

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Joint Application of  
Questar Gas Company dba Dominion Energy  
Utah, and Enbridge Quail Holdings, LLC for  
Approval of the Proposed Sale of Fall West  
Holdco, LLC to Enbridge Quail Holdings,  
LLC

Docket No. 23-057-16

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**DIRECT TESTIMONY OF CHRISTOPHER JOHNSTON**  
**FOR JOINT APPLICANTS**

October 20, 2023

**Joint Application Exhibit 2.0**

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**I. INTRODUCTION**

**Q. Please state your name and business address.**

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

**Q. By whom are you employed and what is your position?**

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

**Q. What are your qualifications to testify in this proceeding?**

A. I have listed my qualifications in Joint Exhibit 2.01.

**Q. What is the purpose of your testimony in this Docket?**

A. My testimony provides financial information supporting the transaction (the “Transaction”) through which Questar Gas Company’s dba Dominion Energy Utah (“Dominion Energy,” “Questar Gas,” or the “Company”) parent, Fall West Holdco LLC (“Fall West”), will become a wholly-owned subsidiary of Enbridge Quail Holdings, LLC (“EQ Holdings”), a Delaware limited liability company. I also discuss a number of the commitments that are being made in connection with the Transaction and how the resources available to Questar Gas following completion of the Transaction will sustain the financial condition and financial strength of Questar Gas, and bring to bear Enbridge’s strong risk management and ring-fencing capabilities on behalf of Questar Gas and its customers.

EQ Holdings is a direct wholly-owned subsidiary of Genoa Holdings, LLC (“Genoa Holdings”), a Delaware limited liability company. Genoa Holdings is a direct wholly-owned subsidiary of Enbridge U.S. Inc. (“Enbridge U.S.”), a Delaware corporation. Enbridge U.S. is an indirect wholly-owned subsidiary of Enbridge, a Canadian corporation.

23 Genoa Holdings has no other subsidiaries other than subsidiaries formed in connection with  
24 the Transaction and the Other Acquisitions.<sup>1</sup>

25 **II. DESCRIPTION OF THE TRANSACTION**

26 **Q. What is the purchase price for the Fall West Interest?**

27 A. Under the terms of the Agreement, the Interests of Fall West will be acquired for a base  
28 purchase price of US\$2.95 billion, which is subject to adjustments for cash, indebtedness,  
29 working capital and capital expenditures, based on agreed target amounts, and any new  
30 regulatory assets and liabilities of Fall West arising between July 1, 2023 and closing of  
31 the Transaction.

32 **Q. What will happen to Fall West and its subsidiaries, including Questar Gas and**  
33 **Wexpro?**

34 A. At the closing of the Transaction, Fall West will become a direct subsidiary of EQ Holdings  
35 and each of Questar Gas and Wexpro will remain subsidiaries of Fall West. All three  
36 companies will continue to exist as separate legal entities.

37 **Q. Was the Transaction approved by the boards of directors or other governing bodies**  
38 **of the relevant parties?**

39 A. Yes. The resolutions of the boards of directors or other governing bodies of all parties  
40 approved the Agreement and the Transaction.

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<sup>1</sup> On September 5, 2023, Dominion Energy entered into two additional separate purchase and sale agreements 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) Public Service Company of North Carolina, Incorporated (“PSNC”), PSNC Blue Ridge Corporation, PSNC Cardinal Pipeline Company, and Clean Energy Enterprises, Inc. (collectively, the “Other Acquisitions”). Each of the Other Acquisitions and the Transaction are separate transactions none is cross-conditioned on the completion of any other.

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

42   **Q.    How will the Transaction be financed?**

43    A.    Funds raised to finance the Transaction have and will be raised by Enbridge and will be  
44           advanced to Enbridge U.S. as capital contributions and internal loans. Enbridge U.S. will  
45           then make capital contributions to Genoa Holdings and Genoa Holdings will then in turn  
46           make capital contributions to EQ Holdings in an amount sufficient to pay the purchase  
47           price to DEI for the Interests of Fall West under the Agreement and pay other costs in  
48           connection with the Transaction. None of EQ Holdings, Questar Gas or Wexpro will incur  
49           any new indebtedness or liability for any acquisition debt incurred to finance the  
50           Transaction, and Questar Gas will not seek recovery in its rates for transaction costs related  
51           to the Transaction. Questar Gas and Wexpro’s obligations in respect of its existing external  
52           indebtedness will continue in connection with the Transaction. Consistent with the  
53           Agreement, all internal indebtedness will be settled with DEI at or prior to close.

54   **Q.    How did Enbridge raise the funds to finance the Transaction?**

55    A.    To finance the Transaction, Enbridge entered into a commitment letter, pursuant to which  
56           Morgan Stanley Senior Funding, Inc. and Royal Bank of Canada committed to provide a  
57           364-day credit facility (the “Bridge Facility”) in an aggregate initial principal amount of  
58           US\$9.4 billion which amount was reduced to US\$3.4 billion as a result of the offerings  
59           described below. Up to US\$2.95 billion of the Bridge Facility may be used to finance the  
60           Transaction, which amount is sufficient to fund 100% of the purchase price for the  
61           Interests. The balance of the amount available under the Bridge Facility is available to  
62           finance the Other Acquisitions.

63 As is customary for an acquisition such as the Transaction, Enbridge expects to further  
64 reduce the commitments available to finance the Transaction under the Bridge Facility to  
65 zero using the proceeds from other sources of permanent financing before any funding  
66 under the Bridge Facility would be required to finance the Transaction. Enbridge expects  
67 its future financing sources may include issuances of hybrid notes, senior notes, or common  
68 shares in at-the-market offerings. Enbridge may also reinstate its dividend reinvestment  
69 and share purchase plan to achieve potential savings in cash dividends. These sources are  
70 subject to change, based on market conditions and other factors.

71 As part of its financing plan for the Transaction and the Other Acquisitions, on September  
72 8, 2023, Enbridge completed the sale of 102,913,500 of its common shares, resulting in net  
73 proceeds of approximately C\$4.5 billion to Enbridge. On September 23, 2023, Enbridge  
74 completed the sale of US\$2 billion of fixed-to-fixed rate subordinated notes, resulting in  
75 net proceeds of approximately US\$1.98 billion. On September 29, 2023, Enbridge  
76 completed the sale of C\$1 billion of fixed-to-fixed rate subordinated notes, resulting in net  
77 proceeds of approximately C\$0.99 billion. As a result of these financings, as of September  
78 30, 2023, the commitments under the Bridge Facility have been reduced to approximately  
79 US\$3.4 billion.

80 **IV. FINANCIAL CONDITION OF ENBRIDGE**

81 **Q. Please describe the financial condition of Enbridge.**

82 **A.** Enbridge common stock is publicly held and is traded on the New York Stock Exchange  
83 and Toronto Stock Exchange under the ticker “ENB.” As of December 31, 2022, Enbridge

84 had a public equity market capitalization of over C\$107 (US\$78)<sup>2</sup> billion, total assets of  
85 C\$179.6 (US\$131.5) billion and annual operating revenue of C\$53.3 (US\$39) billion.  
86 Consequently, Enbridge has the financial wherewithal to fund investments in system  
87 modernization and system expansion, in each case, subject to receipt of all required  
88 regulatory approvals. Enbridge further has a large group of committed bank credit facilities  
89 totaling approximately C\$22 (US\$16B) billion that it can rely on. As at June 30, 2023,  
90 Enbridge had net available liquidity of C\$11.4 (US\$8.3) billion.

91 **Q. What are Enbridge’s current credit ratings?**

92 A. Enbridge’s stable regulated operations, strong access to capital markets, ample liquidity,  
93 prudent capital structure, and experienced management team all contribute to its strong  
94 investment grade ratings. Enbridge’s strong investment grade profile allows for cost-  
95 effective financing of its maintenance and growth capital investments. Current ratings  
96 information for Enbridge is included 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

97

<sup>2</sup> All CAD to USD conversion utilized October 12, 2023 US/CAD exchange rate of 1.3657.

98 **Q. Will the Transaction result in a change in the status of Questar Gas as a stand-alone**  
99 **issuer of debt securities?**

100 A. No.

101 **Q. How does Enbridge handle the day-to-day short-term cash management needs of its**  
102 **subsidiaries?**

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

105 **Q. How will the day-to-day short-term cash management needs of Questar Gas be**  
106 **handled?**

107 A. Enbridge will provide Questar Gas with the same access to short-term debt, commercial  
108 paper and other liquidity as per past practices. If this does not provide sufficient liquidity  
109 for day-to-day needs, additional short-term demand loans, at market rates, will be available.  
110 However, without Commission approval, neither Enbridge nor any of its affiliates will  
111 make any loan to Questar Gas that bears interest at rates that are greater than the lower of  
112 i) rates being paid at the time of such loan by Enbridge or such other affiliate on its own  
113 debt or ii) rates available, at the time of such loan, on similar loans to Questar Gas from the  
114 market.

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

116 **Q. Please provide a brief summary of the financial benefits of the Transaction.**

117 A. Questar Gas will benefit from the Transaction by being a member of the Enbridge group  
118 of companies. As described in the Joint Application, Enbridge is a leading North American  
119 energy infrastructure company that manages and, through its subsidiaries, operates energy  
120 assets ranging from crude oil pipelines to offshore wind power plants, as well as North



121 America's largest natural gas utility by volume of natural gas delivered, and third largest  
122 by customer count.

123 Operation of this diverse portfolio of energy assets provides Enbridge with important and  
124 unique insight into the differentiated financing needs and risks associated with different  
125 energy classes and, especially, the benefits of risk management and ring-fencing of  
126 different asset classes. Enbridge has strong financial credit and will support EQ Holdings  
127 in ensuring that EQ Holdings has the wherewithal to ensure that Questar Gas has access to  
128 the resources, funding, and credit needed to support the operations and growth of Questar  
129 Gas. Importantly, Enbridge is committed to natural gas as an energy resource and to  
130 investing in natural gas infrastructure and natural gas transportation and distribution  
131 facilities.

132 **VI. FINANCIAL COMMITMENTS AND UNDERSTANDINGS**

133 **Q. Is EQ Holdings making financial commitments and providing financial assurances**  
134 **that will address potential concerns of the Commission and interested parties?**

135 A. Yes. EQ Holdings is committing to support the financial strength and integrity of Questar  
136 Gas and to make robust ring-fencing commitments that are consistent with Commission  
137 precedent. Enbridge supports EQ Holdings in making these commitments.

138 **Q. Please list those commitments.**

139 A. EQ Holdings' financial commitments which I am sponsoring are:

- 140 • Questar Gas will be provided with funding to meet its ongoing operational needs  
141 consistent with past practice and as necessary to provide safe and reliable service  
142 to all its customers.

- 143           •       Without Commission approval, neither Enbridge nor any of its affiliates will make  
144                    any loan to Questar Gas that bears interest at rates that are greater than the lower of  
145                    i) rates being paid at the time of such loan by Enbridge or such other affiliate on its  
146                    own debt or ii) rates available, at the time of such loan, on similar loans to Questar  
147                    Gas from the market.
- 148           •       Questar Gas will be provided with the same access to short-term debt, commercial  
149                    paper, and other liquidity as per past practices.
- 150           •       Questar Gas will maintain separate long-term debt with its own debt rating supplied  
151                    by at least two of the three recognized debt rating agencies. Any of the debt used to  
152                    capitalize Questar Gas will be kept within the regulated utility. Questar Gas will be  
153                    supported with funding with the intention of maintaining strong credit metrics  
154                    consistent with past practice.
- 155           •       Questar Gas will continue to maintain its own bank accounts that are in its own  
156                    name and have direct access to exclusively committed credit facilities.
- 157           •       Upon request, EQ Holdings and its affiliates will provide the Commission, the  
158                    Division, and the OCS, including their auditors and authorized agents, and  
159                    intervenors in rate proceedings, as appropriate, with reasonable access to  
160                    transactional, accounting and other information, including personnel necessary to  
161                    explain the requested information regarding any costs directly or indirectly  
162                    allocated to Questar Gas. EQ Holdings and Questar Gas commit to maintain access  
163                    to Questar Gas's records in Salt Lake City, Utah.
- 164           •       Questar Gas will clearly reflect all of its costs and investments in its financial  
165                    reports, including costs and assets that are directly assigned or allocated to it from

166 another subsidiary of Enbridge. An audit trail will be maintained so that allocable  
167 costs can be specifically identified.

168 • Questar Gas commits to continue to file its annual affiliate transactions report with  
169 the Commission on an annual basis.

170 • A “Special Bankruptcy Director” will be appointed to serve as a member of the  
171 Board of Directors of Questar Gas. This Director will be nominated by and retained  
172 from an independent entity such as CT Corporation (at EQ Holdings’ expense) and  
173 will not be employed by Enbridge or any of its affiliates. This Director will not  
174 participate in ordinary and routine activities of the Questar Gas Board and will not  
175 have voting rights except in the event of a vote by the Questar Gas Board to approve  
176 a voluntary bankruptcy petition to be filed under Title II of the U.S. Code on behalf  
177 of Questar Gas.

178 **Q. When Dominion Energy and Questar Corporation merged, Dominion Energy made a**  
179 **substantial contribution to the Questar Corporation pension plans. Is a similar**  
180 **contribution being made by EQ Holdings?**

181 A. No. At the time of the Dominion Energy/Questar Corporation merger, the Questar  
182 Corporation pension plans were severely underfunded, and there were questions as to how  
183 the gap in projected pension expenses would be made up. When Dominion Energy funded  
184 these pension expenses, Dominion Energy reduced projected pension expenses that would  
185 otherwise have been charged over time in customer rates. Today, the Questar Gas pension  
186 plans are not underfunded.

187 **Q. Will these commitments reduce risks and produce benefits to Questar Gas?**

188 A. Yes.

189

**VII. CONCLUSION**

190 **Q. Would you please summarize your testimony?**

191 A. Upon approval of the Transaction, Questar Gas will join EQ Holdings and become part of  
192 the Enbridge group of companies who lead in providing energy infrastructure in North  
193 America. Questar Gas will have the support and financial resources to thrive in the future.  
194 The Transaction is in the public interest.

195 **Q. Does this conclude your testimony?**

196 A. Yes.

Country of Canada )  
 ) ss.  
City of Calgary, Canada )

I, Christopher Johnston, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. The exhibits attached to the testimony were prepared by me or under my direction and supervision, except where otherwise stated, in which case they are true and correct copies of what they purport to be, to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.



Christopher Johnston

SUBSCRIBED AND SWORN TO this 19<sup>th</sup> day of October, 2023.

  
Notary Public

**DAVID TANIGUCHI**  
Barrister and Solicitor

