹ *Id.*, 22:15-21.

The PSC finds that the Settlement includes sensible and reasonable terms and conditions that provide DEU and Wexpro with additional flexibility and customer protections related to natural gas production. Specifically, we find the parameters outlined in the Settlement to increase the Production Cap are reasonable because they will allow DEU and Wexpro greater flexibility to provide low cost gas to customers while protecting them from unnecessary production increases and shut-ins. The PSC also finds and concludes the list of public interest considerations in paragraph 15 of the Settlement to be sensible when evaluating an increased production plan, and provides us with the discretion to add additional considerations that we deem relevant and necessary.

As set forth in Utah Code Ann. § 54-7-1, settlement of matters before the PSC is legislatively encouraged at any stage of a proceeding. The PSC may adopt a Settlement after considering the interests of the public and other affected persons, if the PSC finds it is in the public interest. Based on the PSC's findings, the Settlement, testimony provided at hearing, the comments and recommendations of DPU and OCS, and the lack of opposition to the Settlement, we find and conclude the Settlement is just and reasonable in result and in the public interest.

4. ORDER

The Settlement is approved.

DATED at Salt Lake City, Utah, April 13, 2022.

/s/ Yvonne R. Hogle
Presiding Officer

DOCKET NO. 22-057-04

- 7 -

Approved and Confirmed April 13, 2022 as the Order of the Public Service Commission
of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#323505

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on April 13, 2022, a true and correct copy of the foregoing was served upon the following as indicated below:

By Email:

Jennifer Nelson Clark (jennifer.clark@dominionenergy.com)
Abigail E. Magrane (abbie.magrane@dominionenergy.com)
Attorneys for Dominion Energy Utah

Kelly Mendenhall (kelly.mendenhall@dominionenergy.com)
Austin Summers (austin.summers@dominionenergy.com)
Dominion Energy Utah

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Assistant Utah Attorneys General

Madison Galt (mgalt@utah.gov)
Division of Public Utilities

Alyson Anderson (akanderson@utah.gov)
Bela Vastag (bvastag@utah.gov)
Alex Ware (aware@utah.gov)
(ocs@utah.gov)
Office of Consumer Services

Administrative Assistant