

**-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-**

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<b>IN THE MATTER OF THE JOINT APPLICATION OF</b>	)	<b>DOCKET No. 23-057-16</b>
<b>QUESTAR GAS COMPANY DBA DOMINION</b>	)	<b>Exhibit No. DPU 2.0 DIR</b>
<b>ENERGY UTAH, AND ENBRIDGE QUAIL</b>	)	
<b>HOLDINGS, LLC FOR APPROVAL OF THE</b>	)	
<b>PROPOSED SALE OF FALL WEST HOLDCO, LLC</b>	)	
<b>TO ENBRIDGE QUAIL HOLDINGS, LLC</b>	)	

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FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH

Direct Testimony of

Eric Orton

February 5, 2024

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

3 A. My name is Eric Orton. My business address is 160 East 300 South, Salt Lake City,  
4 Utah 84114. I am a Technical Consultant in the Utah Division of Public Utilities  
5 (Division).

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

7 A. The Division.

8 **Q. WOULD YOU SUMMARIZE YOUR RELEVANT BACKGROUND FOR THE**  
9 **RECORD?**

10 A. I have been employed in utility regulation by the State of Utah for over 25 years,  
11 focusing mainly on the natural gas utility and its ancillary industries.

12 **SUMMARY**

13 **Q. PLEASE SUMMARIZE THE APPLICATION IN THIS DOCKET.**

14 A. Enbridge Quail Holdings (EQ Holdings) is attempting to acquire from Dominion  
15 Energy, Inc. (Dominion) all outstanding equity interests of Fall West Holdco LLC (Fall  
16 West), the current parent/holding company of Questar Gas Company (Questar). Fall  
17 West purchased Questar on November 3, 2023. Enbridge Inc. is a multi-layered  
18 corporation based in Calgary Canada, and one of its subsidiaries, namely EQ  
19 Holdings, proposes to purchase Questar, currently doing business as Dominion  
20 Energy Utah (DEU). Questar and EQ Holdings are the joint applicants (Applicants) in  
21 this docket and are petitioning the Public Service Commission of Utah (Commission)  
22 for approval of Enbridge Inc. (Enbridge), through its holding company EQ Holdings,  
23 to acquire ownership of the local natural gas utility, Questar. While the holding  
24 companies within the corporate structure can be a bit confusing, in essence  
25 Enbridge is requesting Commission approval to purchase Questar Gas, the local  
26 natural gas utility.

27 **Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR TESTIMONY.**

28 A. I address the conditions that are necessary to protect the customers of the utility  
29 from negative consequences that may result because of EQ Holding's acquisition of  
30 Questar. EQ Holdings "believes it can provide Questar Gas' customers with reliable  
31 service at or better than current levels and will strive for continued improvements to  
32 such service." (Application paragraph 19). The Division's objective is to make sure  
33 that the acquisition results in as little harm as possible to the utility's customers.  
34 Ideally, the acquisition would aim to place the utility's customers in a better position  
35 than they are now. In other words, there should be a clear net benefit to its  
36 customers. Although the presence of net benefits is still uncertain, the Division's  
37 recommended changes to the merger commitments below are intended to minimize  
38 potential deviations from the merger commitments as well as minimize stakeholder  
39 concerns that could arise because of the acquisition.

40 **Q. PLEASE SUMMARIZE THE INVESTIGATION YOU PERFORMED IN THIS**  
41 **MATTER.**

42 A. I reviewed the application, the testimony of the witnesses, and the exhibits, attended  
43 the Technical Conference and the numerous other meetings the Division held with  
44 representatives from Questar and Enbridge. I also reviewed prior utility mergers and  
45 acquisitions that have been approved by the Commission in this state.

46 **MERGER COMMITMENTS**

47 **Q. DID THE APPLICANT OFFER CONDITIONS IT WOULD ABIDE BY**  
48 **CONTINGENT UPON APPROVAL OF THE PROPOSED MERGER?**

49 A. Yes. Many of the conditions intended to facilitate the transaction (the sale of the  
50 utility referred to above) are contained in the application and the testimonies of the  
51 witnesses. Additionally, the Applicants offered Exhibit 5, which contains a matrix of  
52 its proposed acquisition/merger commitments.

53 **Q. ARE THE MERGER COMMITMENTS OFFERED BY THE APPLICANT**  
54 **ADEQUATE?**

55 A. No. However, they are a great start. I will outline proposals for improving and  
56 enhancing the commitments later in my testimony.

57 **LESSONS LEARNED FROM PAST UTILITY MERGERS**

58 **Q. WHAT SOURCES DID YOU REFERENCE TO MAKE YOUR**  
59 **RECOMMENDATIONS?**

60 A. I reviewed past utility mergers or acquisitions in Utah, including:

- 61 • Questar's decision to rebrand Mountain Fuel in 1984, Docket No. 84-057-10.
- 62 • The merger of PacifiCorp and Utah Power and Light Co., which resulted in  
63 Pacific Power and Rocky Mountain Power as divisions of PacifiCorp, from  
64 Docket No. 88-2035-05.
- 65 • Scottish Power's purchase of PacifiCorp in Docket No. 98-2035-04 in 1998,  
66 and
- 67 • The UBET Telecom, Inc./Uintah Basin Telecommunications Association, Inc.  
68 (UBET/UBTA) merger, Docket No. 05-053-01.
- 69 • MidAmerica Energy Holding Company's (now Berkshire Hathaway Energy)  
70 purchase of PacifiCorp in 2005, parent of Rocky Mountain Power, Docket No.  
71 05-035-54.
- 72 • Dominion Energy's purchase of Questar Gas in 2016, Docket No. 16-057-01.

73 **Q. PLEASE SUMMARIZE A FEW OF THE LESSONS LEARNED FROM PAST**  
74 **MERGERS?**

75 A. Some of the over-arching lessons are as follows:

- 76 • The PacifiCorp – Utah Power and Light Co. merger has shown some of the  
77 difficulties of having a utility that is under the control of multiple regulatory  
78 bodies.
- 79 • The Scottish Power purchase revealed problems with reducing maintenance  
80 expenses in the utility.
- 81 • The UBET/UBTA merger taught the importance of keeping separate and  
82 distinct bookkeeping, management, and other such duties within each entity.

- 83                   • Finally, Dominion’s control of Questar significantly affected its sister  
84                   companies like Questar Pipeline.

85                   These are just a small sampling of some of the important lessons learned from local  
86                   utilities being purchased by other companies.

87   **Q.     DOES THE DIVISION HOPE TO USE THESE LESSONS LEARNED IN THIS**  
88   **MERGER?**

89   A.     Yes. Our experience has helped us refine our analysis and critique of this  
90           application. We will attempt to obtain merger and acquisition commitments that will  
91           help limit or eliminate the difficulties and problems that occurred following  
92           Commission approval of previous utility mergers.

93   **Q.     ISN’T QUESTAR GAS/DOMINION ENERGY ALREADY BOUND BY MERGER**  
94   **COMMITMENTS?**

95   A.     Yes, Dominion Energy bought Questar in 2016 and at that time agreed to a set of  
96           commitments, which were filed in Docket No. 16-057-01 as part of the listed Terms  
97           and Conditions section of the Settlement Stipulation. Additionally, the Commission  
98           imposed conditions on Questar as part of its approval of the reorganization of  
99           Mountain Fuel Supply Company into the Questar holding company structure in  
100          Docket No. 84-057-10.

101   **CURRENT MERGER COMMITMENTS**

102   **Q.     IT’S ONLY BEEN SEVEN YEARS SINCE QUESTAR WAS PURCHASED BY**  
103   **DOMINION. ARE THOSE COMMITMENTS STILL ADEQUATE FOR THIS**  
104   **PURCHASE?**

105   A.     While parties have been vigilant in trying to protect the customers of our local utility  
106           in the past, time has taught us that there is more honing required of these  
107           commitments to ensure good utility management and appropriate customer service  
108           as the newly acquired gas utility operates as a part of the larger group of companies  
109           within Enbridge (assuming the acquisition is approved).

110 **Q. WHAT ARE THE CURRENT MERGER COMMITMENTS ENBRIDGE IS**  
111 **OFFERING IN THIS APPLICATION?**

112 A. The Applicant included Exhibit 5, titled Commitment Matrix. It specifies the proposed  
113 merger commitments in the following general areas. Namely:

- 114 • Corporate Structure: A commitment to keep a “Local Presence” with “Local  
115 Management.”
- 116 • Regulatory: There is no challenge to the “Jurisdiction of the Commission,”  
117 and it will continue the practice of “Compliance with Law.”
- 118 • Ratemaking and Accounting: Enbridge will not charge customers for goodwill  
119 or costs associated with the merger transaction nor will it alter its standard  
120 accounting practices.
- 121 • Shared Services and Affiliate Transactions: Enbridge will keep the current  
122 practice of disclosing affiliate costs and shared services with regulators and  
123 the transition from Dominion shared services to Enbridge will be seamless  
124 and will not increase costs to ratepayers.
- 125 • Community: Enbridge will increase its charitable donations over its current  
126 levels for the next three years.
- 127 • Operations: The utility will continue its current standard practices.
- 128 • Customer Satisfaction: Enbridge will reestablish the Customer Satisfaction  
129 report, which will be provided quarterly to regulators.
- 130 • Financial and Ring-Fencing: This is a commitment to keep the utility safe from  
131 the effects of sister or parent company transactions. Division witness Mr.  
132 Casey Coleman addresses this issue in his direct testimony.
- 133 • Employees: Here, the company commits to retaining the current DEU  
134 employee compensation levels and will provide them advancement and  
135 training opportunities.
- 136 • Clean Energy: The utility will continue to pursue clean energy initiatives.

137 **Q. ARE THESE-PROPOSED COMMITMENTS SUFFICIENT TO PROTECT**  
138 **CUSTOMERS AFTER THE PROPOSED MERGER IS COMPLETE?**

139 A. No, not as they were filed in their current form.

140 **Q. WHAT ARE THE DIVISION'S GENERAL COMMENTS REGARDING THESE**  
141 **MERGER COMMITMENTS?**

142 A. As seen in Exhibit 5, some commitments are the Applicants agreeing to follow the  
143 law, Commission rules, and its current obligations, while other commitments are  
144 ambiguous. There are still other commitments that are statements of Enbridge  
145 corporate policies or are informational.

146 **Q. WHAT IS THE DIVISION'S OBJECTIVE IN ADDRESSING THESE FILED**  
147 **MERGER COMMITMENTS?**

148 A. In general, this list does not go far enough or could require additional clarification.  
149 The Division proposes additional items and wording changes to attain greater  
150 specificity and consumer protections while striving to maintain a stable utility.

151 **RECOMMENDATION ON OTHER MERGER COMMITMENTS**

152 **Q. HAS THE DIVISION COMPLETED ITS PROPOSED ALTERATIONS AND**  
153 **ADDITIONS TO THE MERGER COMMITMENTS OFFERED BY THE**  
154 **APPLICANTS?**

155 A. Since the filing, the Division has been working with the Applicants to try to better  
156 understand Enbridge, eliminate ambiguity, and provide more specificity in the  
157 commitments. Although the Division has been pursuing the concepts outlined below,  
158 the specific wording of each commitment is still undergoing scrutiny. The Division  
159 proposes the following changes to strengthen and clarify the merger commitments.

160 **Q. CAN YOU SUMMARIZE THE MAIN POINTS THE DIVISION IS TRYING TO**  
161 **ACHIEVE WITH ITS PROPOSED ENHANCEMENTS TO THE APPLICANTS'**  
162 **MERGER COMMITMENTS?**

163 A. Yes. For this proposed acquisition of Questar to be in the public interest, at a  
164 minimum, the following general points should be included as part of the  
165 commitments:



- 166 • Any change of control or change in ownership of the utility will not be  
167 transferred out of the Enbridge umbrella without first receiving Commission  
168 approval.
- 169 • The headquarters of the utility will stay within the state, but not be required to  
170 be at its current location.
- 171 • O&M cost per customer should not increase above the current level for a  
172 specified time.
- 173 • Details of the steps, sequences, and milestones in the process of the change  
174 of ownership from Dominion to Enbridge should be provided to regulators on  
175 a periodic basis.
- 176 • The Applicants should provide a clear statement that the customers of the  
177 utility will bear no responsibility to cover any costs associated with the  
178 transfer of ownership of the utility.
- 179 • A capital structure range should be specified.
- 180 • The Commission and other regulators should be notified if the Bankruptcy  
181 Director is called upon to exercise its responsibility.
- 182 • The intent of the clean energy merger commitment should be delineated.

183 **Q. DO YOU SEE ANY REASON THAT EQ HOLDINGS WILL NOT BE ABLE TO**  
184 **COMPLY WITH THESE ENHANCED MERGER COMMITMENTS?**

185 A. No. Enbridge is a large and capable hydrocarbon company with a large presence in  
186 natural gas. It has the experience, and apparently the desire, to properly manage the  
187 utility.

188 **Q. ARE YOU AWARE OF ANYTHING ELSE AT ENBRIDGE THAT MAY BE A**  
189 **CONCERN?**

190 A. Yes. Enbridge informed the Division that on January 30, 2024, it announced a 6%  
191 reduction in force (RIF) of its existing employees. It is the Division's understanding  
192 that this RIF will impact all aspects of the Enbridge operations including the existing  
193 utilities. Commitment #33 indicates that the current salary and benefits to Questar  
194 Gas employees will not be impacted for 24 months.

195 While it is not unusual for companies to have a RIF periodically, the timing could be  
196 a concern. In addition to this transaction, Enbridge is purchasing two additional  
197 utilities from Dominion. Enbridge will need to maintain sufficient staff to integrate the  
198 three additional utilities into its operation and will need to move shared services that  
199 are currently provided by Dominion to Enbridge. Cuts to back-office or integration  
200 resources could affect this as well as the other two transactions.

201 **CONCLUSIONS AND RECOMMENDATIONS**

202 **Q. WHAT ARE YOUR CONCLUSIONS AND RECOMMENDATIONS?**

203 A. The Division concludes that the merger commitment matrix proposal, while a good  
204 start, is insufficient to protect ratepayers from potential negative repercussions that  
205 may result from the merger. The Division recommends that the Commission approve  
206 the application only if the additional safeguards stated above are incorporated in the  
207 merger commitments and a net positive benefit can be realized by the utility's  
208 customers.

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

210 A. Yes, it does.