STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-22, SUB 551
DOCKET NO. G-5, SUB 585

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

IN THE MATTER OF
JOINT APPLICATION OF DOMINION ENERGY, INC.
AND SCANA CORPORATION TO ENGAGE IN A BUSINESS COMBINATION
TRANSACTION

PREFILED DIRECT TESTIMONY OF

CAMILO AMEZQUITA

DIRECTOR OF BUSINESS DEVELOPMENT FOR TRANSCONTINENTAL
GAS PIPE LINE COMPANY, LLC

ON BEHALF OF

TRANSCONTINENTAL GAS PIPE LINE COMPANY, LLC

September 26, 2018

Q. PLEASE STATE YOUR NAME, CURRENT POSITION AND BUSINESS ADDRESS.

A. My name is Camilo Amezquita. I am Director of Business Development for Transcontinental Gas Pipe Line Company, LLC ("Transco"). My business address is 2800 Post Oak Boulevard, Houston, Texas 77056.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Mechanical Engineering from Texas A&M University, which I received in 1993. I have 19 years of experience with Transco and its parent company, The Williams Companies, Inc., during which I have held several positions of increasing management and other responsibilities, including director positions in Customer Services and Gas Management and Control. On December 24, 2016, I was named to my present position.

Q. PLEASE OUTLINE YOUR CURRENT RESPONSIBILITIES WITH TRANSCO.

A. In my capacity as Director – Business Development, I am responsible for working with Transco's existing and potential customers – local distribution companies ("LDCs"), power generators, producers, marketers, etc. – to meet their gas transportation and storage requirements, in accordance with Transco's FERC Gas Tariff ("Tariff") and policies and procedures. This includes developing new expansion projects and services. In my position, I am familiar with Transco's Tariff and transportation and storage arrangements.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE COMMISSION OR ANY OTHER REGULATORY AUTHORITY?

A. Yes. I submitted testimony before the FERC on Transco's utilization of storage assets to support its transportation services in Transco's general Natural Gas Act Section 4 rate proceeding in Docket No. RP12-993.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present Transco's concerns about the impact of the proposed merger on the customers of Public Service Company of North Carolina, Inc. ("PSNC") and to propose necessary safeguards to ensure that if the Dominion Energy, Inc. ("Dominion") and SCANA Corporation ("SCANA") merger is approved the combined entity will use the most reliable, low-cost gas transportation services available to it and that North Carolina ratepayers will continue to receive the best service at the lowest cost.

Q. PLEASE SUMMARIZE TRANSCO'S POSITION IN THIS PROCEEDING.

A. Transco believes it is important to evaluate the proposed merger in the context of Dominion's overall business strategy. In addition to acquiring the distribution and transmission systems of SCANA, Dominion has indicated that its current operations in the Carolinas, including the proposed Atlantic Coast Pipeline ("ACP"), will combine to open new expansion opportunities in the region.

Dominion's proposed business strategy, including the merger proposed in this docket, would create a vertically integrated business structure that could have significant control over essential facilities in the sale, distribution and transmission of natural gas and electricity in North Carolina. In effect, Dominion could control virtually every link in the energy delivery chain – including the acquisition of natural gas at the wellhead, the transportation of gas to electric power generation facilities, the siting and operation of generation facilities, and the sale of electric power and natural gas to end users.

This vertically integrated business structure could lead to decisions by the merged company that could result in North Carolina consumers paying higher prices. Of particular concern should be the ability of PSNC and SCANA to make appropriate decisions when selecting among affiliated and unaffiliated suppliers and whether the new structure will make it difficult for the combined entity to engage in "arms length" negotiations with its affiliates. Unless adequate controls are imposed, the proposed acquisition will leave PSNC and SCANA in a position of selecting among affiliate and third party suppliers of natural gas and competing intrastate and interstate transmission capacity – whose facilities compete with the combined entity.

For these reasons, the proposed merger must be closely scrutinized by the Commission to ensure that the interests of the North Carolina ratepayers to receive service at the most competitive price is protected. Transco believes that if the merger is approved certain safeguards and conditions must be instituted to ensure that North Carolina consumers are able to obtain the most cost effective and reliable service.

Q. WHY IS TRANSCO INTERESTED IN ASSURING THAT THE DOMINION/SCANA ACQUISITION IS ADEQUATELY REGULATED?

A. Transco has been investing for more than sixty years in facilities to provide low cost, reliable natural gas service to North Carolina's LDCs, end users and consumers. Transco provides firm and interruptible transportation, storage and liquefied natural gas ("LNG") peaking services for North Carolina's LDCs, end users and other shippers, including PSNC and consumers located on PSNC's system. Transco currently has firm commitments to provide transportation service of an average of 1,576,222 dekatherms per day ("dt/d") to 17 North Carolina customers, and to provide storage capacity of 6,325,500 dt/d with withdrawal capacity of 127,026 dt/d to four North Carolina customers. Transco delivered approximately 555 billion cubic feet ("Bcf") of natural gas to North Carolina in 2017.

Transco has approximately 560 total miles of pipeline in North Carolina, consisting of three and four mainlines in parallel which range from 24-inch to 42-inch in diameter. Transco has four compressor stations and a total of 55 delivery points to customers in the state. Additionally, Transco employs 76 operating personnel in North Carolina to operate and maintain its facilities.

Q. HAS TRANSCO MADE OTHER INFRASTRUCTURE INVESTMENTS IN NORTH CAROLINA?

A. Yes. Transco has partnered with North Carolina LDCs, including PSNC, to create additional infrastructure within North Carolina. Wholly owned subsidiaries of Transco own 35% and 45% ownership interests, respectively, in Pine Needle LNG Company, LLC ("Pine Needle") and Cardinal Pipeline Company, LLC ("Cardinal"). Pine Needle is a 4 Bcf LNG storage facility located in Guilford

County, North Carolina, which provides a storage capacity of 3,669,000 dt/d with withdrawal capacity of 366,900 dt/d to two North Carolina customers. Cardinal's system consists of approximately 100 miles of 24-inch diameter pipe and has firm commitments to provide 478,450 dt/d of firm natural gas transportation service to two North Carolina customers, including PSNC.

Finally, Transco has consistently invested to assure that its facilities adequately meet the growing market demand for natural gas in North Carolina by developing projects and constructing facilities to enable North Carolina shippers to access additional gas supply sources on a firm basis to meet existing and future customer needs and to increase the security of those gas supplies. Exhibit 1, attached to my testimony, contains a table of the expansion projects that Transco has undertaken in the past ten years to serve the North Carolina market. This table demonstrates that Transco, together with Cardinal, has developed projects which add a total of 731 dt/d of incremental capacity to serve the gas requirements of the North Carolina consumers as market demand has grown over the past ten year period.

Q. **DOES TRANSCO HAVE PLANS FOR FUTURE EXPANSION IN NORTH CAROLINA?**

Yes. Transco is also planning to continue expansion of its facilities serving North Carolina. For example, on April 11, 2018, Transco filed with the FERC for a certificate of public convenience and necessity to construct and operate its Southeastern Trail Project to enable Transco to provide an additional 296,375 dt/d of incremental capacity, 60,000 dt/d of which is intended to serve North Carolina, by a target date of November 1, 2020.

Q. PLEASE ELABORATE ON HOW THE PROPOSED MERGER COULD ADVERSELY IMPACT PSNC'S AND SCANA'S RATEPAYERS.

A. The vertically integrated business structure which would result from the proposed merger creates the risk that the interests of North Carolina ratepayers in receiving the best service at the lowest cost could be in direct conflict with the interests of the merged company in supporting its affiliated businesses without sufficient regulatory controls. The merged company, through its affiliates, could exert significant control over electricity and natural gas supplied to North Carolina as well as on the siting of power plants, distribution systems, and intrastate and interstate transmission facilities.

For example, Dominion owns 45% of ACP, a proposed 600 mile pipeline from West Virginia to North Carolina. PSNC has signed a contract with ACP for 100,000 dt/d of capacity. The owners of ACP have expressed the possibility for future expansion opportunities to other markets in North Carolina and South Carolina. Without proper regulatory oversight and controls, Dominion could exercise control over PSNC and/or SCANA to cause them to participate in future expansions of ACP, at a greater cost than similar service on Transco.

If the business structure of the merged company causes PSNC or SCANA to make a decision to purchase transportation or gas service from an affiliate notwithstanding the fact that there is a cheaper and better service alternative available from an unaffiliated supplier, the proposed merger will adversely impact

North Carolina ratepayers. Further, Dominion could exercise control over PSNC to cause it to terminate its existing service agreements with Transco, many of which are beyond the primary term set forth in the contracts and may be terminated upon delivery of the required notice from PSNC to Transco. This could displace PSNC's existing, cost-effective firm transportation service through Transco's legacy pipeline facilities with expensive new infrastructure. Exhibit 2, attached to my testimony, contains a table reflecting the commencement and expiration dates of PSNC's contracts with Transco.

Q. ON WHAT DO YOU BASE YOUR OPIONION THAT TRANSCO PROVIDES A CHEAPER SERVICE THAN ACP?

A. Based on information contained in ACP's public announcements, the capital cost of constructing ACP involves an investment of $5.07 billion to create 1,500 Mdt/d firm capacity. The applicable ACP recourse rate is significantly higher than Transco's rolled-in system rate. The applicable ACP rate is $1.729 dt/d as compared to Transco's currently applicable maximum system rate for transportation from Zone 1 to Zone 5, which covers from Texas to Virginia, of $0.43557 dt/d, including electric power charges.

Q. CAN YOU DESCRIBE THE RELIABILITY AND FLEXIBILITY OF TRANSCO'S SYSTEM?

A. Yes. Transco has provided and continues to provide an extremely reliable source of interstate natural gas pipeline capacity for its customers in North Carolina. This reliability is due to the system-wide flexibility of Transco's system afforded by the total integration of Transco's system, its multiple parallel pipelines, its many compressor units and stations, its storage capacity, substantial line pack capability, and prudent operating and maintenance practices.

In addition to the physical reliability, Transco's system affords its customers the ability to source gas supplies from various gas supply basins attached directly to Transco's vast pipeline network and attached indirectly via Transco's numerous interconnections with third-party pipelines. This supply source diversity serves to reduce the magnitude of the effect of a supply disruption (whether from hurricanes, storms, unplanned outages, etc.).

Q. DOES TRANSCO'S SYSTEM PROVIDE ACCESS TO DIVERSE GAS SUPPLIES?

A. Yes. Shippers on Transco's system are not limited to gas supplied by producers physically connected to Transco's system. Transco is part of an extensive and integrated pipeline grid and through numerous interconnections with other pipeline systems, shippers on Transco's system have access to gas supplies from many different supply basins. For example, shippers can rely on these existing pipeline interconnections to receive gas supplies on other pipeline systems for transportation via the Transco system to North Carolina markets. As a result, shippers on Transco's system have access to diverse gas supplies connected to the interstate grid and supplied by producers as well as marketing companies.

It is well recognized that ample, uncommitted gas supplies are available throughout North America and that a competitive wellhead market for such supplies exists. Given this competitive natural gas market, the transportation component of the rate has a tremendous impact on the price of delivered gas.

Since after the merger, the combined entity would be a supplier of both natural gas and electricity and would be able to pass through its upstream gas supply and transmission costs in its utility rates, PSNC may be indifferent to increases in the price of delivered gas. Consumers of natural gas and electricity, on the other hand, would not be indifferent to increases in the price of delivered gas. It is for this reason that it is so important that PSNC be required as a condition of the merger to contract for the least cost provider of natural gas transportation service.

Q. DOES TRANSCO HAVE SPECIFIC RECOMMENDATIONS FOR NCUC ACTION HEREIN?

A. Yes. Transco believes that due to the potential adverse impact that the proposed merger may have on PSNC's and SCANA's ratepayers, certain safeguards must be included to ensure that the ratepayers continue to receive the best services at the lowest rates. Transco requests that if the NCUC approves the Dominion-SCANA merger, any order of approval include conditions: (a) requiring PSNC to issue a request for proposals for any additional natural gas transmission capacity and engage in good faith negotiations with third party suppliers of natural gas transportation capacity, and affirming the NCUC's intention to carefully scrutinize any affiliated agreements as required by North Carolina Gen. Stat. § 62-153(b); (b) requiring PSNC to file confidential reports on any such negotiations with the NCUC within 30 days after the conclusion of such discussion; and (c) requiring that PSNC follow a "least cost" standard with regard to contracting for gas supplies and transportation and storage services to ensure there is fair competition among competing service providers and that these business decisions are not biased in favor of affiliated transactions, or at a minimum, require PSNC to establish that the contract is in the public interest if it does not accept the “least cost” alternative and an affiliated pipeline/supplier is awarded the contract. A formal statement of these proposed conditions is provided in Exhibit 3, attached to my testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

EXHIBIT 1

Transco Expansion Project	In-Service Date	Service to North Carolina Customers (Dt/D)
85 North Expansion Project	2010/2011	308,500
Mid-South Expansion Project Phase 1	2012	93,000
Virginia Southside Expansion Project	2015	20,000
Leidy Southeast Project	2016	200,000

EXHIBIT 2

Contract No.	Rate Schedule	Commencement Date	Expiration Date	Contract Status	Notice Period (Days)	Volume (DT/D)
1002264	FT	08/01/1991	03/15/1998	Active	1095	2,264
1003703	FT	02/01/1992	01/30/2012	Active	1095	164,151
1004190	FT-SEP	11/01/1995	10/31/2005	Active	270	39,330
1004996	FT-PS	08/01/1991	07/30/2011	Active	1095	4,347
1006505	FT	10/01/1993	10/30/2012	Active	365	1,401
1012028	FT-SE95/96	11/01/1995	10/31/2015	Active	730	44,627
1012381	FT-FTNT	01/24/1996	10/31/2007	Active	365	5,175
9103562	FT-MOMENTUM	11/01/2010	04/30/2018	Active	365	20,000
9130053	FT	11/01/2012	03/31/2023	Active	365	9,633
9178381	FT-LEIDY SE	01/05/2016	01/04/2031	Active	365	100,000
1012387	IT	01/23/1996	02/22/1996	Active	30	300,000
1000732	GSS	07/01/1996	03/31/2023	Active	0	33,218
9019071	LNG	09/01/2004	10/31/2016	Active	334	5,175
9019052	WSS-OA	09/01/2004	01/31/2012	Active	365	29,416
9011146	ESS-ENHANCED INJ	12/01/2003	09/30/2029	Active	180	37,717
9050453	ESS-ENHANCED INJ	03/01/2007	09/30/2029	Active	180	38,545

EXHIBIT 3

Transcontinental Gas Pipe Line Company, LLC's
Proposed Conditions to Business Combination

1. PSNC shall not contract for additional natural gas transmission capacity until it has issued a request for proposals to provide such capacity and has entered into good faith negotiations with non-affiliated respondents that offer to provide such capacity. PSNC shall file confidential reports on any such negotiations with the Commission within thirty (30) days of the conclusion of such negotiations.

2. PSNC shall not contract with affiliated entities for additional natural gas transmission capacity unless the affiliate is the least cost provider of such capacity or unless the Commission first finds that it is in the public interest for PSNC to contract with an affiliated entity for such additional capacity.