

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Questar Gas Company d/b/a Dominion Energy Utah and Fall West Holdco LLC for Approval of a Partial Corporate Reorganization	<u>DOCKET NO. 23-057-15</u> <u>ORDER</u>
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ISSUED: November 3, 2023

SYNOPSIS

The Public Service Commission (PSC) approves Dominion Energy Utah's (DEU) Verified Joint Notice and Application of Questar Gas Company d/b/a Dominion Energy Utah and Fall West Holdco LLC for Approval of a Partial Corporate Reorganization ("Application").

PROCEDURAL BACKGROUND

On September 8, 2023, DEU filed the Application along with supporting exhibits. The PSC held a virtual scheduling conference on September 21, 2023, and issued a Scheduling Order, Notice of Technical Conference, and Notice of Hearing on September 25, 2023.

In a technical conference on October 3, 2023, DEU provided informational materials, presented a summary of the Application, and answered questions from the PSC, the Division of Public Utilities (DPU), and the Office of Consumer Services (OCS).

DPU filed comments on October 10, 2023, followed by corrected comments on October 12, 2023 ("DPU Comments"). DEU filed reply comments on October 16, 2023 ("DEU Reply Comments"), and a hearing was held on October 19, 2023.

BACKGROUND

DEU's Application seeks to reorganize the corporate structure of DEU and Questar Gas Company to facilitate a proposed transfer of DEU to Enbridge, Inc. (the "Transaction"), which is the subject of a different PSC docket,¹ through use of a new holding company called Fall West Holdco LLC ("Fall West"). The Application states the proposed corporate reorganization will not negatively impact (i) Utah rates; (ii) DEU's Utah customers; (iii) the PSC's ability to exercise its jurisdiction; and (iv) DEU's natural gas operations or services. The Application also states that: 1) all of the settlement stipulations agreed to in Docket No. 16-057-01² will continue to be honored by Fall West; 2) the proposed reorganization will provide greater transparency to the PSC, DPU, and OCS when considering the Transaction; and 3) approval of the Application will not prevent the PSC, DPU, or OCS from fully investigating any issue or concern that may arise from the Transaction.³

DPU Comments

DPU states, after reviewing the Application and exhibits filed by DEU, that the proposed reorganization serves a number of purposes, including: 1) separating the three local distribution companies (LDC) owned by DEU and its parent company into

¹ See Docket No. 23-057-16 (<https://psc.utah.gov/2023/10/20/docket-no-23-057-16/>).

² See *In the Matter of the Joint Notice and Application of Questar Gas Company and Dominion Resources, Inc. of Proposed Merger of Questar Corporation and Dominion Resources, Inc.*, Order Memorializing Bench Ruling Approving Settlement Stipulation, issued September 14, 2016.

³ See Application at 5-6.

different holding companies; 2) separating the LDCs will allow for the efficient transfer of assets as the Transaction will occur in separate jurisdictions that have varying regulatory timelines; and 3) providing specific tax advantages to DEU and its parent company.⁴ DPU further states that the proposed reorganization is not likely to impose additional costs or risks to Utah consumers nor “violate any of the provisions of either the Wexpro or Wexpro II agreements, which w[ill] remain fully in effect after the reorganization.”⁵ DPU confirmed DEU’s claim that the proposed reorganization is not likely to have any meaningful impact on DEU’s current operations.⁶ DPU therefore recommends that the PSC approve DEU’s Application.

DEU Reply Comments

In reply comments, DEU thanked DPU for its thorough review of the Application and agreed with DPU’s recommendation that the PSC should approve the Application.

DISCUSSION, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

At hearing the parties stipulated to the admission into evidence of the Application, DPU’s Comments, DEU’s technical conference materials, and DEU’s reply comments. DEU witness Kelly B. Mendenhall also provided sworn testimony affirming that the proposed reorganization will not harm Utah customers and that he believes the Application is just, reasonable, and in the public interest.⁷ Mr. Mendenhall also

⁴ See DPU Comments at 2.

⁵ *Id.*, at 5.

⁶ *Id.*

⁷ Hearing Stream, at 6:40–7:00, located at <https://www.youtube.com/watch?v=UYAF0EuRuCI>.

stated that the various legal and accounting costs associated with the Transaction were being held “below the line.”⁸ Mr. Mendenhall further testified in response to specific questions from the Commissioners regarding, among other things, DEU’s representations that the proposed reorganization will not harm Utah customers.⁹

DPU witness Douglas Wheelright reiterated DPU’s Comments and testified that the PSC will have the opportunity to review and evaluate the specific details of the Transaction in a future filing and that such filing will require a more comprehensive review and analysis of the Transaction.¹⁰ Mr. Wheelright concluded by recommending the PSC approve the Application as “it poses no risk or cost to Utah consumers and is an intermediate step to the sale of Dominion Energy to Enbridge.”¹¹

The PSC finds that the proposed reorganization will not adversely impact DEU’s Utah operations, Utah customers, DEU’s current service, or DEU’s Utah rates. The PSC further finds that the proposed reorganization is a preliminary step in the eventual evaluation of the proposed sale of DEU to Enbridge, Inc., which will occur in a separate proceeding. The PSC and interested parties will have the opportunity to carefully review that proposed transaction in that docket.¹²

⁸ *Id.*, at 13:50-14:15. Revenues and expenses from nonutility activities are classified in the “below the line” accounts under FERC reporting. Any expense categorized as “below the line” is not collected in rates charged to customers.

⁹ *Id.*, at 7:00-16:15.

¹⁰ *Id.*, at 22:30-22:45.

¹¹ *Id.*, at 22:45-22:58.

¹² *See supra*, n. 1.

Based on these findings, the PSC's review of the Application, DEU's representations in the Application and at the technical conference, DPU's Comments and recommendations, and the sworn testimony provided by DEU witness Mendenhall and DPU witness Wheelright, and the absence of any opposition to the Application, the PSC concludes that the Application is just, reasonable, and in the public interest.

ORDER

Based on the findings of fact and conclusions of law we reference above, we approve the Application.

DATED at Salt Lake City, Utah, November 3, 2023.

/s/ John E. Delaney
Presiding Officer

Approved and confirmed November 3, 2023, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#330598

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on November 3, 2023, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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