

PLACE: Dobbs Building, Raleigh, North Carolina  
DATE: Tuesday, June 11, 2024  
TIME: 10:00 a.m. - 11:28 a.m.  
DOCKET: G-5, Sub 667  
BEFORE: Chair Charlotte A. Mitchell  
Commissioner Kimberly W. Duffley  
Commissioner Jeffrey A. Hughes  
Commissioner Floyd B. McKissick, Jr.  
Commissioner Karen M. Kemerait  
Commissioner William M. Brawley  
Commissioner Tommy Tucker

IN THE MATTER OF:

Joint Application of

Public Service Company of North Carolina, Inc.  
and Enbridge Parrot Holdings, LLC to Engage in a  
Business Combination Transaction

VOLUME 3



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## P R O C E E D I N G S

CHAIR MITCHELL: All right. Good morning. Let's come to order and go on the record, please. I'm Charlotte Mitchell, Chair of the North Carolina Utilities Commission. With me today are Commissioners Kimberly W. Duffley, Floyd B. McKissick, Jr., Jeffrey A. Hughes, Karen M. Kemerait, William M. Brawley and Tommy Tucker.

I now call for hearing Docket No. G-5, Sub 667 In The Matter of Joint Application of Public Service Company of North Carolina, Incorporated, and Enbridge Parrot Holdings, LLC, to Engage in a Business Combination Transaction.

Before we proceed further and as is required by the State Government Ethics Act, I remind members of the Commission of our duty to avoid conflicts of interest and inquire at this time as to whether any member of the Commission has a known conflict with respect to the matter coming before us in this proceeding. All right. Let the record reflect that no conflicts have been identified, so we will proceed.

1                   On October 20, 2023, Public Service  
2                   Company of North Carolina, doing business as  
3                   Dominion Energy North Carolina, I'll refer to the  
4                   company as PSNC, and Enbridge Parrot Holdings, LLC,  
5                   or EP Holdings, and together the Joint Applicants,  
6                   filed with the Commission a Joint Application,  
7                   pursuant to North Carolina General Statute  
8                   § 62-111(A) and Commission Rule R1-5, for the  
9                   approval of a business combination transaction.  
10                  Filed with the Application were a Purchase and  
11                  Sale Agreement, a Cost-Benefit Analysis, and a  
12                  Market Power Analysis.

13                 The Application requests that the  
14                 Commission authorize a business combination through  
15                 which, in effect, PSNC, which is currently an  
16                 indirect subsidiary of Dominion Energy,  
17                 Incorporated, would be sold to EP Holdings, which  
18                 is an indirect subsidiary of Enbridge, U.S.,  
19                 Incorporated. The Application explains that,  
20                 assuming the business combination is approved by  
21                 the Commission, upon closing of the transaction,  
22                 PSNC would become an indirect subsidiary of  
23                 Enbridge U.S., Incorporated.

24                 Further, the Application explains that

1 PSNC would continue to exist as a separate legal  
2 entity subject to the full jurisdiction of this  
3 Commission. The Application provides that the  
4 transaction is in the public interest, satisfies  
5 the legal standard established by North Carolina  
6 General Statute § 62-111(A), and satisfies the no  
7 harm standard established by the Commission when  
8 applying § 62-111(A).

9 On November 15th, in support of the  
10 Application, EP Holdings filed the direct testimony  
11 and exhibits of Michele Harradence, James Sanders,  
12 Christopher Johnston, and John Reed. Also on  
13 November 15th, 2023, PSNC filed the direct  
14 testimony of D. Russell Harris in support of the  
15 Application.

16 On January 10th, 2024, the Commission  
17 issued an Order Scheduling Hearings, Establishing  
18 Discovery Guidelines, and Requiring Customer  
19 Notice. The Order scheduled two public witness  
20 hearings as well as an expert witness hearing to  
21 begin on this date and at this time.

22 The intervention and participation of  
23 the Public Staff in this proceeding is recognized  
24 pursuant to North Carolina General Statute

§ 62-15(D), and Commission Rule R1-19(E). In addition, the Attorney General's Office has been allowed to intervene in this proceeding on behalf of the Using and Consuming Public, in accordance with North Carolina General Statute § 62-20.

On May 29th, 2024, an agreement and stipulation of settlement was filed in this Docket on behalf of PSNC, EP Holdings, and the Public Staff. Also on May 29th, 2024, the Public Staff filed the testimony of Michelle Boswell, supporting the settlement agreement.

On May 31st, 2024, PSNC filed the supplemental testimony of D. Russell Harris in support of the settlement agreement, and EP Holdings filed the testimony of Laszlo Varsanyi in support of the settlement. On May 31st, 2024, EP Holdings filed a Motion to excuse witness Harradence's appearance at the expert witness hearing, and on June 6, filed a Motion to excuse witness Reed's appearance at the expert witness hearing. The Commission subsequently issued Orders excusing both witnesses Harradence and Reed from appearing at the hearing today.

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1 All right. That brings us to today. I  
2 call upon counsel for the parties to announce their  
3 appearances for the record, and we'll begin with  
4 the Applicants.

5 MR. ERVIN: Chair Mitchell, members of  
6 the Commission. I'm Sam Ervin, IV, of counsel with  
7 Brooks Pierce. With me are Marcus Trathen and  
8 Amanda Hawkins, also with Brooks Pierce. We appear  
9 on behalf of the Applicant Enbridge Parrot  
10 Holdings.

11 CHAIR MITCHELL: Good morning,  
12 Mr. Ervin.

13 MS. GRIGG: Good morning,  
14 Chair Mitchell, members of the Commission. I'm  
15 Mary Lynne Grigg with the law firm of McGuire  
16 Woods, appearing on behalf of PSNC.

17 CHAIR MITCHELL: Good morning,  
18 Ms. Grigg.

19 MR. FREEMAN: Good morning, Chair and  
20 Commissioners. I am Will Freeman and with me is  
21 Gina Holt for the Public Staff on behalf of the  
22 Using and Consuming Public.

23 CHAIR MITCHELL: Good morning,  
24 Mr. Freeman.

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1 MR. MERTZ: Good morning, Chair and  
2 Commissioners. My name is Derrick Mertz. I'm here  
3 on behalf of the State Attorney General's Office.

4 CHAIR MITCHELL: Good morning,  
5 Mr. Mertz.

6 All right. Are there preliminary  
7 matters that we need to take up before we begin  
8 this morning?

9 MR. TRATHEN: No.

10 CHAIR MITCHELL: Okay. It's my  
11 understanding that you-all have settled upon an  
12 order of witnesses and that EP Holdings and PSNC  
13 will put up a panel of witnesses to begin.

14 MS. GRIGG: Yes, ma'am.

15 MR. TRATHEN: Yes.

16 CHAIR MITCHELL: All right. You-all may  
17 call your witnesses then.

18 MR. TRATHEN: Thank you, Madam Chair.  
19 EP Holdings would call Laszlo Varsanyi,  
20 James Sanders, and Christopher Johnston.

21 MS. GRIGG: And PSNC will call  
22 Mr. Rusty Harris.

23 CHAIR MITCHELL: All right. Good  
24 morning, gentlemen. Let's get you all sworn in.



1 Can you all place left hands on the Bible, raise  
2 your right hand.

3 Whereupon,

4 LASZLO VARSANYI, JAMES SANDERS, CHRISTOPHER JOHNSTON,  
5 AND D. RUSSELL HARRIS,

6 having first been duly sworn, were examined  
7 and testified as follows:

8 MR. TRATHEN: Okay. So let me proceed  
9 with the EP Holdings' witnesses. Let me take you  
10 one at a time, if I could.

11 DIRECT EXAMINATION BY MR. TRATHEN:

12 Q. Mr. Varsanyi, please state your name and  
13 official address for the record.

14 A. (Laszlo Varsanyi) Good morning. My name is  
15 Laszlo Varsanyi, and I'm the Vice President of  
16 Regulatory Immigration and  
17 Value Creation for Enbridge Gas, Inc.

18 Q. Did you cause to be filed in this proceeding  
19 settlement testimony consisting of 15 pages and four  
20 exhibits?

21 A. Yes.

22 Q. Do you have any corrections to that  
23 testimony?

24 A. I do have one. It's a correction with

1 respect to page 4, line 19 of my testimony. The word  
2 "indirect" there should read "direct."

3 Q. As corrected, if I asked you the same  
4 questions in these prefiled submissions -- the prefiled  
5 submission today, would your answers be the same?

6 A. Yes.

7 Q. And did you cause to be filed in this  
8 proceeding a summary of your testimony?

9 A. I did.

10 Q. Is that summary true and accurate to the best  
11 of your information and belief?

12 A. It is.

13 Q. Okay. Thank you.

14 Mr. Sanders, let me turn to you. Please  
15 state your name and official address for the record.

16 A. (James Sanders) I'm Jim Sanders. I am the  
17 Senior Vice President of Enterprise and Utility  
18 Integration. My business address is 500 Consumers  
19 Road, Toronto-Ontario Canada.

20 Q. Did you cause to be filed in this proceeding  
21 direct testimony consisting of 17 pages and one  
22 exhibit?

23 A. I did.

24 Q. And do you have any corrections to your

1 testimony?

2 A. I do not.

3 Q. If I asked you the questions in the prefiled  
4 submission today, would your answers be the same?

5 A. They would.

6 Q. And did you cause to be filed in this  
7 proceeding a summary of your testimony?

8 A. I did.

9 Q. Is that summary accurate to the best of your  
10 information and belief?

11 A. Yes, it is.

12 Q. Mr. Johnston, if I could turn to you. Please  
13 state your name and official address for the record.

14 A. (Christopher Johnston) Chris Johnston, Vice  
15 President of Finance Integration, Enbridge, Inc.,  
16 425 First Street SW, Calgary, Canada.

17 Q. And did you cause to be filed in this  
18 proceeding direct testimony consisting of ten pages and  
19 one exhibit?

20 A. Yes.

21 Q. Do you have any corrections to your  
22 testimony?

23 A. I do.

24 Q. Okay. Could you walk through those with us?

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1           A.       Certainly. The responses were accurate when  
2       made, but due to the passage of time there have been a  
3       few developments that would alter my responses. There  
4       are three. First, on page 4, lines 9 through 12 and at  
5       line 20, I reference a \$9.4 billion bridge facility  
6       created to finance the transaction. However, since the  
7       filing of my testimony, Enbridge has successfully  
8       raised funds for the transactions through other means  
9       of financing, so the bridge facility no longer exists.  
10      Second --

11           Q.       Mr. Johnston?

12           A.       Sir?

13           Q.       Could you pull the microphone just a little  
14      closer so the Commissioners can hear?

15           A.       Second, in the table on page 6, Moody's  
16      Senior Unsecured Rating should be changed to BAA2 and  
17      the Moody's Outlook should be changed to "stable."

18                    Third, on pages 8 through 9 of my testimony,  
19      I reference various commitments proposed in the joint  
20      Application. These commitments, of course, have been  
21      updated, and the regulatory conditions agreed to  
22      with the Public Staff.

23           Q.       So, Mr. Johnston, as clarified and corrected,  
24      if I asked you the questions in these prefiled

1 submissions today, would your answers be the same?

2 A. Yes.

3 Q. And did you cause to be filed in this  
4 proceeding a summary of your testimony?

5 A. Yes.

6 Q. Is the summary true and accurate to the best  
7 of your information and belief?

8 A. It is.

9 MR. TRATHEN: Okay. Thank you. I  
10 guess --

11 MS. GRIGG: Good morn- -- oh.

12 MR. TRATHEN: Well, should -- if now is  
13 the appropriate time, I'd also ask that these --  
14 the testimony be entered into the record.

15 CHAIR MITCHELL: All right. The  
16 testimonies of Mr. Christopher Johnston as filed on  
17 November 15, 2023, consisting of ten pages and one  
18 exhibit, corrected from the stand today, shall be  
19 copied into the record as if delivered orally from  
20 the stand;

21 Testimony of James Sanders filed on  
22 November 15th, 2023, consisting of 17 pages and one  
23 exhibit, shall be copied into the record as if  
24 delivered orally from the stand;

1                   Testimony of Mr. Laszlo Varsanyi as  
2                   filed on May 31st, 2024, consisting of 15 pages and  
3                   four exhibits, portions of which are confidential  
4                   shall be copied into the record as if delivered  
5                   orally from the stand.

6                   Exhibits to those testimonies will be  
7                   marked for identification as they were when  
8                   prefiled.

9                   (Exhibits CJ-1, JS-1, and LV-1 through  
10                  LV-4 were identified as they were marked  
11                  when prefiled.)(Confidential - filed  
12                  under seal.)

13                  (Whereupon, the prefiled direct  
14                  testimony of CHRISTOPHER JOHNSTON, the  
15                  prefiled direct testimony of  
16                  JAMES SANDERS, and the prefiled  
17                  settlement testimony of LASZLO VARSANYI  
18                  were copied into the record as if given  
19                  orally from the stand.)(Confidential -  
20                  filed under seal.)

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**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION****DOCKET NO. G-5, SUB 667****Direct Testimony of Christopher Johnston****On Behalf of Enbridge Parrot Holdings, LLC****November 15, 2023****I. INTRODUCTION**

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

2 A. My name is Christopher Johnston. My business address is 200, 425-1<sup>st</sup> Street SW,  
3  
4 Calgary, Alberta, T2P 3L8, Canada.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6 A. I am employed by Enbridge Inc. (“Enbridge”) as Vice President, Finance -  
7 Integration.

8 **Q. WHAT ARE YOUR QUALIFICATIONS TO TESTIFY IN THIS**  
9 **PROCEEDING?**

10 A. I have listed my qualifications in Exhibit CJ-1.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

12 A. My testimony provides financial information supporting the transaction (the  
13 “Transaction”) pursuant to which the parent entity of Public Service Company of  
14 North Carolina, Inc., d/b/a Dominion Energy North Carolina (“PSNC”), Fall North  
15 Carolina Holdco LLC (“NC Holdco”), will become a wholly-owned subsidiary of  
16 Enbridge Parrot Holdings, LLC (“EP Holdings”), a Delaware limited liability



1 company. EP Holdings is a direct, wholly-owned subsidiary of Genoa Holdings,  
2 LLC (“Genoa Holdings”), a Delaware limited liability company. Genoa Holdings  
3 is a direct, wholly-owned subsidiary of Enbridge U.S. Inc. (“Enbridge U.S.”), a  
4 Delaware corporation, and has no subsidiaries other than those formed in  
5 connection with the Transaction and the Other Acquisitions.<sup>1</sup> Enbridge U.S. is an  
6 indirect, wholly-owned subsidiary of Enbridge, a Canadian corporation.

7 I also discuss a number of the commitments that are being made in  
8 connection with the Transaction and how the resources that will be available to  
9 PSNC following completion of the Transaction will sustain and enhance PSNC’s  
10 financial condition and financial strength and bring Enbridge’s strong risk  
11 management and financial capabilities to bear on behalf of PSNC and its  
12 customers.

## 13 II. DESCRIPTION OF THE TRANSACTION

### 14 Q. WHAT IS THE PURCHASE PRICE FOR DOMINION ENERGY’S 15 INTEREST IN NC HOLDCO?

16 A. Under the terms of the Purchase and Sale Agreement (“Agreement”), Dominion  
17 Energy’s interests in NC Holdco will be acquired for a base purchase price of

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<sup>1</sup> On September 5, 2023, contemporaneously with the Transaction at issue here, Dominion Energy entered into two additional purchase and sale agreements involving Dominion Energy assets in Ohio and Utah (and also limited operations in Wyoming and Idaho) with two separate subsidiaries of Genoa Holdings pursuant to which those subsidiaries have each separately agreed to acquire all of the outstanding equity interests in other Dominion Energy subsidiaries: (i) Dominion Energy Questar Corporation, Dominion Energy Gas Distribution, LLC, The East Ohio Gas Company and DEO Alternative Fuel, LLC; and (ii) Wexpro Company, Wexpro II Company, Wexpro Development Co. and Dominion Energy Wexpro Services Co., and each of Dominion Gas Projects Co., LLC and Questar InfoComm Inc. The completion of the transactions contemplated by these separate agreements and the Transaction contemplated by the Agreement are not cross-conditioned on one another.

1 US\$2.16 billion, subject to adjustments for cash, indebtedness, working capital and  
2 capital expenditures based on agreed target amounts and the net value of any new  
3 regulatory assets and liabilities of NC Holdco arising between July 1, 2023 and the  
4 closing of the Transaction.

5 **Q. WHAT WILL HAPPEN TO NC HOLDCO AND ITS SUBSIDIARIES,**  
6 **INCLUDING PSNC?**

7 A. At the closing of the Transaction, NC Holdco will become a direct subsidiary of  
8 EP Holdings and PSNC will remain a subsidiary of NC Holdco. The companies  
9 will continue to exist as separate legal entities.

10 **Q. WAS THE TRANSACTION APPROVED BY THE BOARDS OF**  
11 **DIRECTORS OR OTHER GOVERNING BODIES OF THE RELEVANT**  
12 **PARTIES?**

13 A. Yes. The boards of directors or other governing bodies of all parties have approved  
14 the Agreement and the Transaction.

### 15 **III. METHOD OF FINANCING THE TRANSACTION**

16 **Q. HOW WILL THE TRANSACTION BE FINANCED?**

17 A. Funds raised to finance the Transaction have been and will be raised by Enbridge  
18 and will be advanced to Enbridge U.S. as capital contributions and internal loans.  
19 Enbridge U.S. will then make capital contributions to Genoa Holdings and Genoa  
20 Holdings will then, in turn, make capital contributions to EP Holdings in an amount  
21 sufficient to pay Dominion Energy for its interests in NC Holdco under the  
22 Agreement and to pay other costs related to the Transaction. Neither EP Holdings

1 nor PSNC will incur any new indebtedness or liability for any acquisition debt  
2 incurred to finance the Transaction, and PSNC will not seek to recover transaction  
3 costs or acquisition premium related to the Transaction from ratepayers. PSNC's  
4 obligations in respect of its existing external indebtedness will continue following  
5 the closing of the Transaction. Consistent with the Agreement, all internal  
6 indebtedness will be settled with Dominion Energy at or prior to closing.

7 **Q. HOW DID ENBRIDGE RAISE THE FUNDS TO FINANCE THE**  
8 **TRANSACTION?**

9 A. To finance the Transaction, Enbridge entered into a commitment letter, pursuant to  
10 which Morgan Stanley Senior Funding, Inc. and Royal Bank of Canada committed  
11 to provide a 364-day credit facility (the "Bridge Facility") in an aggregate initial  
12 principal amount of US\$9.4 billion, with this amount having been reduced to  
13 US\$3.4 billion as a result of the offerings described below. Up to US\$2.16 billion  
14 of the Bridge Facility may be used to finance the Transaction, with this amount  
15 being sufficient to fund 100% of the purchase price specified in the Agreement.  
16 The balance of the amount available under the Bridge Facility is available to  
17 finance the Other Acquisitions.

18 As is customary for an acquisition such as the Transaction, Enbridge  
19 expects to further reduce the necessity for using the commitments available to  
20 finance the Transaction under the Bridge Facility to zero using proceeds from other  
21 sources of permanent financing. Enbridge expects its future financing sources may  
22 include issuances of hybrid notes, senior notes, or common shares in at-the-market

offerings. Enbridge may also reinstate its dividend reinvestment and share purchase plan to achieve potential savings in cash dividends. These sources are subject to change based on market conditions and other factors.

As part of its financing plan for the Transaction and the Other Acquisitions, on September 8, 2023, Enbridge completed the sale of 102,913,500 of its common shares, resulting in net proceeds of approximately C\$4.5 billion. On September 23, 2023, Enbridge completed the sale of US\$2 billion of fixed-to-fixed rate subordinated notes, resulting in net proceeds of approximately US\$1.98 billion. On September 29, 2023, Enbridge completed the sale of C\$1 billion of fixed-to-fixed rate subordinated notes, resulting in net proceeds of approximately C\$0.99 billion.

As a result of these financings, as of September 30, 2023, the necessity for using the commitments under the Bridge Facility has been reduced to approximately US\$3.4 billion.

#### IV. FINANCIAL CONDITION OF ENBRIDGE

**Q. PLEASE DESCRIBE THE FINANCIAL CONDITION OF ENBRIDGE.**

A. Enbridge common stock is publicly held and traded on the New York and Toronto Stock Exchanges under the ticker “ENB”. As of December 31, 2022, Enbridge had a public equity market capitalization of over C\$107 (US\$78)<sup>2</sup> billion, total assets of C\$179.6 (US\$131.5) billion and annual operating revenue of C\$53.3 (US\$39) billion. Consequently, Enbridge has the financial wherewithal to fund investments

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<sup>2</sup> All CAD to USD conversions utilize an October 12, 2023 US/CAD exchange rate of 1.3657.

in system modernization and system expansion, subject, in each instance, to receipt of all required regulatory approvals. Enbridge also has a large group of committed bank credit facilities totaling approximately C\$22 (US\$16B) billion upon which it can rely. As at June 30, 2023, Enbridge had net available liquidity of C\$11.4 (US\$8.3) billion.

**Q. WHAT ARE ENBRIDGE'S CURRENT CREDIT RATINGS?**

A. Enbridge's stable regulated operations, strong access to capital markets, ample liquidity, prudent capital structure, and experienced management team all contribute to its strong investment grade ratings. Enbridge's strong investment grade profile allows for cost-effective financing of its maintenance and growth-related capital investments. Current ratings information for Enbridge is set forth in the table below:

	<b>Preferred Shares</b>	<b>Senior Unsecured Rating</b>	<b>Commercial Paper Rating</b>	<b>Outlook</b>
Entity	Moody's/S&P/ Fitch	Moody's/S&P /Fitch	Moody's/S&P/ Fitch	Moody's/S&P/ Fitch
Enbridge Inc.	Baa3/ P-2(low)/BBB-	Baa1/BBB+ /BBB+	-/A-1(Low)/F2	Negative/Negative/ Stable

**Q. WILL THE TRANSACTION RESULT IN A CHANGE IN THE STATUS OF PSNC AS A STAND-ALONE ISSUER OF DEBT SECURITIES?**

A. No.

**Q. HOW DOES ENBRIDGE HANDLE THE DAY-TO-DAY SHORT-TERM CASH MANAGEMENT NEEDS OF ITS SUBSIDIARIES?**

1 A. For Enbridge's wholly-owned US based subsidiaries, short-term demand loans are  
2 provided at market rates to meet day-to-day short-term cash management needs.

3 **Q. HOW WILL THE DAY-TO-DAY SHORT-TERM CASH MANAGEMENT**  
4 **NEEDS OF PSNC BE HANDLED?**

5 A. Enbridge will provide PSNC with the same access to short-term debt, commercial  
6 paper and other liquidity that it has had in the past. If the availability of this access  
7 to short-term financing does not provide sufficient liquidity for PSNC's day-to-day  
8 needs, additional short-term demand loans, at market rates, will be available.  
9 However, without Commission approval, neither Enbridge nor any of its affiliates  
10 will make any loan to PSNC that bears interest at rates that are greater than the  
11 lower of i) rates being paid at the time of such loan by Enbridge or such other  
12 affiliate on its own debt or ii) rates available, at the time of such loan, on similar  
13 loans to PSNC from the market.

14 **V. FINANCIAL BENEFITS OF THE TRANSACTION**

15 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE FINANCIAL**  
16 **BENEFITS OF THE TRANSACTION.**

17 A. PSNC will benefit from the Transaction by becoming a member of the Enbridge  
18 group of companies. As described in the Joint Application and in the testimony of  
19 Witness Harradence, Enbridge is a leading North American energy infrastructure  
20 company that manages and, through its subsidiaries, operates energy assets ranging  
21 from crude oil pipelines to offshore wind power plants, as well as North America's

1 largest natural gas utility by volume of natural gas delivered, and third largest by  
2 customer count.

3 Operating this diverse portfolio of energy assets provides Enbridge with  
4 important and unique insight into the differentiated financing needs and risks  
5 associated with different components of the energy business and, especially, the  
6 benefits of risk management and corporate independence of different asset classes.  
7 Enbridge has strong financial credit and will support EP Holdings' efforts to ensure  
8 that EP Holdings has the wherewithal to ensure that PSNC has access to the  
9 resources, funding, and credit needed to support PSNC's operations and growth.  
10 Enbridge is committed to natural gas as an energy resource and to investing in  
11 natural gas infrastructure and natural gas transportation and distribution facilities.

12 **VI. FINANCIAL COMMITMENTS AND UNDERSTANDINGS**

13 **Q. IS EP HOLDINGS MAKING FINANCIAL COMMITMENTS AND**  
14 **PROVIDING FINANCIAL ASSURANCES THAT WILL ADDRESS**  
15 **POTENTIAL CONCERNS OF THE COMMISSION AND INTERESTED**  
16 **PARTIES?**

17 A. Yes. EP Holdings is committing to support the financial strength and integrity of  
18 PSNC and has outlined a number of commitments in the Joint Application designed  
19 to help ensure that ratepayers benefit from the Transaction.

20 **Q. PLEASE LIST THOSE COMMITMENTS THAT RELATE TO YOUR**  
21 **TESTIMONY.**

22 A. The financial commitments that EP Holdings is providing to PSNC include:

- 1           •       Although the Applicants have not yet determined the transaction fees or  
2                   any acquisition premium that will result from the Transaction, none of these  
3                   costs will be passed on to the customers of PSNC.
- 4           •       PSNC will be provided with no less than the same access to short-term debt,  
5                   commercial paper and other liquidity that PSNC currently has in place. If  
6                   this level of access to short-term financing does not provide sufficient  
7                   liquidity for PSNC's day-to-day needs, additional short-term demand  
8                   loans, at market rates, will be available.
- 9           •       Without Commission approval, neither Enbridge nor any of its affiliates  
10                  will make any loan to PSNC that bears interest at rates that are greater than  
11                  the lower of i) rates being paid at the time of such loan by Enbridge or such  
12                  other affiliate on its own debt or ii) rates available, at the time of such loan,  
13                  on similar loans to PSNC from the market.
- 14          •       PSNC will manage its business so as to seek to maintain an investment  
15                  grade debt rating on all of its rated debt issuances with all of the debt rating  
16                  agencies.
- 17          •       Pending adjustment by the Commission in any future rate proceeding,  
18                  EP Holdings will seek to maintain PSNC's capital structure consistent with  
19                  past practice and Commission authorization.



1   **Q.    WILL THESE COMMITMENTS REDUCE RISKS AND PRODUCE**  
2       **BENEFITS TO PSNC?**

3    A.    Yes. These commitments, combined with others set out in the Joint Application  
4           and discussed in the supporting testimony, help ensure that there are no adverse  
5           impacts on PSNC customers resulting from the Transaction and that customers will  
6           benefit from access to the extensive resources and experience of the Enbridge  
7           group of companies in the gas industry, including access to necessary capital to  
8           fund investments in PSNC's system maintenance, modernization, and expansion.

9                                   **VII.    CONCLUSION**

10   **Q.    WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

11   A.    Upon approval of the Transaction, PSNC will join EP Holdings and become part  
12           of the Enbridge group of companies who lead in providing energy infrastructure in  
13           North America. PSNC will have the support and financial resources to thrive in the  
14           future. There are no increased finance-related risks associated with the  
15           Transaction, and EP Holdings has committed that PSNC will not seek recovery in  
16           its rates for transaction costs or acquisition premium. For these reasons, the  
17           Transaction is in the public interest and should be approved.

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

19   A.    Yes.

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**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION****DOCKET NO. G-5, SUB 667****Direct Testimony of James Sanders****On Behalf of Enbridge Parrot Holdings, LLC****November 15, 2023****I. INTRODUCTION****Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is James Sanders. My business address is 500 Consumers Road, Toronto, Ontario, M2J 1P8, Canada.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

A. I am employed by Enbridge Gas Inc. ("Enbridge Gas") as Senior Vice President, Enterprise and Utility Integration.

**Q. WHAT ARE YOUR QUALIFICATIONS TO TESTIFY IN THIS PROCEEDING?**

A. I have listed my qualifications in Exhibit JS-1.

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

A. My testimony describes the resources available to Enbridge Parrot Holdings, LLC ("EP Holdings") as a member of the Enbridge Inc. ("Enbridge") group of companies in support of the proposed transaction (the "Transaction") pursuant to which the parent entity of Public Service Company of North Carolina, Inc., d/b/a

1 Dominion Energy North Carolina (“PSNC”), Fall North Carolina Holdco LLC  
2 (“NC Holdco”), will become a wholly-owned subsidiary of EP Holdings.

3 I also discuss a number of the operational commitments that are being made  
4 in connection with the Transaction and how the resources available to PSNC  
5 following completion of the Transaction will benefit PSNC’s operations and  
6 enhance PSNC’s ability to continue to deliver safe, reliable, and affordable natural  
7 gas service to its customers.

## 8 II. ENBRIDGE’S OPERATIONS AND VALUES

### 9 Q. PLEASE DESCRIBE ENBRIDGE’S COMMITMENT TO NATURAL GAS 10 AS AN ENERGY SOURCE FOR ITS CUSTOMERS.

11 A. Enbridge is committed to supporting natural gas utilities in the provision of safe,  
12 reliable and affordable energy for the benefit of local communities. In addition,  
13 Enbridge supports the role of natural gas in reducing the carbon footprint of the  
14 energy that it delivers, and is committed to achieving net zero greenhouse gas  
15 emissions in its operations by 2050, with a 35% reduction in emissions intensity  
16 by 2030. Today, and for the long-term, natural gas will remain essential for  
17 achieving North Carolina’s energy security, affordability and sustainability goals.  
18 EP Holdings will draw upon the experience and resources of Enbridge and the  
19 Enbridge group of companies to ensure that PSNC continues to provide safe,  
20 reliable, and affordable natural gas service over the long term. This includes  
21 continued investment in PSNC’s infrastructure, business support systems, and  
22 people. PSNC’s employees will have the opportunity to benefit from operations

1 and practices successfully deployed at Enbridge Gas, and at other Enbridge  
2 business units.

3 **Q. PLEASE PROVIDE SOME EXAMPLES OF THE WAYS IN WHICH**  
4 **ENBRIDGE COMPANIES HAVE HELPED TO PROVIDE SAFER AND**  
5 **MORE EFFICIENT GAS SERVICE.**

6 As an example, Enbridge Gas' integrity programs, over the last few years, have  
7 improved through collaboration with other Enbridge business units and industry  
8 involvement. As part of this process, Enbridge Gas, along with other Enbridge  
9 business units, has formed a Joint Integrity Business Council. This forum enables  
10 the Enbridge business units to discuss and collaborate with one another on integrity  
11 best practices, drive towards common goals, and share experiences and lessons  
12 learned. In line with the application of best practices, Enbridge Gas has risk-ranked  
13 its transmission system based on the latest applicable technical standards<sup>1</sup> to  
14 support integrity decisions. In addition, Enbridge Gas has recently employed a  
15 detection tool to identify crack-like features on a subset of its transmission  
16 pipelines. Enbridge has also stood up an enhanced distribution integrity team to  
17 focus on higher risk distribution assets and prioritize related business decisions,  
18 and initiated a geohazard program to focus on geotechnical and hydrotechnical  
19 risks. These are a few examples of how Enbridge Gas and PSNC can  
20 collaboratively work together to ensure that PSNC continues to provide its current

---

<sup>1</sup> Canadian Standards Association Z662, Annex O ("Oil and gas pipeline systems").

1 and future customers with safe, reliable, and affordable natural gas service.  
2 Furthermore, EP Holdings and PSNC are committed to being transparent and  
3 respectful in cooperating with local regulatory authorities and all people residing  
4 in the communities served by PSNC.

5 **Q. HOW ARE ENBRIDGE'S NATURAL GAS PUBLIC UTILITIES**  
6 **OPERATED?**

7 A. Enbridge Gas, which provides service in Ontario, has over 175 years of experience  
8 in delivering safe, reliable, and affordable natural gas. Enbridge Gas is North  
9 America's largest natural gas utility by volume of natural gas delivered and third  
10 largest by customer count with a rate base in excess of C\$15 billion (US\$ 11  
11 billion).<sup>2</sup> Enbridge Gas provides heating to more than 75% of Ontario homes with  
12 a reliability of more than 99.99%. Enbridge Gas's system consists of over 93,000  
13 miles of pipeline, taking into account both mains and services, supplied from  
14 36,000 measurement and pressure regulating stations. Enbridge Gas operates  
15 integrated natural gas storage, transmission and distribution assets that include  
16 approximately 290 billion cubic feet of storage and 2,200 miles of transmission  
17 pipelines powered with 53 compressors providing 800,000 horsepower at four  
18 primary sites. Enbridge Gas also operates one liquefied natural gas facility with a  
19 capacity of approximately 0.7 billion cubic feet. Above all else, Enbridge Gas is  
20 constantly working to ensure the safety of its people, neighbors and the

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<sup>2</sup> All CAD to USD conversions utilize an October 12, 2023 exchange rate of 1.3657.

1 communities in which it operates. In 2022, Enbridge Gas invested over C\$500  
2 (US\$366) million in maintaining the integrity of its system. Enbridge Gas' storage,  
3 transmission and distribution operating systems are monitored continuously  
4 through a central gas control center which has the ability to remotely operate the  
5 system and/or to dispatch technicians as needed.

6 Enbridge Gas personnel provide several functions specific to the utility,  
7 such as gas supply, gas control, regulatory, work management, asset management,  
8 and engineering.

9 Enbridge also owns Gazifère Inc. ("Gazifère"), which provides gas  
10 distribution service to more than 43,500 residential, commercial, and industrial  
11 customers in Quebec. Gazifère manages 620 miles of natural gas distribution  
12 facilities that currently serve the City of Gatineau and the municipality of Chelsea.

13 In 2022, Enbridge Gas and Gazifère delivered, on a combined basis, some  
14 2,162 billion cubic feet of natural gas to its customers.

15 Similar to Dominion Energy, Enbridge manages and maintains a corporate  
16 functions group which provides centralized support to the existing regulated  
17 utilities. Centralized functions include Human Resources, Information  
18 Technology, Finance, Legal, Safety and Reliability, and Supply Chain  
19 Management. These services are available to all wholly-owned Enbridge entities.

20 **Q. HOW IS ENBRIDGE GAS INVESTING IN THE NATURAL GAS**  
21 **BUSINESSES?**

22 **A.** Enbridge recognizes that the safety, operational reliability, and integrity of its

1 natural gas assets are a top priority. To foster this level of diligence in managing  
2 its assets, in 2015, Enbridge implemented an Integrated Management System  
3 (“IMS”) within the Gas Distribution & Storage business unit as well as other  
4 Enbridge business units.

5 The management of assets is important for the secure, safe, and reliable  
6 delivery of energy to customers. Enbridge Gas’s Asset Management Program  
7 (“AMP”) ensures that this goal is achieved while managing risk and opportunity.  
8 The AMP is a document that is intended to outline policies and strategies for  
9 establishing effective asset management for all utility assets; processes and  
10 governance for asset management planning; asset class objectives and life cycle  
11 management strategies; and asset inventory, condition methodology, condition  
12 findings, risks opportunities and renewal plans. This document aligns with the  
13 ISO5500X industry standard, which has been developed by the Institute of Asset  
14 Management and the Global Forum on Maintenance and Asset Management.

15 From 2013 through 2022 inclusive, Enbridge invested more than C\$16.1  
16 (US\$11.79) billion in leak detection/surveying, leak inspection, integrity, and  
17 damage prevention programs that have helped maintain the fitness of its systems  
18 across its operations in North America.

19 Finally, Enbridge Gas is continually evaluating new opportunities to  
20 expand its infrastructure. Most recently, as part of the Government of Ontario’s  
21 Natural Gas Expansion Program, Enbridge Gas has been actively expanding its  
22 infrastructure to provide natural gas service to communities which currently do not



1 have access to such service. Enbridge Gas also actively works with its commercial  
2 and industrial customers to assess their future needs for natural gas.

3 **Q. PLEASE PROVIDE ADDITIONAL INFORMATION WITH RESPECT TO**  
4 **ENBRIDGE'S IMS?**

5 A. Enbridge's IMS provides the framework, governance, and processes to manage  
6 risk, ensure compliance and improve safety and operational reliability. The system  
7 is intended to make certain that Enbridge proactively ensures the protection of its  
8 assets, people, public and the environment.

9 Enbridge's Gas Distribution & Storage IMS contains the following  
10 Management Programs: 1) Asset Management; 2) Emergency Management; 3)  
11 Environmental Protection; 4) Safety Management; 5) Integrity Management; 6)  
12 Physical and Cyber Security Management; 6) Control Room Management; and 7)  
13 Customer Care. Each of these Management Programs outlines how Enbridge  
14 intends to meet its corporate and technical regulatory obligations. These  
15 Management Programs are ongoing bodies of work and operate in a coordinated  
16 manner across various functional departments to achieve Enbridge's safety and  
17 reliability metrics.

18 The IMS also contains Elements, such as, Leadership and Governance,  
19 Risk Management, and Compliance, which provide the requirements, expectations,  
20 tools and processes to ensure that work associated with the Management Programs  
21 is executed in a compliant, consistent, and safe manner.

1 Enbridge's IMS protocols ensure that senior management is aware of  
2 significant risks, performance, and compliance of the IMS Elements and  
3 Management Programs.

4 As stated in the Joint Application, in addition to ensuring that PSNC  
5 maintains safety and reliability standards and policies, EP Holdings intends to  
6 implement IMS in the PSNC service area and seeks to do so within two years after  
7 completion of the Transaction.

8 **Q. WILL PSNC CONTINUE TO HAVE ACCESS TO SHARED SERVICES**  
9 **PROVIDED THROUGH A SHARED SERVICES COMPANY**  
10 **FOLLOWING COMPLETION OF THE TRANSACTION?**

11 A. Yes. PSNC currently receives certain services like human resources, legal and  
12 accounting support, from Dominion Energy Services. The Agreement provides  
13 that, for a period of time after the closing of the Transaction, Dominion Energy  
14 Services will continue to provide shared services support until such support within  
15 the Enbridge family of companies can be provided. This support will be provided  
16 through a Master Transition Services Agreement (the "TSA"), and will ensure that  
17 service quality, safety, and reliability will not be adversely affected by the transfer  
18 of shared services that are currently provided by Dominion Energy affiliates to  
19 PSNC. It is my understanding that the Commission has previously reviewed the  
20 allocation methodologies by which Dominion Energy affiliates provide shared  
21 services to PSNC, and those allocation methodologies set forth the basis upon

1 which the costs payable by PSNC for such shared services will be charged under  
2 the TSA.

3 **Q. PLEASE DISCUSS ENBRIDGE'S COMMITMENT TO SAFETY.**

4 A. Safety is a core value, as detailed by Witness Harradence, and is a paramount  
5 consideration at all of the companies that are part of the Enbridge family. Enbridge  
6 seeks to ensure that every employee returns home safely every day, and that the  
7 assets of every company within the Enbridge group of companies are operated in  
8 a safe and prudent manner. Enbridge's commitment to safety is based on its care  
9 for its employees, contractors, the communities in which Enbridge operates, and  
10 the environment. Enbridge's safety principles support and highlight the  
11 fundamental belief that Enbridge holds on its path to a zero-event workplace.

12 In 2022, safety performance across the Enbridge companies was on par  
13 with the record-setting result in 2021, contributing to a 23% reduction in employee  
14 and contractor injuries over a three-year average, and moving Enbridge closer to a  
15 goal of zero events.

16 The following table includes the safety awards that Enbridge Gas and  
17 Gazifère have received over the past three years.

Canadian Gas Association Awards		
Award Year	Award	Company
2022	Corporate Employee Safety Award	Gazifère
2021	Corporate Employee Safety Award	Gazifère
2021	Corporate Vehicle Safety Award	Gazifère

2021	Safety Lifetime Achievement Award - Grant Kilpatrick	Enbridge Gas
2020	Worker Safety Award - Struck By Video Series	Enbridge Gas
2020	Corporate Vehicle Safety Award	Gazifère
<b>American Gas Association Awards</b>		
<b>Award Year</b>	<b>Award</b>	<b>Company</b>
2022	Industry Leader Accident Prevention Award (DART below Industry Average)	Enbridge Gas
2022	AGA Leading Indicator Award	Enbridge Gas
2021	Industry Leader Accident Prevention Award (DART below Industry Average)	Enbridge Gas
2021	AGA Leading Indicator Award	Enbridge Gas
2020	Industry Leader Accident Prevention Award (DART below Industry Average)	Enbridge Gas

1 **Q. HOW IS THE COMMITMENT TO SUSTAINABILITY OF THE**  
2 **ENVIRONMENT FULFILLED?**

3 A. As noted in Witness Harradence's testimony, sustainability is foundational to the  
4 businesses operated by the Enbridge companies. Enbridge is committed to  
5 reducing its emissions, building lasting relationships with stakeholders, and

1 advancing diversity, equity, and inclusion. More information on Enbridge's  
2 sustainability commitment is set forth in Enbridge's [2022 Sustainability Report](#).<sup>3</sup>

3 Enbridge is innovating across the entire energy value chain to ensure the  
4 reliability and affordability of energy today, while accelerating the energy  
5 transition. Enbridge is introducing cleaner fuels into its energy mix, reducing  
6 emissions from its existing processes, turning promising technologies into scalable  
7 solutions, re-purposing existing infrastructure (for example, blending hydrogen  
8 into the natural gas distribution network), and continuing to invest in new, low-  
9 carbon infrastructure including renewables.

10 Enbridge is committed to transparency and to the disclosure of  
11 Environmental, Social, and Governance ("ESG") factors and performance relevant  
12 to its business and stakeholders. The Company has reported its sustainability  
13 efforts and process on ESG matters for over 20 years. Enbridge intends to continue  
14 to align its reporting with leading disclosure frameworks and evolving best  
15 practices.

16 Enbridge's commitment to environmental protection is articulated in its  
17 [Safety and Reliability Policy](#).<sup>4</sup>

18 Enbridge's environmental protection plans ("EPP") are part of an IMS that  
19 encompasses safety, security, and the protection of the environment, and defines  
20 environmental management accountabilities and responsibilities in the Enbridge

---

<sup>3</sup> Available at <https://www.enbridge.com/reports/2022-sustainability-report>.

<sup>4</sup> Available at <https://www.enbridge.com/about-us/safety/safety-and-reliability-policy>.

1 organization. Enbridge continually monitors environmental performance and  
2 conducts regular internal audits of its EPPs in order to assess and enhance its  
3 environmental management practices.

4 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ON THE COMMITMENT**  
5 **TO CUSTOMER SERVICE.**

6 A. The Transaction will not have an adverse impact on the operations or services of  
7 PSNC. EP Holdings commits that PSNC will have the resources to continue to, at  
8 a minimum, maintain current service quality and meet or exceed applicable  
9 customer service standards. In addition, EP Holdings will develop a plan  
10 identifying how it intends to communicate the change in ownership of the PSNC  
11 assets from Dominion Energy to EP Holdings.

12 PSNC will continue its practice of conducting customer surveys to gain a  
13 better understanding of its customers and to incorporate what it learns into  
14 processes, programs and services that PSNC can use in providing better service to  
15 its customers.

16 **Q. CAN YOU HIGHLIGHT SOME EXAMPLES OF ENBRIDGE**  
17 **COMPANIES HELPING LOW-INCOME USERS OF NATURAL GAS?**

18 A. Enbridge Gas offers low-income programs through its ratepayer funded  
19 conservation (or Demand Side Management) programs. An example of one  
20 specific program is Enbridge Gas's Home Winterproofing Offering. This program  
21 is designed to reduce energy costs and improve indoor home comfort for both low-  
22 income homeowners and tenants who use natural gas. Program participants receive

1 a home energy assessment and direct installation of weatherization measures at no  
2 cost to the participant. In addition, as a health and safety measure, participants are  
3 provided a carbon monoxide detector if one is not already present in the home. At  
4 the time of the home energy assessment, the home is also pre-qualified for water  
5 conservation measures and a smart thermostat.

6 As part of Enbridge Gas's commitment to corporate citizenship, in 2023,  
7 Enbridge Gas contributed C\$315,000 (~US\$231,000) to the Fire Marshal's Public  
8 Fire Safety Council ("FMPFSC") in support of Safe Community Project Zero. This  
9 program seeks to support vulnerable residents through a public education campaign  
10 delivered in partnership with the FMPFSC and local fire departments to distribute  
11 and install smoke and carbon monoxide detectors at no cost. In addition, in 2023,  
12 Enbridge Gas contributed an additional C\$250,000 (~US\$183,000) to the  
13 FMPFSC towards the purchase of educational materials to train the personnel of  
14 50 Ontario fire departments in life-saving techniques.

### 15 III. PLANS FOR OPERATING PSNC FOLLOWING

#### 16 COMPLETION OF THE TRANSACTION

17 **Q. HOW WILL PSNC BE OPERATED FOLLOWING COMPLETION OF**  
18 **THE TRANSACTION?**

19 A. Upon completion of the Transaction, PSNC will be operated as a separate legal  
20 entity with headquarters in Gastonia, North Carolina, and with local operations  
21 centers in its franchised service territory, with responsibility for implementing  
22 policies and practices to achieve the objectives of customer satisfaction, reliable

1 service, public and employee safety, environmental stewardship, and collaborative  
2 and productive relationships with customers, regulators, other governmental  
3 entities, and interested stakeholders. PSNC will have the additional benefit of  
4 access to the resources of the larger Enbridge group of companies, bringing best  
5 practices from divisions as disparate as Liquids Pipelines, Gas Transmission &  
6 Midstream, and Renewable Power Generation, which will bring about tangible  
7 benefits as described below.

#### 8 IV. OPERATIONAL BENEFITS OF THE TRANSACTION

##### 9 Q. WHAT ARE THE OPERATIONAL BENEFITS OF THE TRANSACTION 10 TO PSNC AND ITS CUSTOMERS?

11 A. PSNC and its employees and customers will benefit from access to Enbridge safety  
12 systems and community investment programs that are available to companies that  
13 are part of the Enbridge group of companies. Based on data<sup>5</sup> compiled by the  
14 American Gas Association, Enbridge's Gas Distribution & Storage business has  
15 been recognized as a top quartile performer as compared to its top 20 AGA peers  
16 by size of customer base.

17 As noted above, Enbridge implemented IMS within the Gas Distribution &  
18 Storage business unit (Enbridge Gas and Gazifère) and other Enbridge business  
19 units. To ensure that PSNC can continue to achieve its strategic priorities and  
20 identify, understand and effectively manage hazards and risks, EP Holdings intends

---

<sup>5</sup> This analysis is based on a 5-year average, as well as the year of 2021.



1 to implement IMS (which includes safety and risk management programs,  
2 processes and procedures) at PSNC and will seek to do so within two years  
3 following completion of the Transaction. Enbridge Gas has had these programs in  
4 place for a significant period of time and can assist PSNC in the development of  
5 such programs in its existing franchised service territory.

6 In summary, following receipt of regulatory approval, PSNC will have  
7 access to the broader group of Enbridge companies with which to collaborate and  
8 implement enhancements to current safety, integrity, construction and operational  
9 programs. These programs will result in benefits to PSNC as well as its current and  
10 future customers.

11 **V. OPERATIONAL COMMITMENTS AND UNDERSTANDINGS**

12 **Q. ARE EP HOLDINGS AND PSNC WILLING TO MAKE COMMITMENTS**  
13 **AND TO PROVIDE ASSURANCES RELATING TO THE OPERATIONS**  
14 **OF PSNC?**

15 A. Yes.

16 **Q. PLEASE SUMMARIZE THE COMMITMENTS EP HOLDINGS AND**  
17 **PSNC ARE MAKING RELATED TO THE OPERATIONS OF PSNC.**

18 A. PSNC will be supported in continuing its current operational goals, and will  
19 continue to seek to achieve its goals of installing, upgrading, and maintaining  
20 infrastructure to ensure the safe and reliable delivery of natural gas. PSNC's ability  
21 to achieve its goals will be enhanced as a result of the Transaction.

1 Consistent with these goals, EP Holdings and PSNC make the following  
2 commitments relating to the operation of the utility after consummation of the  
3 Transaction:

- 4 • EP Holdings commits to continue to devote the necessary resources  
5 to maintain, at a minimum, current service quality. In addition,  
6 PSNC will continue to survey its customers regarding their  
7 satisfaction with their natural gas service and will incorporate this  
8 information into its processes, programs, and services.
- 9 • Within two years after completion of the Transaction, EP Holdings  
10 will seek to implement its IMS tool in the PSNC service area.
- 11 • Absent a material change in circumstances, it is EP Holdings'  
12 intention to continue PSNC's planned total capital expenditures, as  
13 set forth in PSNC Witness Harris's testimony. Further,  
14 environmental monitoring and maintenance programs of PSNC will  
15 be maintained at or above current levels.

**VI. CONCLUSION**

1

2 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

3 A. PSNC will experience operational benefits as a result of the Transaction, as more  
4 fully described in the Joint Application and in my testimony. Approval of the  
5 Transaction will not, standing alone, result in any potential operational costs or  
6 risks for PSNC's customers. As a result, I believe that approval of the Transaction  
7 will result in net benefits for PSNC and should be approved as just and reasonable,  
8 and in the public interest.

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

10 A. Yes.

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION****DOCKET NO. G-5, SUB 667****Testimony of Laszlo Varsanyi****On Behalf of Enbridge Parrot Holdings, LLC****In Support of****Agreement and Stipulation of Settlement****May 31, 2024****I. INTRODUCTION**

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**3 A. My name is Laszlo Varsanyi. My business address is Suite 200 Fifth Avenue Place  
4 425 - 1 St S.W., Calgary, Alberta, Canada.  
5

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT POSITIONS DO YOU  
8 OCCUPY?**9 A. I am employed by Enbridge Gas Inc., and serve as the Vice-President of Regulatory  
10 Integration and Value Creation.

11

12 **Q. HOW LONG HAVE YOU BEEN WITH THE COMPANY?**13 A. Since 1998, I have been employed by Enbridge Inc. or various Enbridge affiliates  
across a range of different departments or areas, with my areas of responsibility

1 having included business development, commodity and market fundamentals, asset  
2 performance, new ventures power, mergers and acquisitions, as well as regulatory  
3 affairs, and capital competitiveness. Prior to joining Enbridge, I was employed by  
4 the Department of Energy in Alberta, Canada, where I was tasked with developing  
5 pricing, supply, and demand forecasts.

6 After the present transaction has closed, I will be an officer of Enbridge  
7 Parrot Holdings, LLC (“EP Holdings”), which will be the indirect parent of Public  
8 Service Company of North Carolina, Inc. (“PSNC”).  
9

10 **Q. HAVE YOU PREPARED A SUMMARY OF YOUR BUSINESS**  
11 **EXPERIENCE AND QUALIFICATIONS?**

12 A. Yes. I have summarized my business experience and qualifications in Exhibit LV-1.  
13

14 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

15 A. No, I have not.  
16

17 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
18 **AGENCIES IN THE UNITED STATES OR CANADA?**

19 A. Yes. Although I have not previously testified before the North Carolina Utilities  
20 Commission (“Commission”), I have testified before the Utah Public Service  
21 Commission, the Wyoming Public Service Commission, and the Canada Energy  
22 Regulator.

1

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

3 A. The purpose of my testimony is to provide support, on behalf of EP Holdings, for  
4 the Agreement and Stipulation of Settlement (“Stipulation”) filed by PSNC and EP  
5 Holdings (collectively, the “Applicants”) and the Public Staff – North Carolina  
6 Utilities Commission (“Public Staff”) in this proceeding on May 29, 2024.

7

8 **Q. HOW DID THE STIPULATION WITH THE PUBLIC STAFF COME**  
9 **ABOUT?**

10 A. Following the filing of the Joint Application (“Application”) by PSNC and  
11 EP Holdings pursuant to Gen. Stat. § 62-111(a) for authority to engage in the  
12 proposed business combination transaction (“Transaction”), the Public Staff  
13 engaged in an extensive audit and discovery process for the purpose of  
14 investigating the public convenience and necessity of the proposed Transaction.  
15 This discovery process involved the submission of more than 350 individual data  
16 and document requests to PSNC and EP Holdings in fourteen sets of discovery  
17 requests over a seven month period. Following this process, the Public Staff,  
18 PSNC, and EP Holdings engaged in discussions regarding a possible settlement.  
19 Those discussions addressed a number of issues that had to be resolved in order for  
20 the Public Staff to support approval of the Transaction, including changes to the  
21 existing Regulatory Conditions and Code of Conduct necessitated by the proposed  
22 Transaction. The negotiations involved substantial compromise by all parties on

1 numerous issues and ultimately culminated in the execution of the Stipulation,  
2 including a revised set of Regulatory Conditions and a revised Code of Conduct,  
3 that was filed with the Commission on May 29, 2024.

4 The starting point for the negotiations was the existing Regulatory  
5 Conditions and Code of Conduct approved by the Commission at the time that it  
6 approved the acquisition of PSNC by Dominion Energy, Inc. (“Dominion Energy”)  
7 in Docket Nos. E-22, Sub 551 and G-5, Sub 585. Although the revised Regulatory  
8 Conditions and Code of Conduct proposed in the Stipulation closely track the  
9 agreements previously approved by the Commission, they have been modified to  
10 remove provisions that are irrelevant to the present Transaction, such as provisions  
11 relating to Dominion Energy’s involvement in the electric utility industry and its  
12 ownership of Virginia Electric & Power Company, operating in North Carolina as  
13 Dominion Energy North Carolina.

14  
15 **Q. DO EP HOLDINGS’ PARENT ENTITIES SUPPORT THE SETTLEMENT,**  
16 **INCLUDING THE REGULATORY CONDITIONS AND CODE OF**  
17 **CONDUCT?**

18 A. Yes. As is described in the organizational chart set forth at Appendix B to the  
19 Application, EP Holdings is an indirect subsidiary of Enbridge Genoa U.S.  
20 Holdings, LLC (“Genoa Holdings”), which is, in turn, a holding company  
21 established to hold the local distribution companies (LDCs) that are being acquired  
22 from Dominion Energy. Genoa Holdings is a subsidiary of Enbridge U.S.

1 Holdings, LLC (“Enbridge (U.S.)”) and an indirect subsidiary of Enbridge Inc., a  
2 Canadian company traded on both the New York Stock Exchange and Toronto  
3 Stock Exchange as “ENB.” Genoa Holdings is a party to the Regulatory  
4 Conditions, and Enbridge, Inc. as well as Enbridge (U.S.), are “parent entities” for  
5 purposes of the Conditions and acknowledge and consent to the Conditions,  
6 including the Code of Conduct.  
7

8 **Q. PLEASE DESCRIBE SOME OF THE OVERALL BENEFITS THAT CAN**  
9 **BE EXPECTED FROM THE TRANSACTION.**

10 A. As discussed in the Application and initial pre-filed direct testimony in this  
11 proceeding, PSNC will benefit from the Transaction by being a part of the larger  
12 Enbridge group of companies, many of which have an extensive focus on the  
13 natural gas industry. Enbridge has the experience, expertise, resources, and  
14 financial strength to ensure that PSNC has access to the innovative programs,  
15 funding, and credit needed to support PSNC’s operation and growth as part of  
16 Enbridge’s larger plan to create a natural gas utility platform in the United States.  
17 More specifically, PSNC and its employees and customers will benefit from access  
18 to the integrity management programs; construction and operational programs,  
19 including safety systems; and community investment programs that are available  
20 to members of the Enbridge group of companies.

21 PSNC also will have the ability to access the capital needed to meet its  
22 obligations to provide safe and reliable service to its customers and will be



1 supported in furthering its current operational goals, including the installation,  
2 upgrade, and maintenance of the infrastructure that is needed to ensure the safe and  
3 reliable delivery of natural gas.

4 The Transaction will not negatively impact PSNC customers and is,  
5 instead, anticipated to provide only benefits to the State of North Carolina and to  
6 PSNC customers.

7  
8 **Q. WHAT ARE THE KEY TERMS OF THE STIPULATION REACHED**  
9 **BETWEEN THE APPLICANTS AND THE PUBLIC STAFF THAT**  
10 **BENEFIT CUSTOMERS AND SAFEGUARD THEM FROM RISKS**  
11 **ASSOCIATED WITH THE TRANSACTION?**

12 A. The key elements of the Stipulation between PSNC, EP Holdings, and the Public  
13 Staff (the “Stipulating Parties”), include the following.

14  
15 Regulatory Conditions. The Regulatory Conditions, including the Code of  
16 Conduct, set forth in Exhibit 1 to the Stipulation, represent commitments by the  
17 Applicants as a precondition of approval by the Commission of the Transaction as  
18 set forth in the Purchase and Sale Agreement attached to the Application as  
19 Appendix A. These Regulatory Conditions will be incorporated into any  
20 Commission order approving the Transaction and are intended to preserve the  
21 Commission’s jurisdiction and to address affiliate contract, financing, and similar  
22 issues. The various commitments are conditional on the closing of the Transaction

1 and the Commission's acceptance of the Stipulation in its entirety, without material  
2 modification.

3  
4 Bill Credits. The Applicants agree that PSNC will record a regulatory liability (not  
5 funded by ratepayers) of \$4,000,000 representing a commitment to provide a bill  
6 credit to all customers. PSNC will provide such credits to customers in the amount  
7 of \$1 million in January 2025; another bill credit of \$1 million in January 2026;  
8 another bill credit of \$1 million in January 2027; and a final bill credit of \$1 million  
9 in January 2028, with each bill credit to be calculated based on customer usage  
10 consistent with the approach adopted in Docket No. G-5, Sub 585.

11  
12 Low-Income Assistance. The Applicants agree that PSNC will create a regulatory  
13 liability (not funded by ratepayers) of \$1,020,000 to provide bill credits to  
14 qualifying low-income customers. Qualifying low-income customers consist of  
15 residential customers that received or will receive federal utility bill assistance in  
16 2023 and 2024 from the applicable programs administered by the NC Department  
17 of Health and Human Services. The credits will be calculated on a per-capita  
18 average basis (total amount to be divided by the number of eligible customers) and  
19 be applied to bills rendered to qualifying customers during the winter months of  
20 2024-2025 (November to March, or as soon thereafter as practicable) in an amount  
21 not to exceed \$30 per month, subject to an aggregate cap of \$1,020,000. Each credit

1 will be nonrefundable, with an excess to be carried over on the customer's account  
2 should the credit exceed the amount of that customer's monthly bill.

3  
4 Customer Assistance Program. In its next general rate case, which is expected to  
5 be filed in 2025, PSNC will propose a Customer Assistance Program ("CAP") for  
6 consideration by the Commission. If the Commission approves the present  
7 Stipulation in its entirety in this proceeding and approves the CAP in the  
8 anticipated 2025 general rate case, PSNC will contribute funding to the CAP in the  
9 amount of \$300,000 per year for a maximum of three years immediately following  
10 approval of the CAP and create a regulatory liability (not funded by ratepayers)  
11 reflecting this funding commitment.

12  
13 Transaction-Related Expenses. Direct expenses associated with the Transaction  
14 will be excluded from PSNC's regulated expenses for Commission financial  
15 reporting and ratemaking purposes. Transaction-Related Expenses include  
16 Transaction premiums, change-in-control payments made to terminated  
17 executives, regulatory process costs, and transaction costs such as investment  
18 banking, legal, accounting, securities issuances, and advisory fees. Excluded  
19 Transaction costs also include those associated with the integration of financial,  
20 IT, human resources, billing, accounting, and telecommunications systems. Other  
21 excluded Transaction-related costs include severance payments to employees,  
22 changes to signage, the cost of transitioning employees to post-transaction

1 employee benefit plans, and costs to terminate any duplicative leases, contracts,  
2 and operations, etc. The Applicants have committed that none of these  
3 Transaction-Related Expenses will be passed on to the customers of PSNC in order  
4 to ensure that the Transaction will not have a net adverse impact on PSNC's rates.  
5 The Applicants further commit to accounting for Transaction-Related Expenses in  
6 PSNC's GS-1 Report filings.

7  
8 Future General Rate Case. Although the Stipulating Parties acknowledge that  
9 PSNC's ongoing capital expenditures and economic conditions will likely  
10 necessitate the filing of an application for an adjustment to base rates in 2025, the  
11 Public Staff and PSNC agree to support the establishment of a cost recovery rider  
12 for the incremental costs associated with the M-71 pipeline, the Moriah LNG  
13 facility, and the non-IMT rate base portion of the T-15 pipeline as they are  
14 completed and placed into service with a return at the weighted average cost of  
15 capital, including depreciation. PSNC agrees that, subject to approval of the rider  
16 without material alternation, PSNC will not file an additional application for a  
17 general rate adjustment before 2028, except for adjustments relating to specific  
18 trackers and riders, force majeure events, and other circumstances such as the  
19 financial impact of governmental action on PSNC that has a substantial impact on  
20 the natural gas industry as a whole. Further, the Stipulating Parties have reached  
21 agreement on various restrictions on and protections relating to O&M cost

1 recovery relating to the provision of transitional services under the proposed  
2 Transition Services Agreement (“TSA”).

3  
4 Protection Against Debt Downgrade. The Stipulating Parties agree that PSNC’s  
5 customers will be held harmless from the impact of any debt downgrade  
6 attributable to the Transaction as set forth in the Regulatory Conditions.

7  
8 Customer Service. PSNC will maintain current levels of customer service and  
9 behavior towards customers, as well as current levels of professional cooperation  
10 with regulators, consumer advocates, and intervenors.

11  
12 Affiliate Agreements. As regards any affiliated transactions, PSNC and its  
13 Affiliates will comply with the affiliate agreement requirements set forth in N.C.  
14 Gen. Stat. § 62-153 and the related affiliated pricing standards as set out in the  
15 Regulatory Conditions. The Stipulating Parties agree that PSNC may operate, as  
16 of the date of the Transaction’s closing, under the proposed TSA, Intercorporate  
17 Services Agreement (“ISA”), and Subordinated Demand Loan (“SDL”) on an  
18 interim basis pending Commission approval of these agreements or the approval  
19 or acceptance of new or amended affiliate agreements under N.C. Gen. Stat. § 62-  
20 153. PSNC agrees and acknowledges that interim operation under the affiliate  
21 agreements is subject to any fully adjudicated Commission order on the matter.

1 Such services will be provided pursuant to and comply fully with the Code of  
2 Conduct approved by the Commission in this proceeding.

3  
4 Special Bankruptcy Director. The Stipulating Parties have agreed that PSNC will  
5 provide for the appointment of a Special Bankruptcy Director to serve as a member  
6 of the PSNC Board of Directors. This director will help protect the interests of  
7 PSNC's Customers in the event of a vote to approve a voluntary bankruptcy  
8 petition.

9  
10 **Q. WHAT ARE SOME OF THE SPECIFIC BENEFITS TO PSNC'S**  
11 **CUSTOMERS ARISING FROM THE STIPULATION, INCLUDING THE**  
12 **REVISED CODE OF CONDUCT AND REGULATORY CONDITIONS?**

13 A. In addition to the bill credits and CAP summarized above, PSNC customers will  
14 benefit from EP Holdings' commitment to continue PSNC's planned near-term  
15 total capital expenditure program, which will bring safety and reliability  
16 improvements to PSNC's system.

17 Customers will also benefit from (i) the provisions of the Stipulation  
18 concerning the treatment of O&M costs in the next two general rate cases, (ii) the  
19 agreement to seek recovery of specified capital costs through a rider rather than  
20 through increased base rates, and (iii) the commitment that PSNC will not  
21 commence a subsequent rate case prior to 2028 if the cost recovery rider to be  
22 proposed in the 2025 rate case is approved.

1 More generally, PSNC will benefit from being part of a corporate  
2 organization with enhanced geographic, business, and regulatory diversity, and  
3 demonstrated expertise in and commitment to the natural gas industry.

4 Finally, the Regulatory Conditions, including the Code of Conduct, set  
5 forth in the Stipulation evidence various commitments made by PSNC,  
6 EP Holdings, and Genoa that serve to protect the Commission's jurisdiction,  
7 ensure that costs are properly incurred and accounted for, ensure that PSNC has  
8 the financial capability to provide service to its customers, and minimize other risks  
9 that might arise from the Transaction. Overall, the provisions of the Stipulation,  
10 including the Regulatory Conditions and Code of Conduct, will help ensure that  
11 the Transaction is justified by the public convenience and necessity, serves the  
12 public interest, and provides both benefits and protections to North Carolina  
13 customers.

14  
15 **Q. WHY MUST PSNC OPERATE UNDER NEW AFFILIATE AGREEMENTS**  
16 **AS OF THE DATE OF THE TRANSACTION'S CLOSING?**

17 A. This Stipulation provision permitting interim operation under new affiliate  
18 agreements is necessary to ensure the continued provision of services to PSNC that,  
19 prior to closing, were performed by Dominion Energy's service company and to  
20 allow PSNC to receive funding from Enbridge (U.S.). The agreements for which  
21 interim authority is sought are the TSA, which is attached as Exhibit LV-2; the

1 ISA, which is attached as Exhibit LV-3; and the SDL, which is attached as Exhibit  
2 LV-4.

3 The TSA addresses transitional services, as specified in the Purchase and  
4 Sale Agreement, to support the ongoing businesses of Dominion Energy and PSNC  
5 for a period of 24 to 30 months following completion of the Transaction.

6 The ISA will serve as the agreement by which the customary services that  
7 Enbridge Inc., as a public company parent, provides or makes available to its  
8 subsidiaries and those additional services that Enbridge and its affiliates, including  
9 other LDCs that are indirectly controlled by Enbridge, will provide to PSNC as it  
10 is integrated into the Enbridge family of companies. The services provided under  
11 the ISA will include those services that cease to be provided under the TSA until  
12 such time as Enbridge and other affiliates are ready and able to provide them.

13 The SDL is a one-way borrowing agreement between Enbridge (U.S.) and  
14 PSNC that will provide short-term liquidity to PSNC.

15 Each of these agreements must be in place as of closing of the Transaction  
16 to ensure the continuity of the services provided by PSNC to its customers  
17 consistent with present operations.

18

19 **Q. ARE EP HOLDINGS AND ITS AFFILIATES MAKING ANY OTHER**  
20 **COMMITMENTS IN CONNECTION WITH THE TRANSACTION?**

21 A. Yes. In addition to those already discussed, EP Holdings and PSNC have made  
22 various commitments in support of the Transaction. PSNC will retain its



1       headquarters in Gastonia, North Carolina and its day-to-day operations will  
2       continue to be locally managed by a seasoned team of executives with expertise in  
3       the retail natural gas utility industry who will have responsibility for implementing  
4       policies and practices that are intended to ensure customer satisfaction, reliable  
5       service, public and employee safety, environmental stewardship, and collaborative  
6       and productive relationships with customers, regulators, governmental entities, and  
7       other interested stakeholders.

8               In addition to ensuring that PSNC continues to provide its current level of  
9       safe and reliable service, Genoa and EP Holdings will seek to implement in the  
10      PSNC service area its Integrated Management System (“IMS”), which includes  
11      safety and risk management programs, processes, and procedures, within two years  
12      after the Transaction closes.

13             Upon completion of the Transaction, these commitments will provide  
14      additional benefits to PSNC and its customers.

15  
16      **Q.     IN YOUR OPINION, DO THE TRANSACTION AND STIPULATION**  
17      **SERVE THE PUBLIC INTEREST AND AFFORD BENEFITS AND**  
18      **PROTECTIONS FOR NORTH CAROLINA CUSTOMERS?**

19      A.     Yes, I believe they do. The terms of the Stipulation, including the Regulatory  
20      Conditions and Code of Conduct, will ensure that the Transaction will have no  
21      adverse impact on the rates charged and the services provided by PSNC to North  
22      Carolina customers and that the benefits of the Transaction to PSNC’s customers

1 are sufficient to offset any potential costs and risks.

2 PSNC customers will directly benefit from the bill credits, the CAP, the  
3 restrictions on O&M costs in future rate cases, and the continuation of regulatory  
4 oversight and authority of the Commission, all as described previously. PSNC will  
5 continue to provide efficient, reliable, and safe service at a reasonable cost through  
6 the many commitments made by EP Holdings and its Affiliates.

7 For all of these reasons, I believe that approval of the Transaction and the  
8 Stipulation will benefit PSNC and its customers, is justified by the public  
9 convenience and necessity, and should be approved.

10

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

12 A. Yes.

1 MR. TRATHEN: Thank you, Madam Chair.  
2 And also ask that the prefiled summaries of their  
3 respective prefiled testimony be entered into the  
4 record.

5 CHAIR MITCHELL: Prefiled summaries of  
6 that testimony will be copied into the record at  
7 the appropriate time.

8 (Whereupon, the prefiled summary of  
9 direct testimony of CHRISTOPHER  
10 JOHNSTON, the prefiled summary of direct  
11 testimony of JAMES SANDERS, and the  
12 prefiled summary of settlement testimony  
13 of LASZLO VARSANYI were copied into the  
14 record as if given orally from the  
15 stand.)  
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**Summary of Direct Testimony of Christopher Johnston  
On Behalf of Enbridge Parrot Holdings, LLC (“EP Holdings”)**

My testimony provides financial information supporting the proposed transaction.

Funds necessary to finance the Transaction have been and will be raised by Enbridge, and will be advanced to Enbridge U.S. as capital contributions and internal loans. Enbridge will in turn make capital contributions to Genoa Holdings, which will in turn make capital contributions to EP Holdings. Neither EP Holdings nor PSNC will incur any new indebtedness or liability for any acquisition debt, and PSNC will not seek to recover transaction costs or acquisition premium related to the Transaction from ratepayers.

In my testimony, I also describe Enbridge’s financial condition and associated credit ratings, and its plan for financing PSNC’s operations and handling of day-to-day short-term cash management needs.

I also discuss the financial benefits of the transaction. Enbridge operates a diverse portfolio of energy assets, giving it unique insight into the differentiated financing needs and risks associated with different components of the energy business. PSNC will benefit from Enbridge’s expertise, strong financial credit, and access to resources. EP Holdings has made numerous commitments to PSNC, such as not passing on Transaction costs to PSNC customers and providing PSNC at least the same access to short-term debt, commercial paper, and other liquidity as it currently has in place. These, along with EP Holdings’ other commitments, will reduce risks to customers, and will benefit PSNC and its customers.

This concludes the summary of my direct testimony.

**Summary of Direct Testimony of James Sanders  
On Behalf of Enbridge Parrot Holdings, LLC (“EP Holdings”)**

My testimony describes the operations of EP Holdings as a member of the Enbridge Inc. family of companies, and various operational commitments being made in connection with the Transaction.

Enbridge and its affiliates have over 175 years of experience in providing safe, reliable, and affordable natural gas service, and will do the same for PSNC. In my testimony, I describe the operation of Enbridge’s natural gas public utilities, as well as Enbridge’s Integrated Management System, which Enbridge seeks to implement in the PSNC service area within two years after completion of the Transaction.

PSNC currently receives certain services from Dominion Energy Services. So that PSNC can maintain existing necessary services after closing the Transaction, Dominion will provide transitional support through a Transition Services Agreement.

In my testimony, I also discuss Enbridge’s commitments to safety, sustainability, and customer service, which will extend to and benefit PSNC. Although PSNC will continue to be headquartered in Gastonia, North Carolina, and to be locally managed, it will have the additional benefit of access to resources of the larger Enbridge group of companies.

After the Transaction, Enbridge will support PSNC in its current operational goals. To that end, EP Holdings has committed to devote necessary resources to maintain, at a minimum, PSNC’s service, and to continue PSNC’s planned total capital expenditures and environmental monitoring and maintenance programs.

This concludes the summary of my direct testimony.

**Summary of Settlement Testimony of Laszlo Varsanyi  
On Behalf of Enbridge Parrot Holdings, LLC (“EP Holdings”)**

Subsequent to the filing of the Joint Application in this proceeding, the Public Staff engaged in an extensive audit and discovery process to investigate the public convenience and necessity of the proposed Transaction. Following this process, the Public Staff, PSNC, and EP Holdings discussed, and ultimately reached, a settlement, which includes a revised set of Regulatory Conditions and a revised Code of Conduct.

PSNC and its customers will benefit from the Transaction by joining the Enbridge family of companies, which will leverage their collective experience, expertise, resources, and financial strength to support PSNC’s operation and growth. In addition to the Regulatory Conditions, Applicants have stipulated to provide bill credits, low-income assistance, and a proposed customer assistance program; to exclude direct expenses associated with the Transaction from PSNC’s regulated expenses; to limits concerning the timing of future rate cases and restrictions on and protections relating to O&M cost recovery; and other conditions that will protect and benefit customers. In addition, EP Holdings and PSNC have made commitments to ensure that PSNC continues to provide efficient, safe, and reliable service, including maintaining PSNC’s headquarters in Gastonia, North Carolina and continuing local management of its day-to-day operations. The Stipulation, including the Regulatory Conditions and Code of Conduct, will ensure that the Transaction will have no adverse impact on the rates charged and services provided by PSNC, and that the benefits of the Transaction to PSNC’s customers will offset any potential costs and risks.

This concludes the summary of my settlement testimony.

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1 DIRECT EXAMINATION BY MS. GRIGG:

2 Q. Good morning, Mr. Harris.

3 A. (D. Russell Harris) Good morning.

4 Q. Would you please state your name and business  
5 address for the record.

6 A. Yes. D. Russell Harris and my business  
7 address is 800 Gaston Road, Gastonia, North Carolina.

8 Q. By whom are you employed and in what  
9 capacity?

10 A. PSNC Energy, a subsidiary of Dominion Energy.

11 Q. Did you cause to be prefiled in this Docket  
12 on November 15th, 2023, eleven pages of direct  
13 testimony in question-and-answer form?

14 A. I did.

15 Q. Do you have any changes or corrections to  
16 your direct testimony?

17 A. I do not.

18 Q. If I were to ask you the same questions  
19 today, would your answers be the same?

20 A. Yes.

21 Q. Mr. Harris, did you also cause to be prefiled  
22 in this Docket on May 31st, 2024, six pages of  
23 supplemental testimony in question-and-answer form?

24 A. I did.

1 Q. Do you have any changes or corrections to  
2 your supplemental testimony?

3 A. No changes.

4 Q. And if I were to ask you those questions  
5 today, would your answers be the same?

6 A. Yes.

7 MS. GRIGG: Madam Chair, at this time I  
8 would request that the direct and supplemental  
9 testimonies of Mr. Harris be copied into the record  
10 as if given orally from the stand.

11 CHAIR MITCHELL: All right. The direct  
12 testimony of D. Russell Harris filed in this Docket  
13 on November 23rd, 2023, consisting of 11 pages will  
14 be copied into the record as if delivered orally  
15 from the stand.

16 The supplemental testimony of  
17 D. Russell Harris filed in this Docket on  
18 May 31st, 2024, will be copied -- consisting of six  
19 pages will be copied into the record as if  
20 delivered orally from the stand.

21 MS. GRIGG: Thank you.

22 (Whereupon, the prefiled direct  
23 testimony of D. RUSSELL HARRIS and the  
24 prefiled supplemental testimony of



1 D. RUSSELL HARRIS were copied into the  
2 record as if given orally from the  
3 stand.)  
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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is D. Russell Harris. My business address is 800 Gaston Road,  
Gastonia, North Carolina 28056.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Public Service Company of North Carolina, Inc. d/b/a  
Dominion Energy North Carolina (“PSNC” or the “Company”) as Vice  
President – Gas Operations. I am responsible for overseeing the management  
of PSNC. Providing natural gas service to our customers involves  
approximately 750 committed employees who work in many functions,  
including operations, engineering, customer relations, regulatory, and gas  
supply.

Q. PLEASE BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND  
AND PROFESSIONAL EXPERIENCE.

A. I am a 1986 graduate of Clemson University with a Bachelor of Science in  
Electrical Engineering. In 1990, I received a Master of Business Administration  
from the University of South Carolina. From 1986 to 2003 I worked for South  
Carolina Electric & Gas Company (“SCE&G”), in various roles in Electric  
Operations, including Vice President – Wires Operation from 1997 to 2003. In  
2003, I became Vice President – Operations for PSNC and was promoted to  
President and Chief Operating Officer in January 2006. In 2012, I was named  
Senior Vice President of SCANA Corporation (“SCANA”) and in 2013 was  
given additional management responsibilities over SCE&G’s Gas Operations.

1 I assumed my current title after SCANA merged with Dominion Energy, Inc.  
2 (“Dominion Energy”) in January 2019.

3 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

4 A. Yes. I presented testimony in Docket G-5, Sub 585, seeking approval of the  
5 SCANA merger with Dominion. I also presented testimony in each of PSNC’s  
6 last four rate cases, Docket No. G-5, Sub 481, filed in 2006, Docket No. G-5,  
7 Sub 495, filed in 2008, Docket No. G-5, Sub 565, filed in 2016, and Docket No.  
8 G-5, Sub 632, filed in 2021.

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

11 A. My testimony provides an overview of PSNC and its financial condition and  
12 discusses the Company’s operations, system reliability, safety, customer  
13 satisfaction, and community involvement. I also discuss the proposed sale of  
14 PSNC to Enbridge Parrot Holdings, LLC (“EP Holdings”), defined in the Joint  
15 Application in this docket as the “Transaction,” and explain why it will result  
16 in no harm to, and overall will benefit PSNC’s customers, its employees, and  
17 the communities where PSNC operates.

18 Q. HOW WILL THE TRANSACTION BENEFIT PSNC CUSTOMERS,  
19 EMPLOYEES, AND COMMUNITIES?

20 A. As discussed in more detail later in my testimony, PSNC will continue to  
21 operate in a safe and reliable manner essentially as it does today, and PSNC’s  
22 becoming part of the Enbridge Inc. (“Enbridge”) group of companies through

1 its acquisition by EP Holdings will provide additional benefits and strengths to  
2 all stakeholders.

## 3 II. OVERVIEW OF PSNC

4 Q. PLEASE DESCRIBE PSNC'S HISTORY AND CURRENT OPERATIONS.

5 A. PSNC is a natural gas local distribution company ("LDC") engaged in the  
6 business of selling, distributing, and transporting natural gas subject to this  
7 Commission's jurisdiction. It was formed in 1938 when two manufactured gas  
8 distribution companies that served 3,800 customers merged. When PSNC was  
9 acquired by SCANA in 2000 it had approximately 340,000 customers. PSNC  
10 successfully operated as a SCANA subsidiary and, after SCANA was acquired  
11 by Dominion in 2019, has continued to serve its growing customer base reliably  
12 and efficiently. PSNC now provides natural gas service to more than 640,000  
13 residential, commercial, and industrial customers in 96 cities, towns, and  
14 surrounding areas. PSNC's service territory includes the  
15 Raleigh/Durham/Chapel Hill, Asheville/Hendersonville, and  
16 Gastonia/Concord/Statesville areas. PSNC operates more than 13,000 miles of  
17 transmission and distribution mains.

18 Q. PLEASE DESCRIBE THE OWNERSHIP STRUCTURE OF PSNC.

19 A. PSNC is currently a subsidiary of SCANA which is, in turn, a subsidiary of  
20 Dominion Energy. In Docket No. G-5 Sub 664, PSNC sought Commission  
21 approval for a reorganization to place PSNC within a new holding company in  
22 anticipation of the sale contemplated in this docket. A chart reflecting the

1 corporate structure after that reorganization is attached as Appendix B to the  
2 Joint Application filed in this docket on October 20, 2023.

3 **III. FINANCIAL CONDITION OF PSNC**

4 Q. PLEASE DESCRIBE PSNC'S FINANCIAL CONDITION.

5 A. As of December 31, 2022, PSNC's assets totaled \$3.4 billion; revenues in 2022  
6 totaled \$820 million; and net income in 2022 totaled \$103.4 million. PSNC has  
7 a senior unsecured debt rating of Baa1 with a stable outlook by Moody's  
8 Investors Service, BBB+ with a negative outlook from Standard and Poor's  
9 Ratings Services, and A with a stable outlook from Fitch Credit Ratings.

10 Q. WHAT ARE PSNC'S CAPITAL EXPENDITURE PLANS FOR THE NEXT  
11 FIVE YEARS?

12 A. PSNC's budgeted capital expenditures for the next five years are as follows:

Year	2024	2025	2026	2027	2028
Capital Budget	\$536.6 Million	\$449.2 Million	\$708.1 Million	\$434.1 Million	\$282.4 Million

13 Q. WILL THOSE PLANS CHANGE AS A RESULT OF THE TRANSACTION?

14 A. No. Absent a material change in circumstances, the Transaction will not change  
15 PSNC's plans for capital expenditures over the next five years.

16 **IV. PSNC'S SERVICE PRIORITIES**

17 Q. PLEASE DESCRIBE PSNC'S GOALS AS AN LDC.

18 A. As a management team, we strive to provide safe, reliable, and affordable  
19 energy to our customers and the communities we serve.

20 Q. HOW IMPORTANT IS SAFETY TO PSNC?

1 A. PSNC's culture encourages safety as its highest priority. We have been  
2 successful at reducing workplace injuries and improving driving performance  
3 through high employee engagement in safety programs, developing and  
4 adopting industry best practices, and implementing new technologies. Our  
5 safety performance has routinely been recognized by the American Gas  
6 Association for having exceptionally low employee injury incident rates, and  
7 PSNC received the Safety Achievement Award for having the lowest DART  
8 (Days Away, Restricted or Transferred) injury rate among large LDCs in both  
9 2021 and 2022.

10 Over the last two years, PSNC has implemented a Human Performance  
11 Program with extensive training for all employees. The program is a set of  
12 principles and practical "defense" techniques that help us reduce human error.  
13 PSNC can minimize the frequency and severity of incidents by anticipating and  
14 preventing active errors and by identifying and eliminating gaps in our policies,  
15 training, and culture. There are five principles of the Human Performance  
16 Program:

- 17 1. People are fallible, and even the best people make mistakes.
- 18 2. Error-likely situations are predictable, manageable, and preventable.
- 19 3. Individual behavior is influenced by organizational processes and  
20 values.
- 21 4. People achieve high levels of performance largely because of the  
22 encouragement and reinforcement received from leaders, peers, and  
23 subordinates.

1           5. Events can be avoided through an understanding of the reasons mistakes  
2           occur and application of the lessons learned from past events or errors.

3           PSNC employees begin meetings with a “safety moment” discussion  
4           about relevant and timely safety topics and start field activities with pre-job  
5           safety briefs. PSNC further emphasizes safety with safety-related bonus goals.

6    Q.    PLEASE DISCUSS THE COMPANY’S EFFORTS TO MAINTAIN A SAFE  
7           AND RELIABLE SYSTEM.

8    A.    PSNC has shown its commitment to safety and reliability by investing \$347  
9           million over the last five years in system improvements to enhance pipeline  
10          integrity. Over the next five years, PSNC plans to invest an additional \$418  
11          million in these programs. PSNC also plans to invest \$756 million in system  
12          enhancements over that period, which results in more than \$1.1 billion in  
13          planned expenditures over the next five years to improve system safety and  
14          reliability. Additionally, damage prevention efforts have yielded an improving  
15          damage ratio (line hits per 1,000 locate tickets), even though locate requests  
16          have increased substantially due to broadband expansion and high growth in  
17          North Carolina.

18   Q.    PLEASE DISCUSS THE COMPANY’S EFFORTS TO ENSURE EFFICIENT  
19          SERVICE.

20   A.    PSNC seeks to proactively manage operating costs, including operations and  
21          maintenance (“O&M”) expenses. PSNC implements ongoing O&M efforts to  
22          improve efficiency. One such example is our “soft close” process which  
23          reduced the number of trips made to a customer premise to start/stop service

1 (e.g., customer moves to a different location). This process improvement  
2 results in less fuel consumed, as well as saving technician time to be able to  
3 complete other necessary O&M activities.

4 Q. IS CUSTOMER SERVICE AN IMPORTANT GOAL OF PSNC?

5 A. Yes. PSNC strives to provide courteous, professional service to its customers  
6 and to be responsive to their needs.

7 Q. DOES THE COMPANY TRACK ITS CUSTOMER SATISFACTION  
8 LEVELS?

9 A. Yes, the Company measures and tracks customer satisfaction ratings utilizing  
10 both internal transactional surveys and third-party customer loyalty studies.  
11 PSNC surveys customers who have recently transacted business with the  
12 Company through the Interactive Voice Response system, website portal, a  
13 contact center service representative, or field service representative. PSNC  
14 consistently receives high satisfaction scores and positive feedback from its  
15 customers. Notably, PSNC has not been the subject of a formal complaint  
16 before the Commission since 2009.

17 Q. PLEASE DESCRIBE PSNC'S COMMUNITY INVOLVEMENT  
18 ACTIVITIES.

19 A. PSNC employees are very active in their communities, such as their  
20 participation in the employee-led nonprofit, the Good Neighbor Fund. In 2022,  
21 for example, PSNC employees provided almost 3,000 hours of volunteer time  
22 in furtherance of local charitable endeavors. PSNC's 2022 corporate charitable  
23 contributions totaled approximately \$325,000.



**V. BENEFITS OF THE TRANSACTION**

Q. WHAT BENEFITS WILL COME FROM THIS TRANSACTION?

A. One of the main benefits of this acquisition is that our business will be part of the Enbridge group of companies. One of Enbridge's major core competencies is transporting and distributing natural gas. Affiliation with similarly situated businesses has created and will continue to create benefits for PSNC. Additionally, there will be potential benefits in safety, community involvement, customer service, and energy sustainability.

Q. PLEASE EXPLAIN HOW PSNC'S AFFILIATION WITH OTHER LDCs HAS BEEN BENEFICIAL.

A. One of the benefits that we received from being a part of the Dominion Energy family of companies was the ability to share best practices with our affiliates who are LDCs in Ohio, South Carolina, and Utah. For example, standard operating procedures ("SOPs") are jointly developed and enhanced by the broader expertise and knowledge shared among the LDCs. Jointly developed SOPs include Gas Filled Structures Emergency Response, Responding to Natural Gas Hazardous Atmospheres involving Excavations, and Directional and Auger Boring Guidelines. Additionally, with Commission approval PSNC was able to obtain needed 14-inch transmission pipe from its Ohio and Utah affiliates when the pipe was not available from the usual third-party supply sources.

Q. DO YOU EXPECT SIMILAR BENEFITS AFTER THE TRANSACTION?

1 A. Yes. After the Transaction is complete, subject to the approval of all relevant  
2 federal and state authorities, PSNC will enjoy potentially even greater benefits  
3 of affiliation given Enbridge's existing ownership of companies involved in the  
4 transportation of natural gas and two retail LDCs (Enbridge Gas Inc. and  
5 Gazifère Inc.), in addition to continuing to benefit from its affiliation with the  
6 utilities in Ohio and Utah.

7 Q. HOW WILL THE TRANSACTION BENEFIT PSNC'S SAFETY  
8 CULTURE?

9 A. As I mentioned earlier, PSNC currently has a strong safety culture, and this is  
10 expected to continue after completion of the Transaction. Safety procedures  
11 and best practices shared among the LDCs will continue to provide benefits to  
12 PSNC.

13 Q. HOW WILL THE TRANSACTION AFFECT PSNC'S COMMUNITY  
14 INVOLVEMENT?

15 A. PSNC has a history of charitable giving in the areas where it operates, and this  
16 will continue with Enbridge. As the Joint Application in this docket states, for  
17 three years following completion of the Transaction, EP Holdings commits to  
18 increase by \$175,000 per year PSNC's historic level of corporate contributions  
19 to charities identified by local leadership.

20 **VI. CONCLUSION**

21 Q. PLEASE DESCRIBE THE IMPACT THIS TRANSACTION WILL HAVE  
22 ON PSNC'S OVERALL OPERATIONS AND CUSTOMER SERVICE.

1 A. In my opinion, PSNC will benefit in much the same way as it did after its merger  
2 with SCANA and SCANA's merger with Dominion Energy. Among other  
3 things, the Transaction will allow the newly combined companies to share  
4 safety and customer service best practices. Moreover, Enbridge has the financial  
5 wherewithal to fund investments in PSNC's system maintenance,  
6 modernization, and expansion. I expect the Transaction will strengthen PSNC's  
7 ability to provide safe and reliable service.

8 Q. WHAT IMPACT WILL THE TRANSACTION HAVE ON THE  
9 REGULATORY OVERSIGHT OF PSNC?

10 A. It will remain unchanged. PSNC will continue to operate under the  
11 Commission's jurisdiction.

12 Q. WHAT IS PSNC'S REQUEST FROM THE COMMISSION?

13 A. PSNC respectfully requests that the Commission approve the Joint Application.

14 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

15 A. Yes.

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is D. Russell Harris. My business address is 800 Gaston Road,  
3 Gastonia, North Carolina 28056.

4 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

5 A. I am employed by Public Service Company of North Carolina, Inc. d/b/a  
6 Dominion Energy North Carolina ("PSNC" or the "Company") as Vice  
7 President – Gas Operations. I am responsible for overseeing the management  
8 of PSNC.

9 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

10 A. Yes. My Direct Testimony in this proceeding was filed on November 15, 2023.

11 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

12 A. The purpose of my Supplemental Testimony is to support the Agreement and  
13 Stipulation of Settlement ("Stipulation") filed by PSNC, Enbridge Parrot  
14 Holdings, LLC ("EP Holdings") and the Public Staff – North Carolina Utilities  
15 Commission ("the Public Staff") (collectively, the "Stipulating Parties") in this  
16 proceeding on May 29, 2024, for consideration by the North Carolina Utilities  
17 Commission ("Commission"). I also briefly describe certain benefits to PSNC  
18 customers as a result of the Stipulation regarding the proposed sale of PSNC to  
19 EP Holdings (the "Transaction").

20 Q YOU TESTIFIED IN YOUR DIRECT TESTIMONY THAT THE  
21 TRANSACTION WILL BENEFIT PSNC AND ITS CUSTOMERS. DO YOU  
22 BELIEVE THIS CONTINUES TO BE TRUE?

1 A. Yes. I continue to believe that the Transaction will benefit PSNC and its  
2 customers. As I stated in my Direct Testimony, PSNC will continue to operate  
3 in a safe and reliable manner as it does today and becoming part of the Enbridge  
4 Inc. (“Enbridge”) group of companies through its acquisition by EP Holdings  
5 will provide additional benefits and strengths to PSNC and its customers. After  
6 the Transaction is complete PSNC will receive greater benefits due to its  
7 affiliation with the Enbridge’s companies involved in the transportation of  
8 natural gas and the two retail local distribution companies (Enbridge Gas Inc.  
9 and Gazifère Inc.), in addition to continuing to benefit from its affiliation with  
10 the utilities in Ohio and Utah. Moreover, Enbridge has the financial  
11 wherewithal to fund investments in PSNC’s system expansion, maintenance,  
12 and modernization, and I expect the Transaction will strengthen PSNC’s ability  
13 to provide safe and reliable service.

14 Further, the Stipulation provides additional benefits and protections for  
15 PSNC customers through new Regulatory Conditions including the Code of  
16 Conduct.

17 Q. PLEASE DISCUSS SOME OF THE SIGNIFICANT BENEFITS IN THE  
18 REGULATORY CONDITIONS THAT ARE INCLUDED IN THE  
19 STIPULATION.

20 A. The Regulatory Conditions reflect that, upon closing of the Transaction, PSNC  
21 will no longer be an affiliate of Dominion Energy, Inc. The Regulatory  
22 Conditions set forth the commitments of the Enbridge companies and PSNC.

1 These Regulatory Conditions are designed to ensure that PSNC's customers (a)  
2 are protected from any known adverse effects from the Transaction, (b) are  
3 protected as much as possible from potential costs and risks resulting from the  
4 Transaction, and (c) receive sufficient known and expected benefits to offset  
5 any potential costs and risks resulting from the Transaction.

6 The Regulatory Conditions also state that upon closing of the  
7 Transaction, the regulatory conditions approved by the Commission in Docket  
8 Nos. E-22, Sub 551 and G-5, Sub 585 will be no longer applicable to PSNC.

9 Q. WHAT ARE SOME OF THE MONETARY BENEFITS TO PSNC  
10 CUSTOMERS AS A RESULT OF THE STIPULATION?

11 A. The Stipulating Parties agreed that PSNC will create a regulatory liability of  
12 \$4,000,000 to provide bill credits to its customers, which will not be funded by  
13 customers. The credits will be provided to all customers in the following  
14 manner: \$1 million in January 2025, \$1 million in January 2026, \$1 million in  
15 January 2027, and \$1 million in January 2028.

16 Further, PSNC will create a regulatory liability of \$1,020,000 for bill  
17 credits to qualifying low-income customers, which will not be funded by  
18 customers. Qualifying low-income customers are those residential customers  
19 that received or will receive federal utility bill assistance in 2023 and 2024 from  
20 the Low-Income Energy Assistance Program (LIEAP) or Crisis Intervention  
21 Program (CIP) administered by the NC Department of Health and Human  
22 Services (DHHS). The credits will be applied to qualifying customers' bills

1 rendered during the winter months of 2024-2025 (November to March) in an  
2 amount not to exceed \$30 per month, subject to an aggregate cap of \$1,020,000.  
3 Also, in its next general rate case, which is expected to be filed in 2025, PSNC  
4 will propose a Customer Assistance Program (“CAP”) for consideration by the  
5 Commission. PSNC proposes to contribute funding to the CAP in the amount of  
6 up to \$300,000 per year for a maximum of three years immediately following  
7 approval of the CAP.

8 Q. WHAT WERE PSNC’S PLANS FOR ITS NEXT GENERAL RATE CASES  
9 PRIOR TO THE TRANSACTION?

10 A. PSNC’s last general rate case was in 2021 which means that current base rates  
11 are designed on rate base investments through June 30, 2021. Ongoing capital  
12 expenditures and economic conditions will likely require PSNC to file an  
13 application for a general rate case in 2025. PSNC’s continued investments in  
14 large capital projects, such as the M-71 pipeline, the Moriah liquified natural gas  
15 facility, and the T-15 pipeline, would likely result in PSNC filing another general  
16 rate case in 2027.

17 Q. WHAT DID THE STIPULATING PARTIES AGREE TO REGARDING  
18 THESE RATE CASES?

19 A. In the 2025 general rate case, the Stipulating Parties agree to support the  
20 establishment of a cost recovery rider for the incremental costs associated with  
21 the M-71 pipeline, the Moriah liquified natural gas facility, and the non-  
22 integrity management tracker (“IMT”) rate base portion of the T-15 pipeline as  
23 they are completed and placed into service. The rider will be designed to

1 operate in a similar manner as the current IMT rider. Provided that the rider is  
2 approved by the Commission, PSNC agrees to postpone filing an additional  
3 application for a general rate case in 2027 until 2028. Additionally, the  
4 Stipulation provides benefits to customers by providing protections regarding  
5 certain O&M expenses to be included in cost of service in future rate cases.

6 Q. IN YOUR OPINION, DO THE TRANSACTION AND STIPULATION  
7 SERVE THE PUBLIC INTEREST AND AFFORD BENEFITS AND  
8 PROTECTIONS FOR PSNC'S CUSTOMERS?

9 A. Yes. The terms of the Stipulation, including the Regulatory Conditions and  
10 Code of Conduct, will ensure that the Transaction will have no adverse impact  
11 on the rates charged and the service provided by PSNC to North Carolina  
12 customers and that the benefits of the Transaction to PSNC's customers are  
13 sufficient to offset any potential costs and risks. For example, PSNC customers  
14 will directly benefit from the \$4 million in bill credits, the low-income customer  
15 bill credits, and the general rate case conditions as provided for in the  
16 Regulatory Conditions. PSNC will continue to provide efficient, reliable, and  
17 safe service at a reasonable cost through the many commitments made by  
18 Enbridge. For these reasons, I believe that approval of the Transaction and  
19 Stipulation will benefit PSNC and its customers, is justified by the public  
20 convenience and necessity, and should be approved.

21 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

22 A. Yes, it does.



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1 BY MS. GRIGG:

2 Q. Did you also prefile a summary of your direct  
3 and supplemental testimony?

4 A. I did.

5 MS. GRIGG: Thank you.

6 And we also request that that be copied  
7 into the record at the appropriate time.

8 CHAIR MITCHELL: All right. The  
9 testimony summaries for Mr. Harris' testimonies  
10 will be copied into the record as if given orally  
11 from the stand at the appropriate time.

12 (Whereupon, the prefiled summary of the  
13 direct and supplemental testimony of  
14 D. RUSSELL HARRIS was copied into the  
15 record as if given orally from the  
16 stand.)  
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DOCKET G-5, SUB 667  
SUMMARY OF DIRECT AND SUPPLEMENTAL TESTIMONY  
OF  
D. RUSSELL HARRIS

My direct testimony provides an overview of PSNC and discusses the Company's operations, system reliability, safety, customer satisfaction, and community involvement. I also discuss the proposed sale of PSNC to Enbridge Parrot Holdings, LLC and explain why it will result in no harm to and, overall, will benefit PSNC's customers, its employees, and communities where PSNC operates.

In my supplemental testimony I state my continued belief that the transaction will benefit PSNC and its customers. PSNC will continue to operate in a safe and reliable manner as it does today and becoming part of the Enbridge group of companies will provide additional benefits and strengths to PSNC and its customers. After the Transaction is complete PSNC will benefit from its affiliation with the Enbridge companies involved in the transportation of natural gas and their other local distribution companies. Moreover, Enbridge has the financial means to fund investments in PSNC's system expansion, maintenance, and modernization, and the transaction should strengthen PSNC's ability to provide safe and reliable service. PSNC will also benefit from its affiliation with the Enbridge companies' engineering, safety and other operational expertise.

Further, the Stipulation provides additional benefits and protections for PSNC customers. For example, PSNC customers will directly benefit from the \$4 million in bill credits, the low-income customer bill credits, and the general rate case conditions contained

in the Stipulation. PSNC will continue to provide efficient, reliable, and safe service at a reasonable cost through the many commitments made by Enbridge. For these reasons, I believe that approval of the Transaction and Stipulation will benefit PSNC and its customers, is justified by the public convenience and necessity, and should be approved.

This concludes the summary of my direct and supplemental testimony.

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1 MS. GRIGG: Thank you, Chair Mitchell.

2 MR. TRATHEN: Witnesses available for  
3 cross examination.

4 CHAIR MITCHELL: All right. Thank you.  
5 Counsel, my notes indicate we have  
6 cross examination from the Attorney General's  
7 Office.

8 MR. MERTZ: Yes. Thank you.

9 CROSS EXAMINATION BY MR. MERTZ:

10 Q. Good morning all. My name is Derrick Mertz.  
11 I'm with the State Attorney General's Office. My  
12 questions primarily relate to the settlement  
13 testimony that was filed and the settlement that was  
14 filed. So I'll direct my questions to Mr. Varsanyi  
15 and Mr. Harris. But if any of you think that you may  
16 be the more appropriate person to address a particular  
17 question, or wish to expound upon an answer, please do  
18 so.

19 I'd like to draw your attention to Section 15  
20 of the settlement. And we'll start with 15(1)(A).  
21 Please let me know when you've gotten there. So I  
22 understand from the testimony of the companies that  
23 many of the benefits of the purchase-for-rate payers  
24 are considered to sort of be un-quantifiable. And the

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1 reason that is, is due in large part to the fact that  
2 you --

3 CHAIR MITCHELL: Mr. Mertz, make sure  
4 you're in the mike, please.

5 MR. MERTZ: I'm sorry.

6 Q. And the reason for that is because  
7 essentially the allegation is that one well-run company  
8 is purchasing and will be running a previously well-run  
9 company. The most immediate direct benefit to current  
10 customers appears to be in the way of bill credits  
11 which are set out in Section 15.1. I just would like  
12 to clarify what those credits are. So to clarify, the  
13 credits to all customers will total four million, and  
14 that will be one million a year from each January bill  
15 from 2024 to 2028. So for the next four years, those  
16 bill credits will be reflected; is that correct?

17 A. (Laszlo Varsanyi) Yes, that's correct.

18 Q. And while the actual credit per customer will  
19 vary depending on customer usage, the average bill  
20 credit works out to essentially \$1.50 per customer each  
21 year for the next four; is that correct?

22 A. I've not done that math, but that seems in  
23 the ballpark, yes.

24 Q. So essentially the math I performed was

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1 dividing four million by the roughly 660,000 customers  
2 that are currently customers of the company. The  
3 additional credit to qualifying low-income customers  
4 will total approximately \$1,000,000 for the winter of  
5 2024 only; is that correct?

6 A. Yes, that's correct.

7 Q. And to clarify, this credit is not calculated  
8 by usage but is essentially per customer. So any  
9 eligible customer will receive the same bill credit.

10 A. Well, that's -- it's going to be done for all  
11 eligible customers up to about \$30 per month over the  
12 period of the five winter months, and it is not based  
13 on usage, so I think that's correct.

14 Q. Okay. And I'll use an example. So what that  
15 means is if the total amount that would be allowed is  
16 \$100 to each customer -- this is just a hypothetical,  
17 \$100. Then for the next five months, each eligible  
18 customer will receive 20 -- excuse me, not for the next  
19 five months, but for the winter months of 2024 and  
20 2025, each eligible customer would receive up to \$20  
21 per month for each of those five months, if the  
22 hypothetical total amount was \$100?

23 A. Yes. I see how you're doing that math. I'm  
24 not a hundred percent sure if that's exactly how the

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1 Public Staff and PSNC would choose to administer the  
2 refund. But if there's \$100 owable or eligible and you  
3 spread it over the five months, then your math is  
4 correct.

5 Q. Okay. I'd like to turn to Section 15.2. And  
6 so the way I read Section 15(2)(A) is that everyone  
7 expects that the company will be filing a rate case in  
8 2025, but there's not actually a moratorium set out by  
9 this particular Section saying that it will be to 2025.  
10 It's just an expectation that that's when the next rate  
11 case will be; is that correct?

12 A. Yes, it is.

13 Q. What 15.2(A) seems to provide is a potential  
14 moratorium to January 1st, 2028, on the condition that  
15 the Public Staff and PSNC agree and support in that  
16 2025 rate case the establishment of a cost recovery  
17 rider for the costs of three separately named capital  
18 projects; is that correct?

19 A. Yes, it is.

20 Q. And the parties propose that the cost  
21 recovery rider will be administered similarly to the  
22 Integrity manager -- management tracker that's already  
23 in place?

24 A. Correct.

1 Q. But that doesn't mean that it will  
2 necessarily be filed at the exact same time as the IMT,  
3 correct? The time for filing will be determined in the  
4 2025 rate case?

5 A. That's correct.

6 Q. Okay. And to be clear, if approved, the  
7 anticipated cost recovery rider Application will be  
8 filed in 2026, 2027, and 2028 until the subsequent rate  
9 case, which would expected to be in 2028?

10 A. Yes.

11 Q. Okay. Now, the cost recovery rider, the use  
12 of the language in that particular provision noting  
13 adjustment for depreciation. That term "depreciation"  
14 in the settlement is referring only to those three  
15 separately named capital projects; is that correct? It  
16 doesn't mean depreciate -- like, that the company will  
17 be recalculating depreciation for all its capital  
18 assets?

19 A. That's correct.

20 Q. Okay. And am I correct that the M71 and the  
21 Moriah Energy Center are currently scheduled to be  
22 completed and placed in service in late and early 2027,  
23 respectively?

24 A. (Russell Harris) I can speak to that. The



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1 M71 project, actually we would expect to be completed  
2 by the end of 2025. The Moriah Energy Center project,  
3 you're correct, would be estimated to be completed in  
4 the first part of 2027.

5 Q. Okay. So for the MEC, the -- you know, the  
6 expectation would be that that would not be eligible  
7 for capital recovery until after it's placed into  
8 service in 2027?

9 A. Correct.

10 Q. Okay. And so, essentially, a year that that  
11 particular project would only be included in the cost  
12 recovery rider for roughly one year until the next rate  
13 case, if it is -- if it makes it into the, say, 2027  
14 rider.

15 A. Right. Based on these dates projected, that  
16 would be correct.

17 Q. Okay. That's helpful. Turning to  
18 15.2(B)(1), I'm going to summarize this provision.  
19 This is essentially an agreement to normalize O&M  
20 expenses using older actuals in the next rate case, in  
21 the 2025 rate case; is that correct?

22 A. (Laszlo Varsanyi) Yes, it is.

23 Q. Is there a particular reason why those years  
24 were chosen? Are they more or less, or do they better

1 reflect, you know what the company would expect the O&M  
2 expenses would be in a typical rate case?

3 A. I would describe this as being one of the  
4 perhaps underappreciated benefits of the stipulation to  
5 the customer in that our estimation is that the more  
6 recent 2024 actuals will be higher than either the  
7 average of the '22-'23 period or the 2023 actuals.

8 Q. Thank you. Those are all the questions I had  
9 on 15.2(B). If you would turn to 15.2(C). So as I  
10 read this particular provision, PSNC is to propose in  
11 the next rate case, in the 2025 rate case, a customer  
12 assistance program, a CAP. And the agreement here  
13 that's set out is that, if approved by the Commission  
14 in that rate case, that the company would contribute  
15 funding to CAP of up to \$300,000 per year for a maximum  
16 of three years?

17 A. Yes.

18 Q. Okay. When the company says "up to  
19 \$300,000," that's not the company saying, "Well, we may  
20 choose to propose a CAP with \$100,000. We may choose  
21 to propose a cap that doesn't run for the full three  
22 years when it uses maximum. What the company is saying  
23 is, we are pledging as part of this settlement  
24 agreement to provide that up to \$300,000 or the cost of

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1 the CAP, so the "up to" is really reflecting that the  
2 customer assistance program may be less than \$300,000;  
3 is that correct?

4 A. Yes, it is.

5 Q. But the company -- what the company is  
6 agreeing with the Public Staff is we will fully fund  
7 the CAP and if it's more than \$300,000, we will fund  
8 the CAP up to \$300,000?

9 A. That's correct.

10 Q. And when you use the maximum of three years,  
11 what you're -- you're not saying we may choose to only  
12 do this for one year, we may choose to only do this for  
13 two years. What you're saying is we're doing this for  
14 three years unless, you know, some unforeseeable  
15 situation where maybe there's another rate case in this  
16 time, or, you know, there may be a reason why you don't  
17 get to that two-year point before there's another rate  
18 case.

19 Is that what that language is supposed to  
20 reflect?

21 A. Yeah. The language really is there to  
22 reflect the fact that the CAP will ultimately be  
23 subject to the approval of the Commission. And we're  
24 not able to know with certainty what the Commission

1 will approve. But if the Commission approves a CAP  
2 that has a duration of at least three years and a cost  
3 of at least \$300,000, the company's expectation and  
4 commitment is that we would fund for that three-year  
5 period and the full \$300,000.

6 Q. Okay. Is that three years sort of a  
7 hardline, or is it, essentially, whatever is determined  
8 in the 2025 rate case for funding purposes would be  
9 until the next rate case? Meaning, so if the company  
10 decided in 2028 not to file a rate case, would it be  
11 funding that CAP from the 2025 rate case to, say, the  
12 2029 rate case, the 2030 rate case, whenever it would  
13 choose to come back in, or is it a that particular  
14 benefit would disappear at the three-year point,  
15 regardless of what would happen in the future -- in the  
16 future rate cases?

17 A. The commitment is for the three years. And  
18 the thought behind it is that Enbridge is looking to  
19 help kick-start a new program. And that's really what  
20 the funds are intended to do. And that by the time  
21 that the fourth year comes around, that the program  
22 would be to the extent that it's approved by the  
23 Commission fully funded by other customers.

24 Q. Thank you. Okay. So to summarize these

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1 three particular portions of 15.2, all of these  
2 particular benefits are agreements to future actions  
3 between the stipulating parties. They're not  
4 necessarily actions that will be taken by the  
5 Commission. Obviously, there will be proposals in the  
6 next rate case. But the agreements are just between  
7 the parties so that -- is that correct?

8 A. Yes, it is.

9 Q. And so the company isn't necessarily agreeing  
10 to subject itself to the regulatory conditions in the  
11 code of conduct in this proceeding, only on the  
12 condition that the Commission approves the cost  
13 recovery rider in 2025. It's agreeing to subject  
14 itself to those particular conditions on the condition  
15 that the Public Staff put forth this -- put forth that  
16 proposal and agree to that proposal in the 2025 rate  
17 case. So it's not contingent on Commission approval?

18 A. Which ones specifically are you asking that  
19 for?

20 Q. The -- for purposes of, say, the regulatory  
21 conditions and the other aspects of the settlement, the  
22 company isn't saying, "We are only agreeing to these  
23 regulatory conditions. We're only agreeing to this  
24 regulatory structure if we get particular action in the

1 2025 rate case"?

2 A. Absolutely not.

3 Q. Okay. And the parties are not deciding in  
4 this -- this proceeding those proposed 2025 rate case  
5 issues. So the Commission doesn't have to rule upon  
6 whether it's intending to grant the cost recovery rider  
7 in this proceeding?

8 A. No, sir.

9 MR. MERTZ: Those are my questions.

10 CHAIR MITCHELL: All right. Just  
11 confirming Public Staff has no cross for the  
12 witnesses?

13 MR. FREEMAN: Thank you. No cross.

14 CHAIR MITCHELL: Okay. Redirect?

15 MR. TRATHEN: No redirect from EP  
16 Holdings.

17 CHAIR MITCHELL: All right. Let's see  
18 if there are questions from the Commissioners.

19 Questions? Mr. McKissick, go ahead.

20 EXAMINATION BY COMMISSIONER MCKISSICK:

21 Q. And this was just one question, I guess, for  
22 Mr. Varsanyi. It wasn't clear to me when you were  
23 discussing Section 15.1(B) in terms of the low-income  
24 customer 2025 bill credits. It talked about an amount

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1 not to exceed \$30 per month. But it wasn't clear to me  
2 how that amount would actually be computed in terms of  
3 what that credit might potentially be for eligible  
4 customers that were CIP or CIP. So I'm just seeking  
5 some clarification because it wasn't clear to me  
6 what -- how that was going to be computed.

7 A. (Laszlo Varsanyi) Yes. Thank you for the  
8 question, Commissioner. Ultimately, this will be  
9 something that we will work with Public Staff to  
10 administer the program. And that one is subject to the  
11 future approval by the Commission. And so I don't  
12 think we sit here today with a hard and fast idea on  
13 how to administer it. The idea behind it was that \$30  
14 per month would be a meaningful support for those that  
15 are eligible for the program, and that it would be  
16 administered during the five winter months. But beyond  
17 that, I think we're fairly agnostic and open-minded as  
18 to how to administer that.

19 COMMISSIONER McKISSICK: Thank you.

20 That was the only question I had. I think the  
21 other responses to Mr. Mertz are pretty clear and  
22 direct. Thank you.

23 CHAIR MITCHELL: Commissioner Hughes.

24 EXAMINATION BY COMMISSIONER HUGHES:

1 Q. Yes. Can any of you briefly comment on your  
2 program to reduce emissions intensity versus Dominion's  
3 approach, PSNC's approach versus the Enbridge approach?  
4 What kind of changes can we expect?

5 A. (Laszlo Varsanyi) Yes. Mr. Sanders will  
6 start and Mr. Harris may choose to supplement.

7 A. (James Sanders) Thanks for the question,  
8 Commissioner. I can't really speak to the difference.  
9 I'm not that familiar with Dominion's program. But at  
10 Enbridge for the distribution side of the business and  
11 for the broader corporations, our targets are to be on  
12 an operating basis, net neutral by 2050 and have a 35  
13 percent reduction in emissions by 2030. Those would  
14 include things that would be using around natural gas  
15 usage in the company and this would incorporate all  
16 operating assets and ancillary assets, so fleet,  
17 buildings, and the pipelines themselves.

18 We're also looking at methane emissions from  
19 the pipelines as part of that equation. Probably the  
20 largest contributor we have is on compression. So  
21 looking at our compressors and how do we modify them to  
22 reduce emissions. So that's the fundamental components  
23 of our program.

24 Q. Could you just give a little bit more



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1 specifics about when you say "modify." And, I mean,  
2 are these things that you already have in plans that  
3 you've already been doing or --

4 A. Well, I'll say a little bit of all the above.

5 When I think about compression, one of the more  
6 interesting aspects we're looking at right now is we're  
7 talking with some the compressor operators around  
8 hydrogen -- hydrogen blending and compression, for  
9 example. On the pipeline systems themselves, it's  
10 largely looking at leakage and fugitive emissions and  
11 how do we reduce those. Typically, that is around  
12 looking at the older assets, the more leaky assets and  
13 replacing those is a big part of it. I understand that  
14 Dominion and a number of the companies we looked up,  
15 those programs are already in place and operating. And  
16 then some of the fugitive emissions around our meter  
17 sets, and this is around threaded fittings and looking  
18 at where we can reduce those. So those are some  
19 examples of how we would tackle the overall emissions.

20 COMMISSIONER HUGHES: And I thank you.

21 No further questions.

22 CHAIR MITCHELL: All right.

23 Commissioner Tucker.

24 COMMISSIONER TUCKER: Thank you,

1 Madam Chair.

2 EXAMINATION BY COMMISSIONER TUCKER:

3 Q. As a segue into what Commissioner Hughes  
4 asked about, I'd read in Canada where you were already  
5 doing hydrogen blending; is that correct?

6 A. That's correct.

7 Q. What percentage have you attained in those  
8 operations of hydrogen blending?

9 A. Thanks for the question. Right now it's in a  
10 community called Markham, Ontario. We've isolated  
11 about 3,600 customers where we're blending hydrogen  
12 into the gas stream. Right now, we're blending up  
13 to 2 percent in the gas stream. And we're working  
14 towards a 5 percent, and that's coming shortly. I'm  
15 anticipating that. And we're also looking at expanding  
16 to a much larger number of customers, probably about  
17 triple that number of customers in the near term. So  
18 we're doing it cautiously. We want to make sure we  
19 understand the systems, the processes, and the risks  
20 around those before we go widespread.

21 Q. Okay. So what would be your projected goal  
22 over the next ten years with hydrogen?

23 A. Well, that's a great question. And I don't  
24 think there's an easy answer to that one. There's

1 different opinions, and I'll say there's  
2 technical experts way beyond my knowledge that would  
3 give you difference answers. But I know right now in  
4 the industry, one of the targets I've seen across North  
5 America and Europe as well, 20 percent seems like a  
6 reasonable number that we could get up to.

7 Q. Okay. Thank you, sir.

8 Back to the acquisition -- and any of you  
9 gentlemen can answer the question. You know, in any  
10 MNA, there are always economies of scale and proposed  
11 savings by the company doing the purchasing.

12 Can you tell me what those numbers look like  
13 to you in your calculations and would those savings  
14 offset a radical rate increase perhaps in the rate case  
15 in '25, or is there enough to do so?

16 A. (Laszlo Varsanyi) Well, Commissioner, this  
17 acquisition is a little unique in that there's not an  
18 overlap between our service territory and the service  
19 territory of PSNC. We've historically done  
20 acquisitions that, just as you described, that were  
21 synergy acquisitions, adjacent or abutting territories.  
22 We had a large transaction that did have those types of  
23 synergies associated with it.

24 This one is a little unique, and maybe

1 Mr. Sanders would like to supplement.

2 A. (James Sanders) Sure. Just to add to  
3 Mr. Varsanyi's answer, that in this acquisition and  
4 in the process we're going through now, we have not  
5 assigned any synergies through this process. We've  
6 looked at these companies as -- again, as Mr. Varsanyi  
7 talked about, as fairly independent operating as they  
8 are today. The operations when you compare the shared  
9 services functions from the corporate offices, the  
10 utility shared services in the operations themselves,  
11 largely will be in parallel with what we're doing in  
12 the future. So we have not sat down to areas of  
13 specific synergy target around any of these assets, or  
14 any of these operations at this point.

15 Q. Mr. Sanders as Mr. -- sorry, forgive me. I'm  
16 from south of Raleigh, and you guys are from north of  
17 Raleigh. In Ohio and Utah, those are not in your same  
18 territories, and you found no economies to scale with  
19 those two acquisitions that would match what PSNC is  
20 you're purchasing here?

21 A. No. Again, we've not found any synergies or  
22 not assigned any to those acquisitions.

23 Q. So it's just flat?

24 A. It is.

1 Q. Dollar for dollar? Trade for trade? Okay.  
2 The other thing -- and, I guess, Mr. Johnston could  
3 answer this one. Moody's has got you at a Baa2; is  
4 that what you said?

5 A. (Christopher Johnston) That's correct.

6 Q. I think in reading, it was a 3. That rating  
7 is okay but not great.

8 What's the reasoning for that?

9 A. So they downgraded us at the end of March  
10 from Baa1 down to Baa2. It's still a solid investment  
11 grade. The downgrade, they had us on negative watch  
12 for some time and then at the end of March, they had  
13 their action to move us down to Baa2 on the senior  
14 secured rating. No change to the short-term rating.

15 And in this case, it's a function of them, I  
16 would say, changing the goalposts in terms of the  
17 measure they choose to use to assess our credit  
18 capacity, credit quality. In this case, they added a  
19 new coverage ratio. Dividend coverage ratio is one of  
20 their metrics. In using their calculation, they use  
21 depreciation as a cash expense. I don't agree with  
22 treating depreciation as a cash expense. But they are  
23 entitled to their own independent views.

24 As a result of them using their calculation

1 using depreciation as a cash outflow, it has us below  
2 1x. Using our calculation, we're at 1.4x. So at  
3 Enbridge, we weren't in a position to cut our dividend  
4 to that magnitude to address that rating action. So  
5 we've accepted that Baa2. Over time, as our cash flow  
6 grows and our dividend grows at a slower pace, we will  
7 naturally cure that. But the Baa2 is the rating.

8 The two other rating agencies have us as  
9 solvent, BBB+ investment grade.

10 Q. So you feel pretty confident that you're in a  
11 very stable position. I see your revenues at  
12 \$39 billion. I didn't dabble, but your stock's trading  
13 at about \$36 a share.

14 How does that compare with the rest of the  
15 industry?

16 A. I would say our share price performance has  
17 been pretty strong over the short period. We've been  
18 raising a lot of equity. I mean, we just filed our --  
19 at the market offering -- prospectus supplements to  
20 raise some additional equity up to a maximum --

21 Q. Is that that four-and-a-half billion?

22 A. No. This is an additional one that we just  
23 filed, I guess, maybe two weeks ago.

24 Q. Okay.

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1           A.       It's really our last piece of our financing,  
2       sort of, initiative to manage this transaction in a  
3       credit-friendly manner. And the purpose of that is to  
4       maintain an appropriate debt, to keep it to a range of  
5       4.5 to 5x to ensure -- the credit rating is very  
6       important to us. So the additional equity we've been  
7       raising is -- it's been very credit positive.

8           Q.       Well, throughout the testimonies and the  
9       positive comments about the acquisition, it talks about  
10      your financial strength. And then you get this rating,  
11      and I just needed to ask to understand that you have  
12      the wherewithal to continue on with uninterrupted  
13      service to the people that are there. I guess I'll ask  
14      this question, Mr. Harris. You're VP of Operations and  
15      Management for PSNC.

16                   Do you intend to keep your job?

17           A.       I do.

18           Q.       Okay. Did I read somewhere that you plan to  
19      keep the leadership executive positions in place for a  
20      period of 24 months?

21                   MR. VARSANYI: Mr. Sanders, do you want to  
22      speak to that?

23                   MR. SANDERS: Yeah, okay. Yes, I can answer  
24      that. That is correct. And we intend to keep local

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1 management and local leadership in place at PSNC.

2 Q. So there's no concern about a big employment  
3 hole as far as a vacuum for moving the corporate  
4 offices out of Gastonia, into Canada, and impacting  
5 Gastonia at all, right? You guys are going to stay  
6 down south and come down and enjoy the warm weather in  
7 the fall --

8 A. (James Sanders) Yeah.

9 Q. -- when it's about 20 below in Canada? Okay.  
10 Let me see, one other thing.

11 A. I was going to say, Commissioner, I -- based  
12 on the weather this morning, yes.

13 Q. Okay. Just one quick question again. I  
14 don't know if I'm quick or not. Madam Chair can stop  
15 me. The M71 and the T15 that you talked about the  
16 plants. First of all, you know, this dovetails back  
17 into what Mr. Sanders said about, you know, doing what  
18 you can to eliminate emissions and carbon and methane  
19 into the air.

20 Do you in any of your other plants using  
21 natural gas and use liquid molecules or A9 to scrub  
22 the air prior to it being released in the atmosphere?  
23 Are you doing that now? I know it's expensive. The  
24 technology is available. It creates a lot of



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1 maintenance and those kind of things but, of course,  
2 we're in this carbon world.

3 Are you doing that anywhere else and do you  
4 plan to do that at M71 or T15 at all?

5 A. (D. Russell Harris) Well, M71 is strictly a  
6 pipeline project.

7 Q. Right.

8 A. So there are no, you know, no emissions from  
9 any source --

10 Q. Except for leaks in the pipeline, perhaps.

11 A. Unless there were to be a leak.

12 Q. Okay. I got you.

13 A. Correct. On T15 is a combination of a  
14 pipeline project and compression project. And we are  
15 installing pollution control equipment on the exhaust  
16 of the compressors planned for that project.

17 Q. Okay. And my final question, Mr. Harris, at  
18 TransCo -- your TransCo Zone 5, is that correct?

19 A. That's correct.

20 Q. You -- you know, we had a Winter Storm  
21 Elliot. There was an interruption through PJM in gas  
22 service to the Carolinas. It probably went up north  
23 somewhere as we -- I suspect. And, you know, do you  
24 feel comfortable about working with Williams and

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1 TransCo to -- did you have any interruptions in gas  
2 supply during that period of time, and what kind of  
3 relationship do you have with them as to not have  
4 them short change you should an adverse event, climate  
5 event happen?

6 A. Right. So we didn't have any interruptions  
7 during that event. We did see lower pressures on  
8 the --

9 Q. Right.

10 A. -- TransCo pipeline than we had historically  
11 seen, and we were able to adjust our plan for that day  
12 such that we avoided any interruptions of firm  
13 customers. We did curtail our interruptible industrial  
14 customers during that event, but that's not an unusual  
15 act. A couple of takeaways from that event.

16 One, it reinforced, for me, the significant  
17 need for this Moriah Energy Center facility that we're  
18 constructing in Person County because having a large  
19 source of dispatchable gas that is directly connected  
20 to our system. I think there are some reliability --  
21 significant reliability advantages to that. Having  
22 said all that, we do have a good relationship with  
23 TransCo. I felt like that there were certainly lessons  
24 learned from the event in 2022, and we saw much better

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1 communications. For instance, with TransCo they  
2 changed some of their practices on how they manage the  
3 system during those events. So I do feel much better  
4 about, you know, that relationship and how we would  
5 interact with them during a cold weather event like  
6 that.

7 Q. Okay. And, Mr. Sanders and Mr. Harris can  
8 answer this. So if that event were to occur again and  
9 you would lose pressure, does Enbridge plan to invest  
10 or do you think that PSNC has adequate backup to be  
11 able to serve its customers without interruption?

12 A. I believe we do. Because of the plans that  
13 we have to construct this LNG plant, it will be our  
14 second LNG plant on our system. And that will position  
15 us well. Longer term, more help is on the way. The  
16 MVP pipeline is about to go into service. I think  
17 that's going to help TransCo's Zone 5 pressures quite a  
18 bit. So that will provide some support. And even  
19 longer term than that, the MVP Southgate project, if it  
20 were to be completed, would provide us a second source  
21 of interstate pipeline capacity to our system in North  
22 Carolina.

23 Q. Okay.

24 A. (James Sanders) Maybe I'll just add that, of

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1 course, Enbridge would support the input from PSNC and  
2 Enbridge Gas North Carolina's requirements. So this  
3 is where our commitment is about safe, reliable,  
4 affordable supply of energy. And our financial  
5 capability to support any requirements that come from  
6 PSNC.

7 COMMISSIONER TUCKER: Okay. Thank you,  
8 gentlemen. Thank you, Madam Chair. No further  
9 questions.

10 CHAIR MITCHELL: All right. I've just a  
11 few questions for you-all.

12 EXAMINATION BY CHAIR MITCHELL:

13 Q. I'll pick up some where Commissioner Tucker  
14 took you. But for those of you from the Enbridge  
15 Company, you may know that PSNC has a history of  
16 participating in rate cases at the Federal Energy  
17 Regulatory Commission that involve TransCo, as one  
18 example. They're in there trying to get the best deal  
19 they can for their customers?

20 Do you-all intend to continue that tradition  
21 of participating in litigation when necessary to insure  
22 that your customers are going to get the best deal from  
23 TransCo?

24 A. (Laszlo Varsanyi) Yeah. Thank you for the

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1 question. We're, obviously, very incented to get the  
2 best deal. And we'll look to get direction from the  
3 local experts on that. And I see no reason that we  
4 would be looking to modify historical practice. Our  
5 approach to all of the overarching transaction is if  
6 something's not broken, we certainly don't want to come  
7 in and fix it or make changes for the sake of making  
8 changes. And for those types of practices where we can  
9 add value, you know, on behalf of the customer, we will  
10 certainly look to do that.

11 Q. Okay. Thank you for that response.  
12 Commissioner Tucker asked you about your intentions  
13 with respect to leadership at the local level. And I  
14 heard your testimony today and was happy to hear your  
15 testimony today. One question I have for you-all, the  
16 Application includes one word that is then not included  
17 in subsequent filings that you-all have made in this  
18 Docket. And let me get to the Application and tell you  
19 exactly which page I'm talking about.

20 All right. On page 16 of the Application,  
21 looking at -- it's paragraph 36 sub(C). And I will  
22 read it. It says: "After the transaction and absent a  
23 material change in circumstances, PSNC will continue to  
24 maintain its operation centers and its local

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1 headquarters in Gastonia, North Carolina. And its  
2 day-to-day operations will continue to be locally  
3 managed by the existing seasoned team of executives."

4 And then when you look at the reg conditions  
5 that were filed as part of the settlement -- I'm  
6 specifically looking at Section 10-13, that "existing"  
7 has gone away. So you have, "after the closing of this  
8 transaction," blah, blah, blah, to be -- "the  
9 day-to-day operations will continue to be locally  
10 managed by a seasoned team" -- "by a seasoned team of  
11 executives." So we lose "existing." I did some  
12 research on the -- I read the Order that was issued  
13 in Ohio and the language in the settlement agreement  
14 tracks the language that you all entered into in the  
15 case in Ohio. So my guess is there's just some -- you  
16 know, you-all were able to utilize the same agreement  
17 sort of jurisdiction to jurisdiction. But I just want  
18 to make sure that you-all have plans to keep existing  
19 leadership in place down here in North Carolina.

20 A. (James Sanders) We do.

21 Q. Okay. And I will tell you, you know, PSNC  
22 has been an historically, very well-run company, has a  
23 strong relationship with the Public Staff and with its  
24 regulator and much of that is a reflection of

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1 leadership of the organization. So it's very -- hence  
2 the reason for my question.

3 The -- there was something else I was going  
4 to say there. Oh, Mr. Harris' testimony points out --  
5 I can't remember if it was his supplemental or his  
6 direct that since -- for a number of years now -- and,  
7 Mr. Harris, you can fill in here where I'm missing the  
8 date -- that there has been no formal complaint to this  
9 Commission relating to service quality provided by  
10 PSNC. That's of significance to this body. So I just  
11 want to make sure -- again, hence the reason for my  
12 previous question -- Mr. Harris, how many years has it  
13 been?

14 A. (D. Russell Harris) Several.

15 Q. Okay.

16 A. I don't remember the exact number,  
17 Chair Mitchell.

18 Q. Well, all right. I'll tell you. I'll pull  
19 the testimony.

20 A. But it's a number. Pretty -- pretty lengthy  
21 period.

22 Q. I'm giving you a chance to --

23 A. I know.

24 Q. I'm giving you a chance her to -- all right.

1 2009.

2 A. Okay.

3 Q. So that's many, many years. You probably had  
4 more hair back then, Mr. Harris.

5 A. No comment.

6 Q. All right. So we've heard -- you've taken  
7 some questions today from Commissioners about  
8 challenges that y'all are going to have to navi- --  
9 that PSNC has been navigating here in North Carolina,  
10 and that y'all -- that, you know, assuming the  
11 transaction is approved and closes, y'all will have to  
12 sort of pick up the ball and run with it as they say.

13 Again, do you see -- what do you-all see as  
14 your biggest challenge here in North Carolina, based on  
15 what you know so far?

16 A. (James Sanders) Well, what I know so far,  
17 Madam Chair, is the biggest challenge is going to be  
18 the moving the systems and processes that are embedded  
19 today within the Dominion Environment. So in any type  
20 of transaction like this -- and I'm old enough to  
21 remember the days we didn't have all the technology.  
22 And it seems somehow this technology has become one of  
23 our biggest challenges.

24 I'm very confident in our collaboration with



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1 Dominion and our coordination with them about defining  
2 what the requirements are. And much of this is being  
3 defined today in our transition services agreement,  
4 with the goal being very specific about ensuring we  
5 have continuity of service, the quality of service is  
6 maintained. We're very focused on that. So our  
7 transition services agreement is out to 24 months, post  
8 the close with PSNC. And then, of course, looking at  
9 how do we maintain those after that. We're moving it  
10 to -- we've begun that work. It is not simple.

11 There's a lot -- there was over 300 services that we've  
12 defined. And we'd certainly be engaging the local  
13 organizations, the local leadership to assist in that  
14 shortly.

15 Q. Okay. Thank you for that response. Am I  
16 correct that -- so in Enbridge's acquisition of these  
17 three LDC's, one of which was located in Utah, the  
18 other in Ohio and now PSNC, which is obviously here in  
19 North Carolina. PSNC is the smallest in terms of  
20 customer count?

21 A. (D. Russell Harris) Yes, it is.

22 Q. Okay. By -- I mean, it's -- each of the  
23 other two are about a million customers, and down here  
24 you're at about the six hundred thousand; is that

1 correct?

2 A. That's correct.

3 Q. Is that -- okay. I just want to make sure my  
4 understanding was correct.

5 Do you foresee any challenges or  
6 opportunities, given that PSNC is so much smaller than  
7 the other two companies that you have -- are working  
8 towards acquiring?

9 A. (James Sanders) No. I would not take any  
10 different approach based on the customer count.

11 Q. Okay. Your testimony about integration of  
12 the companies is understood, and we've -- we've -- you  
13 know, we've been through -- this Commission has been  
14 through many merger proceedings and so understands the  
15 challenges and complexities that arise there as  
16 companies attempt to do the work of integrating. There  
17 is testimony in this proceeding about an IMS.

18 Can one of you-all just help me understand  
19 exactly what the IMS is?

20 A. I can handle that, Commissioner -- or, sorry,  
21 Madam Chair. So the -- it's an integrated management  
22 system. And it's meant to match the requirements of  
23 the various jurisdictions that we work in. It could be  
24 federal, provincial, state or federal to the US, and

1 are ongoing operating programs to ensure that we meet  
2 the compliance of those requirements within the  
3 jurisdiction.

4 So a good example might be the health and  
5 safety requirements in the particular jurisdictions.  
6 Our health and safety programs are mapped out and  
7 defined in a way that we can ensure that we have  
8 compliance and are meeting all the requirements. I  
9 think we're up to now ten different programs that we  
10 defined in that management system. I believe my  
11 original testimony we've committed to two years to get  
12 that in place. The good news again when I look at each  
13 of these companies and, Madam Chair, you've already  
14 said it, this is a well-run organization. So we'll be  
15 largely mapping what the requirements will be in North  
16 Carolina, and ensuring that we have a mechanism to  
17 have transparency to compliance in meeting those  
18 requirements.

19 Q. Okay. It doesn't sound like to me that the  
20 IMS involves accounting software; is that correct?

21 A. It's not intended around the financials.

22 Q. Okay. So will you-all rely on the software  
23 programs that Dominion/PSNC is currently using, or  
24 what's the plan in terms of accounting programs?

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1           A.       Well, I can start and I'm sure Mr. Johnston  
2       can add it to. But from an accounting standpoint,  
3       during the transition services agreement timeframe, the  
4       24 months, we'll be relying on Dominion's systems to  
5       continue that continuity. While that's going on, we'll  
6       be working on the replacement for that within a -- from  
7       an Enbridge perspective, using our corporate software  
8       for the financials.

9           A.       (Christopher Johnston) Yeah. That's right,  
10      Jim. Thank you.

11          Q.       Okay. Just recent experience shows the  
12      Commission that can be a complicated process,  
13      especially when you're timing it with rate cases and  
14      other proceedings before the Commission where you're  
15      coming and asking for cost recovery. So we would ask  
16      that you be cognizant of that and work closely with the  
17      Public Staff to ensure that when that transition does  
18      occur, that it's occurring with all of these things in  
19      mind.

20                 You mentioned the transition services  
21      agreement. In this case, as I understand it, you-all  
22      have asked for the Commission's approval to operate  
23      under an interim basis under the Master TSI. The  
24      ISA, which I understand is an inter-corporate services

1 agreement, and then the intercompany loan facility,  
2 which you-all are calling it the SDL, the Subordinated  
3 Demand Loan. I think that's what SDL stands for.

4 A. (Laszlo Varsanyi) That's correct.

5 Q. And then the Section 15 -- back to Section 15  
6 of the settlement -- of the reg conditions on the  
7 settlement agreement, 15-5 indicates that, "Upon  
8 consummation or closing of the transaction, PSNC would  
9 operate under interim authority subject to final  
10 approval by the Commission."

11 What is the plan for final -- for final --  
12 for seeking that final approval by the Commission?

13 A. Yes. The objective of having the interim  
14 approval is to just make sure that we can provide the  
15 continuity and the reliable service. But we recognize  
16 that the Commission will need to approve the final  
17 documents. And so we would be working with Public  
18 Staff to finalize that and bring that forward for the  
19 Commission's approval.

20 Q. Okay. So just want to make sure I've  
21 understood you correctly. Subsequent to closing,  
22 you-all would then work with the Public Staff and their  
23 review and understanding of those agreements. And then  
24 the Public Staff and the company would ultimately bring

1 those agreements to the Commission with a  
2 recommendation for action?

3 A. That's exactly right.

4 Q. Okay. All right. Thank you. Let's see.  
5 There is a reporting obligation in the reg conditions  
6 related to affiliate transactions. And as I understand  
7 the condition, it requires PSNC to report -- to conduct  
8 an internal audit and then report to the Commission  
9 concerning those affiliate transactions. And the audit  
10 is to occur -- that internal audit is to occur every  
11 other year; is that correct?

12 A. Yes, that's correct.

13 Q. Okay. So Section 4-9 is titled "Biannual  
14 Review," and I'm wondering if it means biennial. I  
15 just wanted to make sure y'all meant every other year  
16 and not twice a year. That may be something y'all just  
17 want to review. I see, Mr. Harris, you're nodding your  
18 head so I'm assuming that means yes, you mean every  
19 other year?

20 A. We do mean every other year, yes.

21 Q. Okay. Okay. That's --just wanted to confirm  
22 that.

23 All right. My understanding of the O&M  
24 provision of the settlement agreement, which we've had

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1 testimony from Mr. Varsanyi about that Section, and the  
2 likely benefit that will accrue to customers. As I  
3 understand that provision -- and you-all correct me if  
4 I'm wrong -- you-all will use the low -- in your next  
5 rate case, in that one establishing cost of service,  
6 you-all will use the lower of the 2022 -- or 2022 -- or  
7 the 2022-'23 period O&M cost; is that correct?

8 A. Yes, it is.

9 Q. And, Mr. Varsanyi, you indicated that that's  
10 likely to be a benefit to customers because 2024 is  
11 probably going to be -- will be a greater level of O&M  
12 expense; is that right?

13 A. Almost certainly, given a period of high  
14 inflation, yes.

15 Q. Got it. Okay. And that makes sense. So  
16 certainly while we support, you know, keeping costs  
17 down for customers, i want to make sure that that  
18 doesn't come at the expense of other reductions in  
19 service or cuts by the company. And so here's my  
20 question for you-all: PSNC has, you know, staffing  
21 that's adequate to cover its operations here and its  
22 obligations here in North Carolina, particularly on the  
23 safety side and sort of the integrity of its system.  
24 Those technical folks that are out there making sure

1 the pipe in the ground is safe and providing a safe and  
2 reliable service.

3 And PSNC also provides testimony in this case  
4 about its capital expenditure plan that's aimed at  
5 ensuring the integrity of its system. I want to make  
6 sure that there won't be any pressure to make cuts  
7 there, either on the people side or on the investment  
8 side because we're agreeing to reduce O&M.

9 A. (Laszlo Varsanyi) Maybe Mr. Sanders can  
10 start and then, Mr. Harris, you may choose to  
11 supplement.

12 A. (James Sanders) Yeah. Madam Chair, I can  
13 assure you again that, and as many have seen in the  
14 material, one of our core values is around safety. And  
15 when we say "safety," we mean to employees, we mean to  
16 the public, we mean to our customers. And that  
17 includes all of the health and safety programs, but  
18 also the asset integrity programs to insure that  
19 they're adequately maintained.

20 Again, when we did our due diligence around  
21 these companies, what we saw from PSNC, again  
22 extremely well-run and not to mention that the record  
23 on safety as a whole. Absolutely that is a priority  
24 for us, and we will continue to maintain all those



1 program adequately to sustain that.

2 Q. Okay. Thank you for that testimony.

3 Mr. Harris, did you want to add to that?

4 A. (D. Russell Harris) Just would agree. And  
5 if we review those costs for that 2025 case, if we see  
6 something that in our minds does -- is compromising our  
7 ability to do those things, then I think we would  
8 propose adjustments, you now, to reflect that. So I'm  
9 confident that we will not let this particular aspect  
10 of the agreement impair our ability to serve our  
11 customers and serve our safety.

12 Q. Okay. Thank you for that testimony. One of  
13 the -- earlier when I mentioned the company's  
14 relationship with its regulators and with the Public  
15 Staff, part of the regulatory staff is the pipeline  
16 safety Section. And the company obviously has a solid  
17 working relationship with the pipeline safety team here  
18 at the Commission and that obviously has to continue  
19 going forward to ensure the integrity of its system.

20 Okay. Let's see. I'm getting close to the  
21 end here. Mr. Harris, your testimony -- your direct  
22 testimony indicates that as of the end of  
23 December 2022, one of the ratings agencies, I think it  
24 was S&P, had you at negative outlook.

1 Can you help me understand why that is and if  
2 that has since changed? Do you need me to point you to  
3 the testimony?

4 A. Yes, if you would, please.

5 Q. Okay. It's in your direct.

6 Look at page 5 and the paragraph beginning line 5 is  
7 what I'm referencing. I'll note the other two agencies  
8 had you at stable. I just am curious about S&P's  
9 negative outlook.

10 A. (Christopher Johnston) Madam Chairman, while  
11 Mr. Harris is looking, I'll just -- I'm not here to  
12 comment on Dominion. S&P, I can give some comment just  
13 on how S&P approaches its ratings, which is different  
14 than Fitch and Moody's. S&P looks at PSNC as a, of  
15 course, subsidiary of the parent. And as a result, if  
16 there's an action at the parent, it does trickle down  
17 to the subsidiary, in this case being PSNC. So I  
18 believe the negative outlook was a function of the  
19 issue that required Dominion -- "required" is maybe not  
20 the right word, but caused them to seek to sell these  
21 natural gas LDC's for cash proceeds to bolster their  
22 credit capacity and credit quality. So that's just my  
23 perspective from an Enbridge expert perspective, not  
24 from the Dominion. But that's how S&P operates.

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1 Q. Okay. Thank you, Mr. Johnston. That's  
2 helpful information.

3 A. (D. Russell Harris) And I believe that is  
4 correct. I mean, at that time, that was at the initial  
5 beginning actually of the Dominion process to shore up  
6 some credit concerns, which led to this transaction, in  
7 fact. So I believe that that is a correct answer, that  
8 that was really the underlying cause of that negative  
9 outlook at the end of 2022.

10 Q. Okay. Thank you. The special -- the  
11 provision in the reg conditions about the special  
12 bankruptcy director. In my review of reg conditions, I  
13 think this is a new one and I haven't been around here  
14 for that long, so this could have appeared before.

15 But can y'all help me understand why that  
16 condition?

17 A. (Laszlo Varsanyi) Yes. I can take a stab.  
18 And others may choose to supplement. That's -- that is  
19 -- you're exactly correct, a new provision in the  
20 context of PSNC. It is a regulatory condition that did  
21 exist at one of the other utilities, and in particular  
22 the one in the west. And the provision provides  
23 benefits under a singular circumstance and that is in  
24 the event of a bankruptcy.

1 But my understanding is that as Public Staff  
2 reviewed and did their due diligence and looked at all  
3 of the various jurisdictions, my perception was that  
4 there was a little bit of wanting to ensure that the  
5 best practices from all of the other jurisdictions was  
6 brought to North Carolina and this was one of those.

7 Q. Okay. So I'm not hearing -- thank you for  
8 that explanation. I'm not hearing you say that this is  
9 a reflection of things to come for this company or  
10 otherwise reflects on PSNC's financial health or  
11 Enbridge's concerns about PSNC's financial health.

12 A. Not at all.

13 Q. Okay. I think I have gotten to the end of my  
14 list. All right. I think I'm there. I would just  
15 express my appreciation for you-all being here with us  
16 today and answering our questions. We place  
17 significant weight on the responses that you have given  
18 us and your stated plans for the future of this company  
19 assuming you receive approval of this Commission and  
20 the transaction proceeds to closure.

21 And again, thank you for your testimony  
22 today. Let me see if there are questions on  
23 Commissioners' questions. I'm sorry. Let me start  
24 here first.

1 Questions on Commissioner's question?

2 MR. FREEMAN: Thank you, Commissioner.

3 No questions.

4 CHAIR MITCHELL: Okay.

5 MR. MERTZ: I have just a couple.

6 CHAIR MITCHELL: Go ahead.

7 EXAMINATION BY MR. MERTZ:

8 Q. To follow up on Commissioner Hughes'  
9 question. I believe he was talking to Mr. Sanders and  
10 Mr. Harris.

11 Have you identified any particular  
12 compressors on the PSNC system specifically, not  
13 necessarily Enbridge, but on PSNC that would be  
14 eligible for near term replacement or upgrade due to  
15 emissions concerns?

16 A. (D. Russell Harris) No. We don't have any  
17 plans to replace any existing compressors, outside of  
18 those that are scheduled to be replaced as part of our  
19 T15 project.

20 Q. Right. Right. I'm sorry. I should have  
21 clarified that.

22 A. Right. Otherwise, from an emissions  
23 perspective, we've attempted to adopt best practices  
24 and we have projects to help install equipment to help

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1 reduce emissions at the existing compressors that we  
2 have but no replacements.

3 Q. Thank you. To follow up on Chair Mitchell's  
4 question, does being part of the Enbridge team of  
5 companies put PSNC in a better or the same position to  
6 negotiate against Williams in further proceedings? I  
7 mean, does Enbridge bring something different to the  
8 table than PSNC already delivered?

9 A. I don't think it significantly changes at  
10 all, really, the position we would take or have at  
11 further proceedings around or negotiating, leverage,  
12 around any kind of negotiations we might have with the  
13 Williams Company. I mean, we will -- we have and we  
14 will continue to try to get the best upstream supply  
15 arrangements we can for our customers in North  
16 Carolina.

17 A. (James Sanders) Maybe I'll just add and not  
18 knowing the details of negotiations or the arrangements  
19 with Williams today or TransCo, but I'll certainly say  
20 the experience, the knowledge, the broader Enbridge  
21 organization would be at the disposal of PSNC to  
22 consult and provide information. So we're delivering  
23 20 percent of the natural gas in North America, and we  
24 have the existing utilities so we'll certainly be

1 leveraging all that knowledge and experiences.

2 Q. Does Enbridge, the parent, or any of its  
3 other companies that are currently owned, do they have  
4 a relationship or experience with TransCo in other  
5 jurisdictions?

6 A. I can't speak to that. I'm not familiar with  
7 that.

8 MR. MERTZ: Okay. Thank you. That's  
9 all I have.

10 CHAIR MITCHELL: All right. Questions  
11 over here?

12 MR. TRATHEN: No questions.

13 MS. GRIGG: No questions.

14 CHAIR MITCHELL: Good. All right,  
15 gentlemen. With that, you-all may step down.  
16 Thank you for your testimony, and you're also  
17 excused.

18 MR. TRATHEN: Madam Chair, I've got a  
19 few housekeeping matters, if I could.

20 CHAIR MITCHELL: You may.

21 MR. TRATHEN: I would ask that the  
22 exhibits corresponding to each witness' testimony  
23 be entered into evidence.

24 CHAIR MITCHELL: All right. I've heard

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1 no objection to that Motion, so it will be allowed.

2 (Exhibit CJ-1, Exhibit JS-1, and  
3 Exhibits LV-1 through LV-4 were admitted  
4 into evidence.)(Confidential - filed  
5 under seal.)

6 MR. TRATHEN: And I have a few other  
7 documents that we need to get into evidence, if I  
8 could.

9 CHAIR MITCHELL: All right.

10 MR. TRATHEN: Witnesses Harradence and  
11 Mr. Reed both filed prefiled direct testimony, and  
12 they -- we had moved to exclude their participation  
13 from this proceeding, which Motion was granted on  
14 June 6th and June 7. As provided for in the Order  
15 Granting the Motion to Excuse, I'd ask that the  
16 prefiled testimony of Michele Harradence,  
17 consisting of 18 pages, be copied into the record  
18 as evidence, be treated as if given orally from the  
19 stand, and also ask that her Exhibit 1 be admitted  
20 into evidence.

21 CHAIR MITCHELL: All right. The  
22 testimony of Michele Harradence, filed in this  
23 Docket on November 15th, 2023, consisting of 18  
24 pages, will be copied into the record as if given



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1 orally from the stand. That the one exhibit to  
2 that testimony will be marked for identification,  
3 as it were when prefiled, and it will also be  
4 admitted into the record.

5 (Exhibit MH-1 was identified as it was  
6 marked when prefiled and admitted into  
7 evidence.)

8 (Whereupon, the prefiled direct  
9 testimony of MICHELE HARRADENCE was  
10 copied into the record as if given  
11 orally from the stand.)  
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**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION****DOCKET NO. G-5, SUB 667****Direct Testimony of Michele Harradence****On Behalf of Enbridge Parrot Holdings, LLC****November 15, 2023****I. INTRODUCTION****Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Michele Harradence. My business address is 500 Consumers Road,  
Toronto, Ontario, M2J 1P8, Canada.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT POSITIONS DO YOU  
OCCUPY?**

A. I am employed by Enbridge Inc. (“Enbridge”), and serve as Executive Vice  
President & President, Gas Distribution and Storage of Enbridge, and as President  
and Chief Executive Officer for Enbridge Gas Inc. (“Enbridge Gas”), which  
includes accountability for its primary gas utility, Enbridge Gas, and Gazifère Inc.  
(“Gazifère”).

**Q. WHAT ARE YOUR QUALIFICATIONS TO TESTIFY IN THIS  
PROCEEDING?**

A. I have listed my qualifications in Exhibit MH-1.

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

1 A. The purpose of my testimony is to provide an overview of the proposed transaction  
2 (the “Transaction”) pursuant to which Enbridge Parrot Holdings, LLC (“EP  
3 Holdings”), a Delaware limited liability company, will acquire all of the  
4 outstanding equity interests (“Interests”) of Fall North Carolina Holdco LLC  
5 (“NC Holdco”). I also discuss a number of the commitments that are being made  
6 by EP Holdings and Public Service Company of North Carolina, Inc., d/b/a  
7 Dominion North Carolina Energy (“PSNC”) in connection with the Transaction  
8 and the reasons that the Transaction will benefit PSNC and its customers and  
9 should be approved by the Commission as just, reasonable, and in the public  
10 interest.

11 **Q. PLEASE PROVIDE AN OVERVIEW OF THE TRANSACTION.**

12 A. On September 5, 2023, Dominion Energy and EP Holdings entered into a Purchase  
13 and Sale Agreement (the “Agreement”) setting forth the terms of the Transaction.  
14 EP Holdings is a direct wholly-owned subsidiary of Enbridge Genoa U.S.  
15 Holdings, LLC (“Genoa Holdings”), a Delaware limited liability company. Genoa  
16 Holdings is a direct wholly-owned subsidiary of Enbridge U.S. Inc. (“Enbridge  
17 U.S.”), which is a Delaware corporation and an indirect wholly-owned subsidiary  
18 of Enbridge, a Canadian corporation.

19 Subject to and following the Commission’s approval of the application for  
20 the proposed transfer of PSNC from SCANA Corporation (“SCANA”) to NC  
21 Holdco filed in Docket No. G-5, Sub 664 on September 8, 2023 (the  
22 “Reorganization”), the Agreement provides that NC Holdco will own all of the

1 issued and outstanding shares of capital stock in PSNC. NC Holdco is a direct  
2 wholly-owned subsidiary of Dominion Energy, Inc. (“Dominion Energy”). A copy  
3 of the Agreement is attached as Appendix A to the Joint Application.

4 As a result of the Reorganization, NC Holdco will own all of the issued and  
5 outstanding shares of capital stock in PSNC. In accordance with the Agreement,  
6 EP Holdings will purchase Dominion Energy’s right, title and interest in and to all  
7 of the Interests in NC Holdco. After the Transaction, assuming that it is approved  
8 by the Commission, NC Holdco will become a wholly-owned subsidiary of  
9 EP Holdings and PSNC will become a wholly-owned indirect subsidiary of Genoa  
10 Holdings. Further details about the Transaction are described in the Agreement.

11 After the Transaction, PSNC will operate under the tradename “Enbridge  
12 Gas North Carolina”.

## 13 **II. ENBRIDGE’S IDENTITY, MANAGEMENT AND EXPERIENCE**

### 14 **IN THE ENERGY INDUSTRY**

#### 15 **Q. PLEASE PROVIDE SOME BACKGROUND ABOUT ENBRIDGE.**

16 A. Headquartered in Calgary, Canada, Enbridge has a workforce of more than 12,000  
17 people, primarily located in the United States and Canada.

18 Enbridge’s goal is to be the premier energy delivery company in North  
19 America and beyond—for customers, communities, investors, regulators,  
20 policymakers, and employees. Enbridge, through its subsidiaries, is a diversified  
21 energy company that is uniquely positioned to help accelerate the global transition  
22 to a cleaner energy future, and is advancing that process in ways that are beneficial

1 to our customers and that are ethical, sustainable and socially responsible. Enbridge  
2 is advancing the use of new low-carbon energy technologies—including hydrogen,  
3 renewable natural gas, and carbon capture and storage. Enbridge is committed to  
4 reducing the carbon footprint of the energy delivered by Enbridge and its  
5 subsidiaries, and to achieving net zero emissions within Enbridge's operations by  
6 2050.

7 Enbridge also recognizes the importance of a secure, reliable, and  
8 affordable supply of energy, which is delivered every day through four core  
9 businesses:

- 10 • Liquids Pipelines;
- 11 • Gas Transmission & Midstream;
- 12 • Gas Distribution & Storage; and
- 13 • Renewable Power.

14 The energy transition requires a practical approach, and Enbridge is committed to  
15 lowering emissions while meeting growing energy demand; supporting our  
16 customers' needs today while anticipating their needs tomorrow; and developing  
17 new energy sources while keeping energy costs in check.

18 Enbridge and its subsidiaries move about 30% of the crude oil produced in  
19 North America, transport nearly 20% of the natural gas consumed in the United  
20 States, and operate North America's third-largest natural gas utility by consumer  
21 count and its largest by volume of natural gas delivered.

1 Enbridge's values are Safety, Integrity, Respect, Inclusion, and High  
2 Performance. Above all else, Enbridge aims to make a difference, economically  
3 and socially—as an industry leader, as a responsible corporate citizen, and as an  
4 exceptional employer.

5 Enbridge was named to the Thomson Reuters Top 100 Global Energy  
6 Leaders in 2018; has been selected to Bloomberg's Gender Equality Index for five  
7 years running, most recently in 2023; and has been ranked among Canada's Top  
8 100 Employers 20 times, most recently in 2023.

9 **Q. WHAT IS ENBRIDGE'S FINANCIAL STATUS?**

10 A. Enbridge (ENB) is traded on the New York and Toronto stock exchanges and has  
11 deep financial resources. As of December 31, 2022, Enbridge had total assets of  
12 C\$179.6 (US\$131.5) billion and annual operating revenues of C\$53.3 (US\$39)  
13 billion.<sup>1</sup> Additional details about Enbridge's financial strength and capabilities are  
14 provided by Enbridge Witness Johnston.

15 **Q. PLEASE BRIEFLY DESCRIBE ENBRIDGE'S EXPERIENCE WITH**  
16 **RETAIL NATURAL GAS UTILITIES.**

17 A. Enbridge Gas, which provides service in Ontario, has over 175 years of experience  
18 in delivering safe, reliable, and affordable natural gas. Enbridge Gas is North  
19 America's third largest natural gas utility by customer count and largest natural gas  
20 utility by volume of natural gas delivered, with a rate base in excess of C\$15

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<sup>1</sup> All CAD to USD conversions utilize an October 12, 2023 US/CAD exchange rate of 1.3657.

(US\$11) billion. Additional details about Enbridge's experience with operating retail natural gas utilities are addressed by Witness Sanders.

**Q. WHAT ARE THE VALUES THAT ARE CORE TO ENBRIDGE'S OPERATIONS?**

A. At Enbridge, our core values – Safety, Integrity, Respect, Inclusion, and High Performance – reflect what is truly important to us as a company. These values represent the north star for our organization, provide a constant beacon by which Enbridge companies make their decisions, and guide the ways in which individual Enbridge employees make decisions every day.

In particular, safety is paramount at Enbridge. Our [Safety Principles page](#), which is available on Enbridge's corporate website,<sup>2</sup> provides detailed information on the company's safety practices for employees and contractors, the communities in which Enbridge operates, and the environment.

Our core values are more specifically defined as follows:

**Safety**

- **Relentlessly ensure** the safety of communities, customers, contractors, partners and employees;
- **Proactively identify and prevent** safety issues;
- **Act immediately** when a safety issue is identified; and
- **Continually strive to improve** safety performance.

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<sup>2</sup> Available at: [www.enbridge.com/About-Us/Our-Values/Safety-principles-at-Enbridge](http://www.enbridge.com/About-Us/Our-Values/Safety-principles-at-Enbridge).

### Integrity

- **Do the right thing;**
- **Act courageously** and speak up;
- **Maintain truth** and transparency; and
- **Take accountability** for our actions.

### Respect

- **Value everyone's contributions;**
- **Listen to understand** first;
- Be considerate and **support the well-being of all;** and
- Treat everyone with **unfailing dignity** and defend against intolerant behavior.

### Inclusion

- Want and encourage **diverse perspectives** for the best decisions;
- See and **celebrate our differences** as a strength;
- Foster a **sense of belonging** and team; and
- **Champion fairness** and equity.

### High Performance

- **Align** to deliver results on things that matter;
- Embrace change, take measured risks and **adapt** to stay ahead;
- **Trust**, empower and provide autonomy; and
- **Simplicity** over complexity.



**III. PLAN FOR OPERATING PSNC**

**Q. PLEASE DESCRIBE EP HOLDINGS' PLANS FOR PSNC.**

A. Following completion of the Transaction, PSNC's headquarters will remain in Gastonia, North Carolina; PSNC will continue to maintain operation centers in its franchised service territory; and PSNC's day-to-day operations will be locally managed by a seasoned team of executives with expertise in the retail natural gas utility industry. Upon announcement of the Transaction, I noted that, today and for the long-term, natural gas will remain essential to achieving North America's energy security, affordability, and sustainability goals. Enbridge remains committed to supporting natural gas as critical infrastructure for the long-term to provide safe, reliable, and affordable energy. PSNC plays an important role in fulfilling that plan. Additionally, Enbridge will continue to support policies and practices for the diligent management and operation of PSNC in order to meet the current and future energy needs of PSNC's customers. Enbridge's focus across all the operations of Enbridge companies is to deliver the energy people need and want in a reliable manner and at an affordable price.

**IV. PUBLIC INTEREST CONSIDERATIONS AND BENEFITS**

**Q. WHAT STANDARD DOES THE COMMISSION APPLY IN DECIDING WHETHER TO APPROVE PROPOSED MERGERS OR ACQUISITIONS?**

A. I am informed by counsel that the Joint Application was filed pursuant to North Carolina General Statute § 62-111(a), which states that no "merger or combination affecting any public utility [may] be made through acquisition of control by stock

1 purchase or otherwise, except after application to and written approval by the  
2 Commission, which approval shall be given if justified by the public convenience  
3 and necessity.” I am further informed that the Commission has determined whether  
4 a proposed merger or acquisition is “justified by the public convenience and  
5 necessity” by ascertaining “(1) whether the merger would have an adverse impact  
6 on the rates and services provided by the merging utilities; (2) whether ratepayers  
7 would be protected as much as possible from potential costs and risks of the merger;  
8 and (3) whether the merger would result in sufficient benefits to offset potential  
9 costs and risks.” *Order Approving Merger Subject to Regulatory Conditions and*  
10 *Code of Conduct*, issued November 19, 2018, in Docket Nos. E-22, Sub 551, and  
11 G-5, Sub 585, at 37.

12 **Q. WILL THE TRANSACTION SERVE THE PUBLIC INTEREST?**

13 A. Yes. As I explain in this testimony, and as supported by Witnesses Johnston,  
14 Sanders, and Reed, PSNC will benefit from the Transaction by being a part of the  
15 larger Enbridge group of companies. Enbridge has the experience, expertise,  
16 resources and financial strength to ensure that PSNC has access to innovative  
17 programs, funding, and credit as needed to support the operation and growth of  
18 PSNC as part of Enbridge’s larger plan to create a natural gas utility platform. This  
19 benefit is further described in the testimony of Witnesses Johnston and Sanders.

20 Additionally, the Transaction will not negatively impact PSNC customers.

21 The testimony of Witness Reed presents a Cost-Benefits Analysis supporting the

1 Transaction and concludes that the Transaction is anticipated to provide only  
2 benefits, and not detriment, to the State of North Carolina and to PSNC customers.

3 **Q. ARE EP HOLDINGS AND PSNC MAKING ANY COMMITMENTS**  
4 **REGARDING THE OPERATION OF PSNC UPON COMPLETION OF**  
5 **THE TRANSACTION?**

6 A. Yes. EP Holdings and PSNC are making a number of important commitments  
7 regarding the management, operation, and financing of PSNC to ensure that the  
8 Transaction will not have a net adverse impact on the rates and services of PSNC.  
9 Some of these commitments are described below and others are addressed by  
10 Witnesses Johnston and Sanders and summarized by Witness Reed.

11 Further, consistent with Enbridge's corporate policies and practices,  
12 EP Holdings will cause PSNC to continue to comply with all existing laws, rules,  
13 regulations, tariff provisions, orders, and directives of the Commission, as  
14 applicable, following completion of the Transaction. Among other things, PSNC  
15 will continue to make senior officers and management employees available to the  
16 Commission and staff to provide information relevant to matters within the  
17 jurisdiction of the Commission.

18 **Q. DO EP HOLDINGS AND PSNC INTEND TO CONTINUE SUPPORTING**  
19 **ECONOMIC DEVELOPMENT IN PSNC'S SERVICE TERRITORY?**

20 A. Yes. EP Holdings and PSNC commit that PSNC will continue to install, upgrade,  
21 and maintain PSNC's infrastructure as necessary for safe, reliable, and affordable

1 operations as described in greater detail below and in the testimony of Witness  
2 Sanders.

3 In addition, EP Holdings also intends to continue to advance PSNC's  
4 investments in clean technology. Enbridge and its affiliates have significant  
5 expertise with such technologies. For example, Enbridge Gas continues to deploy  
6 capital with local municipalities and cities to construct infrastructure to capture  
7 methane from landfills and upgrade it to pipeline-quality natural gas (renewable  
8 natural gas). Furthermore, Enbridge Gas operates North America's first utility  
9 scale power-to-gas plant for manufacturing green hydrogen. In 2021, Enbridge Gas  
10 initiated a pilot project in which that hydrogen is blended into the natural gas  
11 stream for approximately 3,600 customers. This project is the first of its kind in  
12 North America.

13 As stated in the Joint Application, EP Holdings will undertake and explore  
14 possibilities for implementing clean energy projects for PSNC, including the  
15 production, storage and use of renewable natural gas, compressed natural gas, and  
16 hydrogen. Such exploration will include assessing the ability of PSNC to access  
17 federal funding in support of any such projects under the U.S. Inflation Reduction  
18 Act.

19 **Q. ARE THERE ADDITIONAL BENEFITS TO PSNC AND ITS CUSTOMERS**  
20 **FROM THE TRANSACTION?**

21 A. Yes. EP Holdings and PSNC, with Enbridge's support, have made various  
22 commitments in support of the Transaction as set forth in the Joint Application.

1 Upon completion of the Transaction, these commitments will provide additional  
2 benefits to PSNC and its customers.

3 **Safety**

4 **Q. PLEASE DESCRIBE ENBRIDGE'S APPROACH TOWARDS SAFETY IN**  
5 **ITS OPERATIONS.**

6 A. Enbridge's mission is to fuel quality of life for its employees, customers, and  
7 communities. As has already been discussed, operating safely is essential to  
8 achieving that mission. It is the duty of each Enbridge company to keep the public,  
9 the members of the Enbridge team, the communities in which we operate, and the  
10 environment safe. Safety is one of Enbridge's core values. Accordingly, Enbridge  
11 assesses and refines safety systems and programs, and monitors and measures  
12 safety performance and the health of Enbridge's safety culture, in order to deliver  
13 on Enbridge's commitment to operate systems safely and reliably, and to ensure  
14 that every member of the Enbridge team goes home safely at the end of every day.  
15 To ensure that all members of the team strive for excellent safety and reliability  
16 outcomes, Enbridge ties each employee's incentive compensation to safety and  
17 reliability metrics.

18 **Ethics**

19 **Q. PLEASE EXPLAIN THE ROLE OF ETHICS IN ENBRIDGE'S CULTURE.**

20 A. Everyone who works for Enbridge and its subsidiary companies is accountable for  
21 upholding high standards of conduct and understands that transparency around  
22 performance is essential for building trust with our stakeholders.

1 Enbridge's Statement on Business Conduct ("SOBC") is the foundation of  
2 Enbridge's commitment to ethics and compliance. Upon joining an Enbridge  
3 company and annually thereafter, all active team members are required to complete  
4 SOBC training and certify their compliance with its provisions. They must also  
5 disclose any actual or potential conflicts of interest. In 2022, the Board approved a  
6 revised SOBC, which became effective June 2022.<sup>3</sup>

7 Consistent with the SOBC, Enbridge's Whistle Blower Policy<sup>4</sup> encourages  
8 employees to turn to their people leaders first to share concerns. The policy sets  
9 out the procedures for reporting concerns about potential fraudulent or inaccurate  
10 accounting, auditing or financial reporting violations, and ethical misconduct or  
11 violations of law or policy. Should team members feel uncomfortable reporting  
12 certain concerns through this channel, the Ethics Helpline allows the option of  
13 filing a report confidentially and anonymously. The policy also indicates how such  
14 concerns are handled, and articulates Enbridge's approach to preventing further  
15 violations of policy as well as our prohibition against retaliation against any person  
16 making a complaint in good faith.

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<sup>3</sup> Available at:

[www.enbridge.com/~media/Enb/Documents/Governance/CG\\_Statement\\_on\\_Business\\_Conduct\\_EN.pdf?la=en](http://www.enbridge.com/~media/Enb/Documents/Governance/CG_Statement_on_Business_Conduct_EN.pdf?la=en)

<sup>4</sup> Available at:

[www.enbridge.com/~media/Enb/Documents/Governance/GG\\_Whistle\\_Blower\\_Policy.pdf?la=en#:~:text=No%20retaliatory%20action%20will%20be,of%20any%20laws%20or%20policies.](http://www.enbridge.com/~media/Enb/Documents/Governance/GG_Whistle_Blower_Policy.pdf?la=en#:~:text=No%20retaliatory%20action%20will%20be,of%20any%20laws%20or%20policies.)

1 **Q. PLEASE DISCUSS HOW ENBRIDGE'S COMMITMENT TO THE**  
2 **SUSTAINABILITY OF THE ENVIRONMENT IS REINFORCED BY ITS**  
3 **ETHICS.**

4 A. Sustainability is foundational to Enbridge's business. Enbridge is committed to  
5 reducing its emissions, building lasting relationships with customers and other  
6 stakeholders, and advancing diversity, equity, and inclusion. Enbridge's 2022  
7 Sustainability Report<sup>5</sup> and the testimony of Witness Sanders provide detailed  
8 information concerning Enbridge's commitment to Sustainability.

9 **Q. PLEASE ELABORATE ON THE WAYS THAT ENBRIDGE COMPANIES**  
10 **SUPPORT THE COMMUNITIES IN WHICH THEY OPERATE.**

11 A. Enbridge's corporate citizenship program, Enbridge Fueling Futures, supports  
12 programs that strengthen the safety, vibrancy, and sustainability of the  
13 communities served by Enbridge companies.

14 *Safe communities:* Enbridge supports local safety initiatives and  
15 organizations that help make communities safer places to live. Enbridge's  
16 commitment to safety – one of five Enbridge core values—is about much  
17 more than our operational safety. It is also about the safety of the  
18 communities in which the employees of Enbridge companies live and work.  
19 Enbridge's 2022 contribution to safe communities was C\$3.5 (US\$2.6)  
20 million.

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<sup>5</sup> Available at: <https://www.enbridge.com/reports/2022-sustainability-report>.

1                   *Vibrant communities:* Vibrant communities are places that offer  
2                   opportunities for every citizen. Enbridge Fueling Futures supports activities  
3                   that build potential in youth, celebrate culture and community, honor  
4                   Indigenous peoples and culture and empower people to achieve their full  
5                   potential. Enbridge's 2022 contribution to vibrant communities was C\$11.8  
6                   (US\$8.6) million.

7                   *Sustainable communities:* Enbridge supports initiatives that  
8                   contribute to a sustainable future by helping to improve, grow and nurture  
9                   the environment. In particular, Enbridge Fueling Futures supports  
10                  environmental education projects to advance the energy transition and  
11                  habitat conservation and remediation. Enbridge's 2022 contribution to  
12                  sustainable communities was C\$1.7 (US\$1.2) million.

13                Through Enbridge Fueling Futures, Enbridge is energizing communities  
14                through the volunteerism and generosity of the employees of Enbridge companies.  
15                Enbridge company employees are empowered to contribute and strengthen the  
16                communities served by Enbridge companies by supporting causes that are  
17                important to them. Enbridge provided C\$4.6 (US\$3.4) million to 2,097  
18                organizations through employee donation matching, volunteer grants, as well as  
19                community project and leadership grants in 2022.

20                The Enbridge Fueling Futures program directs substantial support each  
21                year to The United Way – supporting and building community resiliency. Since  
22                2018, Enbridge has invested more than C\$32.1 (US\$23.5) million in support of



1 local United Way chapters. In 2022, 133 communities across North America  
2 benefited from:

- 3 • 2,000+ Enbridge team members' participation;
- 4 • 2,900 volunteer hours by Enbridge employees; and
- 5 • C\$4.7 (US\$3.4) million of total giving from employee, contractor, and  
6 retiree donations, boosted by Enbridge's corporate match.

7 Enbridge is committed to supporting and strengthening the communities near the  
8 pipelines and other facilities operated by Enbridge companies. Being a good  
9 neighbor means the world to us. Additional information, along with a listing of  
10 community investments, can be found at [https://www.enbridge.com/about-us/our-](https://www.enbridge.com/about-us/our-values/corporate-citizenship)  
11 [values/corporate-citizenship](https://www.enbridge.com/about-us/our-values/corporate-citizenship).

12 Further, consistent with these initiatives and as stated in the Joint  
13 Application, EP Holdings commits to increasing PSNC's 2022 corporate charitable  
14 contributions to charities identified by PSNC's leadership by \$175,000 per year for  
15 the next three (3) years after completion of the Transaction.

## 16 **Teamwork**

### 17 **Q. WHAT IS ENBRIDGE'S APPROACH TO TEAMWORK AMONG ITS** 18 **EMPLOYEES AND OPERATING BUSINESSES?**

19 A. Enbridge company employees are encouraged by, and have said that the most  
20 important actions and behaviors contributing to building pride in Enbridge and  
21 energizing the team comes from, the working environment that has been created.

22 The Enbridge company environment includes:

- Being accountable;
- Communicating effectively;
- Building relationships and collaborating as one team;
- Leading by example; and
- Engaging and developing our people.

Consistent with this approach, and as stated in the Joint Application, EP Holdings will make available employee training and opportunities for career development to PSNC employees, including due and fair consideration for other employment and promotion opportunities within the larger Enbridge organization, both inside and outside of North Carolina.

## V. CONCLUSION

### **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A. It is my firm belief that the Transaction will result in significant benefits to PSNC customers without any offsetting detriments. As a result, I believe that approval of the Transaction would be in the public interest and provide a net positive benefit to PSNC's customers.

Enbridge has the necessary financial, technical, and managerial expertise to own and operate PSNC in a safe and cost-effective manner. Enbridge is a strong, well-financed, and efficiently-operated company that will strengthen PSNC. Enbridge's focus on making lasting investments means that Enbridge intends to own PSNC for the long term – lending stability to, and confidence in, PSNC's continued presence in North Carolina as a dependable supplier of natural gas

1 service at reasonable rates.

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

3 **A. Yes.**

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Not 05 2024

1 MR. TRATHEN: And, similarly, I'd ask  
2 that the prefiled testimony of John Reed,  
3 consisting of 13 pages, be copied into the record  
4 as evidence, treated as if orally given from the  
5 stand, and that his three exhibits be admitted into  
6 evidence.

7 CHAIR MITCHELL: All right. The direct  
8 testimony of John Reed, filed in this Docket on  
9 November 15th, 2023, consisting of 13 pages, will  
10 be copied into the record as if given orally from  
11 the stand. The three exhibits to his testimony  
12 will be marked for identification as they were when  
13 prefiled, and they will be admitted into the  
14 record.

15 (Exhibits JR-1 through JR-3 were  
16 identified as they were marked when  
17 prefiled and admitted into evidence.)

18 (Whereupon, the prefiled direct  
19 testimony of JOHN REED was copied into  
20 the record as if given orally from the  
21 stand.)  
22  
23  
24

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. G-5, SUB 667**

**Direct Testimony of John Reed  
of Concentric Energy Advisors  
on Behalf of Enbridge Parrot Holdings, LLC**

**November 15, 2023**

**I. INTRODUCTION**

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

A. My name is John Reed. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts, 01752.

**Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

A. I am Chief Executive Officer and Chairman of the Board of Concentric Energy Advisors (“Concentric”), an economic consulting firm that was founded by a small group of executive-level consultants in 2002 and that specializes in management consulting and financial advisory services with an exclusive focus on the North American energy industry. The Concentric staff possesses expertise in all aspects of the power and natural gas markets at both the wholesale and retail levels and in the oil pipeline industry.

1   **Q.   WHAT ARE YOUR QUALIFICATIONS TO TESTIFY IN THIS**  
2       **PROCEEDING?**

3   A.   My qualifications are described in Exhibit JR-1. Among other things, I earned a B.S.  
4       in Economics and Finance from the Wharton School of the University of Pennsylvania  
5       and am a Licensed Securities Professional. I have more than 46 years of experience  
6       as a consultant in the energy industry, including service as the Chief Economist with  
7       Southern California Gas Company and as an executive consultant with Stone &  
8       Webster Management Consulting and R.J. Rudden Associates. I subsequently formed  
9       the Reed Consulting Group, which was acquired by Navigant Consulting in 1997. I  
10      left Navigant to join Concentric as Chairman and Chief Executive Officer.

11   **Q.   HAVE YOU TESTIFIED BEFORE THIS COMMISSION OR OTHER**  
12      **REGULATORY BODIES PREVIOUSLY?**

13   A.   Although I have not previously testified before the North Carolina Utilities  
14      Commission, I have testified before regulatory commissions in Alaska, Arizona,  
15      California, Colorado, Connecticut, Delaware, the District of Columbia, Florida,  
16      Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts,  
17      Michigan, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New  
18      Mexico, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah,  
19      Vermont, Washington, and Wisconsin and the Federal Energy Regulatory  
20      Commission. I have also testified before provincial regulatory agencies in Alberta,  
21      New Brunswick, Nova Scotia, and Ontario and the National Energy Board of

1 Canada. Finally, I have testified before a number of state legislative committees,  
2 various courts, and several arbitration panels.

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

4 A. The purpose of my testimony is to sponsor the Cost-Benefit Analysis and Market  
5 Power Analysis attached to the Joint Application filed by Public Service Company  
6 of North Carolina, Inc. ("PSNC"), and Enbridge Parrott Holdings, LLC  
7 ("EP Holdings"), in this proceeding on October 20, 2023. A true and accurate copy  
8 of the Cost-Benefit Analysis is attached to my testimony as Exhibit JR-2 and a true  
9 and accurate copy of the Market Power Analysis is attached to my testimony as  
10 Exhibit JR-3.<sup>1</sup> Both of these analyses were prepared by me and other Concentric  
11 employees acting subject to my supervision and control and reflect the opinions  
12 and conclusions that I have developed in connection with my work on this matter.

13 **Q. PLEASE DESCRIBE THE TRANSACTION THAT IS ADDRESSED IN**  
14 **THE COST-BENEFIT ANALYSIS AND THE MARKET POWER**  
15 **ANALYSIS.**

16 A. As the Joint Application filed by PSNC and EP Holdings reflects, Dominion  
17 Energy, Inc. ("Dominion Energy"), is proposing to sell all of its membership  
18 interests in Fall North Carolina Holdco ("NC Holdco"), which is a direct, wholly-  
19 owned subsidiary of Dominion Energy, to EP Holdings, which is a direct and  
20 wholly-owned subsidiary of Enbridge Genoa US Holdings, LLC ("Genoa  
21 Holdings"). Assuming that the Commission grants Dominion Energy's pending

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<sup>1</sup> These same reports were filed with the Joint Application as Appendices C and D respectively.

1 request in Docket No. G-5, Sub 664 for approval of the transfer of PSNC from  
2 SCANA Corporation (“SCANA”) to NC Holdco, the latter will own all of the  
3 issued and outstanding shares of capital stock in PSNC. In the event that the  
4 Commission approves the Joint Application filed by PSNC and EP Holdings in this  
5 proceeding, EP Holdings will become the indirect parent of PSNC, which will,  
6 from that point forward, operate in North Carolina as “Enbridge Gas North  
7 Carolina.”

8 **Q. WHY HAVE YOU PREPARED THE COST-BENEFIT ANALYSIS AND**  
9 **THE MARKET POWER ANALYSIS THAT YOU ARE SPONSORING IN**  
10 **THIS PROCEEDING?**

11 A. The two analyses were prepared in order to comply with the requirements of the  
12 Commission’s *Order Requiring Filing of Analyses* entered on November 2, 2000,  
13 in Docket No. M-100, Sub 129. According to that order, applicants seeking  
14 approval of business combination transactions within the North Carolina electric  
15 and natural gas industries are required to submit, “on the same date that the  
16 application is filed,” a Cost-Benefit Analysis that includes “[a] comprehensive list  
17 of all material areas of expected benefit, detriment, cost, and savings over a  
18 specified period (e.g., three to five years) following consummation of the merger  
19 and a clear description of each individual item in each area”; “[a] quantification of  
20 each individual item (or an explanation as to why a quantification cannot be made)  
21 specifying whether it is an annually recurring amount, a single cumulative amount,  
22 or a one-time cost or saving”; and “[a]n allocation or assignment of each quantified



1 amount to the merging utilities and their affiliates by regulatory jurisdiction.”  
2 Order at 7. In addition, and on the same date, the applicants are required to submit  
3 a Market Power Analysis “employing the Herfindahl-Hirschman Index [HHI] or  
4 other accepted measurement accompanied by a justification of the method and  
5 assumptions included in the analysis” and “[s]ensitivity analyses on the impact on  
6 market power of significant factors such as deregulation, other mergers,  
7 interconnection between merging utilities, and transmission groups (e.g.,  
8 RTO/ISO/Transco) joined by merging utilities.” Order at 7. Finally, the  
9 Commission required that any cost-benefit and market power analyses filed in  
10 conjunction with an application for the approval of a business combination  
11 transaction be accompanied by “[c]opies of all” cost-benefit and market power  
12 analyses “related to the merger that are filed with other state and federal agencies.”  
13 Order at 7.

14 **Q. PLEASE DESCRIBE THE COST-BENEFIT ANALYSIS THAT IS**  
15 **ATTACHED TO YOUR TESTIMONY AS EXHIBIT JR-2.**

16 A. My cost-benefit analysis provides a summary of the costs and benefits to PSNC  
17 customers that are reasonably anticipated to result from the Transaction which are  
18 identifiable at the time that the Cost-Benefit Analysis was completed, which was  
19 shortly before the filing of the Joint Application on October 20, 2023. The analysis  
20 concludes that the Transaction is anticipated to provide only benefits, and not  
21 detriment, to the State of North Carolina and to PSNC customers given that all

1 transaction fees and any acquisition premium that will result from the Transaction  
2 will not be passed on to PSNC's customers. CBA at 2.

3 **Q. WERE YOU ABLE TO QUANTIFY THE BENEFITS TO PSNC**  
4 **CUSTOMERS THAT YOU EXPECT TO RESULT FROM THE**  
5 **PROPOSED TRANSACTION?**

6 A. As I noted in the summary paragraph contained in the Cost-Benefit Analysis, while  
7 the benefits anticipated to result from the Transaction are expected to be  
8 significant, they are currently, for the most part, unquantifiable. CBA at 2.

9 **Q. IS THIS SURPRISING OR UNUSUAL IN TRANSACTIONS OF THIS**  
10 **NATURE?**

11 A. Not at all. In many cases, when one utility acquires another well-run utility, it is  
12 difficult to quantify the benefits to customers that will result from the proposed  
13 transaction. Even so, these benefits exist and will accrue to customers in a  
14 meaningful way.

15 **Q. WHAT ARE THE BENEFITS THAT PSNC CUSTOMERS WILL**  
16 **RECEIVE AS A RESULT OF THE PROPOSED TRANSACTION?**

17 A. The benefits that the proposed transaction will provide for PSNC's customers  
18 include the fact that EP Holdings' corporate parent, Enbridge, Inc. ("Enbridge"),  
19 is a premier energy delivery company in North America with a long-term focus on  
20 the gas industry, CBA at 3; the fact that EP Holdings will maintain existing  
21 employee compensation and benefits and provide PSNC employees with  
22 opportunities for career development, CBA at 3; the fact that Enbridge's practical

1 approach to the energy transition preserves energy security and affordability while  
2 investing in a lower-carbon future, CBA at 4; the fact that EP Holdings will support  
3 future growth to accommodate customer needs, CBA at 5; the fact that the  
4 acquisition of PSNC by EP Holdings provides for a strategic fit in a growing  
5 market, CBA at 5; the fact that Enbridge is financially sound, CBA at 6; the fact  
6 that the proposed transaction will reduce concentration in wholesale gas markets,  
7 CBA at 6; the fact that EP Holdings has committed to increase charitable  
8 contributions, CBA at 6; the fact that Enbridge and its subsidiaries hold core values  
9 that support excellence in utility operations, CBA at 6-7; the fact that EP Holdings  
10 has a commitment to explore clean energy projects and will leverage Enbridge's  
11 expertise in energy efficiency, CBA at 8; and the fact that EP Holdings will  
12 maintain superior customer service practices, CBA at 9.

13 **Q. WHAT DETRIMENTS, IF ANY, DOES THE COST-BENEFIT ANALYSIS**  
14 **SHOW WILL RESULT FROM THE PROPOSED TRANSACTION?**

15 A. As is noted in the Cost-Benefit Analysis, the transaction will not result in any  
16 increase in rates or charges, or adverse changes in terms and conditions of service  
17 pursuant to which PSNC currently provides service to customers in North Carolina,  
18 with any such changes in the future to be subject to the Commission's regulatory  
19 jurisdiction. CBA at 10. In reaching this conclusion, the Analysis notes that,  
20 absent a material change in circumstances, EP Holdings has committed to  
21 maintaining PSNC's corporate headquarters in Gastonia, North Carolina and to  
22 maintain PSNC's existing Operations Centers in its service territory. CBA at 10.

1 Similarly, the Analysis points out that the Applicants have arranged for transition  
2 services that ensure that service quality, safety and reliability will not be adversely  
3 affected by the transfer of corporate services; that no transaction fees resulting from  
4 the proposed transfer will be passed on to PSNC customers; and that none of the  
5 acquisition premium costs will be passed on to PSNC customers. CBA at 11. As  
6 a result, the Cost-Benefit Analysis concludes that approval and consummation of  
7 the proposed transfer will not have any adverse effect upon PSNC's customers.

8 **Q. AFTER PERFORMING THE REQUIRED COST-BENEFIT STUDY,**  
9 **WHAT IS YOUR CONCLUSION CONCERNING THE EXTENT, IF ANY,**  
10 **TO WHICH THE PROPOSED TRANSACTION WILL BENEFIT OR**  
11 **HARM PSNC'S CUSTOMERS?**

12 A. The results of the Cost-Benefit Analysis show that the proposed Transaction, which  
13 places PSNC within the corporate family of a large, financially strong corporate  
14 parent with unrivaled expertise in the provision of natural gas delivery services,  
15 will result in substantial, albeit non-quantifiable, benefits to PSNC ratepayers  
16 without any offsetting detriments.

17 **Q. PLEASE DESCRIBE THE MARKET POWER ANALYSIS ATTACHED**  
18 **TO YOUR TESTIMONY AS EXHIBIT JR-3.**

19 A. In accordance with the requirements set out in the Commission's November 2,  
20 2000 order in Docket No. M-100, Sub 129, I have conducted an analysis of the  
21 likely impact of the proposed transactions upon a number of different markets,  
22 including, primarily, the market for wholesale gas delivery, with a particular focus

1 upon “the competitiveness of supply of firm transmission rights and the extent to  
2 which a merger reduces the competition among suppliers of firm transmission  
3 rights” in Transco Zone 5. MPA at 24. I have also examined the likely effect of  
4 the proposed transaction on vertical markets, the market for retail gas service, and  
5 retail inter-fuel markets.

6 **Q. WHAT CONCLUSIONS DOES THE MARKET POWER ANALYSIS**  
7 **DRAW WITH RESPECT TO THE IMPACT OF THE PROPOSED**  
8 **TRANSACTION UPON WHOLESALE GAS MARKETS?**

9 A. In order to evaluate the impact of the proposed transaction upon wholesale gas  
10 competition, the study analyzes the relevant market product, which in this case is  
11 firm transport capacity into Transco Zone 5. MPA at 25. After examining the  
12 shares of the market for firm capacity into Transco Zone 5 held by individual  
13 market participants, including Dominion Energy and Enbridge, the study focuses  
14 upon the change in the HHI resulting from the Transaction rather than the level of  
15 HHI, since the former measurement, rather than the latter, shows the change in  
16 conditions that will result from approval and consummation of the proposed  
17 transaction. MPA at 26. In light of that fact, the study concludes that, since  
18 Enbridge does not currently own any significant amount of capacity into Transco  
19 Zone 5 and that the amount of such capacity controlled by Dominion Energy will  
20 decrease, the proposed transaction will reduce the HHI from 2,149, a figure that is  
21 in the upper half of the “moderately concentrated” range, to 1,630, which is a  
22 significant reduction of concentration and moves the market much closer to the

1 “unconcentrated” level as determined by the United States Department of Justice  
2 and the Federal Trade Commission. MPA at 26-27. As a result, the Market Power  
3 Analysis helps to illustrate that the proposed transaction improves the overall  
4 competitiveness of the market for firm transportation rights into Transco Zone 5.  
5 MPA at 27.

6 **Q. WHAT CONCLUSIONS DOES THE MARKET POWER ANALYSIS**  
7 **REACH WITH RESPECT TO VERTICAL MARKET POWER?**

8 A. The Market Power Analysis notes that the principal vertical market power issue  
9 that has been raised in previous North Carolina gas utility merger proceedings  
10 hinges upon whether the acquiring corporate parent “could influence future  
11 capacity commitments that the local distribution company would make” and  
12 whether the local distribution company would “continue to make business  
13 decisions that reflected a best-cost procurement method” “that was free of  
14 influence to choose affiliated suppliers after that merger.” MPA at 31. The Market  
15 Power Analysis concludes that no such concerns are present in the Proposed  
16 Transaction because Enbridge does not own or control any pipelines that connect  
17 with PSNC. MPA at 31.

18 **Q. WHAT CONCLUSIONS DOES THE MARKET POWER ANALYSIS**  
19 **REACH WITH RESPECT TO MARKET POWER IN RETAIL GAS**  
20 **SERVICE?**

21 A. The Market Power Analysis notes that at the retail level there has historically been  
22 limited competition for gas services within individual retail service territories and

1 that restricted competition at the retail level has been addressed historically through  
2 open and transparent regulatory processes for reviewing and approving retail rates  
3 for services. MPA at 31-32. As a result of the fact that the regulated rate model is  
4 used in North Carolina to mitigate potential market power at the retail level and the  
5 fact that such concerns will be addressed in the same fashion both before and after  
6 the proposed transaction, the Market Power Analysis concludes that there are no  
7 market concentration concerns for retail gas services in North Carolina that result  
8 from the Transaction. MPA at 32.

9 **Q. FINALLY, WHAT CONCLUSIONS DOES THE MARKET POWER**  
10 **ANALYSIS REACH WITH RESPECT TO RETAIL INTER-FUEL**  
11 **MARKETS?**

12 A. According to the Market Power Analysis, a merger between companies that control  
13 both electric and gas assets may harm consumers, primarily at the retail level, given  
14 that multiple fuels may be substitutes between which retail customers should have  
15 “an unbiased” choice. MPA at 32-33. The proposed transaction will not, however,  
16 have any impact upon inter-fuel competition at the retail level given that “the  
17 merged operation and customer base does not increase the retail base of Enbridge  
18 in either electricity or gas and does not restrict or inhibit customer choices as to the  
19 preferred retail service offerings.” MPA at 33. Thus, the Market Power Analysis  
20 concludes that the proposed transaction would not result in any adverse impacts  
21 upon inter-fuel markets.  
22

1   **Q.   WHAT ULTIMATE CONCLUSION DO YOU DRAW FROM THE**  
2       **RESULTS OF THE MARKET POWER ANALYSIS?**

3   A.   I conclude that the proposed transaction will have a beneficial impact upon  
4       competitive conditions in gas wholesale markets and will have no adverse impact  
5       upon competitive conditions in any other affected market.

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

7   A.   Yes.



1 MR. TRATHEN: Thank you. Also,  
2 Madam Chair, if now's the appropriate time, I'd  
3 like to move admission of the Joint Application and  
4 the Settlement Stipulation.

5 CHAIR MITCHELL: All right. Let's do  
6 that.

7 MR. TRATHEN: I would request that the  
8 Joint Application of Public Service Company of  
9 North Carolina and Enbridge Parrot Holdings, LLC,  
10 for Authorizations to Engage in a Business  
11 Combination Transaction, filed on October 20, 2023,  
12 consisting of 21 pages and four appendices be  
13 entered into the record.

14 CHAIR MITCHELL: That Motion is allowed.  
15 (Joint Application of Public Service  
16 Company of North Carolina, Inc. and  
17 Enbridge Parrot Holdings, LLC, to  
18 Engage in a Business Combination  
19 Transaction was admitted into evidence.)

20 MR. TRATHEN: I would also request that  
21 the Agreement and Stipulation of Settlement between  
22 PSNC, EP Holdings, and the Public Staff, filed  
23 May 29, 2024, consisting of 7 pages and one exhibit  
24 be entered into the record.

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1 CHAIR MITCHELL: All right. That Motion  
2 is allowed.

3 (Agreement and Stipulation of Settlement  
4 was admitted into evidence.)

5 MR. TRATHEN: Thank you very much.

6 CHAIR MITCHELL: All right. Public  
7 Staff, you may call your witness.

8 MR. FREEMAN: Thank you. The Public  
9 Staff calls Ms. Boswell.

10 CHAIR MITCHELL: Good morning,  
11 Ms. Boswell.

12 THE WITNESS: Good morning.

13 CHAIR MITCHELL: It seems like we were  
14 just here.

15 THE WITNESS: I'm working on my free ice  
16 cream cone.

17 CHAIR MITCHELL: All right. If you  
18 would, please, ma'am, raise your right hand, left  
19 hand on the Bible.

20 Whereupon,

21 MICHELLE BOSWELL,  
22 having first been duly sworn, was examined  
23 and testified as follows:

24 CHAIR MITCHELL: Mr. Freeman?

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1 MR. FREEMAN: Thank you. We have a  
2 summary of testimony that we thought we'd pass out.

3 Does the Chair want us to read that?

4 CHAIR MITCHELL: There's no need to  
5 read.

6 MR. FREEMAN: Thank you.

7 DIRECT EXAMINATION BY MR. FREEMAN:

8 Q. Ms. Boswell, would you please state your  
9 name, business address, and position for the record.

10 A. Michelle Boswell. My business address is  
11 430 North Salisbury Street, Raleigh, North Carolina.  
12 I'm the Director of Accounting for the Public Staff.

13 Q. Thank you. On May 29th, 2024, did you cause  
14 to be prefiled in this Docket testimony consisting of  
15 18 pages and also additionally including an Appendix A,  
16 entitled, "Qualifications and Experience," consisting  
17 of two pages?

18 A. I did.

19 Q. And you did not file exhibits with your  
20 testimony, correct?

21 A. Correct.

22 Q. Do you have any changes or corrections to  
23 your prefiled testimony?

24 A. I do not.

1 Q. If I were to ask you the same questions today  
2 under oath, would you give the same answers as set  
3 forth in your prefiled testimony?

4 A. Yes.

5 MR. FREEMAN: Chair, I would, at this  
6 time, move respectfully and ask that the prefiled  
7 testimony of Ms. Boswell, including Appendix A, be  
8 entered into evidence and copied into the record as  
9 if given orally from the stand here today.

10 CHAIR MITCHELL: All right. The  
11 testimony of Michelle Boswell, filed in this Docket  
12 on May 29th, 2024, consisting of 18 pages and one  
13 exhibit will be -- well, consisting of 18 pages,  
14 will be copied into the record as if given orally  
15 from the stand.

16 MR. FREEMAN: In that case, I guess I'd  
17 move to mark Appendix A in the manner in which it  
18 was prefiled.

19 CHAIR MITCHELL: All right. Let's see.

20 MR. FREEMAN: Sometimes those are  
21 treated as exhibits, and sometimes it's part of the  
22 testimony.

23 CHAIR MITCHELL: The Appendix will come  
24 in with her testimony.

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MR. FREEMAN: Thank you.

(Whereupon, the prefiled settlement  
testimony and Appendix A of MICHELLE  
BOSWELL was copied into the record as if  
given orally from the stand.)

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1 **Q. Please state your name, business address, and present**  
2 **position.**

3 A. My name is Michelle Boswell. My business address is 430 North  
4 Salisbury Street, Raleigh, North Carolina. I am the Director of the  
5 Accounting Division of the Public Staff – North Carolina Utilities  
6 Commission (Public Staff).

7 **Q. Would you briefly discuss your education and experience?**

8 A. My education and experience are summarized in Appendix A of this  
9 testimony.

10 **Q. What is the mission of the Public Staff?**

11 A. The Public Staff represents the concerns of the using and consuming  
12 public in all public utility matters that come before the North Carolina  
13 Utilities Commission (Commission). Pursuant to N.C. Gen. Stat. §  
14 62-15(d), it is the Public Staff's duty and responsibility to review,  
15 investigate, and make appropriate recommendations to the  
16 Commission with respect to the following utility matters: (1) retail  
17 rates charged, service furnished, and complaints filed, regardless of  
18 retail customer class; (2) applications for certificates of public  
19 convenience and necessity; (3) transfers of franchises, mergers,  
20 consolidations, and combinations of public utilities; and (4) contracts  
21 of public utilities with affiliates or subsidiaries. The Public Staff is also

1 responsible for appearing before State and federal courts and  
2 agencies in matters affecting public utility service.

3 **Q. Please describe the purpose of your testimony in this**  
4 **proceeding.**

5 A. The purpose of my testimony is to present the results of the Public  
6 Staff's investigation of the joint application filed on October 20, 2023,  
7 by Public Service Company of North Carolina, Inc., d/b/a Dominion  
8 Energy North Carolina (PSNC) and Enbridge Parrot Holdings, LLC  
9 (EP Holdings) (together, Joint Applicants) pursuant to N.C.G.S. § 62-  
10 111(a) and Commission Rule R1-5 for authorization to engage in a  
11 business combination transaction as described in more detail below  
12 (the Transaction).

13 In my testimony, I describe the scope of the Public Staff's  
14 investigation of the Transaction; discuss the balancing of costs and  
15 benefits of the Transaction; describe the new Regulatory Conditions  
16 and Code of Conduct related to the Transaction which are agreed to  
17 and attached as Exhibit 1 to the Agreement and Stipulation of  
18 Settlement (Stipulation) (Regulatory Conditions) between the Joint  
19 Applicants and the Public Staff (the Stipulating Parties); and present  
20 the Public Staff's recommendation regarding Commission approval  
21 of the Transaction.

- 1   **Q.     Please describe the Public Staff's investigation.**
- 2   A.     A task force of accountants, engineers, attorneys, and financial
- 3           analysts conducted an investigation of the Transaction. We reviewed
- 4           the joint application, including the Cost-Benefit Analysis and Market
- 5           Power Analysis submitted with the joint application, to assess
- 6           potential costs and benefits of the Transaction and analyzed the
- 7           proposed ownership chain above PSNC. In the course of our
- 8           investigation, we submitted data requests to the Joint Applicants and
- 9           reviewed the responses to those data requests. As part of its review,
- 10          the Public Staff held numerous meetings, both in person and online,
- 11          with the Joint Applicants. The Public Staff also reviewed the public
- 12          service commission dockets for related transactions in other
- 13          jurisdictions, along with associated data requests and responses.<sup>1</sup>

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<sup>1</sup>Contemporaneously with the Transaction at issue here, Dominion Energy, Inc. (Dominion Energy) entered into two additional separate purchase and sale agreements involving Dominion Energy assets in Ohio and Utah (and also limited operations in Wyoming and Idaho) with two separate subsidiaries of Enbridge Genoa U.S. Holdings, LLC (Genoa) pursuant to which those subsidiaries each separately agreed to acquire all of the outstanding equity interests in other Dominion Energy subsidiaries: (i) Dominion Energy Questar Corporation, Dominion Energy Gas Distribution, LLC, The East Ohio Gas Company, and DEO Alternative Fuel, LLC; and (ii) Questar Gas Company, Wexpro Company, Wexpro II Company, Wexpro Development Co., and Dominion Energy Wexpro Services Co., and each of Dominion Gas Projects Co., LLC and Questar InfoComm Inc. The completion of the transactions contemplated by these separate agreements and the Transaction contemplated by the Purchase and Sale Agreement entered into by Dominion Energy and EP Holdings are not cross-conditioned on one another.



1     **Q.     Why is it important to identify and balance the costs and**  
2     **benefits of a proposed merger or business combination?**

3     A.     N.C.G.S. § 62-111(a) provides that no merger or combination  
4     affecting any public utility shall be made through acquisition or  
5     control by stock purchase or otherwise, except after Commission  
6     approval, which “shall be given if justified by the public convenience  
7     and necessity.”

8             As explained in the Order Approving Merger Subject to Regulatory  
9             Conditions and Code of Conduct issued September 29, 2016, in  
10            Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682  
11            (Duke/Piedmont Merger Order):

12                   In prior merger proceedings the Commission has  
13                   established a three-part test for determining whether a  
14                   proposed utility merger is justified by the public  
15                   convenience and necessity. That test is (1) whether the  
16                   merger would have an adverse impact on the rates and  
17                   services provided by the merging utilities; (2) whether  
18                   ratepayers would be protected as much as possible  
19                   from potential costs and risks of the merger; and (3)  
20                   whether the merger would result in sufficient benefits to  
21                   offset potential costs and risks. See Order Approving  
22                   Merger Subject to Regulatory Conditions and Code of  
23                   Conduct (Duke/Progress Merger Order), issued June  
24                   29, 2012, in Docket Nos. E-2, Sub 998 and E-7, Sub  
25                   986, aff’d, In re Duke Energy Corp., 232 N.C. App. 573,  
26                   755 S.E.2d 382 (2014). These questions are related to  
27                   one another and together establish a reasoned  
28                   framework upon which utility mergers may be  
29                   evaluated. In making these assessments, the  
30                   Commission has also examined factors such as  
31                   whether service quality will be maintained or improved,  
32                   the extent to which costs can be lowered and rates can  
33                   be maintained or reduced, and whether effective  
34                   regulation of the merging utilities will be maintained. See

1 Order Approving Merger and Issuance of Securities,  
2 issued April 22, 1997, in Docket No. E-7, Sub 596.

3 Duke/Piedmont Merger Order, p. 68.

4 **Q. What are the requirements of the Commission's Order**  
5 **Requiring Filing of Analyses issued November 2, 2000, in**  
6 **Docket No. M-100, Sub 129 (M-100, Sub 129 Order)?**

7 A. The M-100, Sub 129 Order requires that merger applications be  
8 accompanied by a market power analysis and a cost-benefit  
9 analysis. The Joint Applicants submitted that the Cost-Benefit  
10 Analysis and Market Power Analysis attached to the application  
11 comply with this requirement. An investigation and verification of a  
12 cost-benefit analysis and market power analysis is an essential part  
13 of the Commission's consideration of the Transaction and the  
14 application of the statutory standard for approval. As evidenced by  
15 the Stipulation, the Public Staff believes the quantitative benefits,  
16 together with the agreed upon Regulatory Conditions, are sufficient  
17 to meet that standard.

18 **Q. Please describe the Transaction.**

19 A. On September 5, 2023, Dominion Energy, Inc. (Dominion Energy)  
20 and EP Holdings entered into a Purchase and Sale Agreement (the  
21 Agreement) containing the terms of the Transaction. Pursuant to the  
22 Agreement, EP Holdings will purchase Dominion Energy's right, title,  
23 and interest in and to all of the membership interests in Fall North

1 Carolina Holdco LLC (NC Holdco), which owns all of the issued and  
2 outstanding shares of capital stock in PSNC. Upon close of the  
3 Transaction, if approved by the Commission, NC Holdco will become  
4 a wholly owned subsidiary of EP Holdings.

5 **Q. Please describe PSNC.**

6 A. PSNC is a corporation duly organized and existing under the laws of  
7 the State of South Carolina, having its principal office and place of  
8 business in Gastonia, North Carolina. PSNC is engaged in providing  
9 natural gas service to the public and is a public utility as defined in  
10 N.C.G.S. § 62-3(23), subject to the jurisdiction of the Commission.  
11 PSNC operates a natural gas pipeline system for the transportation,  
12 distribution, and sale of natural gas to more than 640,000 customers  
13 in the State of North Carolina. PSNC is a direct wholly owned  
14 subsidiary of NC Holdco.

15 **Q. Please describe the Enbridge corporate structure.**

16 A. EP Holdings was formed in 2023 for the purpose of acquiring  
17 ownership of PSNC in connection with the Transaction. EP Holdings  
18 is a holding company and direct wholly owned subsidiary of Enbridge  
19 Genoa U.S. Holdings, LLC (Genoa), which was formed in 2023 for  
20 the purpose of holding the equity interests of EP Holdings and two  
21 separate additional companies that have each entered into separate  
22 agreements to acquire retail gas distribution companies (and certain

1 related companies) from Dominion Energy.<sup>2</sup> Genoa is a direct wholly  
2 owned subsidiary of Enbridge U.S. Inc. (Enbridge U.S.). Enbridge  
3 U.S. is an indirect wholly owned subsidiary of Enbridge Inc.  
4 (Enbridge), a Canadian corporation.

5 According to the joint application, Enbridge is a leading North  
6 American energy infrastructure company. Enbridge's core business  
7 units include Liquid Pipelines, which consist of pipeline and terminals  
8 in Canada and the United States that transport and export various  
9 grades of crude oil and other liquid hydrocarbons; Gas Transmission  
10 and Midstream, which consist of investments in natural gas pipelines  
11 and gathering and processing facilities in Canada and the United  
12 States; Gas Distribution and Storage, which consist of natural gas  
13 utility operations that serve residential, commercial, and industrial  
14 customers in Ontario and Québec; and Renewable Power  
15 Generation, which consists primarily of investments in wind and solar  
16 assets, as well as geothermal, waste heat recovery, and  
17 transmission assets, in North America and Europe. Enbridge owns  
18 and operates North America's largest natural gas utility by volume of  
19 natural gas delivered and third largest by customer count.

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<sup>2</sup> See Footnote 1.

1     **Q.     Please describe the Regulatory Conditions agreed to by the**  
2           **Stipulating Parties.**

3     A.     As a result of its investigation and negotiations with the Joint  
4           Applicants, the Stipulating Parties developed their recommended  
5           Regulatory Conditions, which they believe are necessary to ensure  
6           that the Transaction meets the Commission's three-part test for  
7           determining whether a proposed utility merger is justified by the public  
8           convenience and necessity and serves the public interest. The  
9           following is a description of the Regulatory Conditions agreed to by  
10          the Stipulating Parties:

11           **Applicability of the Regulatory Conditions**

12          The Regulatory Conditions apply jointly and severally to Genoa, EP  
13          Holdings, NC Holdco, and PSNC (collectively, the Regulatory  
14          Condition Parties).

15           **Commitment of the Parent Entities**

16          The Regulatory Conditions set forth the commitments of Enbridge,  
17          Enbridge US Holdings Inc. (Enbridge US Holdings), and Enbridge  
18          U.S., as well as any additional or successor entities with control over  
19          Genoa, EP Holdings, NC Holdco, and PSNC (collectively the Parent  
20          Entities). The Parent Entities acknowledge and consent to the  
21          Regulatory Conditions agreed and entered into by the Regulatory  
22          Condition Parties. The Parent Entities further commit not to cause

1 the Regulatory Condition Parties to violate such Regulatory  
2 Conditions and not to prevent the Regulatory Condition Parties from  
3 taking commercially reasonable actions to comply with the  
4 Regulatory Conditions, for so long as such Regulatory Conditions  
5 remain in effect and applicable to the Regulatory Condition Parties.  
6 The Regulatory Conditions provide that the Parent Entities shall be  
7 bound by the Regulatory Conditions only as set forth therein.

8 **Section I** of the Regulatory Conditions defines all terms utilized  
9 throughout the document, including the entities included as affiliates  
10 to PSNC, transaction-related costs, transition services agreement,  
11 and intercorporate services agreement.

12 **Section II** of the Regulatory Conditions are based on the general  
13 power and authority granted to the Commission in Chapter 62 of the  
14 North Carolina Statutes to control and supervise the public utilities of  
15 the State as well as address specific exercises of the Commission's  
16 authority and provide mechanisms to enable the Commission to  
17 determine the extent of its authority over proposed activities and  
18 transactions involving PSNC.

19 **Section III** of the Regulatory Conditions is intended to protect the  
20 jurisdiction of the Commission as a result of the Transaction and to  
21 affirm the jurisdiction of the Commission with respect to agreements  
22 and transactions between and among PSNC and any Affiliate;

1 financing transactions involving PSNC; PSNC's operations; and the  
2 ownership, use, and disposition of assets by PSNC.

3 **Section IV** of the Regulatory Conditions is intended to ensure that  
4 the costs incurred by PSNC are properly incurred, accounted for, and  
5 directly charged, directly assigned, or allocated to its North Carolina  
6 retail operations and that only costs that produce benefits to PSNC's  
7 Customers are included in PSNC's North Carolina cost of service for  
8 ratemaking purposes.

9 **Section V** of the Regulatory Conditions incorporates a Code of  
10 Conduct, which governs the relationships, activities, and  
11 transactions between or among the public utility operations of PSNC  
12 and the Affiliates and Nonpublic Utility Operations of PSNC.

13 **Sections VI and VII** of the Regulatory Conditions are intended to  
14 ensure that (a) PSNC's capital structure and cost of capital are not  
15 adversely affected by either the Transaction or by PSNC's affiliation  
16 with Enbridge U.S. and (b) PSNC has sufficient access to equity and  
17 debt capital at a reasonable cost to adequately fund and maintain its  
18 current and future capital needs and otherwise meet its service  
19 obligations to its Customers. They are also intended to ensure the  
20 continued viability of PSNC and to insulate and protect PSNC and its  
21 Customers from the business and financial risks arising from PSNC's

1           affiliation with Enbridge and the Affiliates, including the protection of  
2           utility assets from liabilities of Enbridge and Affiliates.

3           **Section VIII** of the Regulatory Conditions is intended to ensure that  
4           the Commission exercises its lawful authority over proposed  
5           mergers, acquisitions, and other business combinations involving  
6           Genoa, EP Holdings, PSNC, other Affiliates, or the Nonpublic Utility  
7           Operations.

8           **Section IX** of the Regulatory Conditions is intended to ensure that  
9           the Commission receives adequate notice of, and opportunity to  
10          review and take such lawful action as is necessary and appropriate,  
11          with respect to changes to the structure and organization of  
12          Enbridge, PSNC, Affiliates, and Nonpublic Utility Operations as they  
13          may affect Customers.

14          **Section X** of the Regulatory Conditions is intended to ensure that  
15          PSNC continues to implement and further its commitment to  
16          providing superior public utility service by meeting recognized  
17          service quality indices and implementing industry best practices of  
18          each other and their Utility Affiliates, to the extent reasonably  
19          practicable.

20          **Section XI** of the Regulatory Conditions is intended to ensure that  
21          PSNC's Customers do not bear any additional income taxes as a  
22          result of the Transaction.



1       **Section XII** of the Regulatory Conditions details the notice of filings  
2 requirements applicable to all filings made pursuant to the Conditions  
3 that are otherwise not expressly provided by Commission order, rule,  
4 or statute.

5       **Section XIII** of the Regulatory Conditions is intended to ensure that  
6 Genoa, PSNC, and all other Affiliates establish and maintain the  
7 structures and processes necessary to fulfill the commitments  
8 expressed in all of the Regulatory Conditions and the Code of  
9 Conduct in a timely, consistent, and effective manner.

10       **Section XIV** of the Regulatory Conditions is intended to ensure the  
11 continued use of good practices for use by PSNC in determining  
12 long-term sources of pipeline capacity and supply.

13       **Section XV** of the Regulatory Conditions is intended to ensure,  
14 through rate and other protections for PSNC's retail customers, that  
15 the benefits of Transaction are equal to or surpass the costs of the  
16 Transaction to those customers.

17   **Q.   Please describe the major provisions of the Regulatory**  
18       **Conditions intended to ensure that the Transaction will result in**  
19       **sufficient benefits to offset potential costs and risks.**

20   **A.**   In addition to the Joint Applicants agreeing not to pass any  
21 transaction-related expenses to PSNC, as part of the Stipulation in  
22 the present case the Stipulating Parties have agreed to the following

1 provisions to ensure that the Transaction will result in sufficient  
2 benefits to offset potential costs and risks:

3 **Bill Credits to All Customers.** PSNC will create a regulatory liability  
4 of \$4,000,000 to provide bill credits to all customers. This regulatory  
5 liability will not be funded by ratepayers. Such credits will be provided  
6 to customers in the following manner: \$1 million in January 2025, \$1  
7 million in January 2026, \$1 million in January 2027, and \$1 million in  
8 January 2028. The credits will be calculated based on customer  
9 usage consistent with the manner bills were credited pursuant to  
10 Docket No. G-5, Sub 585.

11 **Low-Income Customer 2025 Bill Credits.** PSNC will create a  
12 regulatory liability of \$1,020,000 for bill credits to qualifying low-  
13 income customers. This regulatory liability will not be funded by  
14 ratepayers. Qualifying low-income customers are those residential  
15 customers that received or will receive federal utility bill assistance  
16 in 2023 and 2024 from the Low-Income Energy Assistance Program  
17 (LIEAP) or Crisis Intervention Program (CIP) administered by the NC  
18 Department of Health and Human Services (DHHS). All qualifying  
19 customers will automatically be enrolled to receive the bill credit. The  
20 credits will be applied to qualifying customers' bills rendered during  
21 the winter months of 2024-2025 (November to March) in an amount  
22 not to exceed \$30 per month, subject to an aggregate cap of  
23 \$1,020,000. The credits will be calculated on a per-capita average

1 basis (total amount divided by eligible customers) and will be  
2 nonrefundable but will be carried over on the customer's account  
3 should the credit exceed monthly billing.

4 **Rate Moratorium/Rider.** The Stipulating Parties acknowledge that  
5 PSNC's current base rates are designed on rate base investments  
6 through June 30, 2021. Ongoing capital expenditures and economic  
7 conditions may necessitate filing for adjustment to base rates in  
8 2025, subject to review and approval by the Commission. In such a  
9 rate case, the Public Staff and PSNC agree to support the  
10 establishment of a cost recovery rider for the incremental costs  
11 associated with the M-71 pipeline, the Moriah LNG facility, and the  
12 non-Integrity Management Tracker (IMT) rate base portion of the T-  
13 15 pipeline as they are completed and placed into service with a  
14 return at the weighted average cost of capital authorized in the then  
15 most recent base rate case, including depreciation. The rider would  
16 operate in a similar manner as the current IMT rider. Provided that  
17 the rider is approved by the Commission materially consistent with  
18 the joint recommendation of the Public Staff and PSNC and placed  
19 into effect, PSNC agrees that it will not file an additional application  
20 for a general rate case until 2028. This commitment does not apply  
21 to (1) adjustments or changes pursuant to Rider C (Customer Usage  
22 Tracker), Rider D (Purchased Gas Adjustment Procedures), Rider E  
23 (Integrity Management Tracker), and Rider F (Energy Efficiency

Tracker) pursuant to N.C.G.S. § 62-133.4, N.C.G.S. § 62-133.7, and N.C.G.S. § 62-133.7A; (2) rate adjustments necessary to reflect the financial impact of governmental action (legislative, executive, or regulatory) having a substantial specific impact on the gas industry generally or on a segment thereof that includes PSNC, including but not limited to major expenditures for environmental compliance; or (3) adjustments necessary to reflect the financial impact of major expenditures associated with force majeure.

**O&M Costs for Future Rate Cases.** The Stipulating Parties agree that O&M costs included in the cost of service in the 2025 rate case will be based on the lower of: (1) 2023 actuals after audit and adjustment or (ii) the average of 2022 and 2023 actuals after audit and adjustments. For the 2022/2023 average O&M costs, adjustments made for 2023 will be made proportionally to the 2022 O&M costs before the average is calculated. The Stipulating Parties further agreed that any general rate case filed after the 2025 rate case and no later than 2028 where a rider was not approved by the Commission as described in Section 15.2(a) of the Regulatory Conditions, the test period should, to the extent practicable, consist of twelve months of non-TSA O&M data. In the event that the test period utilized for any such general rate case does not include twelve complete months of non-TSA O&M data, the Stipulating Parties agreed that the amount(s) of any items for which there are not twelve

1 months of non-TSA data should be determined using the lower of  
2 either: (i) TSA costs after audit and adjustments; or (ii) available  
3 actual non-TSA costs for such items, after audit and adjustments,  
4 and annualized for such costs to reflect a 12-month amount. Finally,  
5 the Stipulating Parties agreed that in any general rate case filed in  
6 2028 where a rider was approved by the Commission as described  
7 in Section 15.2(a) of the Regulatory Conditions, the test period  
8 should, to the extent practicable, consist of twelve months of non-  
9 TSA O&M data. In the event that the test period utilized for any such  
10 general rate case does not include twelve complete months of non-  
11 TSA O&M data, the Stipulating Parties agreed that the amount(s) of  
12 any items for which there are not twelve months of non-TSA data  
13 should be determined using the lower of either: (i) TSA costs after  
14 audit and adjustments; or (ii) available actual non-TSA costs for such  
15 items, after audit and adjustments, annualized to reflect a 12-month  
16 amount.

17 **Customer Assistance Program (CAP).** In its 2025 general rate  
18 case, PSNC will propose a Customer Assistance Program (CAP) for  
19 consideration by the Commission. In the event the Commission  
20 approves a CAP in the 2025 general rate case, PSNC will, if  
21 approved by the Commission, contribute funding to the CAP of up to  
22 \$300,000 per year for a maximum of three years immediately  
23 following approval of the CAP and create a regulatory liability

1 reflecting this funding commitment. With respect to the \$300,000  
2 annually, this regulatory liability will not be funded by ratepayers.

3 **Q. What is the Public Staff's recommendation with regard to the**  
4 **proposed Transaction?**

5 A. The Public Staff recommends that the proposed Transaction be  
6 approved, subject to the provisions of the Stipulation and the agreed  
7 upon Regulatory Conditions.

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

9 A. Yes.

**APPENDIX A****QUALIFICATIONS AND EXPERIENCE****MICHELLE BOSWELL**

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

As Director of the Accounting Division of the Public Staff, I am responsible for the performance, supervision, and management of the following activities: (1) the examination and analysis of testimony, exhibits, books and records, and other data presented by utilities and other parties under the jurisdiction of the Commission or involved in Commission proceedings; and (2) the preparation and presentation to the Commission of testimony, exhibits, and other documents in those proceedings. I have been employed by the Public Staff since September 2000.

I have performed numerous audits and/or presented testimony and exhibits before the Commission regarding a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in multiple REPS, fuel, DSM/EE, JAAR, and CPRE cost recovery rider proceedings; 2008 Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership Corporation; four recent Piedmont Natural Gas (Piedmont) rate cases; the 2016 rate case of

Public Service Company of North Carolina; the 2012 and 2019 rate cases for Dominion Energy North Carolina (DENC, formerly Dominion North Carolina Power); the 2013, 2017, 2019, and 2023 DEP rate cases; the 2017, 2019, and 2024 DEC rate cases; multiple fuel; several Piedmont, NUI Utilities, Inc. (NUI), and Toccoa annual gas cost reviews; the merger of Piedmont and NUI; and the merger of Piedmont and North Carolina Natural Gas, merger of CWSNC and Southwest, and many water and sewer rate cases.



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1 BY MR. FREEMAN:

2 Q. Ms. Boswell, we've handed out a summary of  
3 your testimony.

4 Is that a true and accurate and correct copy  
5 of the -- of a summary that, if asked under oath, you  
6 would give?

7 A. It is.

8 MR. FREEMAN: We will submit this to the  
9 record by filing it shortly after this hearing  
10 ends. But in the interim, we'd ask that it be  
11 entered into evidence and copied into the record as  
12 if given orally from the stand here today.

13 CHAIR MITCHELL: All right. Thank you,  
14 Mr. Freeman. The testimony summary that  
15 Ms. Boswell has provided will be copied into the  
16 record as if given orally from the stand.

17 (Whereupon, the prefiled summary of  
18 settlement testimony of MICHELLE BOSWELL  
19 was copied into the record as if given  
20 orally from the stand.)  
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**DOCKET NO. G-5, SUB 667****SUMMARY OF THE SETTLEMENT TESTIMONY OF MICHELLE BOSWELL**

The purpose of my testimony is to present the results of the Public Staff's investigation of the joint application and direct testimony filed on October 20, 2023, by Public Service Company of North Carolina, Inc., d/b/a Dominion Energy North Carolina (PSNC) and Enbridge Parrot Holdings, LLC (EP Holdings) (together, Joint Applicants), pursuant to N.C. Gen. Stat. § 62-111(a) and Commission Rule R1-5, for authorization to engage in a business combination transaction as described in more detail below (the Transaction).

In my testimony, I (1) describe the scope of the Public Staff's investigation of the proposed Transaction; (2) discuss the balancing of costs and benefits of the proposed business combination; (3) discuss the rules governing affiliate transactions; (4) describe the primary reasons for, and major provisions of, the Transaction-related Regulatory Conditions and Code of Conduct recommended by the Public Staff and the Joint Applicants; and (5) present the Public Staff's recommendation regarding the Commission's approval of the business combination.

Based on its investigation and the terms of the Stipulation and Settlement Agreement filed in this docket on May 29, 2024, including the Regulatory Conditions and Code of Conduct, the Public Staff believes that the proposed business combination of PSNC and EP Holdings is justified by the public convenience and necessity and meets the standard for approval under

N.C.G.S. § 62-111(a). Therefore, the Public Staff recommends that the Transaction be approved.

This concludes the summary of my testimony.

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1 MR. FREEMAN: Thank you. Ms. Boswell is  
2 now available for examination and Commission  
3 questions.

4 CHAIR MITCHELL: All right. Public  
5 Staff. I mean, I'm sorry, AGO.

6 CROSS EXAMINATION BY MR. MERTZ:

7 Q. This should be short, Ms. Boswell. You heard  
8 my questions of the company's witnesses.

9 Do those answers accurately reflect the  
10 Public Staff's understanding of the stipulation  
11 agreement?

12 A. Yes.

13 Q. Do you wish to add anything to the answers  
14 you heard related to Commission questions?

15 A. I would clarify that with the CAP program  
16 that's presented within the confines of our Section 15  
17 that it was designed similar to the CAP program that  
18 was approved under the Duke Energy Carolinas and Duke  
19 Energy Progress rate cases. We set it up to be similar  
20 parameters, as far as the overall impact on the bills;  
21 however, we set it up just for that winter period,  
22 whereas the Duke Carolinas and Progress run the entire  
23 year. And we did that under the assumption that most  
24 of the billings and the most impactful part of it would

1 be those winter months.

2 Q. And that particular CAP program, we won't  
3 actually see the proposal until the 2025 rate case?

4 A. Correct.

5 MR. MERTZ: Okay. Those are my  
6 questions.

7 CHAIR MITCHELL: Redirect, Mr. Freeman.

8 MR. FREEMAN: No redirect. Thank you.

9 CHAIR MITCHELL: Okay. My notes  
10 indicate that -- no questions. Okay. Just for the  
11 record, making sure.

12 All right. Ms. Boswell, questions from  
13 Commissioners. Let me see if there are questions.  
14 Commissioners?

15 All right, Ms. Boswell, I have a few for  
16 you.

17 EXAMINATION BY CHAIR MITCHELL:

18 Q. The cost recovery rider that is part of the  
19 settlement agreement, can you walk me through how  
20 that's -- just sort of Step 1, Step 2, Step 3, how  
21 that's going to work?

22 A. Sure. So should the Commission approve it  
23 within the confines of the 2025 rate case for which the  
24 Enbridge and Public Services indicated they intend to

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1 file, should the Commission approve it, once each one  
2 of those items would come online and be in service and  
3 used and useful, it would be placed into the rider and  
4 depreciation would follow suit, much in the same way  
5 that the IMR and IMT riders currently exist.

6 Q. Okay. How -- at what point does the Public  
7 Staff conduct it's prudency review?

8 A. We would do that at the time that they would  
9 be placing that into the rider. So once it's placed  
10 into the rider, we would be doing the review to verify  
11 that it is indeed in service and the costs are  
12 prudently incurred and properly accounted for, in the  
13 same manner that we do with the integrity management as  
14 well.

15 Q. Okay. So -- so then make sure I understand  
16 correctly. The Public Staff is going to complete its  
17 audit, its prudency review, at the time the plant is in  
18 service, or right about to be placed in service, such  
19 that when those costs are included in the rider for  
20 cost recovery from customers, Public Staff has  
21 completed its prudency review and there is at least  
22 some agreement between the company and the Public Staff  
23 as to the prudence of those costs incurred?

24 A. Right. That is the plan. It may extend a

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1 little bit beyond when it actually goes into the rider  
2 to finalize all of that because they would be placing  
3 it into the rider when it actually goes into service,  
4 so that would have to be checked after the fact, after  
5 it's already gone into the rider, technically. But in  
6 that time period, yes.

7 Q. Okay. Okay. Did the company and the Public  
8 Staff discuss prudence review in the context of the  
9 settlement negotiations?

10 A. In general, yes, we did.

11 Q. Okay. And I assume that the Public Sta- --  
12 because -- let me ask the question again.

13 Because the IMR and IMT have been in effect  
14 for some time now, the Public Staff has the process  
15 down in terms of how it conducts its review and works  
16 with a company to access data and information it needs  
17 to complete its prudence review; is that correct?

18 A. Yes, ma'am.

19 Q. Okay. And so you anticipate using that same  
20 process in the context of this cost recovery mechanism?

21 A. Very similar, yes. And we've also discussed  
22 with the company about providing us updates as the  
23 projects are going along, so that we kind of know ahead  
24 of time what it -- where it is that they are, where

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1 their finalize -- their final date of in service is  
2 projected to be, and any issues that they encountered  
3 between those two.

4 Q. Okay. Thank you, Ms. Boswell. The -- did  
5 you hear my question to the Applicants regarding the  
6 O&M provision in the settlement agreement?

7 A. [No audible response.]

8 Q. Let me ask you the same question. I -- this  
9 Commissioner supports benefits to customers and  
10 reducing costs where it's appropriate to do so. I  
11 don't want there to be a compromise in terms of  
12 investment necessary to comply with federal regulations  
13 or to otherwise ensure the safety of their system here  
14 in North Carolina, compromised either in the terms of  
15 people losing jobs or investment not being made.

16 Did you-all have that discussion with the  
17 company in the context of reaching agreement on this  
18 O&M provision?

19 A. We did.

20 Q. Okay. Anything else you want to say there?

21 A. And that is a large reason why the  
22 stipulation is structured the way it is before you  
23 today. We have agreed to propose the rider to handle  
24 the immediate, larger impacts of those capital



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1 expenses, such that the company won't have a delay in  
2 receiving the funding for those to pay those,  
3 essentially, off, for lack of a better term. And then  
4 we would also be looking at -- within the confines of  
5 the O&M, we have set it as such that we think it's a  
6 reasonable level -- all parties have agreed. However,  
7 if there's any outside issues that may arise, we would  
8 take those on, on a case-by case basis in the rate case  
9 and define those accordingly.

10 Q. Okay. Thank you for that clarification.  
11 The -- Mr. Harris' testimony in this case identifies  
12 sort of general levels of anticipated expenditure --  
13 capital expenditure over the next several years.

14 Do you remember that testimony?

15 A. Yes.

16 Q. Did you review -- did you engage in any  
17 discovery with the companies or the Applicants on  
18 that, those planned expenditures?

19 A. The Public Staff did, yes.

20 Q. Okay. And are those planned expenditures --  
21 is there a connection between those, the planned  
22 expenditures identified in Mr. Harris' testimony, and  
23 the amounts that you-all anticipate being placed into  
24 that rider mechanism, should the Commission approve it?

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1 A. Yes.

2 Q. Okay.

3 A. And so those largest -- the largest projects  
4 are what we would recommend to be in those ri- -- in  
5 the rider that we're -- we'll be proposing -- or the  
6 company will be proposing and we will be recommending  
7 within the 2025 case.

8 Q. Okay. Thank you.

9 Did you hear my question about the three  
10 agreements under which the regulatory conditions would  
11 allow PSNC to operate with interim authority pending  
12 final approval by the Commission?

13 A. Yes, ma'am.

14 Q. Okay. So has the Public Staff had an  
15 opportunity to review those three agreements at this  
16 point in time?

17 A. We have reviewed the drafts that they have  
18 provided us, yes.

19 Q. Okay. And so do you anticipate that's --  
20 assuming this Commission approves the transaction, and  
21 that the transaction closes, you would then -- you-all  
22 would review those three agreements in detail and then  
23 bring those to the Commission with a recommendation for  
24 action at some point in the future?

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1 A. Yes, ma'am.

2 Q. Okay. Okay. Do you -- Ms. Boswell, did the  
3 Public Staff review the Settlement Agreements and/or  
4 Final Orders issues in the Utah and Ohio transactions  
5 in which Dominion sold or Enbridge acquired the two  
6 LDCs?

7 A. We did.

8 Q. Okay. And are you comfort- -- is the Public  
9 Staff comfortable that North Carolina customers are  
10 receiving commensurate benefits and protections in the  
11 agreement that you-all have entered into with the  
12 Applicants in this proceeding as those customers in  
13 Utah and Ohio?

14 A. We are. We are happy with the agreement that  
15 we have put forth.

16 Q. Okay. Anything -- Ms. Boswell, are there any  
17 other issues or concerns of which the Commission should  
18 be aware as it deliberates on this Application?

19 A. No, ma'am.

20 CHAIR MITCHELL: Okay. All right. Let  
21 me see if there are questions on Commissioner's  
22 questions from this side of the room.

23 MS. GRIGG: No questions.

24 CHAIR MITCHELL: Okay.

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1 MR. FREEMAN: No questions, Chair.

2 CHAIR MITCHELL: Well, Mr. Mertz?

3 MR. MERTZ: Just -- just a couple.

4 CHAIR MITCHELL: Okay.

5 MR. MERTZ: Apologies.

6 EXAMINATION BY MR. MERTZ:

7 Q. Following up on Chair Mitchell's question,  
8 Ms. Boswell, and understanding that the CRR has not  
9 been proposed, it hasn't been proposed in this case,  
10 and is going to be proposed, if there is disagreement  
11 about the prudence of certain costs, how does the  
12 Public Staff anticipate that that disagreement will be  
13 resolved? In the annual rider proceeding?

14 A. Yes. And we have discussed with the company  
15 that we would try to work those -- any kind of issues  
16 out prior to or come to an agreement prior to. But,  
17 yes, anything would be handled within the confines of  
18 approval of the amount. If approved, that would be  
19 recovered within the confines of the rider.

20 Q. Okay. And to expound on your answer to  
21 Chair Mitchell regarding inade- -- her concern about  
22 inadequate O&M being recovered by the company, it  
23 sounded like, to me, that the company's giving up a  
24 little bit in O&M for sort of the certainty of

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1 additional CAPEX recovery outside of an annual rate  
2 case or a general rate case; is that correct?

3 A. This stipulation is a meeting of the minds,  
4 an agreement where all parties leave the room equally  
5 unhappy. So we are happy with the portions we have  
6 gotten, and we believe the company is happy with the  
7 portions that they have received.

8 MR. MERTZ: Understood. Thank you.

9 CHAIR MITCHELL: Or at least equally  
10 unhappy.

11 THE WITNESS: I always try to leave a  
12 little happier than the other party.

13 CHAIR MITCHELL: I like that approach.  
14 All right. Let's see.

15 Ms. Boswell, I think -- Public Staff, do  
16 you have any questions?

17 MR. FREEMAN: I can't top that.

18 CHAIR MITCHELL: Okay. That's a good  
19 call, Mr. Freeman.

20 All right. Ms. Boswell, you may step  
21 down and be excused. Thank you for your testimony  
22 this morning.

23 THE WITNESS: Thank you.

24 CHAIR MITCHELL: All right. With that,

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1 I believe Ms. Boswell was our final witness. Let  
2 me make sure. Parties, Counsel, anything else that  
3 we need to handle before we adjourn this morning?

4 MR. MERTZ: Not from the AGO.

5 MR. FREEMAN: Nothing from the Public  
6 Staff. Thank you.

7 CHAIR MITCHELL: Okay.

8 MR. TRATHEN: Not from EP Holdings.

9 MS. GRIGG: No, ma'am.

10 CHAIR MITCHELL: Okay. All right. With  
11 that, we have come to the conclusion of our hearing  
12 this morning. We would ask that post-hearing  
13 filings be made no later than 30 days subsequent to  
14 the notice of the mailing of the -- or notice of  
15 the availability of the transcript. Certainly, get  
16 them in as soon as you can. And with that, we will  
17 be adjourned. Thank you very much.

18 (The hearing was adjourned at 11:28 a.m.  
19 on Tuesday, June 11, 2024.)  
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21  
22  
23  
24

## C E R T I F I C A T E

I, Sheryl Smith, RMR, the court reporter  
before whom the foregoing Utilities Commission hearing  
was taken on the 11th day of June, 2024, do hereby  
certify that the testimony of said witnesses was taken  
by me to the best of my ability and thereafter reduced  
to typewriting under my direction;

That I am neither counsel for, related to,  
nor employed by any of the parties to the action in  
which this hearing was taken;

And further, that I am not a relative or  
employee of any attorney or counsel employed by the  
parties thereto, nor financially or otherwise  
interested in the outcome of this action.

This 25th day of June, 2024,

/s/ Sheryl Smith, by

*Angela M. Eisenhardt*



\_\_\_\_\_  
SHERYL SMITH, RMR  
Registered Merit Reporter  
Notary Public # 200635400040