STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 667

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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	))))))	JOINT PROPOSED ORDER AUTHORIZING BUSINESS COMBINATION TRANSACTION AND GRANTING INTERIM AUTHORITY

HEARD: Monday, May 13, 2024, at 7:00 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

Tuesday, May 14, 2024, at 6:30 p.m., via WebEx (remote)

Tuesday, June 11, 2023, at 10:00 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

Tuesday, July 8, 2024, at 7:00 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chair Charlotte A. Mitchell, presiding, and Commissioners Kimberly W. Duffley, Jeffrey A. Hughes, Floyd B. McKissick, Jr., Karen M. Kemerait, William M. Brawley, and Tommy Tucker

APPEARANCES:

For Public Service Company of North Carolina, Inc.:

Mary Lynne Grigg, McGuireWoods LLP, 501 Fayetteville Street, Suite 500, Raleigh, North Carolina 27601

For Enbridge Parrot Holdings, LLC:

Marcus W. Trathen, Sam J. Ervin, IV, and Amanda S. Hawkins, Brooks, Pierce, McLendon, Humphrey & Leonard, LLP, Suite 1700, Wells Fargo Capitol Center, 150 Fayetteville Street, Raleigh, North Carolina 27601

For the Using and Consuming Public:

Gina C. Holt, Manager, Legal Division, William S. F. Freeman and James Bernier, Jr., Staff Attorneys, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699

Derrick C. Mertz, Special Deputy Attorney General, N.C. Department of Justice, P.O. Box 629, Raleigh, North Carolina 27602

BY THE COMMISSION: On October 20, 2023, pursuant to N.C. Gen. Stat. § 62-111(a), Public Service Company of North Carolina, Inc. (PSNC), and Enbridge Parrot Holdings, LLC (EP Holdings) (together, Applicants), filed a joint application (Application) for approval of a transaction (Transaction) pursuant to which PSNC will become a wholly-owned indirect subsidiary of EP Holdings. EP Holdings is a wholly-owned direct subsidiary of Enbridge Genoa U.S. Holdings, LLC (Genoa Holdings). Genoa Holdings is a wholly-owned direct subsidiary of Enbridge (U.S.) Inc., a Delaware corporation (Enbridge U.S.). Enbridge U.S. is a wholly-owned direct subsidiary of Enbridge US Holdings Inc., a Canadian corporation (Enbridge Holdings). Enbridge Holdings is a wholly-owned direct subsidiary of Enbridge Inc., a Canadian corporation (Enbridge).

The Application included a copy of the September 5, 2023 Purchase and Sale Agreement (Transaction Agreement) between Dominion Energy, Inc. (Dominion Energy), and EP Holdings, a Post-Closing Organizational Chart, and a cost-benefit analysis (Cost-Benefit Analysis) and a market power analysis (Market Power Analysis) as required by the Commission's Order Requiring Filing of Analyses, issued November 2, 2000, in Docket No. M-100, Sub 129 (M-100, Sub 129 Order).

Prior to filing the Application, on September 8, 2023, in Docket No. G-5, Sub 664, PSNC filed an application seeking approval of the proposed transfer of all the issued and outstanding shares of capital stock in PSNC from SCANA Corporation (SCANA) to Fall North Carolina Holdco, LLC (NC Holdco), a direct wholly-owned subsidiary of Dominion Energy (the Reorganization). On November 20, 2023, the Commission issued an Order Approving Corporate Reorganization in Docket No. G-5, Sub 664 (Reorganization Order). NC Holdco thus now owns all of the issued and outstanding shares of capital stock in PSNC. Accordingly, under the Transaction Agreement, upon closing all of the right, title, and interest in and to all of the membership interests in NC Holdco will transfer from Dominion Energy to EP Holdings. Following the Transaction, NC Holdco will become a wholly-owned subsidiary of EP Holdings, and PSNC will become a wholly-owned indirect subsidiary of Genoa Holdings.

On November 15, 2023, EP Holdings filed with the Commission the direct testimony of witnesses Michele Harradence, Christopher Johnston, James Sanders, and John Reed, and PSNC filed the direct testimony of witness D. Russell Harris.

On January 4, 2024, the North Carolina Attorney General's Office (AGO) filed a Notice of Intervention in the proceeding. No other party sought to intervene.

On January 10, 2024, the Commission issued its Order Scheduling Hearings, Establishing Discovery Deadlines, and Requiring Customer Notice (Scheduling Order). In the Scheduling Order, the Commission provided procedural and discovery guidelines, scheduled a public witness hearing on Monday, May 13, 2024, at the Commission hearing room in Raleigh, North Carolina, scheduled a virtual public witness hearing on Tuesday, May 14, 2024, via WebEx, set prefiled testimony filing dates, and required PSNC to give notice of the public hearings (Notice). The Commission also set the matter for an expert witness hearing to begin at 10:00 a.m. on Tuesday, June 11, 2024, in the Commission hearing room in Raleigh, North Carolina.

On May 9, 2024, the Public Staff filed a motion to extend the time for Public Staff and intervenors to file direct testimony and the time for applicants to file their rebuttal testimony. On May 10, 2024, the Commission issued an Order granting the Public Staff's motion for extension of time.

On May 13, 2024, the Commission conducted a public witness hearing in the Commission hearing room in Raleigh, North Carolina.

On May 14, 2024, the Commission conducted a virtual public witness hearing via WebEx.

On May 16, 2024, the Public Staff and Applicants filed a joint motion to extend the time for the Public Staff and intervenors to file direct testimony and the time for applicants to file their rebuttal testimony. On May 17, 2024, the Commission issued an Order granting the Public Staff and Applicants' motion for extension of time.

On May 24, 2024, the Public Staff filed a motion to extend the time for the Public Staff and intervenors to file direct testimony. On May 28, 2024, the Commission issued an Order granting the Public Staff's motion for extension of time.

On May 29, 2024, the Public Staff and applicants filed an Agreement and Stipulation of Settlement (Stipulation), including a revised set of Regulatory Conditions and Code of Conduct.

On May 29, 2024, the Public Staff filed the settlement testimony of witness Michelle Boswell.

On May 31, 2024, PSNC filed a letter stating that it had come to its attention that that the Publication of Notice as required by the Scheduling Order was not provided due to an administrative oversight and requesting the scheduling of a new public witness hearing. On June 4, 2024, the Commission issued an Order Scheduling Public Witness Hearing, and set the matter for a public witness hearing at 7:00 p.m. on Monday, July 8, 2024, at the Commission hearing room in Raleigh, North Carolina.

On May 31, 2024, EP Holdings filed a motion to excuse witness Michele Harradence from attending the expert witness hearing. On June 6, 2024, the Commission granted this motion.

On May 31, 2024, EP Holdings filed with the Commission the settlement testimony of witness Laszlo Varsanyi. On May 31, 2024, PSNC filed the supplemental testimony of witness D. Russell Harris.

On June 6, 2024, EP Holdings filed a motion to excuse witness John Reed from attending the expert witness hearing. On June 7, 2024, the Commission granted this motion.

On June 6, 2024, PSNC filed the witness list after consulting with the other parties.

This matter came on for an expert witness hearing before the Commission on June 11, 2024, as scheduled. The pre-filed testimony and exhibits of the following witnesses were received into evidence:

<u>For the Applicants</u>: Michele Harradence, Executive Vice President & President, Gas Distribution and Storage of Enbridge, and President and Chief Executive Officer for Enbridge Gas Inc. (Enbridge Gas); Christopher Johnston, Vice President, Finance – Integration for Enbridge; James Sanders, Senior Vice President, Enterprise and Utility Integration for Enbridge Gas; John Reed, Chief Executive Officer and Chairman of the Board of Concentric Energy Advisors (Concentric); Laszlo Varsanyi, Vice President of Regulatory Integration and Value Creation for Enbridge Gas; and D. Russell Harris, Vice President - Gas Operations of PSNC.

<u>For the Public Staff</u>: Michelle Boswell, Director, Accounting Division.

At the hearing, the Application and exhibits thereto, as well as the Stipulation, including the agreed-upon Regulatory Conditions and Code of Conduct, were admitted into the evidentiary record without objection.

On June 14, 2024, PSNC filed a Certificate of Service verifying the provision of the Notice to Customers prescribed by the Order Scheduling Public Witness Hearing issued on June 4, 2024.

On July 8, 2024, the Commission conducted a public witness hearing in the Commission hearing room in Raleigh, North Carolina. In addition, the Commission received a number of consumer statements of position, all of which were filed in the docket. See generally, Docket No. G-5, Sub 667CS.

On July 23, 2024, the Applicants and the Public Staff filed a Joint Proposed Order Authorizing Business Combination Transaction and Granting Interim Authority.

Based on the foregoing, the testimony and exhibits presented at the hearings held in this matter, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

I. Jurisdiction and Procedure

1. PSNC is a corporation duly organized and existing under the laws of the State of South Carolina and has its principal office and place of business in Gastonia, North Carolina.

2. PSNC operates a natural gas pipeline system for the transportation, distribution, and sale of natural gas to more than 640,000 customers within a franchised service area in central and western North Carolina as designated in PSNC's certificates of public convenience and necessity issued by the Commission.

3. PSNC is a public utility under the laws of North Carolina, and its utility operations are subject to the jurisdiction of the Commission. PSNC is a wholly-owned subsidiary of NC Holdco, which is wholly-owned by Dominion Energy.

4. EP Holdings is a Delaware limited liability company formed for the purpose of acquiring ownership of PSNC in connection with the Transaction.

5. EP Holdings is a direct wholly-owned subsidiary of Genoa Holdings. Genoa Holdings, a Delaware limited liability company, was formed for the purpose of holding the equity interests of EP Holdings and two separate limited liability companies that have each entered into separate agreements to acquire retail natural gas distribution companies (and certain related entities) from Dominion Energy. Genoa Holdings is a direct wholly-owned subsidiary of Enbridge U.S., a Delaware corporation, and an indirect wholly-owned subsidiary of Enbridge.

6. Enbridge is a North American energy infrastructure company that is headquartered in Canada and has substantial operations in the United States. Enbridge's core business units include Liquids Pipelines, which consists of pipelines and terminals in Canada and the United States that transport and export various grades of crude oil and other liquid hydrocarbons; Gas Transmission and Midstream, which consists of investments in natural gas pipelines and gathering and processing facilities in Canada and the United States; Gas Distribution and Storage, which consists of natural gas utility operations that serve residential, commercial, and industrial customers in Ontario and Québec; and Renewable Power Generation, which consists primarily of investments in wind and solar assets, as well as geothermal, waste heat recovery and transmission assets, in North America and Europe.

7. Not including the gas utilities to be acquired from Dominion Energy,[1] Enbridge owns and operates North America's largest natural gas utility by volume of natural gas delivered and third largest by customer count.

II. Procedural Status

8. The Applicants are lawfully and properly before this Commission pursuant to N.C.G.S. § 62-111(a) with respect to the relief sought in the Application and are in compliance with the requirements of the M-100, Sub 129 Order with respect to the filing of a Cost-Benefit Analysis and Market Power Analysis relating to the Transaction.

9. The Application, the testimony, and the exhibits submitted by the Applicants are in compliance with the procedural requirements of the North Carolina General Statutes and the Rules and Regulations of the Commission.

III. The Transaction

10. At the closing of the Transaction, EP Holdings will acquire all right, title, and interest in and to all of the membership interests in NC Holdco from Dominion Energy.

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[1] Contemporaneously with this Transaction, 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 Genoa Holdings 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 Agreement are not cross-conditioned on one another.

11. Following the closing of the Transaction, PSNC will remain a direct, wholly-owned subsidiary of NC Holdco and continue to exist as a separate legal entity subject to the full regulatory jurisdiction of the Commission.

IV. The Stipulation

12. The Stipulation sets forth a comprehensive framework of conditions and requirements, using the existing regulatory conditions applicable to PSNC as the starting point, that are intended to ensure that PSNC's customers (a) are protected from any known adverse effects from the Transaction, (b) are protected as much as possible from potential costs and risks resulting from the Transaction, and (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from the Transaction.

13. The Stipulation includes requirements and commitments designed to protect PSNC customers from any potential adverse consequences of the Transaction. These include preservation of the Commission's authority, compliance with the Commission's affiliate contract requirements, continued access to books and records, foregoing recovery of Transaction-related expenses, holding PSNC customers harmless from the impacts of debt downgrades, holding PSNC customers harmless from affiliate liabilities, long-term and short-term financing requirements, compliance with various financial covenants such as distribution limitations, corporate governance commitments, preservation of Commission authority over future mergers and acquisitions, notice of future actions impacting the structure and organization of PSNC and specified affiliates, service quality and staffing, and standards of conduct relating to the sharing of customer information and other matters pertaining to affiliates.

14. In addition to the Joint Applicants agreeing not to pass any transaction-related expenses to PSNC ratepayers, the stipulating parties have agreed to provisions ensuring that the Transaction will provide sufficient benefits to offset potential costs and risks. Additionally, the Stipulation includes various customer commitments providing quantifiable benefits to customers. These include commitments to provide PSNC's customers with $4 million in bill credits provided in specified annual amounts over the course of four years; to provide PSNC's qualifying low-income customers with $1,020,000 in additional bill credits; to limit recovery of Operations and Maintenance (O&M) costs in a rate case that PSNC anticipates filing in 2025; and to propose and seek Commission approval of a Customer Assistance Program (CAP) in the 2025 rate case and contribute funding to the CAP of up to $300,000 per year for a maximum of three years.

15. The Commission finds the Stipulation is the product of give-and-take settlement negotiations among the parties and should be given appropriate weight by the Commission.

V. Transfer Standard

16. The Transaction is subject to Commission approval under the standard set forth in N.C.G.S. § 62-111(a) and the three-factor test established by the Commission in prior merger and transfer proceedings. Under this test, the Commission must consider whether (1) the transaction will have an adverse impact on rates and services, (2) customers will be protected as much as possible from potential costs and risks, and (3) the transaction will result in sufficient benefits to offset costs and risk.

17. The Applicants bear the burden of proof in this proceeding.

VI. Post-Closing Operations

18. Following the closing of the Transaction, the management and operations of PSNC will remain unchanged, and PSNC will continue to be operated as a North Carolina public utility providing natural gas sales and transportation service to the public subject to all applicable statutes, rules and regulations, and Commission orders.

19. The Transaction will not diminish the Commission's jurisdiction over PSNC, and the Commission will continue to exercise the oversight authority and all powers granted to it by the Public Utilities Act, Chapter 62 of the North Carolina General Statutes (Act), and the Commission's Rules and Regulations.

20. Following the closing of the Transaction, any future proposed changes to PSNC's rates, terms, or conditions of service will be subject to Commission review and approval.

21. The Transaction will not diminish any obligation of PSNC to its customers or to the Commission under existing statutes, regulations, rules, regulatory conditions, or previous Commission orders.

22. The Transaction will not lead to the concentration or creation of additional market power in relevant markets by Enbridge, Enbridge Gas, Enbridge U.S., Genoa, EP Holdings, Dominion Energy, NC Holdco, or PSNC, and will not result in an anti-competitive impact on markets that affect PSNC's customers.

23. The Regulatory Conditions agreed to by Genoa, EP Holdings, NC Holdco, and PSNC, and the Public Staff, and acknowledged and consented to by Enbridge, Enbridge Holdings, and Enbridge U.S., will ensure that PSNC will continue to be operated in a manner consistent with the public interest following the close of the Transaction.

24. Dominion Energy will provide certain services to PSNC for a limited transition period under a Transition Services Agreement (TSA) to ensure continuity of services after closing.

25. PSNC will enter into an Intercorporate Services Agreement (ISA) and a Subordinated Demand Loan (SDL) with specified Enbridge affiliates as of the closing of the Transaction to facilitate ongoing operations without any interruption. The ISA will allow Enbridge and its affiliates to provide services to PSNC as PSNC is integrated into the Enbridge family of companies. The SDL will provide short-term financing to support PSNC's operations.

26. The Stipulation provides that operation under the TSA, ISA, and SDL be authorized by the Commission on an interim basis pending and subject to final approval at a later time.

VII. Benefits

27. The known and potential benefits of the Transaction are both quantifiable and non-quantifiable in nature.

28. The known and potential quantifiable benefits of the Transaction, agreed to by the Applicants and supported by the record, include the commitments described in Findings of Fact 29-33 below.

29. The Stipulation requires PSNC to provide its customers with bill credits in the total amount of $4 million through four direct credits of $1 million each in January 2025, January 2026, January 2027, and January 2028.

30. The Stipulation requires PSNC to provide $1,020,000 in bill credits to qualifying low-income customers during the winter months of 2024-2025 (November to March) in an amount not to exceed $30 per month subject to an aggregate cap of $1,020,000. This regulatory liability will not be funded by ratepayers.

31. The Stipulation requires PSNC, in its 2025 general rate case, to propose a CAP for consideration by the Commission and, subject to the authorization of the CAP by the Commission, PSNC agrees to contribute funding to the CAP of up to $300,000 per year for a maximum of three years immediately following approval of the CAP.

32. Under the Stipulation, in the 2025 general rate case, the Public Staff and PSNC agree to support the establishment of a cost recovery rider for the incremental costs associated with the M-71 pipeline, the Moriah LNG facility, and the non-Integrity Management Tracker rate base portion of the T-15 pipeline, and PSNC commits not to file an additional application for a general rate adjustment

until 2028 if the proposed cost recovery rider is approved by the Commission in the 2025 rate case.

33. Under the Stipulation, the Applicants have agreed to various restrictions on the recovery of O&M costs in future rate cases between 2025 and 2028 (inclusive).

34. The known and potential non-quantifiable benefits of the Transaction identified by the Applicants, and supported by the record, include the benefits described in Findings of Fact 35-43 below.

35. PSNC's day-to-day operations will continue to be locally managed by a seasoned team of executives.

36. PSNC will maintain its presence in North Carolina, including, absent a material change in circumstances, PSNC maintaining its operations centers and its local headquarters in Gastonia, North Carolina.

37. PSNC will have continued access to capital to fund pipeline safety-related investments as required by federal or state regulations.

38. Genoa and EP Holdings have committed, absent a material change in circumstances, to continue PSNC's planned near-term total capital expenditure program, which will bring safety and reliability improvements to PSNC's system.

39. PSNC and its customers will benefit by joining the larger Enbridge group of companies, many of which have an extensive focus on the natural gas industry. PSNC, its employees, and customers will benefit from access to Enbridge's experience, expertise, resources, and financial strength, as well as access to Enbridge's integrity management programs; construction and operational programs, including safety systems; and community investment programs that are available to members of the Enbridge group of companies.

40. By joining the larger Enbridge group of companies, PSNC will also have the ability to access capital needed to meet its obligations to provide safe and reliable service to its customers, and to make needed capital investments.

41. Genoa and EP Holdings will seek to implement Enbridge's Integrated Management System (IMS), which includes safety and risk management programs, processes, and procedures, in PSNC's service territory within two years after the Transaction closes.

42. The Applicants have agreed to a revised and updated Code of Conduct which will govern the relationships, activities, and transactions between or among the public utility operations of PSNC, the nonpublic utility operations of PSNC, and Enbridge and its affiliates.

43. PSNC will maintain current levels of customer service and behavior toward customers, as well as current levels of professional cooperation with regulators, consumer advocates, and intervenors.

VIII. Mitigation of Potential Costs

44. Any potential costs associated with the Transaction will be eliminated or mitigated to the fullest extent reasonably possible by the commitments made by the Applicants and by the agreed upon Regulatory Conditions and Code of Conduct, the Stipulation, and the continued existence of the Commission's authority.

45. The Cost-Benefit Analysis attached to the Application concludes that the Transaction is anticipated to provide only benefits, and no detriment, to PSNC's customers, as Transaction fees and any acquisition premium resulting from the Transaction will not be passed on to PSNC's customers.

46. The Stipulation precludes the Applicants from recovering from PSNC's customers all Transaction-related expenses, including, but not limited to, acquisition premiums, change-in-control payments made to terminated executives, regulatory process costs, and transaction costs, such as investment banking, legal, accounting, securities issuance and advisory fees.

47. The agreed upon Regulatory Conditions provide for the continued transparency and monitoring of capital budgets, operational and financial conditions, affiliate transactions, accounting procedures, investments, corporate governance, and other service-related activities of PSNC.

48. Although the agreed upon Regulatory Conditions acknowledge that ongoing capital expenditures and economic conditions may necessitate PSNC filing for an adjustment to its base rates in 2025, they allow PSNC to seek recovery of the capital costs associated with three large projects that are expected to become used and useful before 2028 through a rider, rather than through increased base rates, and PSNC commits not to seek a subsequent general rate adjustment prior to 2028 if the proposed cost recovery rider is approved in the 2025 rate case. The agreed upon Regulatory Conditions also include restrictions on the recovery of O&M costs in the anticipated 2025 and 2028 PSNC rate cases.

IX. Mitigation of Potential Risks

49. The Stipulation provides reasonable and adequate safeguards for potential risks associated with the Transaction, such as continued oversight of PSNC by the Public Staff and the Commission in accordance with the public interest.

50. The Stipulation provides that Applicants and the Regulatory Condition Parties will take all actions reasonably necessary and appropriate to hold PSNC's customers harmless from the effects of the Transaction.

51. Section VI of the Regulatory Conditions relates to ring fencing conditions, including conditions relating to accounting for transactions between PSNC and Enbridge and its affiliates; prohibitions on PSNC's ability to make loans to Enbridge and its affiliates, and limitations on PSNC's ability to participate in credit arrangements with them; a commitment by PSNC to seek to maintain an investment grade debt rating on its rated debt issuances with at least two nationally recognized debt rating agencies; oversight by the Public Staff over decreased credit ratings; and limitations on PSNC's distributions.

52. The Stipulation protects PSNC's customers from the risks associated with a downgrade of PSNC's debt or credit ratings resulting from the Transaction.

53. The Stipulation protects PSNC from any risk of bankruptcy associated with the unrelated business activities of its affiliates by the adoption of appropriate ring-fencing measures and requiring PSNC to arrange for the appointment of a Special Bankruptcy Director to serve as a member of PSNC's Board of Directors.

54. The Stipulation requires PSNC's to hold its customers harmless from any U.S. Dollar to Canadian Dollar exchange rate or other currency exchange rate impacts resulting from its ownership by a Canadian company.

55. To ensure continuity of service, PSNC will enter into the TSA, ISA, and SDL. The Stipulation further provides that PSNC shall not engage in any other transactions with Enbridge or its affiliates aside from those provided for by the ISA and SDL without first obtaining approval for such transactions pursuant to N.C.G.S. § 62-153. Applicants have further agreed to provide monthly reporting of TSA activity until termination of the TSA.

56. The Stipulation protects customers by providing, through the Code of Conduct, standards limiting the exchange of customer information between PSNC, Enbridge, and the Enbridge affiliates; prohibiting discrimination against non-affiliates; reinforcing the Commission's regulatory oversight over transactions between PSNC and the Enbridge affiliates; and providing for a procedure to resolve potential complaints.

X. <u>Benefits Offset Potential Costs and Risks</u>

57. The Application, the testimony of the witnesses for the Applicants and the Public Staff, and the Regulatory Conditions and Code of Conduct specify various quantifiable and non-quantifiable benefits to consumers that would result from the Transaction.

58. The benefits associated with the Transaction offset any potential costs and risks.

XI. Public Convenience and Necessity

59. The proposed Transaction, as described and conditioned by the Application, the testimony of the witnesses, and the agreed upon Regulatory Conditions and Code of Conduct, is justified by the public convenience and necessity, serves the public interest, and should be approved.

60. The TSA, ISA, and SDL, as described and conditioned by the Application, the testimony of the witnesses, and the agreed upon Regulatory Conditions and Code of Conduct, are justified by the public convenience and necessity and serve the public interest. As a result, PSNC is allowed to operate and make payments under those agreements pending further order of the Commission to the extent required by North Carolina law.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-9

The evidence supporting these findings of fact is set forth in the Application, the Transaction Agreement, the Cost-Benefit Analysis, the Market Power Analysis, the testimony of the Applicants' witnesses and Public Staff's witness, and the entire record in this proceeding, as well as the Commission's record in Docket No. G-5, Sub 664. These findings and conclusions are essentially informational, procedural, and jurisdictional in nature and are not contested by any party.

The Application described PSNC's background, as did the testimony of witnesses Harris and Boswell. There is no dispute that PSNC is organized and exists under the laws of the State of South Carolina; that its principal office and place of business are in Gastonia, North Carolina; and that it operates a natural gas pipeline system that transports, distributes, and sells natural gas to more than 640,000 customers in central and western North Carolina pursuant to certificates of public convenience and necessity issued by the Commission. Nor is there any dispute that PSNC is a utility under the laws of North Carolina, and is subject to the Commission's jurisdiction.

The Application and Applicants' witnesses Harradence, Johnson, Sanders, and Varsanyi, as well as Public Staff's witness Boswell, described EP Holdings' organization and its relation to other Enbridge affiliates. EP Holdings was formed in 2023 for the purpose of acquiring ownership of PSNC in connection with the Transaction. EP Holdings, in turn, is a direct wholly owned subsidiary of Genoa, which is in turn a direct wholly owned subsidiary of Enbridge U.S. Enbridge U.S. is an indirect wholly owned subsidiary of Enbridge, a Canadian corporation. Witnesses Harradence and Johnston testified about Enbridge's extensive experience with retail natural gas utilities and the natural gas industry, including the fact that, even without the gas utilities to be acquired from Dominion Energy, Enbridge owns North America's third largest natural gas utility by customer count and its largest natural gas utility by volume of natural gas delivered, and has core business units including Liquids Pipelines, Gas Transmission and Midstream, Gas Distribution and Storage, and Renewable Power Generation. The Application also described the additional separate purchase and sale agreements involving Dominion Energy assets in Ohio and Utah, as well as limited operations in Wyoming and Utah. Application ¶ 5 n.1.[2]

According to the Application, the Transaction Agreement, and the testimony of Applicants' witnesses Harradence, Johnson, Sanders, Varsanyi, and Harris, Dominion Energy and EP Holdings intend to engage in a transaction pursuant to which EP Holdings will become the owner of NC Holdco through the purchase of all of the right, title, and interest in and to all of the membership interests in NC Holdco from Dominion Energy.

There is no dispute that such a transaction requires the approval of this Commission under N.C.G.S. § 62-111(a), and the Application seeks such approval. In addition, the M-100, Sub 129 Order requires the Applicants to file both a Market Power Analysis and a Cost-Benefit Analysis in conjunction with the filing of an application for Commission approval of a proposed business combination transaction within the electric or natural gas industries. The purpose of these requirements is to assist the Commission in making the public convenience and necessity determination required under N.C.G.S. § 62-111(a).

Consistent with the requirements of the M-100, Sub 129 Order, the Application included both a Cost-Benefit Analysis and a Market Power Analysis as Appendices C and D, respectively. The Cost-Benefit Analysis was prepared by Concentric Energy Advisors and enumerates identified costs and benefits associated with the proposed Transaction. The Market Power Analysis was also prepared by Concentric Energy Advisors and contains, among other things, a Herfindahl-Hirschman Index analysis of the relative market power of Dominion Energy and EP Holdings and its affiliates in Transco Zone 5 both before and after the proposed Transaction, as required by the M-100, Sub 129 Order. In its Scheduling Order, the Commission found and concluded that "the Joint Application satisfies the requirements of the Sub 129 Order." Scheduling Order, p. 2. No party challenged Applicants' compliance with the M-100, Sub 129 Order requirements.

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[2] The Commission takes judicial notice that the sale of Dominion's assets in Utah and Ohio have been approved by their respective public service commissions. *See* Order Approving Settlement Stipulation, *Joint Application of Questar Gas Company d/b/a Dominion Energy Utah and Enbridge Quail Holdings, LLC for Approval of the Proposed Sale of Fall West Holdco, LLC to Enbridge Quail Holdings, LLC*, No. 23-057-16 (Pub. Svc. Comm. of Utah, May 16, 2024); Finding & Order Approving Joint Notice of Parent Company Transaction, *In the Matter of the Notice of The East Ohio Gas Company d/b/a Dominion Energy Ohio and Enbridge Elephant Holdings, LLC*, No. 23-972-GA-UNC (Mar. 6, 2024).

Finally, a review of the record in this proceeding indicates that the Applicants have complied with all procedural and notice requirements established by the Commission in the Scheduling Order, as modified by the Order Scheduling Public Witness Hearing issued June 4, 2024.

Based on the foregoing, the Commission finds and concludes that EP Holdings and PSNC are properly before the Commission with respect to the relief sought in the Application and are in compliance with all transaction-related filing requirements.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-11

The uncontested evidence supporting these findings of fact is set forth in the Application, the Transaction Agreement, the testimony of the Applicants' witnesses, and the entire record in this proceeding, as well as the Commission's record in Docket No. G-5, Sub 664.

Through the Application and supporting testimony, Applicants described the process of entering into the Transaction, the structure of the Transaction, and corporate structure as part of which PSNC will operate upon closing. Tr. vol. 3 (Exhibits), Application at 6-7; Tr. vol. 3, 21-24, 31-32, 43-44, 135-36.

Prior to the filing of the Application in this docket, PSNC engaged in a Reorganization process. In Docket No. G-5, Sub 664, PSNC filed an application seeking authorization to transfer all of the issued and outstanding shares of capital stock in PSNC from SCANA to NC Holdco, a direct wholly-owned subsidiary of Dominion Energy. On November 20, 2023, the Commission issued its Reorganization Order, approving the proposed Reorganization, which was subsequently consummated by the parties. NC Holdco thus now owns all the issued and outstanding shares of capital stock in PSNC.

As a result of the proposed Transaction, EP Holdings will acquire all of the outstanding equity interests in NC Holdco, which, pursuant to the Reorganization, is the direct parent of PSNC. Tr. vol. 3 (Exhibits), Application at 6; Tr. vol. 3, 22-23, 31-32, 70-71, 135-136. After the closing of the Transaction, PSNC will be an indirect wholly-owned subsidiary of EP Holdings. Tr. vol. 3 (Exhibits), Application at 6; Tr. vol. 3, 20-21, 32, 136. PSNC will continue to exist as a separate legal entity subject to the full regulatory jurisdiction of the Commission. Tr. vol. 3, 43-44, 53, 79, 143. PSNC will continue to be locally managed and operated. Tr. vol. 3, 43-44, 60-61, 141.

The Transaction Agreement also provides that Dominion Energy and PSNC, upon completion of the Transaction, will enter into the TSA, an agreement for the provision of transition services. The TSA contemplates the provision of services to support the ongoing business of PSNC for a period of 24 to 30 months following completion of the Transaction, depending on when the Transaction is completed. Tr. vol. 3 (Exhibits), Application at 7. The TSA is discussed in more detail elsewhere in this Order.

Accordingly, and based on the foregoing, the Commission concludes that when the proposed Transaction is complete, PSNC will be an indirect wholly-owned subsidiary of EP Holdings, and that Dominion Energy will continue to provide services to PSNC through the TSA for a limited transitional period.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-15

The evidence supporting these findings of fact is set forth in the Application, the Stipulation, and the testimony of the Applicants' witnesses and Public Staff's witness, and the entire record in this proceeding.

The evidence demonstrates that the Stipulation was the result of substantial negotiation. Tr. vol. 3, 50-51, 177. Following an extensive discovery process, the Applicants and the Public Staff entered into settlement negotiations, which resulted in substantial compromises by all parties with respect to numerous issues. This process culminated in the Stipulation and the Regulatory Conditions and Code of Conduct. Tr. vol. 3, 50-51, 177, 201. The Public Staff characterized the Regulatory Conditions as "necessary to ensure that the Transaction meets the Commission's three-part test for determining whether a proposed utility merger is justified by the public convenience and necessity and serves the public interest." Tr. vol. 3, 177. The Regulatory Conditions and Code of Conduct, as set forth in the Stipulation, are more specifically discussed throughout the remainder of this Order.

The Stipulation has not been adopted by all of the parties to this docket. Therefore, its acceptance by the Commission is governed by the standards set out by the Supreme Court of North Carolina in *State ex rel. Utils. Comm'n. v. Carolina Util. Customers Ass'n, Inc.,* 348 N.C. 452, 500 S.E.2d 693 (1998), and *State ex rel. Utils. Comm'n v. Carolina Util. Customers Ass'n, Inc.,* 351 N.C. 223, 524 S.E.2d 10 (2000). Under these decisions, a non-unanimous stipulation must be weighed along with all other evidence, with the Commission being required to make its own independent decision on the issues presented.

The Commission has fully evaluated the provisions of the Stipulation and concludes, in the exercise of its independent judgment, that the terms of the Stipulation are just and reasonable and should be accepted by the Commission. As is discussed further below, the Commission is persuaded that approval of the Stipulation will result in a Transaction that (1) will not have an adverse impact on the rates and services provided by PSNC; (2) will protect customers as much as possible from any potential costs and risks of the Transaction; and (3) will result in sufficient benefits to customers to offset any potential costs and risks. Additionally, although the Stipulation was not joined by all the parties in the proceeding, the Commission takes note of the fact that no party has opposed its approval.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 16-17

The evidence supporting these findings and conclusions is contained in the Application, the testimony of the Public Staff's witness, and the entire record in this proceeding.

Section 62-111(a) of the North Carolina General Statutes provides as follows:

> No franchise now existing or hereafter issued under the provisions of this Chapter other than a franchise for motor carriers of passengers shall be sold, assigned, pledged or transferred, nor shall control thereof be changed through stock transfer or otherwise, or any rights thereunder leased, nor shall any merger or combination affecting any public utility be made through acquisition of control by stock purchase or otherwise, except after application to and written approval by the Commission, *which approval shall be given if justified by the public convenience and necessity.*

N.C.G.S. § 62-111(a) (emphasis added).

In the context of utility mergers and other business combination transactions, the Commission has articulated and applied a three-part test for determining whether a proposed transaction is justified by the public convenience and necessity under N.C.G.S. § 62-111(a). This test, which the Applicants bear the burden of proof of satisfying, includes consideration of:

(1) Whether the merger would have an adverse impact on the rates and services provided by the merging utilities;

(2) Whether ratepayers would be protected as much as possible from potential costs and risks of the merger; and

(3) Whether the merger would result in sufficient benefits to offset potential costs and risks.

See Order Approving Merger Subject to Regulatory Conditions and Code of Conduct, Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682 (Sept. 29, 2016) (Duke Energy Corporation/Piedmont Natural Gas); and Order Approving Merger Subject to Regulatory Conditions and Code of Conduct, Docket Nos. E-22, Sub 551 and G-5, Sub 585 (Nov. 19, 2018) (Dominion Energy/SCANA).

Based on its consideration of the foregoing, the Commission concludes that the appropriate standard to apply in this proceeding is the three-prong test that the Commission has previously applied under N.C.G.S. § 62-111(a).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 18-26

The evidence for these findings of fact is set forth in the Application, the Market Power Analysis, the Stipulation, and the testimony of the Applicants' witnesses and the Public Staff's witness.

According to Applicants' witnesses Harradence, Sanders, and Varsanyi, the management and operations of PSNC post-Transaction will remain the same and PSNC will continue to be operated as a Commission-regulated North Carolina natural gas public utility. Tr. vol. 3, 43-44, 60-61, 113-14, 141. Applicants' witness Varsanyi testified that PSNC will retain its existing executive management service team. Tr. vol. 3, 60-61. Witness Harris further testified that, following the Transaction, this Commission will continue to have jurisdiction over PSNC, and thus will retain appropriate regulatory oversight over PSNC's utility operations. Tr. vol. 3, 79. The Regulatory Conditions further acknowledge that the Commission has jurisdiction and regulatory authority over PSNC, including both before and after the Transaction has closed and, therefore, any future proposed changes to the rates, terms or conditions of PSNC's service will continue to be subject to the Commission's review and approval.

The Application and the Applicants' testimony demonstrate that after closing of the Transaction, the Commission will retain appropriate regulatory oversight over PSNC and that PSNC will remain committed to ensuring compliance with all applicable rules and regulations, and all applicable orders of the Commission. Tr. vol. 3, 53, 59, 79, 143. The Transaction therefore will not diminish any existing obligation of PSNC to its customers or to the Commission.

Witness Reed's testimony demonstrates that the Transaction will not result in increased market power in any relevant market to the detriment of customers, and will, in fact, decrease or have no effect on the concentration of the market for interstate pipeline capacity in Transco Zone 5 and improve the overall competitiveness of the market for wholesale gas service, interstate pipeline service, retail gas service, and retail inter-fuel markets. Tr. vol. 3, 161-62; Tr. vol. 3 (Exhibits), Exhibit JR-3 (Market Power Analysis) With respect to the effect on wholesale gas markets, the Transaction will reduce concentration and increase competitiveness because EP Holdings and its affiliates do not currently own any significant amount of capacity in Transco Zone 5, and the amount of such capacity controlled by Dominion Energy will decrease. Tr. vol. 3, 161; Tr. vol. 3 (Exhibits), Exhibit JR-3 at 22-28. With respect to vertical market power, the Transaction does not present any such concerns because EP Holdings and its affiliates do not own or control any pipelines that connect with PSNC. Tr. vol. 3, 162; Tr. vol. 3 (Exhibits), Exhibit JR-3 at 29. With respect to market power in retail gas service, there are no market concentration concerns because of the regulated rate model used in North Carolina. Tr. vol. 3 (Exhibits), Exhibit JR-3 at 29. Finally, with respect to the retail inter-fuel markets, the proposed Transaction will not have any impact on inter-fuel competition at the retail level because the Transaction will not increase the retail base of EP Holdings or its affiliates in either electric or gas, and will not restrict or inhibit customer choice as to the preferred retail service offerings. Tr. vol. 3, 163; Tr. vol. 3 (Exhibits), Exhibit JR-3 at 30-31.

Additionally, the Stipulation provides significant benefits for PSNC's customers, as discussed in more detail below. The Commission finds these commitments by the Applicants suffice to ensure that PSNC will continue to be operated in a manner consistent with the public interest following closing of the Transaction.

Finally, the Applicants have requested authorization to operate under the TSA, ISA, and SDL on an interim basis. Witnesses Sanders and Varsanyi testified about the purpose and function of each of these agreements. The TSA provides that Dominion Energy will continue to provide shared services to PSNC until the Enbridge family of companies can provide such support. Tr. vol. 3, 38-39, 60. This support will be provided through the TSA, which will ensure that service quality, safety, and reliability will not be adversely affected by the transfer by providing that the shared services currently provided to PSNC by Dominion Energy will continue to be available until they are no longer needed. *Id.*; Tr. vol. 3 (Exhibits), Exhibit LV-2 (TSA). The ISA will serve as the agreement by which the customary services that Enbridge, as a public company parent, provides or makes available to its subsidiaries and those additional services that Enbridge and its affiliates, including other local distribution companies that are indirectly controlled by Enbridge, will provide to PSNC as it is integrated into the Enbridge family of companies. Tr. vol. 3, 60; Tr. vol. 3 (Exhibits), Exhibit LV-3 (ISA). The services provided under the ISA will include those services that cease to be provided under the TSA at such time as Enbridge and other affiliates are ready and able to provide them. Tr. vol. 3, 60. The SDL is a one-way borrowing agreement between Enbridge U.S. and PSNC that will provide short-term liquidity to PSNC. *Id.*; Tr. vol. 3 (Exhibits), Exhibit LV-4 (SDL). These agreements will allow the services PSNC provides to its customers to continue seamlessly after the Transaction closes. Tr. vol. 3, 38-39, 60.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 27-43

The evidence for these findings of fact is set forth in the Application, the Cost-Benefit Analysis, the Market Power Analysis, the Stipulation, and the testimony of the Applicants' witnesses and Public Staff's witness.

As discussed above, the legal standard applicable to this proceeding is set forth in N.C.G.S. § 62-111(a) and requires that before the Commission can approve the proposed Transaction, the Commission must find that the proposed Transaction is "justified by the public convenience and necessity." The criteria used by the Commission to evaluate compliance with the applicable statutory standard involves an analysis of three issues that are related to one another and provide a reasoned framework for evaluating utility transfers. In making the required determination, the Commission has also examined factors such as whether service quality will be maintained or improved, the extent to which costs can be lowered and rates can be maintained or reduced, and whether effective regulation of the transferring utility will be maintained. Se*e* Order Approving Merger and Issuance of Securities, Application of Duke Power Company for Authorization under North Carolina General Statute Sections 62-111 and 62-161 to Engage in and to Issue Securities in Connection with a Business Combination Transaction with PanEnergy Corp, Docket No. E-7, Sub 596 (N.C.U.C. Apr. 22, 1997).

Additionally, the Commission has determined that N.C.G.S. § 62-111 does not require that a proposed business combination transaction be based on a demonstration of specific cost savings. Rather, the Commission has concluded that cost savings are merely one factor that should be considered in evaluating a request to engage in a business combination transaction. Other factors include, but are not limited to, such non-quantifiable benefits as a larger, more viable, and more financially diverse company with a broader range of assets and an increased ability to provide stable and reliable service, and a stronger and more diverse company that is able to compete regionally, while remaining committed to the maintenance of a strong corporate presence in North Carolina. *See* Order Approving Merger and Issuance of Securities, Docket No. G-5, Sub 400 (N.C.U.C. Dec. 7, 1999).

In the Application, the Applicants identified a number of nonquantifiable benefits associated with the Transaction, including (1) EP Holdings' commitment to maintain current PSNC management teams, employment, and operations, including its local headquarters in Gastonia; (2) EP Holdings' commitment to preserve PSNC's existing high-quality service, tariffs, rates, and conditions of service following the Transaction; (3) Enbridge's financial, technical, and managerial expertise; (4) PSNC's ability to leverage Enbridge's resources and experience; (5) EP Holdings' commitment to continue to meet PSNC's financing needs and the fact that PSNC will have continued access to capital; (6) Enbridge's commitment to seek to implement its IMS in the PSNC service area within two years after completion of the Transaction; (7) EP Holdings' commitment to continue PSNC's planned total capital expenditure program; and (8) EP Holdings' commitment that PSNC will remain subject to the Commission's statutory regulatory authority, so that the Transaction will in no way diminish the Commission's ability to regulate the service quality and rates of PSNC. Tr. vol. 3 (Exhibits), Application ¶¶ 17-38.

In the Cost-Benefit Analysis, the Applicants identified a number of additional nonquantifiable benefits, including that (1) EP Holdings' corporate parent, Enbridge, is a premier energy delivery company in North America with a long-term focus on the gas industry; (2) Enbridge's practical approach to the energy transition preserves energy security and affordability while investing in a lower-carbon future; (3) EP Holdings will support future growth to accommodate customer needs; (4) the acquisition of PSNC by EP Holdings provides a good strategic fit for PSNC in a growing market; (5) Enbridge is financially sound; (6) the proposed transaction will reduce the existing level of concentration in the interstate pipeline market in Transco Zone 5; (7) Enbridge and its subsidiaries hold core values that support excellence in utility operations; (8) EP Holdings has a commitment to explore clean energy projects and PSNC's ability to leverage Enbridge's expertise in energy efficiency; and (9) EP Holdings will maintain superior customer service practices. *See* Tr. vol. 3 (Exhibits), Exhibit JR-2 (Cost-Benefit Analysis), at 3-9.; *see also* Tr. vol. 3, 158-59.

The testimony of Applicants' witnesses Harradence, Sanders, Johnston, Reed, and Harris also identified a number of benefits associated with the proposed Transaction, including those discussed above. Tr. vol. 3, 26-27, 44-45, 77-78, 80-83, 142-45, 158-59. In addition, witness Sanders testified that EP Holdings has committed that PSNC will have the resources to continue to, at a minimum, maintain current service quality and meet or exceed applicable customer service standards. Tr. vol. 3, 46.

In addition, the settlement testimony of witnesses Boswell and Varsanyi and the supplemental testimony of witness Harris demonstrate that the Stipulation will provide quantifiable benefits to PSNC's customers, including (1) a regulatory liability of $4,000,000 to provide bill credits to all customers in the following manner: $1 million in January 2025, $1 million in January 2026, $1 million in January 2027, and $1 million in January 2028; (2) a regulatory liability of $1,020,000 for bill credits to qualifying low-income customers applied to qualifying customers' bills rendered in the winter months of 2024-2025 (November to March); and (3) PSNC's agreement that it will propose a CAP for consideration by the Commission for the purpose of providing direct assistance to low-income customers, and, if the Commission approves the CAP, PSNC's agreement that it will contribute funding to the CAP of up to $300,000 per year for a maximum of three years immediately following approval of the CAP. Tr. 3, 55, 82-83, 185-86.

In addition, the Stipulation, as discussed by witnesses Boswell, Varsanyi, and Harris, will provide quantifiable benefits to customers in connection with future rate cases. As set forth in the Stipulation, the Applicants have agreed that PSNC and the Public Staff will support in PSNC's 2025 rate case the establishment of a cost recovery rider for the incremental costs associated with the M-71 pipeline, the Moriah LNG facility, and the non-Integrity Management Tracker rate base portion of the T-15 pipeline as they are completed and placed into service. Tr. vol. 3, 56, 83, 183. In the event that the rider is approved by the Commission, PSNC has agreed not to file another application for a general rate adjustment until 2028. Tr. vol. 3, 54, 83-84, 183-84. In addition, the Regulatory Conditions provide 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 actual costs after audit and adjustment. Tr. vol. 3, 93-94, 184. As witness Varsanyi testified, this provision will benefit customers because the O&M costs are projected to be higher in 2024 than in 2022 and 2023. Tr. vol. 3, 123. Witness

Varsanyi further testified that this provision would not result in decreased service to customers. Tr. vol. 3, 124-25.

Finally, the commitments by the Applicants in the Regulatory Conditions and Code of Conduct will help ensure that customers realize the benefits identified by the witnesses and provide protection from possible costs and risks associated with the Transaction.

The Commission has carefully reviewed and considered all of the evidence describing the known and potential benefits of the proposed Transaction and finds it to be credible and undisputed. Many of these benefits have been enhanced and guaranteed as a result of the Stipulation and agreed upon Regulatory Conditions and Code of Conduct. The Commission, therefore, finds and concludes that the proposed Transaction will result in a significant number of known and potential benefits, both quantifiable and non-quantifiable, as set forth in the Application, the Cost-Benefit Analysis, the Market Power Analysis, the consistent and undisputed testimony of all witnesses, and the agreed upon Stipulation, Regulatory Conditions, and Code of Conduct.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 44-58

The evidence for these findings of fact is set forth in the Application, the Stipulation, the testimony of the Applicants' witnesses and the Public Staff's witness, and the Commission's supervisory authority over the rates, terms, and conditions of service provided by PSNC.

As discussed above, in prior transfer proceedings, the Commission has established a three-part test for determining whether a proposed utility merger is justified by the public convenience and necessity and thus satisfies N.C.G.S. § 62-111(a). This test involves consideration of whether (1) the transaction will have an adverse impact on rates and services, (2) customers will be protected as much as possible from potential costs and risks, and (3) the transaction will result in sufficient benefits to offset costs and risk.

Mitigation of Potential Costs.

As far as the first prong of the three-part test – whether the transaction would have an adverse impact on the rates and services provided by the merging utilities – is concerned, the Commission concludes, for the reasons explained below, that the Transaction will not have an adverse impact on the rates and services provided by PSNC.

As an initial matter, the Commission notes that, as stated in the Application, EP Holdings has committed that it will "preserve PSNC's existing high-quality service, tariffs, rates, and terms following the Transaction." Tr. vol. 3 (Exhibits), Application ¶ 17. This representation is also confirmed by Regulatory Condition

Nos. 4.10 and 4.13, which are specifically aimed at ensuring that the Transaction will have no adverse impact on PSNC's rates and services. Applicants' witnesses Varsanyi and Harris likewise testified that that Transaction will not have an adverse effect on rates or services. Tr. vol. 3, 55-56, 82, 84. In addition, Applicants have proposed and sought interim approval of the ability to operate under the TSA, ISA, and SDL to further ensure that PSNC is equipped to provide services immediately upon closing and throughout the transition period. Finally, the Cost-Benefit Analysis filed with the Application indicates that customers will not be charged for direct or indirect transaction costs such as any acquisition premium and transaction fees, which, instead, will be absorbed entirely by EP Holdings. Tr. vol. 3 (Exhibits), Exhibit JR-2 at 10-11.

Although, as noted in the Stipulation, the Applicants contemplate PSNC filing a rate case in 2025, as is demonstrated by the testimony of Applicants' witnesses Harris and Varsanyi, the need for a 2025 rate case depends on currently obligated capital expenditures and economic conditions not related to or arising out of the Transaction. Tr. vol. 3, 56, 73, 83.

The evidence concerning these matters presented by the Applicants and the Public Staff and set forth in the various documents and testimony discussed above is uncontested. No party submitted evidence suggesting that the proposed Transaction will result in adverse consequences to the rates and services of PSNC.

Further, as a matter of law, PSNC will remain subject to regulation by the Commission. See Tr. vol. 3 (Exhibits), Application ¶ 18.

It is agreed by all parties that the Transaction in no way diminishes the authority of the Commission to regulate service quality and rates for PSNC and, therefore, effective state regulatory oversight of PSNC will continue. The agreed upon Regulatory Conditions and Code of Conduct also contain provisions designed to ensure transparency and oversight and in no way to diminish the Commission's regulatory jurisdiction over PSNC as a result of the Transaction.

In this regard, the Commission notes that the provisions of the Act provide the Commission with broad supervisory authority over PSNC, including the authority to establish (and modify if necessary) the rates, terms, and conditions of service for PSNC. Thus, and given the absence of any proposal in this docket to change PSNC's rates or services, the Commission finds no evidence that the Transaction will increase rates or impair the quality of the service provided by PSNC, or that the Commission's jurisdiction over PSNC as a regulated public utility will be adversely impacted in any way. Additionally, any currently unknown risks to customers arising out of the Transaction are sufficiently mitigated through the protections contained in the agreed upon Regulatory Conditions and Code of Conduct, and the Commission's continuing regulatory jurisdiction over PSNC.

Based on the foregoing, the Commission finds and concludes that there is little probability that the Transaction would pose a risk of any real or potential adverse impact on the rates and services provided by PSNC to its customers.

Mitigation of Potential Risks.

Regarding the second prong of the three-part test – whether customers would be protected as much as possible from potential costs and risks of the Transaction – the Commission concludes, for the reasons explained below, that the customers of PSNC will be protected as much as possible from potential costs and risks of the Transaction.

Under N.C.G.S. § 62-30, the Commission has the general power and authority to supervise and control public utilities operating in North Carolina as may be necessary to carry out the laws providing for their regulation. North Carolina General Statute § 62-32 grants the Commission supervisory power over public utility rates and service, including the power to compel reasonable service and set reasonable rates. Paragraph 37 of the Application states that:

> PSNC will remain subject to full regulation by the Commission as prescribed by the North Carolina General Statutes and by the rules promulgated by the Commission, and the Transaction will in no way diminish the authority of the Commission to regulate the service quality and rates of PSNC. Therefore, effective state regulatory oversight of PSNC will not be diminished in any manner by this Transaction.

See also Tr. vol. 3 (Exhibits), Application ¶ 13(a) ("PSNC will continue to exist as a separate legal entity subject to the full regulatory jurisdiction of the Commission."). This continuing and undiminished regulatory oversight will serve to protect customers as much as possible from any adverse consequences of the Transaction.

Separate and apart from the Commission's inherent and continuing supervisory function, there is substantial evidence in this proceeding that customers are and will be protected as much as possible from potential costs and risks of the Transaction.

First, the Application and agreed upon Regulatory Conditions commit the Applicants to refrain from seeking recovery of acquisition-related costs. Specifically, the Applicants have committed not to seek, and the agreed upon Regulatory Conditions prohibit, the recovery of any acquisition premium or any transaction costs associated with the Transaction. Tr. vol. 3 (Exhibits), Application ¶ 36(a); Regulatory Condition Nos. 4.10 and 4.13. These commitments by the Applicants act to insulate customers from the major costs of the Transaction.

Second, although the 2025 rate case contemplated by PSNC is not related to this Transaction, Applicants have nonetheless agreed to mitigate costs associated with the Transaction in future PSNC rate cases through 2028. The Applicants have agreed to restrict PSNC's recovery of O&M costs in the anticipated 2025 rate case and rate cases filed through 2028 rate. PSNC has also committed not to file a subsequent rate case prior to 2028 if a cost recovery rider is approved in the 2025 rate case. Tr. vol. 3, 54, 83-84, 183-84.

Third, the agreed upon Regulatory Conditions and Code of Conduct also safeguard customers from potential costs and risks that might result from the Transaction. Tr. vol. 3, 60-61, 84, 177-86. The Stipulation provides that the Applicants and the Regulatory Condition Parties will take all actions reasonably necessary and appropriate to hold PSNC's customers harmless from the effects of the Transaction, to protect PSNC customers from a credit downgrade, and to hold PSNC customers harmless from any U.S. Dollar to Canadian Dollar exchange rate impact or other currency exchange rate impacts stemming from PSNC's ownership by a Canadian company. Regulatory Condition Nos. 4.14, 6.12, 6.22. Section VI of the Regulatory Conditions relates to ring fencing conditions, including conditions relating to the accounting for transactions between PSNC and Enbridge and its affiliates; prohibitions on PSNC's ability to make loans to Enbridge and its affiliates, and limitations on its ability to participate in credit arrangements with them; a commitment by PSNC to seek to maintain an investment grade debt rating on its rated debt issuances with at least two nationally recognized debt rating agencies, and oversight by the Public Staff over decreased credit ratings; and limitations on PSNC's distributions. The Regulatory Conditions further protect PSNC customers from any risk of bankruptcy by providing for the appointment of a Special Bankruptcy Director. Regulatory Condition No. 6.21. And the Code of Conduct further protects customers by providing standards limiting the exchange of customer information between PSNC, Enbridge, and the Enbridge affiliates; prohibiting discrimination against non-affiliates; reinforcing the Commission's regulatory oversight over transactions between PSNC and the Enbridge affiliates; and providing a procedure to resolve potential complaints.

The Regulatory Conditions also address Applicants' proposed TSA, ISA, and SDL, which have been proposed on an interim basis to ensure continuity of services. The Regulatory Conditions provide that PSNC shall not engage in any further transactions with Enbridge or its affiliates without first memorializing such transactions pursuant to N.C.G.S. § 62-153. Regulatory Condition No. 3.1. Applicants have further agreed to provide monthly reporting of TSA activity until termination of the TSA. Regulatory Condition No. 15.3.

The Commission notes that several provisions of the Act also serve to protect customers from potential negative consequences of the proposed Transaction. These include: (i) N.C.G.S. § 62-130 – Commission supervision over rates; (ii) N.C.G.S. § 62-138 – requirement to obtain Commission approval over service contracts; (iii) N.C.G.S. § 62-139 – prohibition of service at other than

Commission approved rates; (iv) N.C.G.S. § 62-140 – prohibition of discrimination; and (v) N.C.G.S. § 62-153 – requirement to file affiliated contracts and to obtain approval for affiliated service contracts and payments to affiliates. Each of these statutory provisions prohibits or mandates utility conduct for the purpose of assuring that rates charged to customers for utility services are just and reasonable.

Finally, the testimony of Public Staff's witness Boswell and Applicants' witnesses Varsanyi and Harris supports the conclusion that customers are protected from any potential risks or costs as much as possible. Tr. 3, 53-59, 82-84, 177-186. Witness Boswell discussed the various Regulatory Conditions and concluded that the Transaction is consistent with the public interest and should be approved subject to the protections afforded customers by the Regulatory Conditions and Code of Conduct. Tr. vol. 3, 177-86. In his settlement testimony, Applicants' witness Varsanyi described the process that was undertaken by the Applicants and the Public Staff in formulating the Regulatory Conditions. Tr. vol. 3, 51. Witness Varsanyi and witness Harris testified to EP Holdings and PSNC's agreement with the Regulatory Conditions. Tr. vol. 3, 51-52, 84.

At the public hearing, several witnesses discussed their opposition to PSNC's construction of a Liquified Natural Gas (LNG) facility in Person County, citing concerns such as potential adverse environmental and health impacts from this facility as well as the potential for rate increases associated with the investment. Several witnesses also expressed opposition to the Transaction on the grounds that Enbridge, the ultimate parent of EP Holdings, is domiciled in Canada and citing prior instances of safety violations and incidents relating to Enbridge's gas operations in other states and in Canada.

The Commission has considered the testimony of the public witnesses and concludes that the evidence of benefits from the Transaction, including the protections provided for in the Regulatory Conditions, outweigh any risks identified by the public witnesses. As the record reflects, PSNC intends to construct the Person County LNG facility regardless of whether the Commission does or does not approve the proposed transfer. Tr. vol. 3, 92-93. The Commission further notes that many of the concerns expressed relating to the LNG facility involve matters such as local land use and zoning and air quality and other environmental regulations that are outside the Commission's jurisdiction. Finally, issues relating to PSNC's operations and rates can and will be addressed in future proceedings.

Regarding the stated concerns of the public witnesses involving Enbridge as an entity domiciled outside the United States, the Commission observes and concludes that PSNC will continue to be a South Carolina corporation, that its immediate indirect parents are entities domiciled in the United States, that no party has articulated any specific harms associated with the ultimate parent being domiciled in Canada, that Enbridge has substantial activities and assets in the United States, and that the Regulatory Conditions appropriately protect ratepayers from adverse impacts that may be associated with upstream operations. Regarding the allegations of safety violations and incidents, the Commission notes that no evidence has been presented that would call into question EP Holdings' intent and ability to comply with all applicable safety regulations and requirements relating to PSNC's operations and that substantial and unrebutted testimony was offered concerning Enbridge's safety record and commitment to safety as a core value. *E.g.*, Tr. vol. 3, 34-42, 139, 145.

Based on the foregoing, the Commission finds and concludes that any potential risks or costs of the Transaction to customers have been effectively mitigated by the commitments of the Applicants in the Application, as well as the testimony of Applicants' witnesses and the agreed upon Regulatory Conditions and Code of Conduct. Further, the Commission retains full power and authority to address any potential impact from the Transaction on PSNC's customers and to enforce the Regulatory Conditions.

<u>Benefits Offset Potential Costs and Risks.</u>

Regarding the third prong of the three-part test – whether the merger would result in sufficient benefits to offset potential costs and risks – the evidence explaining these benefits is found in the Application, the testimony of the witnesses for the Applicants and the Public Staff, and the Regulatory Conditions and Code of Conduct, and is discussed in the evidence and conclusions above regarding Findings of Fact Nos. 27-43.

The Commission has carefully reviewed and considered all of the evidence in this docket describing the known and potential benefits of the proposed Transaction and finds it to be credible and undisputed.

Based on this evidence, and the lack of any countervailing evidence, the Commission finds and concludes that Applicants have satisfied the third and final prong in the Commission's merger approval analysis and that the actual and potential benefits from the proposed Transaction outweigh the potential costs and risks associated with the Transaction.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 59-60

The evidence for these findings of fact is contained throughout the record in this docket, identified in many of the preceding findings of fact, and discussed in the evidence and conclusions for those findings of fact. This evidence, which is uncontested, supports the conclusion that the proposed Transaction is justified by the public convenience and necessity.

The evidence in this proceeding, as reflected in the findings set forth above, establishes that there are a significant number of actual and potential benefits that will accrue to the State of North Carolina, to PSNC, and most importantly, to PSNC's customers as a result of the proposed Transaction.

These benefits more than offset any potential risks or costs attendant to the proposed Transaction, which are amply mitigated in any event by the Applicants' commitments concerning absorption of Transaction costs and any acquisition premium, by the restrictions imposed on the Applicants' conduct by the agreed upon Regulatory Conditions and Code of Conduct, and by this Commission's continuing jurisdiction and authority over the rates, terms and conditions of service provided by PSNC. In addition, the Commission also concludes that the existing level of service quality for PSNC will be maintained, that rates for PSNC customers will not change because of the Transaction, and that effective regulation will be maintained in the interests of PSNC's customers.

Accordingly, the Commission concludes that the Applicants' commitments in their Application, testimony, and the agreed upon Stipulation, Regulatory Conditions, and Code of Conduct are sufficient to ensure that: (1) the Transaction will have no adverse impact on the rates and service provided to PSNC's customers; (2) PSNC's customers are protected as much as reasonably possible from potential costs and risks resulting from the Transaction; and (3) the known and potential benefits from the Transaction are sufficient to offset the potential costs and risks.

The Commission further finds and concludes that because PSNC will no longer be a direct subsidiary of SCANA or an indirect subsidiary of Dominion Energy, the Regulatory Conditions and Code of Conduct approved by the Commission in the Dominion Energy-SCANA merger order in Docket Nos. E-22, Sub 551, and G-5, Sub 585 will no longer be applicable to PSNC.

In addition, the Commission finds and concludes that the public convenience and necessity supports allowing PSNC to operate under the TSA, ISA, and SDL on an interim basis. The evidence in this proceeding, as reflected in the findings set forth above, shows that these agreements will allow PSNC to continue uninterrupted operations during the transition from Dominion Energy to EP Holdings. Further, as is demonstrated in more detail in the findings set out above, the Regulatory Conditions will protect customers as much as possible from any potential risks or costs by requiring PSNC not to engage in further transactions without first obtaining Commission approval for such transactions pursuant to N.C.G.S. § 62-153, and requiring monthly reports to the Public Staff while the TSA is in place.

Therefore, based on all of the evidence presented in this proceeding, the Commission finds that approval of the proposed Transaction and interim approval of PSNC's ability to operate under the TSA, ISA, and SDL are justified by the public convenience and necessity and should be granted, subject to all of the terms, conditions, and provisions of this Order, as well as the Regulatory Conditions and the Code of Conduct.

IT IS, THEREFORE, ORDERED as follows:

1. That the Application of PSNC and EP Holdings pursuant to N.C.G.S. § 62-111(a) to engage in a business combination transaction shall be, and is hereby, approved subject to the provisions of the Stipulation and of the proposed Regulatory Conditions and Code of Conduct, attached hereto as Appendix A and incorporated herein.

2. That the Stipulation is approved in its entirety.

3. That subject to the Transaction being consummated and the Regulatory Conditions and Code of Conduct approved herein becoming effective, the Regulatory Conditions and Codes of Conduct approved by the Commission in the Dominion Energy-SCANA merger order in Docket Nos. E-22, Sub 551, and G-5, Sub 585, will no longer be applicable to PSNC given that PSNC will no longer be a direct subsidiary of SCANA or an indirect subsidiary of Dominion Energy.

4. That upon closing of the Transaction PSNC shall create a regulatory liability of $4 million and shall provide bill credits to its customers over a four year period beginning in January 2025 as more specifically described in the Regulatory Conditions.

5. That upon closing of the Transaction PSNC will create a regulatory liability of $1,020,000 for bill credits to qualifying low-income customers to be applied during the winter months of 2024-2025 (November to March) as more specifically described in the Regulatory Conditions.

6. That, subject to closing of the Transaction, PSNC shall comply with the various other customer commitments set forth in Section XV (Other Ratepayer Protection Matters) of the Regulatory Conditions.

7. That operation under the TSA, ISA, and SDL on an interim basis pending and subject to final approval is in the public interest, and PSNC is authorized to operate, provide and receive services, and make payments under the TSA, ISA, and SDL on an interim basis after the closing of the Transaction, pending the issuance by the Commission of a further order regarding any affiliate agreements between PSNC and Enbridge and its affiliates. For ratemaking purposes, this action does not constitute approval of the amount of compensation paid pursuant to this interim authority, and the interim authority granted herein is without prejudice to the right of any party to take issue with any provision of any affiliate agreement between PSNC and Enbridge and its affiliates in an appropriate future action.

8. That the Applicants are authorized to take such other and further actions as are reasonable and necessary to consummate the Transaction set forth in the Agreement subject to the terms hereof.

9. That Applicants shall file a written notice in this docket within ten (10) days of the consummation of the Transaction approved herein.

10. That these dockets shall remain open pending the filing of such notice and further orders of the Commission

This ____ day of _________, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

APPENDIX A

DOCKET NO. G-5, SUB 667
REGULATORY CONDITIONS

These Regulatory Conditions set forth commitments made by Enbridge Genoa U.S. Holdings, LLC (Genoa), Enbridge Parrot Holdings, LLC (EP Holdings), Fall North Carolina Holdco LLC (NC Holdco), and its public utility subsidiary, Public Service Company of North Carolina, Inc. (PSNC), (collectively, the Regulatory Condition Parties), as a precondition of approval of the application by PSNC and EP Holdings pursuant to N.C. Gen. Stat. § 62-111(a) for authority to engage in their proposed business combination transaction (Transaction). These Regulatory Conditions, which become effective only upon the closing of the Transaction, shall be interpreted in a manner that ensures PSNC's customers (a) are protected from any known adverse effects from the Transaction, (b) are protected as much as possible from potential costs and risks resulting from the Transaction, and (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from the Transaction. Upon closing of the Transaction, the regulatory conditions approved by the Commission in Docket Nos. E-22, Sub 551 and G-5, Sub 585 will be no longer applicable to PSNC.

Enbridge Inc. (Enbridge), Enbridge US Holdings Inc. (Enbridge US Holdings), and Enbridge (U.S.) Inc. (Enbridge U.S.), as well as any additional or successor entities with control over Genoa, EP Holdings, NC Holdco, and PSNC (collectively, the Parent Entities) hereby acknowledge and consent to these Regulatory Conditions agreed and entered into by the Regulatory Condition Parties. The Parent Entities further commit not to cause the Regulatory Condition Parties to violate such Regulatory Conditions and not to prevent the Regulatory Condition Parties from taking commercially reasonable actions to comply with the Regulatory Conditions, for so long as such Regulatory Conditions remain in effect and applicable to the Regulatory Condition Parties. This consent and acknowledgement of the Parent Entities does not constitute a general consent to an expansion of, and shall not be interpreted to expand, the North Carolina Utilities Commission's jurisdiction over the Parent Entities beyond that, if any, established by Chapter 62 of the North Carolina General Statutes.

The Parent Entities shall be bound by the Regulatory Conditions only as set forth herein.

SECTION I
DEFINITIONS

For the purposes of these Regulatory Conditions, capitalized terms shall have the meanings set forth below. If a capitalized term is not defined below, it shall have the meaning provided elsewhere in this document or as commonly used in the natural gas utility industry.

Affiliate: Enbridge and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Enbridge, excluding PSNC. For purposes of these Regulatory Conditions, Enbridge and each business entity so controlled by it are considered to be Affiliates of PSNC.[1]

Affiliate Contract: Any contract or agreement within the meaning of N.C.G.S. § 62-153 between PSNC and any other Affiliate. Such contracts and agreements include, but are not limited to, service, operating, and financings and asset transfers and sales.

Code of Conduct: The minimum guidelines and rules approved by the Commission that govern the relationships, activities, and transactions between and among the public utility operations of PSNC, the Nonpublic Utility Operations of PSNC, and the Affiliates, as those guidelines and rules may be amended from time to time.

Commission: The North Carolina Utilities Commission.

Customer: Any Commission-regulated natural gas sales or natural gas transportation customer of PSNC located in North Carolina.

Dominion Energy: Dominion Energy, Inc.

Effect on PSNC's Rates or Service: When used with reference to the consequences to PSNC of actions or transactions involving an Affiliate or Nonpublic Utility Operation, this phrase has the same meaning that it has when the Commission interprets N.C.G.S. § 62-3(23)(c) with respect to the affiliation covered therein.

Enbridge: Enbridge, Inc., a Canadian corporation, which is the current indirect parent corporation of PSNC, and any successor company.

Federal Law: Any federal statute or legislation, or any regulation, order, decision, rule or requirement promulgated or issued by an agency or department of the federal government.

FERC: The Federal Energy Regulatory Commission.

Fully Distributed Cost: All direct and indirect costs, including overhead costs and an appropriate cost of capital, incurred in providing the goods and services in question.

Integration Progress Report: A report to be provided to the Public Staff on a quarterly basis describing the status of the transition of Shared Services from the TSA to the ISA and the integration of PSNC into the Enbridge system.

[1] For clarity, references to "affiliate" (or non-capitalized variations of the same word) have the meaning assigned by the context of the usage and should not be construed to have the same meaning as Affiliate".

Intercorporate Services Agreement or ISA: An agreement pursuant to which PSNC will receive, and may provide, certain Shared Services that meets the requirements of Article IV of these Regulatory Conditions. The ISA will serve as the agreement by which customary services that Enbridge, as a public company parent, provides or makes available to its subsidiaries and those additional services that Enbridge and its affiliates, including the local distribution companies (LDCs), will provide to the newly acquired LDCs, including PSNC, as they are integrated into the Enbridge family of companies. The services will include those that cease to be provided under the Transition Services Agreement (TSA) as they are added as "Services" to be provided under the ISA.

Market Value: The price at which property, goods, or services would change hands in an arm's-length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

Natural Gas Services: Commission-regulated natural gas sales, natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering and billing, and standby service.

Nonpublic Utility Operations: All business operations engaged in by PSNC involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level in the United States.

PSNC: Public Service Company of North Carolina, Inc., the business entity, wholly owned by NC Holdco that holds the franchise granted by the Commission to provide Natural Gas Services within its North Carolina service territory and that engages in public utility operations, as defined in N.C.G.S. § 62-3(23), within the State of North Carolina.

Public Staff: The Public Staff of the North Carolina Utilities Commission.

Purchase and Sale Agreement: The Purchase and Sale Agreement dated as of September 5, 2023 by and between Dominion Energy and EP Holdings.

Retained Earnings: The retained earnings currently required to be listed on page 112, line 11 of the FERC Form 2.

Shared Services: The services that meet the requirements of these Regulatory Conditions and that the Commission has explicitly authorized PSNC to (a) take from affiliates of Dominion Energy pursuant to the TSA, and/or (b) provide to or receive from Affiliates pursuant to the ISA or other similar agreement entered into in the future, including, but not limited to, an agreement with a service company should one be established. Such agreements are subject to Article IV of these Regulatory Conditions.

Transaction-Related Expenses: Transaction-Related Expenses include, but are not limited to, acquisition premiums, change-in-control payments made to terminated executives, regulatory process costs, and transaction costs, such as investment banking, legal, accounting, securities issuance and advisory fees. Transaction costs include costs associated with the integration of financial, IT, human resources, billing, accounting, and telecommunications systems; provided, for clarity, that the services provided under the TSA and ISA do not constitute transaction costs. Other transaction costs include severance payments to employees, changes to signage, the cost of transitioning employees to post-Transaction employee benefit plans, and costs to terminate any duplicative leases, contracts and operations, etc.

Transition Services Agreement or TSA: An agreement between PSNC and affiliates of Dominion Energy for Shared Services that meets the requirements of Section IV of these Regulatory Conditions. The TSA, to be entered into upon closing of the Transaction as specified in the Purchase and Sale Agreement, contemplates the provision of services to support the ongoing businesses of Dominion Energy and PSNC for a period of 24 to 30 months following completion of the Transaction depending upon when the Transaction is completed.

Utility Affiliates: If its operations are acquired by Affiliates, from and after the date of such acquisition, the regulated public utility operations of Questar Gas Company Inc. (d/b/a Enbridge Gas Utah, Enbridge Gas Wyoming, and Enbridge Gas Idaho). Utility Affiliates also includes (a) The East Ohio Gas Company (d/b/a Enbridge Gas Ohio) and (b) Enbridge Gas, Inc. and Gazifère Inc. to the extent of their regulated operations under the laws of Canada. It shall further include any additional regulated public utility (within the meaning of North Carolina law) that may be acquired or otherwise fall under the control of any Affiliate.

SECTION II
AUTHORITY, SCOPE, AND EFFECT

These Regulatory Conditions are based on the general power and authority granted to the Commission in Chapter 62 of the North Carolina General Statutes to control and supervise the public utilities of the State. These Regulatory Conditions address specific exercises of the Commission's authority and provide mechanisms that enable the Commission to determine the extent of its authority and jurisdiction over proposed activities of, and transactions involving PSNC or having an Effect on PSNC's Rates or Service.

2.1 <u>Commission Authority Over Certain Transactions</u>. The Regulatory Condition Parties acknowledge that the Commission has authority over intra-company transactions to the extent provided for in Chapter 62.

2.2 <u>Waiver Requests</u>. Any Regulatory Condition Party may seek a waiver of any aspect of these Regulatory Conditions in a particular case or circumstance for good cause shown by filing such a request with the Commission.

SECTION III
PROTECTION OF JURISDICTION

The following Regulatory Conditions are intended to protect the jurisdiction of the Commission as a result of the Transaction and to affirm the jurisdiction of the Commission with respect to agreements and transactions between and among PSNC and any Affiliate; financing transactions involving PSNC; PSNC's operations; and the ownership, use, and disposition of assets by PSNC.

3.1 Transactions between PSNC and Affiliates; Notice of Affiliate Contracts to be Filed with the FERC.

(a) PSNC shall not engage in any transactions with Affiliates or proposed Affiliates without first filing the proposed contracts or agreements memorializing such transactions pursuant to N.C.G.S. § 62-153 and taking such actions and obtaining from the Commission such determinations and authorizations as may be required under North Carolina law. PSNC shall submit each proposed Affiliate Contract or substantive amendment to an existing Affiliate Contract which PSNC proposes to file with the Commission under N.C.G.S. § 62-153(a) to the Public Staff for informal review at least 15 days before filing it with the Commission.[2] If PSNC and the Public Staff agree within the 15-day period that the proposed Affiliate Contract or substantive amendment to an existing Affiliate Contract does not require any action by the Commission, PSNC may proceed to execute the agreement subject to later disapproval and voidance by the Commission pursuant to N.C.G.S. § 62-153(a). Otherwise, no payment of compensation shall be made under the proposed Affiliate Contract or substantive amendment to an existing Affiliate Contract until the contract has been filed with and payment of compensation has been approved or allowed by the Commission pursuant to N.C.G.S. § 62-153(b).

(b) In addition to the requirements of Regulatory Condition 3.1(a), for any Affiliate Contract requiring filing with FERC, PSNC shall file, for informational purposes, a copy of such proposed Affiliate Contract, or any material amendment to such existing Affiliate Contract with the Commission at least 15 days prior to filing with FERC.

3.2 Financing Transactions Involving PSNC.

(a) With respect to any financing transaction involving PSNC, any contract memorializing such transaction shall expressly provide that PSNC shall not enter into any such financing transaction except in accordance with North Carolina law and the rules, regulations, and orders of the Commission promulgated thereunder.

[2] For clarity, the selection of services, or the cessation of services, specified under the TSA and/or the ISA per its operating provisions shall not be considered an "amendment" under this provision.

(b) With respect to any financing transaction between PSNC and any Affiliate, any contract memorializing such transaction shall expressly provide that PSNC shall not include the effects of any capital structure or debt or equity costs associated with such financing transaction in its North Carolina retail cost of service or rates except as allowed by the Commission.

(c) PSNC shall seek access to long- and short-term debt at the lowest reasonable cost rates. In the event that an Affiliate incurs debt on behalf of PSNC, ratepayers shall not be assessed or otherwise incur costs associated with the mark-up of debt by the Affiliate over the Affiliate's cost of incurring the debt. Nothing in the forgoing shall be read to prohibit the recovery of all actual costs directly and solely incurred in issuing debt for the benefit of PSNC.

3.3 Ownership and Control of Assets Used by PSNC to Supply Natural Gas Services to North Carolina Customers; Transfer of Ownership or Control.

(a) PSNC shall own and/or control all assets or portions of assets used for the transmission, collection, or distribution of natural gas to its Customers (with the exception of assets both (i) not otherwise owned or controlled by PSNC and (ii) used to provide natural gas transportation to PSNC).

(b) With respect to the voluntary transfer by PSNC to Nonpublic Utility Operations, an Affiliate, and/or a non-Affiliate, of the control of, operational responsibility for, or ownership of any asset or portion thereof used for the transmission, collection, or distribution of natural gas service to customers in North Carolina:

(i) PSNC shall provide written notice to the Commission at least 30 days in advance of any proposed transfer falling under Section 3.3(b) with a net book value in excess of ten million dollars ($10 million). The provisions of Regulatory Condition 12.2 shall apply to an advance notice filed pursuant to this Regulatory Condition. PSNC shall not commit to or carry out such a transfer except in accordance with North Carolina law and the rules, regulations, and orders of the Commission promulgated thereunder; and

(ii) PSNC may not include in rates the value of or costs associated with any such transfer except as allowed by the Commission in accordance with North Carolina law.

3.4 Purchases and Sales of Natural Gas between PSNC, Affiliates, or Nonpublic Utility Operations. Subject to additional restrictions set forth in the Code of Conduct and Regulatory Condition 14.1, PSNC shall not purchase natural gas from an Affiliate or a Nonpublic Utility Operation under circumstances where the total all-in costs, including transmission costs, collection costs, distribution costs, taxes and fees, and delivery point costs, incurred (whether directly or through allocation), based on information known, anticipated, or reasonably available at the time of purchase, exceed the fair Market Value for comparable service; nor shall PSNC sell natural gas to an Affiliate or a Nonpublic Utility Operation for less than fair Market Value; provided, however, that such restrictions shall not apply to emergency transactions.

SECTION IV
TREATMENT OF AFFILIATE COSTS AND RATEMAKING

The following Regulatory Conditions are intended to ensure that the costs incurred by PSNC are properly incurred, accounted for, and directly charged, directly assigned, or allocated to its North Carolina retail operations and that only costs that produce benefits to PSNC's Customers are included in PSNC's North Carolina cost of service for ratemaking purposes. The procedures set forth in Regulatory Condition 12.2 do not apply to an advance notice filed pursuant to Regulatory Condition 4.5.

4.1 Access to Books and Records. To the extent authorized by North Carolina law and for the purpose of ensuring that only permissible costs are included in setting North Carolina retail rates, the Commission and the Public Staff shall continue to have access to the books and records of PSNC and any Affiliate and Nonpublic Utility Operations.

4.2 Procurement or Provision of Goods and Services by PSNC from or to Affiliates or Nonpublic Utility Operations. Except as to transactions (a) under the TSA, (b) under the ISA, and (c) involving PSNC pursuant to filed and approved service agreements and lists of services, and subject to additional provisions set forth in the Code of Conduct, PSNC shall take the following actions in connection with procuring goods and services for its utility operations from Affiliates and Nonpublic Utility Operations and providing goods and services to Affiliates and Nonpublic Utility Operations.

(a) PSNC shall seek out and buy all goods and services from the lowest cost qualified provider of comparable goods and services, and shall have the burden of proving that any and all goods and services procured by PSNC from Affiliates and Nonpublic Utility Operations have been procured on terms and conditions comparable to the most favorable terms and conditions reasonably available in the relevant market, which shall include a showing that comparable goods or services could not have been procured, using commercially reasonable efforts, at a lower price from qualified non-Affiliate sources or that PSNC could not have provided the services or goods for itself on the same basis at a lower cost. To this end, no less than every five years, PSNC shall perform a comprehensive non-solicitation-based assessment at a functional level of the market competitiveness of the costs for goods and services it receives from an Affiliate and a Nonpublic Utility Operation. To the extent the Commission approves the procurement or provision of goods and services between or among PSNC and the Utility Affiliates, those goods and services may be provided at the supplier's Fully Distributed Cost.

(b) To the extent it is allowed to provide such goods and services, PSNC shall have the burden of proving that all goods and services provided by PSNC to an Affiliate or a Nonpublic Utility Operation have been provided on the terms and conditions comparable to the most favorable terms and conditions reasonably available in the market, which shall include a showing that such goods or services have been provided at the higher of cost or market price. To this end, no less than every five years PSNC shall perform a comprehensive, non-solicitation-based assessment at a functional level of the market competitiveness of the costs for goods and services provided to an Affiliate.

(c) The periodic assessments required by subdivisions (a) and (b) of this subsection may take into consideration qualitative as well as quantitative factors. To the extent that comparable goods or services provided to PSNC or by PSNC are not commercially available, this Regulatory Condition shall not apply.

4.3 <u>Service Agreements and Lists of Services</u>.

(a) After completion of the Transaction, PSNC shall file pursuant to N.C.G.S. § 62-153 a list(s) of the goods and services that PSNC is taking and intends to take pursuant to the TSA (for the entirety of the period the TSA remains in effect) and pursuant to the ISA (for the entirety of the period the ISA remains in effect), and the basis for the determination of such list(s) and the elections of such services. Any amendment to the TSA or the ISA or, if created, an agreement with a service company-type entity shall require acceptance and authorization by the Commission and shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission.

(b) Without limiting Section 4.3(a), PSNC shall take goods and services from an Affiliate or Nonpublic Utility Operation only in accordance with the ISA or such other filed service agreements and approved list(s) of services.

(c) PSNC shall file notice with the Commission in Docket No. G-5, Sub 667A (i) at least 15 days prior to making any proposed changes to the ISA, TSA, or such other service agreements or to the lists of services and (ii) with each quarterly Integration Progress Report an updated Schedule C (Services Request and Cost Charging Confirmation Notice) under the ISA.

4.4 <u>Charges for and Allocations of the Costs of Transactions with Affiliates</u>. To the maximum extent practicable, all costs of transactions with Affiliates shall be directly charged. When not practicable, such costs shall be assigned in proportion to the direct charges. If such costs are of a nature that direct charging and direct assignment are not practicable, they shall be allocated in accordance with Commission-approved allocation methods. The following additional provisions shall apply:

(a) PSNC shall develop a cost allocation manual (CAM) with respect to goods or services provided by any Utility Affiliate, any Affiliate (that is not a Utility Affiliate), or any Nonpublic Utility Operation to PSNC. Upon the earlier of (i) six months after the termination or expiration of the TSA or (ii) prior to the termination or expiration of the ISA, PSNC shall file with the Commission a CAM reflecting operations and procedures post-Transaction and post-transition. PSNC shall also file an updated and revised CAM in the event a service company agreement is created to replace the ISA. These filings shall be made in Docket No. G-5, Sub 667A.

(b) The CAM shall describe how all directly charged, directly assigned, and other costs for each provider of goods and services will be charged between and among PSNC, its Utility Affiliates, Affiliates (that are not Utility Affiliates), and the Nonpublic Utility Operations, and shall include a detailed review of the common costs to be allocated and the allocation factors to be used.

(c) Following initial approval of its CAM, the CAM shall be updated annually, with the revised CAM to be filed with the Commission no later than April 30 of the year that the CAM is to be in effect. PSNC shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 4.5.

(d) No changes shall be made to the procedures for direct charging, direct assigning, or allocating the costs of transactions with Affiliates or to the method of accounting for such transactions associated with goods and services (including Services provided pursuant to the TSA or the ISA or pursuant to an agreement with a potential future service company) provided to other Affiliates until PSNC has given 15 days' notice to the Commission of the proposed changes, in accordance with Regulatory Condition 4.5.

4.5 Procedures Regarding Interim Changes to the CAM or Lists of Goods and Services for which 15 Days' Notice is Required. With respect to interim changes to the CAM or changes to lists of goods and services, for which the 15-day notice to the Commission is required, the following procedures shall apply: the Public Staff shall file a response and make a recommendation as to how the Commission should proceed before the end of the notice period. If the Commission has not issued an order within 30 days of the end of the notice period, PSNC may proceed with the changes but shall be subject to any fully adjudicated Commission order on the matter. The provisions of Regulatory Condition 12.1 apply to advance notices filed pursuant to this condition.

4.6 Annual Reports of Affiliate Transactions. PSNC shall file annual reports of affiliated transactions with the Commission in a format to be prescribed by the Commission in Docket No. G-5, Sub 667A. The report(s) shall be filed on or before June 30 of each year, for activity through December 31 of the preceding year. Any proposed changes to the required affiliated transaction reporting requirements may be submitted to the Commission for approval, also in Docket No. G-5, Sub 667A.

4.7 Ongoing Review by Commission.

(a) The services rendered by PSNC to Affiliates and Nonpublic Utility Operations pursuant to the filed TSA, ISA, or potential future service company agreement, the costs and benefits assigned or allocated in connection with such services, and the determination or calculation of the bases and factors utilized to assign or allocate such costs and benefits, as well as PSNC's compliance with the Commission-approved Code of Conduct and all Regulatory Conditions, shall remain subject to ongoing review. These agreements shall be subject to any Commission action required or authorized by North Carolina law and the Rules and orders of the Commission.

(b) The TSA, ISA, the CAM and the assignments and allocations of costs pursuant thereto, the biannual allocation factor reviews required by Regulatory Condition 4.4(c), the list(s) and the goods and services provided pursuant thereto, and any changes to these documents shall be subject to ongoing Commission review, and Commission action if appropriate.

4.8 Future Orders. For the purposes of North Carolina retail accounting, reporting, and ratemaking, the Commission may, after appropriate notice and opportunity to be heard, issue future orders relating to PSNC's cost of service as the Commission may determine are necessary to ensure that PSNC's operations and transactions with Affiliates and Nonpublic Utility Operations are consistent with the Regulatory Conditions and Code of Conduct, and with any other applicable decisions of the Commission.

4.9 Biannual Review of Certain Transactions by Internal Auditors. At least biannually (i.e., every two years), PSNC shall conduct an internal audit to review the affiliate transactions undertaken pursuant to Affiliate Contracts filed in accordance with Regulatory Condition 4.3 and of PSNC's compliance with all conditions approved by the Commission concerning Affiliate transactions, including the propriety of the transfer pricing of goods and services between or among PSNC, Affiliates, and/or any Nonpublic Utility Operations. The first audit shall be for the calendar year beginning on the second calendar year following the close of the Transaction and shall be filed by April 30 of the succeeding year. Unless otherwise ordered by the Commission, the succeeding audits shall be filed by April 30 every other year thereafter and shall review the applicable calendar-year audit period. PSNC may request a change in the frequency of the audit reports in future years, subject to approval by the Commission. To the extent external audits of the transactions are conducted, PSNC shall make available such audits for review by the Public Staff and the Commission. PSNC also shall make available for review by the Public Staff and the Commission all workpapers relating to internal audits and all other internal audit workpapers, if any, related to Affiliate transactions, and shall not oppose

Public Staff and Commission requests to review relevant external audit workpapers.

4.10 Acquisition Adjustment. Any acquisition adjustment that results from the Transaction shall be excluded from PSNC's utility accounts and treated for regulatory accounting, reporting, and ratemaking purposes so that it does not affect PSNC's North Carolina rates and charges for Natural Gas Services.

4.11 Non-Consummation of Transaction. If the Transaction is not consummated, no costs related to the Transaction (including any termination payment, if applicable) shall be allocated to PSNC or recorded on its books. PSNC's Customers shall not otherwise bear any direct expenses or costs associated with a failed Transaction.

4.12 Inclusion of Cost Savings in Future Rate Proceedings. PSNC shall not assert that any interested party is prohibited from seeking the inclusion in future rate proceedings of cost savings that may be realized as a result of any business combination transaction directly involving PSNC.

4.13 Transaction-Related Expenses. Transaction-Related Expenses associated with the Transaction will be excluded from the regulated expenses of PSNC for Commission financial reporting and ratemaking purposes. The North Carolina portion of Transaction-Related Expenses, if any, shall be reflected in PSNC's North Carolina GS-1 Reports, as recorded on its books and records under generally accepted accounting principles. PSNC shall include as a footnote in its GS-1 Reports the North Carolina Transaction-Related Expenses, if any, that were expensed during the relevant period.

4.14 Hold Harmless Commitment. PSNC's Customers shall be held harmless from all current and prospective liabilities of Enbridge, the Affiliates, and the Nonpublic Utility Operations to the extent such liabilities are unrelated to PSNC's operations, excluding obligations authorized by a separate Commission order to finance PSNC's operations or in accordance with Article 8 of Chapter 62 or N.C.G.S. § 62-153. The Regulatory Condition Parties shall take all such actions reasonably necessary and appropriate to hold PSNC's Customers harmless from the effects of the Transaction, including rate increases or foregone opportunities for rate decreases, and other effects otherwise adversely impacting PSNC's Customers; provided that nothing in this condition is intended to suggest that PSNC should not proceed with its current capital projects consistent with Section 10.2 of these conditions or to limit PSNC's ability to seek recovery for those costs and other prudently incurred costs in the ordinary course of its business.[3]

[3] The Regulatory Condition Parties reserve the right to dispute future assertions by the Public Staff that any particular future action or event may cause or represent harm to PSNC's ratepayers attributable to the Transaction for which relief should be granted under this Condition.

SECTION V
CODE OF CONDUCT

These Regulatory Conditions include a Code of Conduct. The Code of Conduct governs the relationships, activities, and transactions between or among the public utility operations of PSNC and the Affiliates and Nonpublic Utility Operations of PSNC.

5.1 Compliance. Each Regulatory Condition Party shall be bound by the terms of the Code of Conduct set forth in Appendix A and as it may subsequently be amended.

SECTION VI
FINANCINGS/RING FENCING

The following Regulatory Conditions are intended to ensure (a) that PSNC's capital structure and cost of capital are not adversely affected by the Transaction nor by PSNC's affiliation with Enbridge U.S. and (b) PSNC has sufficient access to equity and debt capital at a reasonable cost to adequately fund and maintain its current and future capital needs and otherwise meet its service obligations to its Customers.

These conditions do not supersede any orders or directives of the Commission regarding specific securities issuances by PSNC. The approval of the Transaction by the Commission does not restrict the Commission's right to review, and by order to adjust, PSNC's cost of capital for ratemaking purposes for the effect(s) of the securities-related transactions associated with the Transaction.

These Regulatory Conditions are also intended to ensure the continued viability of PSNC and to insulate and protect PSNC and its Customers from the business and financial risks arising from PSNC's affiliation with Enbridge and the Affiliates, including the protection of utility assets from liabilities of Enbridge and Affiliates.

6.1 Accounting for Capital Structure Components and Cost Rates. The Regulatory Condition Parties shall keep their respective accounting books and records in a manner that will allow all capital structure components and cost rates of the cost of capital to be identified easily and clearly for each entity on a separate basis. This information shall be provided to the Public Staff upon its request.

6.2 Accounting for Equity Adjustments in PSNC. PSNC shall keep its accounting books and records so that the amount of either:

(a) any equity investment in, or

(b) any equity withdrawal (by dividend or otherwise) from,

PSNC by any person or entity (including Enbridge or any Affiliate) can be identified and made available upon request on an ongoing basis. This information shall be provided to the Public Staff upon request.

6.3 Reporting of Capital Contributions. As part of its Commission GS-1 Reports, PSNC shall include a schedule of any capital contribution(s) received from Enbridge or any Affiliate, in the applicable calendar quarter.

6.4 Identification of Long-term Debt Issued by PSNC. PSNC shall identify as clearly as possible long-term debt (of more than one year's duration) that it issues in connection with its regulated utility operations and capital requirements or to replace existing debt.

6.5 Procedures Regarding Proposed Financings.

(a) The issuance of securities by any Regulatory Condition Party after the announcement of the Transaction does not restrict the Commission's authority to review and, if required in order to establish just and reasonable rates, adjust the cost of capital of PSNC for ratemaking purposes.

(b) For all types of financings for which PSNC or its subsidiaries are the issuers of the respective securities, PSNC or its subsidiaries shall request approval from the Commission to the extent required by N.C.G.S. § 62-160 through N.C.G.S. § 62-169 and Commission Rule R1-16. Generally, the format of these filings should be consistent with past practices. A "shelf registration" approach (similar to that approved in Docket No. E-7, Sub 727) may be utilized.

(c) Securities issuances or financings that are associated with a merger, acquisition, or other business combination shall be filed in conjunction with the information requirements and deadlines stated in Regulatory Condition 8.1, and this Condition 6.5 shall not apply to such securities issuances or financings.

6.6 Intercompany Subordinated Demand Loan Agreement. Subject to the limitations imposed in Regulatory Condition 6.16, PSNC may borrow from Enbridge U.S. and Affiliates. Enbridge U.S. intends to have in place a one-way intercompany Subordinated Demand Loan (SDL) that allows PSNC to borrow directly from Enbridge U.S. but does not allow for Enbridge U.S. (or Affiliates) to borrow from PSNC. Funds under the SDL will be available on a daily basis, as needed. PSNC will file quarterly reports on its participation in the intercompany SDL Agreement.

6.7 External Borrowing Arrangements. Subject to the limitations imposed in Regulatory Condition 6.16, PSNC may borrow short-term funds through one or more joint external debt or credit arrangements (a Credit Facility), provided that the following conditions are met:

(a) No borrowing by PSNC under a Credit Facility shall exceed one year in duration, absent Commission approval;

(b) No Credit Facility shall include, as a borrower, any party other than PSNC;

(c) PSNC's participation in any Credit Facility shall in no way cause it to guarantee, assume liability for, or provide collateral for any debt or credit other than its own; and

(d) PSNC will file quarterly reports reflecting any such short-term borrowings.

6.8 Long-Term Debt Fund Restrictions. PSNC shall acquire its respective long-term debt funds through the financial markets and shall neither borrow from, nor lend to, on a long-term basis, any Affiliate.

6.9 Obligations with Affiliates. PSNC will not make a loan to any Affiliate, issue a guarantee for an obligation of any Affiliate, or otherwise assume any obligation of any Affiliate without prior Commission approval.

6.10 Intercompany Financing. Utilizing, to the extent appropriate and advantageous for PSNC's ratepayers, intracorporate resources provided by Enbridge and its Affiliates, Genoa, and EP Holdings will each and all, individually and jointly, agree to ensure that PSNC is provided with no less than the same access to short-term debt, commercial paper and other liquidity that PSNC currently has in place as of the closing of this Transaction. If this commitment does not provide sufficient liquidity for day-to-day needs, Genoa and EP Holdings will ensure that additional short-term demand loans, at market rates, will be available. However, without Commission approval, neither Genoa, EP Holdings, nor any of the Affiliates will make any loan to PSNC that bears interest at rates that are greater than the lower of (i) rates being paid at the time of such loan on its own debt or (ii) rates available, at the time of such loan, on similar loans to PSNC from the market. It is anticipated that, immediately upon closing of the Transaction, a Subordinated Demand Loan (SDL) between Enbridge (U.S.) and PSNC will be in place to effectuate this Regulatory Condition, and Enbridge (U.S.) shall be subject to this Regulatory Condition to the extent of its obligations under the SDL. In the event that, in the future, Genoa and EP Holdings deem it advantageous to PSNC's ratepayers to secure short-term debt, commercial paper and other forms of liquidity from other sources, PSNC will provide at least thirty days' notice to the Public Staff that they intend to utilize such alternative arrangements.

6.11 Investment Grade Debt Rating. PSNC shall manage its respective business and seek to maintain an investment grade debt rating on its rated debt issuances with at least two nationally recognized debt rating agencies.

6.12 Downgrades. If PSNC's debt or credit rating decreases per any nationally recognized debt or credit rating agency (specifically, S&P, Moody's, and Fitch) from the rating existing as of March 1, 2024, then PSNC shall notify the Public Staff within 30 business days of such change. If PSNC's debt rating falls below an investment grade rating by S&P and Moody's, then PSNC shall file written notice to the Commission and the Public Staff within 5 days of such change and an explanation as to why the downgrade occurred. Within 45 days of such notification, PSNC shall provide the Commission and the Public Staff with a specific plan for maintaining and improving its debt or credit rating. The Commission, after notice and a hearing, may then take whatever action it deems necessary consistent with North Carolina law to protect the interests of PSNC's Customers in the continuation of adequate and reliable service at just and reasonable rates. This Regulatory

Condition shall apply for three years following the consummation of the Transaction.

6.13 Protection Against Debt Downgrade. If, after the closing of the Transaction, the credit reports of at least two nationally recognized debt or credit rating agencies (specifically, S&P, Moody's, and Fitch) reflect that a downgrade of PSNC's debt or credit rating resulting from the Transaction has occurred and any long-term or short-term debt is subsequently issued by PSNC, then there shall be a rebuttable presumption for purposes of any general rate case pending during the effective period of this condition that a replacement rate that is comparable to an issuer credit rating of a "BBB+" rating by S&P and a "Baa1" rating by Moody's, should be reflected in the determination of the cost of PSNC's debt for retail ratemaking purposes.[4] The ultimate appropriateness and amount of any such adjustment will be determined by the Commission based upon the evidence presented in that proceeding, with the parties being free to propose what they believe to be appropriate replacement cost calculations. This Regulatory Condition does not indicate a preference for a specific debt rating for PSNC on current or prospective bases and will remain in effect for three years following the consummation of the Transaction.

6.14 Distributions from PSNC to Affiliates. Absent Commission approval, for three years following the consummation of the Transaction, PSNC shall limit cumulative distributions net of capital contributions paid to Enbridge (U.S.) or any Affiliate subsequent to the Transaction to (a) the amount of Retained Earnings on the day prior to the closing of the Transaction, plus (b) any future earnings recorded by PSNC subsequent to the Transaction. As well, in the absence of a Commission order to the contrary, PSNC shall during the three year period following the consummation of the Transaction also maintain common equity capital at levels equal to or greater than 45% of total adjusted capital (including common equity, long term debt, long-term capital leases, and current maturities of long-term debt); and no equity distributions, whether by dividend or other form, will be allowed that would result in equity capital falling below this minimum. PSNC shall notify the Commission and Public Staff if the payment of any distributions or dividends results in PSNC's actual common equity component of total capitalization falling below 45%, using the method of calculating equity levels under the ratemaking precedents of this Commission. The notification shall include a brief explanation and planned steps to remedy the balance of common equity.

6.15 Debt Ratio Restrictions. To the extent any of PSNC's external debt or credit arrangements contain covenants restricting the ratio of debt to total capitalization on a consolidated basis (i.e., including PSNC) to a maximum percentage of debt, it shall ensure that the capital structure of PSNC meets those restrictions.

[4] For clarity, an adverse ratings action resulting from the restrictions in these Regulatory Conditions shall not be considered to be an action within the scope of this provision.

6.16 Limitation on Continued Participation in Credit Arrangements with Affiliates. PSNC may participate in any authorized joint debt or credit arrangement as provided in Regulatory Conditions 6.6 and 6.7 only to the extent such participation is beneficial to PSNC's Customers and does not negatively affect PSNC's ability to continue to provide adequate and reliable service at just and reasonable rates.

6.17 Notice of Certain Investments. PSNC shall file a notice with the Commission subsequent to Board approval and as soon as practicable following any public announcement of any investment in (i) a regulated utility or a non-regulated business that represents ten (10) percent or more of EP Holdings or Genoa's book capitalization, or (ii) a regulated utility (which, for clarity, does not include stand-alone pipeline operations) that represents ten (10%) or more of Enbridge (U.S.)'s book capitalization.[5]

6.18 Ongoing Review of Effect of Proposed Company Structure. The operation of PSNC under the proposed company structure shall continue to be subject to Commission review. To the extent the Commission has authority under North Carolina law, it may order modifications to the structure or operations of EP Holdings and/or PSNC, and may take whatever action it deems necessary in the interest of PSNC's Customers to protect the economic viability of PSNC, including the protection of PSNC's public utility assets from liabilities of Affiliates.

6.19 Investment by PSNC in Non-regulated Utility Assets and Non-utility Business Ventures. PSNC shall not invest in a non-regulated utility asset or any non-utility business venture exceeding $50 million in purchase price or gross book value to PSNC unless it provides 30 days' advance notice. Regulatory Condition 12.2 shall apply to an advance notice filed pursuant to this Regulatory Condition. Purchases of assets, including land that will be held with a definite plan for future use in providing Natural Gas Services in PSNC's franchise area, shall be excluded from this advance notice requirement.

6.20 Notice by PSNC of Default or Bankruptcy of Affiliate. If Enbridge, Genoa or any of their subsidiaries experience either

(i) a default on an obligation that is material to PSNC, or

(ii) file for bankruptcy, and such bankruptcy is material to PSNC,

then PSNC shall notify the Commission and Public Staff in advance, if possible, or as soon as possible, but not later than ten days from such event.

6.21 Special Bankruptcy Director. PSNC commits to provide for the appointment of a "Special Bankruptcy Director" to serve as a member of the PSNC Board of Directors. The Special Bankruptcy Director shall be nominated by and retained from an independent entity at shareholder expense and shall not be employed by Enbridge, any Affiliate, or PSNC. The Special Bankruptcy Director shall have no voting rights except in the event of a vote to approve a voluntary bankruptcy petition to be filed under Title 11 of the U.S. Code on behalf of PSNC and shall

[5] Wexpro Company book capitalization to be excluded from calculation.

otherwise not participate in ordinary and routine activities of the Board. Subject to applicable law, including but not limited to a Director's fiduciary duty to the company, the Special Bankruptcy Director will consider the interests of all relevant economic stakeholders, including without limitation PSNC's Customers, and the financial health and public service obligations of PSNC, in exercising its responsibilities.

6.22 Currency Protections. PSNC's Customers will be held harmless for any US Dollar to Canadian Dollar exchange rate or other currency exchange rate impacts of its ownership by a Canadian company.

SECTION VII
CORPORATE GOVERNANCE

These Regulatory Conditions are intended to ensure the continued viability of PSNC and to insulate and protect PSNC and its Customers from the business and financial risks arising from PSNC's affiliation with Enbridge and the Affiliates, including the protection of utility assets from liabilities of Enbridge and Affiliates.

7.1 Changes to Boards of Directors. PSNC shall notify the Commission within ten days of any nonroutine or unexpected changes to the membership of the Board of Directors of Genoa, EP Holdings, or PSNC. Notice of routine or expected changes to the specified boards shall be included in PSNC's annual report on governance.

7.2 Annual Report on Corporate Governance. No later than April 30 of each year, PSNC shall file a report including the following:

(a) A list of all Genoa's financial reporting segments that are considered to constitute non-regulated investments, a statement of each segment's total capitalization, and the percentage it represents of Genoa's non-regulated investments and total investments. Changes from the report for the immediately preceding year shall be summarized at the beginning of the report.

(b) An assessment of the risks that each unregulated -Genoa financial reporting segment could pose to PSNC based upon current business activities of those affiliates and any contemplated significant changes to those activities.

(c) A description of the actual and imputed (if any) capital structure of Genoa, EP Holdings, and PSNC.

(d) A list of all measures deemed protective by PSNC (including but not necessarily limited to ringfencing) (other than those provided for by these Regulatory Conditions) in effect between PSNC and any Affiliate and a description of the goal of each measure and how it achieves that goal (such as mitigation of PSNC's exposure in the event of a bankruptcy proceeding involving any Affiliate(s)).

(e) A list of corporate executive officers and other key personnel that assign or allocate time to both PSNC and also another Affiliate (including any such officers and key personnel working under any shared services agreement) along with a description of each person's position(s) with, and duties and responsibilities to each entity.

(f) A copy of Enbridge's SEC Annual Report filing.

SECTION VIII
FUTURE MERGERS AND ACQUISITIONS

The following Regulatory Condition is intended to ensure that the Commission exercises its lawful authority over proposed mergers, acquisitions, and other business combinations involving Genoa, EP Holdings, PSNC, other Affiliates, or the Nonpublic Utility Operations. The advance notice provisions set forth in Regulatory Condition 12.2 do not apply to this condition. The Regulatory Condition set out in this Section VIII is not intended and shall not be construed to have the effect of expanding the Commission's jurisdiction beyond that set forth in Chapter 62 of the North Carolina General Statutes.

8.1 Mergers and Acquisitions by or Affecting PSNC. For any proposed merger or other business combination that it is believed would have an Effect on PSNC's Rates or Service, PSNC shall file an application for approval pursuant to N.C.G.S. § 62-111(a) at least 180 days before the proposed closing date for such merger or other business combination. For purposes of these Regulatory Conditions, a "merger or other business combination" is defined as not simply an investment in a business entity, but a transaction or other event in which either (1) an acquirer obtains control of one or more business entities or their assets, or (2) two or more previously separate business entities merge into one with newly defined or established control authority.

SECTION IX
STRUCTURE/ORGANIZATION

The following Regulatory Conditions are intended to ensure that the Commission receives adequate notice of, and opportunity to review and take such lawful action as is necessary and appropriate, with respect to changes to the structure and organization of Enbridge, PSNC, Affiliates, and Nonpublic Utility Operations as they may affect Customers.

9.1 Service Company Formation. PSNC shall notify the Commission of any plans of any Affiliate to form a service company that would take services from or provide services to PSNC at least 60 days prior to the formation of such service company. Such notice will include a description of the entity in which the proposed service company would be located and an organization chart showing the proposed service company's relationship to, at a minimum, Genoa, EP Holdings, and PSNC.

9.2 Transfer of Services, Functions, Departments, or Assets. PSNC shall file notice with the Commission at least 30 days prior to the transfer of any services, functions, departments, or assets from PSNC to a service company or another

Affiliate, or any subsequent transfer of any services, functions, departments, or assets from PSNC to a service company or another Affiliate that would have an effect on PSNC's Customers if such transfers have not been approved by the Commission through an Affiliate Contract during the preceding 12 months.

9.3 Notice and Consultation with Public Staff Regarding Proposed Structural and Organizational Changes. Upon request, PSNC shall meet and consult with, and provide requested relevant data to, the Public Staff regarding plans for significant changes in Genoa's or PSNC's organization, structure, and activities; the expected or potential impact of such changes on Customer rates, operations, and service; and proposals for assuring that such plans do not adversely affect PSNC's Customers. To the extent that proposed significant changes are planned for the organization, structure, or activities of an Affiliate or Nonpublic Utility Operation and such proposed changes are likely to have an impact on PSNC's Customers, then PSNC's plans and proposals for ensuring that those plans do not adversely affect their Customers must be included in these meetings. PSNC shall inform the Public Staff promptly of any such events and changes.

SECTION X
SERVICE QUALITY AND STAFFING MATTERS

The following Regulatory Conditions are intended to ensure that PSNC continues to implement and further its commitment to providing superior public utility service by meeting recognized service quality indices and implementing industry best practices, to the extent reasonably practicable.

10.1 Overall Service Quality. Upon consummation of the Transaction, PSNC shall continue its commitment to providing exemplary public utility service and shall maintain the overall reliability of Natural Gas Services at levels no less than the overall levels it has achieved in the past decade, including professional cooperation with regulators, consumer advocates, and intervenors.

10.2 Customer Service. PSNC agrees to maintain current levels of customer service and behavior towards customers.

10.3 Best Practices. PSNC shall make every reasonable effort to incorporate industry best practices and the best practices of Affiliates into its own practices to the extent reasonably practicable.

10.4 Right-of-Way Maintenance Expenditures. PSNC shall budget and expend sufficient funds to maintain its pipeline rights-of-way so as to allow ready access by personnel and vehicles for the purpose of responding to pipeline damage, conducting leak and corrosion surveys, performing maintenance activities, and ensuring system integrity, safety, and reliability.

10.5 Right-of-Way Clearance Practices. PSNC shall provide a copy of its Operating and Maintenance Manual to the Public Staff and shall promptly notify the Public Staff in writing of any substantive changes to the practices or maintenance schedules.

10.6 Meetings with Public Staff.

(a) PSNC shall meet annually with the Public Staff to discuss service quality initiatives and results, including (i) ways to monitor and improve service quality, (ii) right-of-way maintenance practices, budgets, and actual expenditures, and (iii) plans that could have an effect on customer service, such as changes to call center operations.

(b) PSNC shall meet with the Public Staff at least annually to discuss potential new tariffs, programs, and services that enable its customers to appropriately manage their energy bills based on the varied needs of their customers.

(c) PSNC shall meet annually with the Public Staff no later than April 30 to discuss PSNC's Integrity Management (IM) program. These meetings will include a discussion of efforts to align PSNC's IM practices with those of the Enbridge organization.

(d) Appropriate leadership from the relevant Enbridge business unit shall be in attendance during the above meetings unless circumstances prevent or render impracticable an in-person meeting, in which case virtual attendance will be permitted.

10.7 Customer Access to Service Representatives and Other Services. PSNC shall continue to have knowledgeable and experienced customer service representatives available 24 hours a day to respond to service outage calls and during normal business hours to handle all types of customer inquiries. PSNC shall also maintain up-to-date and user-friendly online services and automated telephone service 24 hours a day to perform routine customer interactions and to provide general billing and customer information.

10.8 Customer Surveys. PSNC shall continue to survey its Customers regarding their satisfaction with public utility service and shall incorporate this information into their processes, programs, and services.

10.9 Regulatory and Operational Staffing. PSNC will use prudent business practices to maintain sufficient, adequately trained personnel to ensure that regulatory requirements are complied with in a timely and accurate manner. PSNC shall notify the Public Staff when there is any change to the Director of Gas Operations, Director of Construction and Engineering, or Director of Regulatory Affairs or other equivalent roles. Each year by April 30, PSNC shall provide the Public Staff with an updated directory of personnel, including titles, phone numbers, and email addresses. Genoa and EP Holdings will make available employee training and opportunities for career development, including due and fair consideration for other employment and promotion opportunities within the larger Enbridge organization, both inside and outside of North Carolina.

10.10 Leadership Retention. PSNC, acting in good faith, shall, when possible, notify the Commission before, and in no event more than ten days after, a nonroutine or unexpected change to any key officer of PSNC, Genoa, or EP Holdings occurs. Notice of routine or expected changes to the key officers of the specified entities shall be included in PSNC's annual report on governance.

10.11 Capital Budgets. PSNC shall maintain a level of capital and operational support in North Carolina necessary to provide safe, efficient, and reliable service at reasonable rates. PSNC shall provide to the Public Staff, on a confidential basis and for informational purposes, its Board-approved capital budget for new, expanded, or upgraded natural gas facilities in North Carolina by April 30 of every year.

10.12 Capital Expenditure Program. Absent a material change in circumstances, including PSNC's ability to recover capital expenditures through ratemaking or other processes approved by the Commission, it is Genoa's and EP Holdings' intention to continue PSNC's planned near-term total capital expenditure program. Environmental monitoring and maintenance programs of PSNC will be maintained at or above current levels.

10.13 Local Operations. After closing of the Transaction, and absent a material change in circumstances, for the foreseeable future PSNC will continue to maintain its operation centers and its local headquarters in Gastonia, North Carolina, and its day-to-day operations will continue to be locally managed by a seasoned team of executives with expertise in the retail natural gas utility industry who will have responsibility for implementing policies and practices to achieve the objectives of customer satisfaction, reliable service, public and employee safety, environmental stewardship, and collaborative and productive relationships with customers, regulators, governmental entities, and other interested stakeholders.

10.14 Implementation of Integrated Management System (IMS). In addition to ensuring that PSNC maintains safety and reliability standards and policies, within two years after completion of the Transaction Genoa and EP Holdings will seek to implement in the PSNC service area its IMS, which includes safety and risk management programs, processes, and procedures. PSNC will inform the Public Staff annually regarding the implementation status.

SECTION XI
TAX MATTERS

The following Regulatory Condition is intended to ensure that PSNC's Customers do not bear any additional income taxes as a result of the Transaction.

11.1 Costs Under Tax Sharing Agreements. Under any tax sharing agreement, PSNC shall not seek to recover from PSNC Customers any taxes that exceed PSNC's tax liability calculated as if it were a stand-alone, taxable entity for tax purposes.

SECTION XII
PROCEDURES

The following Regulatory Conditions are intended to apply to all filings made pursuant to these Regulatory Conditions unless otherwise expressly provided by, Commission order, rule, or statute.

12.1 Filings that Do Not Involve Advance Notice. Regulatory Condition filings that are not subject to Regulatory Condition 12.2 shall be made in sub-dockets of Docket No. G-5, Sub 667, as follows:

(a) Filings related to affiliate and operational matters required by Regulatory Conditions 3.1(b), 4.3, 4.4, 4.5, 4.6, 4.9, 9.1, and 10.10 and Section III.D.8 of the Code of Conduct, shall be made by PSNC in Sub 667A;

(b) Filings related to financings required by Regulatory Condition 6.6 and 6.7, and the filings required by Regulatory Conditions 6.12, 6.14, 6.17, 6.20, 7.1, and 7.2, shall be made by PSNC in Sub 667B; and

(c) Filings related to compliance as required by Regulatory Condition 13.4, filings required by Sections III.A.2(k), III.A.3(e), III.A.3(f), and III.D.5 of the Code of Conduct, and filings seeking amendment, alteration or waiver of the Code of Conduct shall be made by PSNC in Sub 667C, respectively.

12.2 Advance Notice Filings. Advance notices filed pursuant to Regulatory Conditions 3.3(b), and 6.19 shall be assigned a new, separate Sub docket. Such a filing shall identify the condition and notice period involved and state whether other regulatory approvals are required and shall be in the format of a pleading, with a caption, a title, allegations of the activities to be undertaken, and a verification. Advance notices may be filed under seal if necessary. The following additional procedures apply:

(a) Advance notices of activities to be undertaken shall not be filed until sufficient details have been decided upon to allow for meaningful discovery as to the proposed activities.

(b) The Chief Clerk shall distribute a copy of advance notice filings to each Commissioner and to appropriate members of the Commission Staff and Public Staff.

(c) PSNC shall serve such advance notices on each party to Docket No. G-5, Sub 667 that has filed a request to receive them with the Commission within 30 days of the issuance of an order approving the Transaction in this docket. These parties may participate in the advance notice proceedings without petitioning to intervene. Other interested persons shall be required to follow the Commission's usual intervention procedures.

(d) To effectuate this Regulatory Condition, PSNC shall serve pertinent information on all parties at the time it serves the advance notice. During the advance notice period, a free exchange of information is encouraged, and parties may request additional relevant information. If PSNC objects to a discovery request, PSNC and the requesting party shall try to resolve the matter. If the parties are unable to resolve the matter, PSNC may file a motion for a protective order with the Commission.

(e) The Public Staff shall investigate and file a response with the Commission no later than 15 days before the notice period expires. Any other interested party may also file a response or objection within 15 days before the notice period expires. PSNC may file a reply to the response(s).

(f) The basis for any objection to the activities to be undertaken shall be stated with specificity. The objection shall allege grounds for a hearing, if such is desired.

(g) If neither the Public Staff nor any other party files an objection to the activities within 15 days before the notice period expires, no Commission order shall be issued, and the Sub docket in which the advance notice was filed may be closed.

(h) If the Public Staff or any other party files a timely objection to the activities to be undertaken by PSNC, the Public Staff shall place the matter on a Commission Staff Conference agenda as soon as possible, but in no event later than two weeks after the objection is filed, and shall recommend that the Commission issue an order deciding how to proceed as to the objection. The Commission reserves the right to extend an advance notice period by order should the Commission need additional time to deliberate or investigate any issue. At the end of the notice period, if no objection has been filed by the Public Staff and no order, whether procedural or substantive, has been issued, PSNC, EP Holdings, any other Affiliate, or the Nonpublic Utility Operations may execute the proposed agreement, proceed with the activity to be undertaken, or both, but shall be subject to any fully-adjudicated Commission order on the matter.

(i) If the Commission schedules a hearing on an objection, the party filing the objection shall bear the burden of proof at the hearing.

(j) If some other Commission filing or Commission approval is required by statute, notice pursuant to a Regulatory Condition alone does not satisfy the statutory requirement.

SECTION XIII
COMPLIANCE WITH CONDITIONS AND CODE OF CONDUCT

The following Regulatory Conditions are intended to ensure that Genoa, PSNC, and all other Affiliates establish and maintain the structures and processes necessary to fulfill the commitments expressed in all of the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner.

13.1 Ensuring Compliance with Regulatory Conditions and Code of Conduct. Genoa, PSNC, and all other Affiliates shall devote sufficient resources into the creation, monitoring, and ongoing improvement of effective internal compliance programs to ensure compliance with all Regulatory Conditions and the Code of Conduct and shall take a proactive approach toward correcting any violations and reporting them to the Commission. This effort shall include the implementation of systems and protocols for monitoring, identifying, and correcting possible violations, a management culture that encourages compliance among all personnel, and the tools and training sufficient to enable employees to comply with Commission requirements.

13.2 Designation of Chief Compliance Officer. PSNC shall designate a chief compliance officer who will be responsible for compliance with the Regulatory Conditions and Code of Conduct. This person's name and contact information must be posted on PSNC's Internet Website.

13.3 Annual Training. PSNC shall implement within one year of the closing of the Transaction an annual training program on the requirements and standards contained within the Regulatory Conditions and Code of Conduct to all of their employees whose duties in any way may be affected by such requirements and standards. New employees must receive such training within the first 60 days of their employment. Each employee who has taken the training must certify electronically or in writing that they have completed the training.

13.4 Report of Violations. If PSNC discovers that a violation of the requirements or standards contained within the Regulatory Conditions and Code of Conduct has occurred then PSNC shall file a statement with the Commission in Docket No. G-5, Sub 667, describing the circumstances leading to that violation of PSNC's requirements or standards, and the mitigating and other steps taken to address the current or any future potential violation.

SECTION XIV
PROCEDURES FOR DETERMINING LONG-TERM SOURCES OF PIPELINE CAPACITY AND SUPPLY

The following Regulatory Conditions are intended to ensure the continued use of good practices for use by PSNC in determining long-term sources of pipeline capacity and supply.

14.1 Cost-benefit Analysis. The appropriate source(s) for its interstate pipeline capacity and supply shall be determined by PSNC on the basis of the specific benefits and costs of such source(s) for its natural gas customers. PSNC shall not contract with an affiliated interstate pipeline for additional capacity with a contractual term of ten years or more unless or until it has issued a request for proposals to obtain such capacity and considers the proposals in good faith. PSNC shall not contract with an affiliated interstate pipeline for additional capacity with a contractual term of ten years or more unless the affiliate is the least cost provider of such capacity or unless otherwise approved by the Commission. For purposes of this provision, an "affiliated" entity is one in which ten percent (10%) or more is owned or controlled, directly or indirectly, by Enbridge.

14.2 Ownership and Control of Contracts. Except as provided in Code of Conduct Section III.D.5 (Joint purchases), PSNC shall retain title, ownership, and management of all gas contracts necessary to ensure the provision of reliable Natural Gas Services consistent with PSNC's best cost gas and capacity procurement methodology.

SECTION XV
OTHER RATEPAYER PROTECTION MATTERS

These Regulatory Conditions are intended to ensure, through rate and other protections for PSNC's retail customers, that the benefits of the Transaction are equal to or surpass the costs of the Transaction to those customers.

15.1 Customer Bill Credits.

(a) Bill Credits to All Customers. PSNC will create a regulatory liability of $4,000,000 to provide bill credits to all customers. This regulatory liability is not funded by ratepayers. Such credits will be provided to customers in the following manner: $1 million in January 2025, $1 million in January 2026, $1 million in January 2027, and $1 million in January 2028. The credits will be calculated based on customer usage consistent with the manner bills were credited pursuant to Docket No. G-5, Sub 585.

(b) Low-Income Customer 2025 Bill Credits. PSNC will create a regulatory liability of $1,020,000 for bill credits to qualifying low-income customers. This regulatory liability is not funded by ratepayers. Qualifying low-income customers are those residential customers that received or will receive federal utility bill assistance in 2023 and 2024 from the Low-Income Energy Assistance Program (LIEAP) or Crisis Intervention Program ("CIP") administered by the NC Department of Health and Human Services ("DHHS"). All qualifying customers will automatically be enrolled to receive the bill credit. The credits will be applied to qualifying customers' bills rendered during the winter months of 2024-2025 (November to March) in an amount not to exceed $30 per month, subject to an aggregate cap of $1,020,000. The credits will be calculated on a per-capita average basis (total amount divided by eligible customers) and will be nonrefundable but will be carried over on the customer's account should the credit exceed monthly billing.

15.2 Rate Cases.

(a) Rate Moratorium/Rider. The parties acknowledge that PSNC's current base rates are designed on rate base investments through June 30, 2021.

Ongoing capital expenditures and economic conditions may necessitate filing for adjustment to base rates in 2025, subject to review and approval by the Commission. In such a rate case, the Public Staff and PSNC agree to support the establishment of a cost recovery rider for the incremental costs associated with the M-71 pipeline, the Moriah LNG facility, and the non-IMT rate base portion of the T-15 pipeline as they are completed and placed into service with a return at the weighted average cost of capital authorized in the then most recent base rate case, including depreciation. The rider would operate in a similar manner as the current IMT rider. Provided that the rider is approved by the Commission materially consistent with the joint recommendation of the Public Staff and PSNC and placed into effect, PSNC agrees that it will not file an additional application for a general rate case until 2028. This commitment does not apply to (1) adjustments or changes pursuant to Rider C (Customer Usage Tracker), Rider D (Purchased Gas Adjustment Procedures), Rider E (Integrity Management Tracker), and Rider F (Energy Efficiency Tracker) pursuant to G.S. 62-133.4, G.S. 62-133.7, and 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.

(b) O&M Costs in future rate cases.

(1) 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: (i) 2023 actuals after audit and adjustment or (ii) the average of 2022 and 2023 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.

(2) The Stipulating Parties agree that, in any general rate case filed after 2025 and no later than 2028, where a rider was not approved by the Commission as described in Section 15.2(a), 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 agree that the amount(s) of any items for which there are not twelve months of non-TSA data should be determined using the lower of either: (i) TSA costs after audit and adjustments; or (ii) available actual non-TSA costs for such items, after audit and adjustments, annualized to reflect a 12-month amount.

(3) The Stipulating Parties agree that, in any general rate case filed in 2028 where a rider was approved by the Commission as described in Section 15.2(a), 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 agree that the amount(s) of any items for which there are not twelve months of non-TSA data should be determined using the lower of either: (i) TSA costs after audit and adjustments; or (ii) available actual non-TSA costs for such items, after audit and adjustments, annualized to reflect a 12-month amount.

(c) Customer Assistance Program (CAP). In its 2025 general rate case, PSNC will propose a Customer Assistance Program (CAP) for consideration by the Commission. In the event the Commission approves a CAP in the 2025 general rate case, PSNC will, if approved by the Commission, contribute funding to the CAP of up to $300,000 per year for a maximum of three years immediately following approval of the CAP and create a regulatory liability reflecting this funding commitment. With respect to the $300,000 annually, this regulatory liability is not funded by ratepayers.

15.3 TSA Activity Reporting. PSNC will provide the Public Staff with a monthly report of TSA activity until the termination of the TSA.

15.4 Regulatory Reporting Requirements. PSNC will remain a public utility subject to regulation by the Commission pursuant to the North Carolina Public Utilities Act and the Commission’s regulations. PSNC shall comply with all regulatory reporting requirements.

15.5 Interim Operation Under Affiliate Contracts. Consistent with the requirements of these Regulatory Conditions, PSNC will file with the Commission for approval the TSA, ISA, and SDL. Upon the consummation of the Transaction, PSNC will be permitted to operate under the TSA, ISA, and SDL in accordance with their terms under interim authority pending and subject to final approval of the Commission.

15.6 Organizational Charts. PSNC will provide to the Public Staff an organizational chart identifying relevant Affiliates and their places within the Enbridge organization for all Affiliate Contracts and general rate cases.

CODE OF CONDUCT GOVERNING THE RELATIONSHIPS AMONG PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC., ITS AFFILIATES, AND ITS NONPUBLIC UTILITY OPERATIONS

I. DEFINITIONS

For purposes of this Code of Conduct, the terms listed below shall have the following definitions:

Affiliate: Enbridge and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Enbridge, excluding PSNC. For purposes of this Code of Conduct, Enbridge, and each business entity so controlled by it are considered to be Affiliates of PSNC.

Commission: The North Carolina Utilities Commission.

Confidential Systems Operation Information or CSOI: Non-public information that pertains to Natural Gas Services provided by PSNC, including, but not limited to, information concerning transportation, storage, distribution, gas supply, or other similar information.

Customer: Any Commission-regulated natural gas sales or natural gas transportation customer of PSNC located in North Carolina.

Customer Information: Non-public information or data specific to a Customer or a group of Customers, including, but not limited to, natural gas consumption, load profile, billing history, or credit history, that is or has been obtained or compiled by PSNC in connection with the supplying of Natural Gas Services to that Customer or group of Customers.

Enbridge: Enbridge, Inc., a Canadian corporation, which is the current indirect parent corporation of PSNC, and any successor company.

Fully Distributed Cost: All direct and indirect costs, including overhead costs and an appropriate cost of capital, incurred in providing the goods and services in question.

Gas Marketing Affiliate: An Affiliate, the business unit of an Affiliate, or the Nonpublic Utility Operations of PSNC that is engaged in the unregulated sale, arrangement, brokering, or management of gas supply, pipeline capacity, or gas storage.

Gas Marketing Affiliate Personnel: An employee or other representative of a Gas Marketing Affiliate that is involved in fulfilling the business purpose of the gas marketing affiliate. An officer or board member of both PSNC and a Gas Marketing Affiliate shall not be considered Gas Marketing Affiliate Personnel unless that individual is directly involved in the day-to-day fulfillment of the business purpose of the Gas Marketing Affiliate.

Market Value: The price at which property, goods, or services would change hands in an arm's-length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

Natural Gas Services: Commission-regulated natural gas sales and natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering and billing, and standby service.

Nonaffiliated Gas Marketer: An entity, not affiliated with PSNC or Enbridge, engaged in the unregulated sale, arrangement, brokering, or management of gas supply, pipeline capacity, or gas storage.

Nonpublic Utility Operations: All business operations engaged in by PSNC involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

Non-Utility Affiliate: Any Affiliate, including a Service Company, if one is later established, other than a Utility Affiliate.

Personnel: An employee or other representative of PSNC, an Affiliate, or a Nonpublic Utility Operation, who is involved in fulfilling the business purpose of that entity.

PSNC: Public Service Company of North Carolina, Inc., the business entity, wholly owned by Fall North Carolina Holdco, LLC, that holds the franchise granted by the Commission to provide Natural Gas Services within PSNC's North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

PSNC Operating Personnel: An employee or other representative of PSNC that is directly involved on a day-to day basis in the acquisition, marketing, pricing, or scheduling of gas supply, interstate pipeline capacity, or gas storage facilities on behalf of PSNC. PSNC Operating Personnel also includes personnel directly involved on a day-to day basis in managing PSNC's facilities or responsible for determining which Customers to curtail, or involved in selling products and services to PSNC's Customers eligible to purchase gas, products, and services from persons other than PSNC.

Public Staff: The Public Staff of the North Carolina Utilities Commission.

Regulatory Conditions: The conditions imposed by the Commission in connection with or related to the approval of the Transaction.

Service Company: To the extent that one is established in the future, a centralized service company Affiliate that provides Shared Services to PSNC, its Affiliates, and/or its Nonpublic Utility Operations, singly or in any combination.

Shared Services: The services that meet the requirements of the Regulatory Conditions approved in Docket Nos. G-5, Sub 667, or subsequent orders of the Commission, and that the Commission has explicitly authorized PSNC to take under the Transition Services Agreement or Intercompany Services Agreement from affiliated entities or, in the future if one is established, a Service Company, in either case pursuant to a service agreement (a) filed with the Commission pursuant to G.S. 62-153(b), thus requiring acceptance and authorization by the Commission, and (b) subject to all other applicable provisions of North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

Shipper: A Gas Marketing Affiliate, Nonaffiliated Gas Marketer, a municipal gas customer, or an end-user of gas.

Transaction: All transactions contemplated by the Purchase and Sale Agreement between Dominion Energy, Inc., and Enbridge Parrott Holdings, LLC, dated September 5, 2023, involving acquisition of Dominion Energy, Inc.'s, membership interests in Fall North Carolina Holdco, LLC, by Enbridge Parrot Holdings, LLC.

Utility Affiliates: If its operations are acquired by Affiliates, from and after the date of such acquisition, the regulated public utility operations of Questar Gas Company Inc. (d/b/a Enbridge Gas Utah, Enbridge Gas Wyoming, and Enbridge Gas Idaho). Utility Affiliates also includes (a) The East Ohio Gas Company (d/b/a Enbridge Gas Ohio) and (b) Enbridge Gas, Inc. and Gazifère Inc. to the extent of their regulated operations under the laws of Canada. It shall further include any additional regulated public utility (within the meaning of North Carolina law) that may be acquired or otherwise fall under the control of any Affiliate.

II. GENERAL

This Code of Conduct establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the public utility operations of PSNC, Affiliates, or PSNC's Nonpublic Utility Operations, to the extent such relationships, transactions, and activities affect the operations of PSNC in its service area. PSNC, Enbridge Genoa U.S. Holdings, LLC (Genoa), Enbridge Parrot Holdings, LLC (EP Holdings), and Fall North Carolina Holdco, LLC are bound by this Code of Conduct pursuant to Regulatory Condition 5.1 approved by the Commission in Docket No. G-5, Sub 667. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of PSNC, its Affiliates, or the Nonpublic Utility Operations; changes in the structure of the natural gas industry; or other changes that warrant modification of this Code.

PSNC, EP Holdings, and Fall North Carolina Holdco, LLC may seek a waiver of any aspect of this Code of Conduct by filing a request with the Commission showing that circumstances in a particular case justify such a waiver.

III. STANDARDS OF CONDUCT

A. Independence and Information Sharing

1. Separation:

(a) PSNC and the Affiliates shall operate independently of each other and in physically separate locations to the maximum extent practicable; provided, however, that (i) Gas Marketing Affiliate Personnel must be located in a facility that is physically separate from that used by PSNC Operating Personnel performing similar functions and (ii) to the extent that the Commission has approved or accepted a service company-to-utility or utility-to-utility service agreement or list, PSNC and its Affiliates may operate as described in the agreement or list on file at the Commission. PSNC and each of its Affiliates shall maintain separate books and records. PSNC's Nonpublic Utility Operations shall maintain separate records from those of PSNC's public utility operations to ensure appropriate cost allocations and any arm's-length transaction requirements. Nothing in this Code of Conduct shall be construed to prohibit PSNC and the Affiliates from sharing employees, contractors, and/or other personnel provided that any disclosure of Customer Information by PSNC to such shared employee, contractor or other personnel complies with Section III.A.2(f)(i) below.

(b) PSNC Operating Personnel may not perform any of the following functions on behalf of a Gas Marketing Affiliate:

(i) Purchase gas, pipeline capacity, or storage capacity.

(ii) Market or sell gas and related services.

(iii) Price or administer products and services.

(iv) Hire and/or train Gas Marketing Affiliate Personnel.

(v) Offer consulting services regarding gas functions.

(c) With respect to PSNC and a Gas Marketing Affiliate, an individual may be an officer or a member of the board of directors of both PSNC and a Gas Marketing Affiliate provided that the individual does not obtain or use knowledge of market-sensitive information for more than one of those entities. PSNC shall post on its website the identity, job title, and responsibilities for each officer or board member that falls within the definition of PSNC Operating Personnel.

2. Disclosure of Customer Information:

(a) Upon request, and subject to the restrictions and conditions contained herein, PSNC may provide Customer Information to an Affiliate under the same terms and conditions that apply to the provision of such information to non-Affiliates.

(b) Except as provided in Section III.A.2.(f), Customer Information shall not be disclosed to any Affiliate or non-affiliated third party without the Customer's consent, and then only to the extent specified by the Customer. Consent to disclosure of Customer Information to Affiliates may be obtained by means of written, electronic, or recorded verbal authorization upon providing the Customer with the information set forth in Attachment A or in a format that is otherwise acceptable to the Public Staff; provided, however, that PSNC retain such authorization for verification purposes for as long as the authorization remains in effect. Written, electronic, or recorded verbal authorization or consent for the disclosure of PSNC's Customer Information to PSNC's Nonpublic Utility Operations is not required.

(c) If the Customer allows or directs PSNC to provide Customer Information to an Affiliate, then PSNC shall ask if the Customer would like the Customer Information to be provided to one or more non-Affiliates. If the Customer directs PSNC to provide Customer Information to one or more non-Affiliates, the Customer Information shall be disclosed to all entities designated by the Customer contemporaneously and in the same manner.

(d) Section III.A.2 shall be permanently posted on PSNC's website(s).

(e) No PSNC employee who is transferred to an Affiliate shall be permitted to copy or otherwise compile any Customer Information for use by such entity except as authorized by the Customer pursuant to Section III.A.2.(b). PSNC shall not transfer any employee to an Affiliate for the purpose of disclosing or providing Customer Information to such entity.

(f) Notwithstanding the prohibitions established by this Section III.A.2:

(i) PSNC may disclose Customer Information to Service Company, an Affiliate, or a non-affiliated third party without Customer consent to the extent necessary for the Affiliate or non-affiliated third party to provide goods or services to PSNC and upon the written agreement of the other Affiliate or non-affiliated third party to protect the confidentiality of such Customer Information.To the extent the Commission approves a list of services to be provided and taken pursuant to one or more utility-to-utility service agreements, then Customer Information may be disclosed pursuant to the foregoing exception to the extent necessary for such services to be performed.

(ii) PSNC may disclose Customer Information if a state or federal regulatory agency or court of competent jurisdiction over the disclosure of the Customer Information requires the disclosure.

(g) PSNC shall take appropriate steps to store Customer Information in such a manner as to limit access to those persons permitted to receive it and shall require all persons with access to such information to protect its confidentiality.

(h) PSNC shall establish guidelines for its employees and representatives to follow with regard to complying with this Section III.A.2.

(i) No Service Company employee may use Customer Information to market or sell any product or service to PSNC's Customers, except in support of a Commission-approved rate schedule or program or a marketing effort managed and supervised directly by PSNC.

(j) Service Company employees with access to Customer Information must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the Customer Information by employees of Service Company that do not have access to such information.

(k) Should any inappropriate disclosure of PSNC Customer Information occur at any time, PSNC shall promptly file a statement with the Commission describing the circumstances of the disclosure, the Customer Information disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

(l) Notwithstanding the foregoing, PSNC shall not disclose information provided by Nonaffiliated Gas Marketers and Customers to its Gas Marketing Affiliate, unless such parties specifically authorize disclosure of the information.

3. Disclosure of Confidential Systems Operation Information – The disclosure of Confidential Systems Operation Information of PSNC shall be governed as follows:

(a) CSOI shall not be disclosed by PSNC to an Affiliate or a Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates contemporaneously and in the same manner. Disclosure to non-Affiliates is not required under the following circumstances:

(i) The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.

(ii) A state or federal regulatory agency or court of competent jurisdiction over the disclosure of the CSOI requires the disclosure.

(iii) The CSOI is provided to employees of Service Company or to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.

(iv) The CSOI is provided to employees of PSNC's Utility Affiliates for the purpose of sharing best practices and otherwise improving the provision of regulated utility service.

(v) The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.

(vi) Disclosure is otherwise essential to enable PSNC to provide Natural Gas Services to its Customers.

(vii) Disclosure of the CSOI is necessary for compliance with the Sarbanes-Oxley Act of 2002.

(b) Any CSOI disclosed pursuant to Section III.A.3.(a)(i)-(vi) shall be disclosed only to employees that need the CSOI for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such CSOI must be prohibited from acting as conduits to pass the information to any Affiliate(s) and must have explicitly agreed to protect the confidentiality of such CSOI.

(c) For disclosures pursuant to Section III.A.3.(a)(vi) and (vii), PSNC shall include in their annual affiliated transaction reports the-following information:

(i) The types of CSOI disclosed and the name(s) of the Affiliate(s) to which it is being, or has been, disclosed;

(ii) The reasons for the disclosure; and

(iii) Whether the disclosure is intended to be a one-time occurrence or an ongoing process.

To the extent a disclosure subject to the reporting requirement is intended to be ongoing, only the initial disclosure and a description of any processes governing subsequent disclosures need to be reported.

(d) PSNC and Service Company employees with access to CSOI must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the CSOI by employees that do not have access to such information or by other employees of PSNC's Affiliates or Nonpublic Utility Operations.

(e) Should the handling or disclosure of CSOI by the Service Company, or another Affiliate or Nonpublic Utility Operation, or its respective employees, result in (i) the posting of such data on an Internet website or (ii) other public disclosure of the data, PSNC shall promptly file a statement with the Commission in Docket No. G-5, Sub 667, describing the circumstances leading to such posting or other public disclosure describing the circumstances leading to such posting, or other public disclosure, any data required to be posted or otherwise publicly disclosed, and the steps taken to mitigate the effects of the current and prevent any future potential posting or other public disclosure.

(f) Should any inappropriate disclosure of CSOI occur at any time, PSNC shall promptly file a statement with the Commission in Docket No. G-5, Sub 667, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

B. Nondiscrimination

1. General – PSNC's employees and representatives shall not unduly discriminate against non-Affiliated entities.

2. Preferences – In responding to requests for Natural Gas Services, PSNC shall not provide any preference to an Affiliate or a Nonpublic Utility Operation, or to any customers of such an entity, as compared to other non-Affiliates or their customers. Moreover, neither PSNC nor any Affiliate shall represent to any person or entity that an Affiliate or a Nonpublic Utility Operation will receive any such preference.

3. Application of Tariffs – PSNC shall apply the provisions of its tariffs equally to Affiliates, Nonpublic Utility Operations, and other non-Affiliates.

4. Requests for Service:

(a) PSNC shall process all similar requests for Natural Gas Services in the same timely manner, whether requested on behalf of an Affiliate, a Nonpublic Utility Operation, or any other non-Affiliated entity.

(b) PSNC shall treat similarly situated Shippers in the same manner with respect to the delivery of gas on distribution facilities, contract terms, the scheduling of gas supplies, balancing provisions, and allocation of gas supplies and capacity at city gate stations.

(c) PSNC shall post on its website its criteria for evaluating proposals from Shippers. PSNC shall not give one Shipper any form of preference over other similarly situated Shippers in matters relating to assignment, release, or other transfer of capacity rights on interstate pipeline systems.

5. Speaking for Utility – No Personnel of PSNC or an Affiliate shall indicate, represent, or otherwise give the appearance to another party that an Affiliate speaks on behalf of PSNC; provided, however, that this prohibition shall not apply to employees of Service Company providing Shared Services or to employees of another Affiliate to the extent explicitly provided for in an affiliate agreement that has been accepted by the Commission. In addition, no Personnel of a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that they speak on behalf of PSNC's regulated public utility operations.

6. Advantages – No Personnel of PSNC, an Affiliate, or a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that any advantage to that party with regard to Natural Gas Services exists as the result of that party dealing with an Affiliate or a Nonpublic Utility Operation, as compared with any other non-Affiliate.

7. Tying – PSNC shall not condition or otherwise tie the provision or terms of any Natural Gas Services to the purchasing of any goods or services from, or the engagement in business of any kind with an Affiliate or a Nonpublic Utility Operation.

8. Information to Customers:

(a) When any PSNC Personnel receives a request for information from or provides information to a Customer about goods or services available from an Affiliate or a Nonpublic Utility Operation, the Personnel shall advise the Customer that such goods or services may also be available from non-Affiliated suppliers.

(b) All PSNC information pertaining to interstate pipeline transportation, storage, distribution, or gas supply that is provided to a Gas Marketing Affiliate shall be made available to all Shippers on a contemporaneous, nondiscriminatory, and non-preferential basis by posting the information on its website and provided in a written form upon the request of a Shipper. Aggregate customer information and market data made available to Shippers shall be made available on a similar basis.

(c) PSNC shall post on its website a current list of contact persons and telephone numbers of all gas marketers that are active on its system.

9. Disclosure of Customer Information – Disclosure of Customer Information to an Affiliate, a Nonpublic Utility Operation, or any other non-Affiliated entity shall be governed by Section III.A.2. of this Code of Conduct.

C. Marketing

1. Joint Marketing – The public utility operations of PSNC may engage in joint sales, joint sales calls, joint proposals, or joint advertising (a joint marketing arrangement) with Affiliates and Nonpublic Utility Operations, subject to compliance with other provisions of this Code of Conduct and any conditions or restrictions that the Commission may hereafter establish. PSNC shall not otherwise engage in such joint activities without making such opportunities available to comparable third parties.

2. Affiliate Disclaimers – No Affiliates shall use the names or logos of PSNC in any communications targeted at PSNC's North Carolina service territories without the following disclaimers:

(a) "[Affiliate] is not the same company as PSNC, and [Affiliate] has separate management and separate employees;"

(b) "[Affiliate] is not regulated by the North Carolina Utilities Commission or in any way sanctioned by the Commission;"

(c) "Purchasers of products or services from [Affiliate] will receive no preference or special treatment from PSNC;" and

(d) "A customer does not have to buy products or services from [Affiliate] in order to continue to receive the same safe and reliable natural gas service from PSNC."

3. Nonpublic Utility Operations Disclaimers:

(a) Nonpublic Utility Operations may not use the names or logos of PSNC in any communications targeted at PSNC's North Carolina service territories without the following disclaimer:

> "[Name of product or service being offered by Nonpublic Utility Operation] is not part of the regulated services offered by PSNC and is not in any way sanctioned by the North Carolina Utilities Commission:"

D. <u>Transfers of Goods and Services, Transfer Pricing, and Cost Allocation</u>

1. Cross-Subsidies – Cross-subsidies involving PSNC, its Affiliates, or its Nonpublic Utility Operations are prohibited.

2. Charging of Costs – All costs incurred by Personnel of PSNC for or on behalf of its Affiliates or the Nonpublic Utility Operations shall be charged to the entity responsible for the costs.

3. General Transfer Pricing Guidelines – The following conditions shall apply as general guidelines relating to the transfer prices charged for goods and services, including the use or transfer of Personnel, exchanged between and among PSNC, its Non-Utility Affiliates, and its Nonpublic Utility Operations, to the extent such prices affect PSNC's operations or costs of utility service:

(a) Except as otherwise provided for in this Section III.D., for untariffed goods and services provided by PSNC to a Non-Utility Affiliate or a Nonpublic Utility Operation, the transfer price paid to PSNC shall be set at the higher of Market Value or PSNC's Fully Distributed Cost.

(b) Except as otherwise provided for in this Section III.D., for goods and services provided, directly or indirectly, by a Non-Utility Affiliate other than Service Company or a Nonpublic Utility Operation to PSNC, the transfer price(s) charged by the Non-Utility Affiliate, and/or the Nonpublic Utility Operation to PSNC shall be set at the lower of Market Value or the Non-Utility Affiliate's or the Nonpublic Utility Operation's Fully Distributed Cost(s). If PSNC does not engage in competitive solicitation and instead obtains the goods or services from a Non-Utility Affiliate, or a Nonpublic Utility Operation, PSNC shall implement adequate processes to comply with this Code provision and related Regulatory Conditions and ensure that in each case PSNC's Customers receive service at the lowest reasonable cost, unless otherwise directed by order of the Commission. For goods and services provided by Service Company to PSNC, and Utility Affiliates, the transfer price charged shall be set at Service Company's Fully Distributed Cost.

(c) Tariffed goods and services provided by PSNC to Affiliates, or Nonpublic Utility Operations shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Natural Gas Services under the applicable tariff.

(d) Untariffed goods and services provided by PSNC to Utility Affiliates or by Utility Affiliates to PSNC shall be transferred at the supplier's Fully Distributed Cost, unless otherwise directed by order of the Commission.

4. Shared Services Pricing – To the extent that PSNC, Affiliates, or the Nonpublic Utility Operations receive Shared Services from Service Company (or its successor), these Shared Services may be jointly provided to PSNC, Affiliates, or the Nonpublic Utility Operations on a Fully Distributed Cost basis, provided that the taking of such Shared Services by PSNC is cost beneficial on a service-by-service (e.g., accounting management, human resources management, legal services, tax administration, public affairs) basis to PSNC. Charges for such Shared Services shall be allocated in accordance with the Service Company cost allocation manual filed with the Commission pursuant to Regulatory Condition 4.4, subject to any revisions or other adjustments that may be found appropriate by the Commission on an ongoing basis.

5. Joint Purchases – PSNC and its Utility Affiliates may capture economies-of-scale in joint purchases of goods and services if such joint purchases result in cost savings to PSNC's Customers. PSNC and its Utility Affiliates may

capture economies-of-scale in joint purchases of natural gas, if such joint purchases result in cost savings to PSNC's Customers. All joint purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in PSNC's affiliated transaction reports filed with the Commission.

6. Accounting – All permitted transactions between PSNC, Affiliates, and the Nonpublic Utility Operations shall be recorded and accounted for in accordance with the cost allocation manual required to be filed with the Commission pursuant to Regulatory Condition 4.4 and with Affiliate agreements accepted by the Commission or otherwise processed in accordance with North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

7. Information Costs – Costs that PSNC incurs in assembling, compiling, preparing, or furnishing requested Customer Information or CSOI to or for Affiliates or the Nonpublic Utility Operations shall be recovered from the requesting party pursuant to Section III.D.3. of this Code of Conduct.

8. Transfers of Technology and Trade Secrets – Any technology or trade secrets developed, obtained, or held by PSNC in the conduct of regulated operations shall not be transferred to an Affiliate or a Nonpublic Utility Operation without just compensation and the filing of 60-days prior notification to the Commission. PSNC may request a waiver of this requirement from the Commission with respect to such transfers to a Utility Affiliate, a Non-Utility Affiliate, or a Nonpublic Utility Operation. In no case, however, shall the notice period requested be less than 20 business days.

9. Intangible Benefits – PSNC shall receive compensation from its Affiliates, and the Nonpublic Utility Operations for intangible benefits, if appropriate.

E. Regulatory Oversight

1. Affiliate Transactions – The requirements regarding affiliate transactions set forth in G.S. 62-153 shall continue to apply to all transactions between PSNC and its Affiliates.

2. Books and Records – The books and records of PSNC, Affiliates, and the Nonpublic Utility Operations shall be open for examination by the Commission, its staff, and the Public Staff as provided in G.S. 62-34, 62-37, and 62-51.

F. Utility Billing Format

To the extent any bill issued by PSNC, an Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party includes charges to Customers for Natural Gas Services and non-Natural Gas Services, or any combination of such services, from an Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party, the charges for Natural Gas Services shall be separated from the charges for any other services included on the bill. Each such bill shall contain language in bold print stating that the Customer's Natural Gas Services will not be terminated for failure to pay for any other services billed.

G. Complaint Procedure

1. Procedures – PSNC shall establish procedures to resolve potential complaints that arise due to the relationship of PSNC, Affiliates, and the Nonpublic Utility Operations. The complaint procedures shall provide for the following:

(a) Verbal and written complaints shall be referred to a designated representative of PSNC.

(b) The designated representative shall provide written notification to the complainant within 15 days that the complaint has been received.

(c) PSNC shall investigate the complaint and communicate the results or status of the investigation to the complainant within 60 days of receiving the complaint.

(d) PSNC shall maintain a log of complaints and related records and permit inspection of documents (other than those protected by the attorney/client privilege), by the Commission, its staff, or the Public Staff.

2. Notwithstanding the provisions of Section III.G.1., any complaints received through a confidential compliance mechanism available to employees of the Enbridge corporate system shall be handled in accordance with procedures established for any such confidential compliance mechanism.

3. Commission – These complaint procedures do not affect a complainant's right to file a formal complaint or otherwise address questions to the Commission or the Public Staff regarding a complaint.

CODE OF CONDUCT
ATTACHMENT

PSNC CUSTOMER INFORMATION DISCLOSURE AUTHORIZATION

For Disclosure to Affiliates:

PSNC's Affiliates offer products and services that are separate from the regulated services provided by PSNC. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes PSNC to provide any data associated with the Customer accounts(s) residing in any PSNC files, systems, or databases **[or specify specific types of data]** to the following Affiliate(s): ________________________________. PSNC will provide this data on a nondiscriminatory basis to any other person or entity upon the Customer's authorization.

For Disclosure to Non-Affiliates:

The Customer authorizes PSNC to provide any data associated with the Customer accounts(s) residing in any PSNC files, systems, or databases **[or specify specific types of data]** to the following non-Affiliate(s): ____________________________.