

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 667

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)

**DIRECT TESTIMONY OF CHRISTOPHER JOHNSTON
ON BEHALF OF ENBRIDGE PARROT HOLDINGS, LLC**

November 15, 2023

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	DESCRIPTION OF THE TRANSACTION	2
III.	METHOD OF FINANCING THE TRANSACTION	3
IV.	FINANCIAL CONDITION OF ENBRIDGE	5
V.	FINANCIAL BENEFITS OF THE TRANSACTION	7
VI.	FINANCIAL COMMITMENTS AND UNDERSTANDINGS	8
VII.	CONCLUSION	10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 667

Direct Testimony of Christopher Johnston

On Behalf of Enbridge Parrot Holdings, LLC

November 15, 2023

I. INTRODUCTION

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

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

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

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

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

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

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

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

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

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

13 II. DESCRIPTION OF THE TRANSACTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. FINANCIAL CONDITION OF ENBRIDGE

Q. PLEASE DESCRIBE THE FINANCIAL CONDITION OF ENBRIDGE.

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

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

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

Q. WHAT ARE ENBRIDGE'S CURRENT CREDIT RATINGS?

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

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

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

A. No.

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

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

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

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

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

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

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

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

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

12 **VI. FINANCIAL COMMITMENTS AND UNDERSTANDINGS**

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

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

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

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

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

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

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

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

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes.

Christopher Johnston

Chris Johnston is Vice President, Finance - Integration. Prior to that, he served as Vice President Finance, Liquids Pipelines and most recently as Vice President Finance and Controller. In that role, Chris provided leadership and direction for enterprise-wide accounting, complex accounting research, consolidation and internal and external financial reporting. He also provided oversight for design and execution of internal controls leading to accurate and timely preparation of Enbridge's financial information.

Prior to joining Enbridge, Chris worked at Deloitte LLP where he was Partner in their Assurance and Advisory practice for eight years. Of note, he served as leader of Deloitte's Global IFRS Offering Services and their Complex Accounting and Transaction team.

Chris has worked for Enbridge for 16 years. He started his career with Deloitte and then he joined Enbridge and served as a Director of Financial reporting working in the Corporate Controllers group in Calgary, Alberta, Canada. Chris holds a Bachelor of Commerce Degree, from the University of Calgary in Calgary, Alberta, Canada, and in 1995 was named to the Institute of Chartered Accountants of Alberta Honour Roll.