

**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)

**TESTIMONY OF LASZLO VARSANYI
ON BEHALF OF ENBRIDGE PARROT HOLDINGS, LLC
IN SUPPORT OF
AGREEMENT AND STIPULATION OF SETTLEMENT**

May 31, 2024

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 667

Testimony of Laszlo Varsanyi

On Behalf of Enbridge Parrot Holdings, LLC

In Support of

Agreement and Stipulation of Settlement

May 31, 2024

I. INTRODUCTION

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2

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3

A. My name is Laszlo Varsanyi. My business address is Suite 200 Fifth Avenue Place
425 - 1 St S.W., Calgary, Alberta, Canada.

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

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A. I am employed by Enbridge Gas Inc., and serve as the Vice-President of Regulatory
Integration and Value Creation.

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Q. HOW LONG HAVE YOU BEEN WITH THE COMPANY?

12

A. Since 1998, I have been employed by Enbridge Inc. or various Enbridge affiliates
across a range of different departments or areas, with my areas of responsibility

13

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

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

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

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

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

15 A. No, I have not.
16

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

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

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Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

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

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

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

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

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

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

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

7
8 **Q. PLEASE DESCRIBE SOME OF THE OVERALL BENEFITS THAT CAN**
9 **BE EXPECTED FROM THE TRANSACTION.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18

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

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

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

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

13 Upon completion of the Transaction, these commitments will provide
14 additional benefits to PSNC and its customers.
15

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

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

1 are sufficient to offset any potential costs and risks.

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

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

10

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

12 A. Yes.

EXHIBIT LV-1

Laszlo Varsanyi – Experience and Qualifications

László Varsányi

László Varsányi has worked in the energy sector for nearly 30 years, the bulk of which time has been devoted to commercial activities. He was appointed to the role of Vice President, Regulatory Integration & Value Creation at Enbridge Gas Inc. in September 2023, accountable for the integration of all regulatory aspects of the U.S. utilities acquisitions. This included supporting the required regulatory approval processes for the completion of the transactions, as well as providing strategic and operational leadership to the regulatory teams across multiple jurisdictions. His remit is expanding to include regulatory responsibilities for the utilities in Quebec and Ontario.

Prior to this role, he had been appointed Vice President, Mainline Tolling Strategy in February 2018. In that position he led the development of the tolling strategy for the \$21 billion, 2.85 million barrel per day Enbridge Liquids pipeline mainline system, which is generally recognized as the world's most complex and largest pipeline network.

Prior to that appointment, László had been Vice President, New Ventures Power since June 2016. In that role he led the department responsible for growing Enbridge's global power generation business; spanning technologies including solar, onshore and offshore wind, hydro, gas turbine, waste heat, and geothermal. During his tenure the team took commercial investment decisions / closed on over \$2.4 billion in wind projects, representing some 858 MW of generation capacity.

Previously, as Vice President, Mainline Asset Performance, László had held bottom-line accountability for delivering an annual \$2.9B on-budget, for major crude oil pipelines between Edmonton and Montreal and Chicago to the US Gulf Coast. Just prior, the Capital Competitiveness team he set up captured \$1 billion in scoping optimization in less than two years.

László had previously held progressively senior roles in areas such as Market Fundamentals, Mergers and Acquisitions, and Business Development; leading teams that deployed billions of dollars of capital through dozens of transactions. Before joining Enbridge in 1998, he worked with the Alberta Department of Energy doing price, supply, and demand forecasting.

László holds a Bachelor of Arts - Honours (Economics) from the University of Calgary and a Master of Arts (Economics) from Queen's University (Kingston).

EXHIBIT LV-2

Transition Services Agreement

CONFIDENTIAL MATERIAL

INTENTIONALLY OMITTED

EXHIBIT LV-3

Intercorporate Services Agreement

CONFIDENTIAL MATERIAL

INTENTIONALLY OMITTED

EXHIBIT LV-4

Subordinated Demand Loan

CONFIDENTIAL MATERIAL

INTENTIONALLY OMITTED