

BEFORE THE UTAH PUBLIC SERVICE COMMISSION

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

DOCKET NO. 23-057-16

DIRECT TESTIMONY

OF

KEVIN C. HIGGINS

On Behalf of

Utah Association of Energy Users

February 5, 2024

TABLE OF CONTENTS

1	I.	INTRODUCTION AND SUMMARY	1
2	II.	OVERALL ASSESSMENT OF THE PROPOSED ACQUISITION	4

3 **I. INTRODUCTION AND SUMMARY**

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite 1200,
6 Salt Lake City, Utah, 84111.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am a Principal in the firm of Energy Strategies, LLC, a private consulting firm that
9 specializes in economic and policy analysis applicable to energy production,
10 transportation, and consumption.

11 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

12 A. My testimony is being sponsored by the Utah Association of Energy Users (“UAE”).

13 **Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS.**

14 A. My academic background is in economics, and I have completed all coursework and field
15 examinations toward a Ph.D. in Economics at the University of Utah. In addition, I have
16 served on the adjunct faculties of both the University of Utah and Westminster College,
17 where I taught undergraduate and graduate courses in economics. I joined Energy
18 Strategies in 1995, where I assist private and public sector clients in the areas of energy-
19 related economic and policy analysis, including evaluation of electric and gas utility rate
20 matters.

21 Prior to joining Energy Strategies, I held policy positions in state and local
22 government. From 1983 to 1990, I was an economist, then assistant director, for the Utah
23 Energy Office, where I helped develop and implement state energy policy. From 1991 to
24 1994, I was chief of staff to the chairman of the Salt Lake County Commission, where I

25 was responsible for development and implementation of a broad spectrum of public
26 policy at the local government level.

27 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE UTAH PUBLIC**
28 **SERVICE COMMISSION (“PSC” OR “THE COMMISSION”)?**

29 A. Yes. Since 1984, I have testified in 48 dockets before the Commission on electricity and
30 natural gas matters.

31 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE ANY OTHER STATE**
32 **UTILITY REGULATORY COMMISSIONS?**

33 A. In addition to these Utah proceedings, I have testified in approximately 240 other
34 proceedings on the subjects of utility rates and regulatory policy before state utility
35 regulators in Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois,
36 Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nevada, New
37 Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, North Carolina,
38 Pennsylvania, South Carolina, Texas, Virginia, Washington, West Virginia, and
39 Wyoming. I have also filed affidavits in proceedings before the Federal Energy
40 Regulatory Commission and prepared expert reports in state and federal court
41 proceedings involving utility matters.

42 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

43 A. My testimony addresses the Joint Notice and Application filing by Questar Gas Company
44 (“Questar Gas”) and Enbridge Quail Holdings, LLC (“EQ Holdings”) regarding the
45 latter’s acquisition of all the outstanding equity interests of Fall West Holdco LLC, the
46 parent company of Questar Gas. EQ Holdings is a direct wholly owned subsidiary of

47 Genoa Holdings, LLC, which in turn, is a direct wholly owned subsidiary of Enbridge
48 U.S. Inc., which in turn, is an indirect wholly-owned subsidiary of Enbridge Inc., a
49 Canadian corporation.¹ For ease of exposition, I will refer to the acquiring entity simply
50 as Enbridge in this testimony.

51 **Q. PLEASE SUMMARIZE YOUR PRIMARY CONCLUSIONS AND**
52 **RECOMMENDATIONS.**

53 A. I offer the following conclusions and recommendations:

54 (1) Given the extent of Enbridge's current business operations in the fields of
55 liquids pipelines, gas transmission, and gas distribution and storage, I have no reason to
56 dispute that Enbridge has the necessary financial, managerial, and technical qualifications
57 to operate a public utility.

58 (2) However, at this juncture, Enbridge has not made a convincing case that its
59 proposed acquisition of Questar Gas will produce a net benefit to the public. As
60 discussed in my testimony, such a demonstration should include certain specific
61 commitments, comparable to those made by Dominion Resources in its merger with
62 Questar Gas, that the acquisition will not result in harm to ratepayers. Moreover, it
63 should also include a commitment to provide net public benefits, which I suggest could
64 be manifested in a commitment by Enbridge to refrain from filing a general rate case or
65 major plant addition case until 2027, as a condition of acquisition approval.

¹ Direct Testimony of Michele Harradence, lines 29-33.

66 **II. OVERALL ASSESSMENT OF THE PROPOSED ACQUISITION**

67 **Q. WHAT IS YOUR UNDERSTANDING OF THE STANDARDS FOR**
68 **COMMISSION APPROVAL OF THE PROPOSED ACQUISITION?**

69 A. Although I am not an attorney, my understanding is that the Commission must find that:

70 1. The merger is in the public interest, meaning it must provide a net positive benefit to
71 the public; and

72 2. The applicant has the necessary financial, managerial, and technical qualifications to
73 operate the public utility.²

74 **Q. BASED ON YOUR REVIEW OF THE APPLICATION, WHAT IS YOUR**
75 **ASSESSMENT OF WHETHER THE APPLICATION MEETS THESE**
76 **STANDARDS?**

77 A. Given the extent of Enbridge's current business operations in the fields of liquids
78 pipelines, gas transmission, and gas distribution and storage, I have no reason to dispute
79 that Enbridge has the necessary financial, managerial, and technical qualifications to
80 operate a public utility. Consequently, my testimony will focus on the first standard,
81 namely, whether the acquisition will provide a net positive benefit to the public.

82 **Q. DO YOU BELIEVE THAT THE ACQUISITION WILL PROVIDE A NET**
83 **POSITIVE BENEFIT TO THE PUBLIC?**

84 A. In its current form, it is difficult to reach that conclusion. At best, the Application
85 appears to make a case for maintaining the status quo, as distinct from creating a tangible

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.*, Docket No. 16-057-01 ("2016 Merger Docket"), September 14, 2016 Order Memorializing Bench Ruling Approving Settlement Stipulation ("2016 Merger Order") at 5.

86 net positive benefit for the public. Moreover, the merger between Questar Gas and
87 Dominion Resources, approved in 2016, included certain ratepayer protections that are
88 not expressly included in this Application.

89 **Q. WHAT ARE EXAMPLES OF RATEPAYER PROTECTIONS THAT WERE**
90 **INCLUDED AS CONDITIONS IN THE DOMINION MERGER BUT WHICH**
91 **ARE NOT EXPRESSLY INCLUDED IN THIS APPLICATION?**

92 A. Some examples, with emphasis added, include:

- 93 • **Any transition or integration expenses arising from the Merger will not be deferred**
94 **for future recovery from customers and will be expensed by Dominion Questar Gas**
95 **and its affiliates as incurred during the transition period.** Dominion Questar Gas’
96 revenue requirement for the purpose of developing distribution non-gas base rates will be
97 evaluated in the next general rate proceeding, and **that filing shall identify all transition**
98 **costs, if any, in the base period and the test period.** Transition or integration costs that
99 are capitalized and not expensed, including, but not limited to, information technology
100 investments in new hardware and software, including related costs, to convert, conform,
101 and/or integrate Questar Corporation and subsidiaries’ systems into and with Dominion’s
102 systems, will be itemized and disclosed in the next general rate case. **Dominion Questar**
103 **Gas will have the burden of proof to show that the transition or integration costs are**
104 **reasonable and result in a positive net benefit to customers.**³
105
106 • **Joint Applicants shall hold customers harmless from any increases in the aggregate**
107 **total costs for shared or common services** provided by Dominion Questar Corporation
108 and/or Dominion Resources Services Company. Inc. (“Dominion Resources Services”)
109 that are caused by the Merger.⁴
110
111 • **Joint Applicants shall hold customers harmless for any changes in income taxes,**
112 **and/or accumulated deferred income taxes, recoverable in Dominion Questar Gas**
113 **rates caused by the Merger,** to the extent that such action would be consistent with the
114 tax normalization rules.⁵
115

³ 2016 Merger Docket, August 15, 2016 Settlement Stipulation (“Stipulation”) at 24 (Commitment No. 38) (emphasis added).

⁴ *Id.* at 25 (Commitment No. 40) (emphasis added).

⁵ *Id.* at 25 (Commitment No. 41) (emphasis added).

116 • Costs that have been denied recovery by the Commission in prior orders, unless subject
117 to regulation by another governmental agency, **will continue to be excluded from rates**
118 **absent further order from the Commission.**⁶

119 **Q. DO YOU BELIEVE THAT SIMILAR RATEPAYER PROTECTIONS SHOULD**
120 **BE REQUIRED AS A CONDITION OF ANY APPROVAL OF THE**
121 **ACQUISITION PROPOSED IN THIS CASE?**

122 A. Yes.

123 **Q. DO YOU BELIEVE THAT INCLUDING THESE RATEPAYER PROTECTIONS**
124 **WILL BE SUFFICIENT TO PROVIDE NET PUBLIC BENEFITS FROM THE**
125 **ACQUISITION?**

126 A. No, not by themselves. Including these ratepayer protections are necessary to ensure that
127 the acquisition is not harmful to ratepayers. A net positive benefit to the public would
128 require additional commitments.

129 **Q. CAN YOU PROVIDE AN EXAMPLE OF A COMMITMENT THAT ENBRIDGE**
130 **COULD MAKE THAT WOULD MAKE A CASE FOR PROVIDING A NET**
131 **POSITIVE BENEFIT TO THE PUBLIC?**

132 A. Yes. An obvious example would be for Enbridge to commit to a rate case stay-out. As
133 part of the 2016 Merger Settlement, Questar Gas agreed to withdraw a general rate case
134 application it had filed and further agreed not to file a subsequent general rate case
135 application for an additional three years (in addition to other commitments to not file
136 major plant additions cases or seek deferred accounting).⁷ In its current cycle, Questar
137 Gas would be expected to file for a general rate case in 2025. A comparable commitment

⁶ *Id.* at 26 (Commitment No. 46) (emphasis added).

⁷ *Id.* at 10-11 (Commitment No. 33) (emphasis added).

138 from Enbridge would be to not file a general rate case (or major plant additions case)
139 until 2027, *i.e.*, three years from now.

140 **Q. HOW DOES A RATE CASE STAY OUT PROVIDE A PUBLIC BENEFIT?**

141 A. In my experience, most general rate cases result in rate increases for customers.

142 Avoiding such cases is an obvious public benefit in that it provides for a measure of rate
143 stability that otherwise would not necessarily occur. Indeed, Questar Gas's last general
144 rate case resulted in an overall rate increase of 17.2%.⁸ For large transportation service
145 customers, the increase was 55.8%,⁹ implemented in three steps. Inclusion of a rate case
146 stay-out until 2027 as a condition of the acquisition would be a way to provide a net
147 benefit to the public from the acquisition that is currently lacking in the current
148 Application.

149 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

150 A. Yes, it does.

⁸ *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, Dec. 23, 2022 Order ("2022 GRC Order") at 50, Table 5.

⁹ *Id.* at 46, Table 4.