

INFORMATION SHEET

PRESIDING: Chair Mitchell, Presiding; Commissioners Brown-Bland, Gray, Clodfelter, Duffley, Hughes and McKissick

PLACE: Via Videoconference

DATE: Wednesday, June 23, 2021

TIME: 10:00 a.m. – 11:48 p.m.

DOCKET NOS.: G-40, Sub 160

COMPANY: Frontier Natural Gas Company

DESCRIPTION: Joint Application of Frontier Natural Gas Company and Ullico Infrastructure Hearthstone Holdco, LLC, for Approval of the Sale and Transfer of Stock

VOLUME NUMBER:

APPEARANCES

(See attached)

WITNESSES

(See attached)

EXHIBITS

(See attached)

REPORTED BY: Kim Mitchell

TRANSCRIBED BY: Kim Mitchell

DATE FILED: July 19, 2021

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PREFILED PAGES: 67

TOTAL PAGES: 161

1 PLACE: Via Videoconference
2 DATE: Wednesday, June 23, 2021
3 TIME: 10:00 a.m. - 11:48 p.m.
4 DOCKET NO.: G-40, Sub 160
5 BEFORE: Chair Charlotte A. Mitchell, Presiding
6 Commissioner ToNola D. Brown-Bland
7 Commissioner Lyons Gray
8 Commissioner Daniel G. Clodfelter
9 Commissioner Kimberly W. Duffley
10 Commissioner Jeffrey A. Hughes
11 Commissioner Floyd B. McKissick, Jr.
12

13 IN THE MATTER OF:
14 Joint Application of
15 Frontier Natural Gas Company and
16 Ullico Infrastructure Hearthstone Holdco, LLC,
17 for Approval of the Sale and
18 Transfer of Stock
19
20
21
22
23
24

1 A P P E A R A N C E S:

2 FOR FRONTIER NATURAL GAS COMPANY:

3 James H. Jeffries, IV, Esq.

4 McGuireWoods LLP

5 201 North Tryon Street, Suite 3000

6 Charlotte, North Carolina 28202

7

8 FOR ULLICO INFRASTRUCTURE HEARTHSTONE HOLDCO, LLC:

9 Marcus Trathen, Esq.

10 Craig Schauer, Esq.

11 Brooks, Pierce, McLendon, Humphrey & Leonard, LLP

12 150 Fayetteville Street

13 1700 Wells Fargo Capitol Center

14 Raleigh, North Carolina 27601

15

16 FOR THE USING AND CONSUMING PUBLIC:

17 Elizabeth Culpepper, Esq.

18 Megan Jost, Esq.

19 Public Staff - North Carolina Utilities Commission

20 4326 Mail Service Center

21 Raleigh, North Carolina 27699-4300

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IDENTIFIED/ADMITTED

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(Confidential filed under seal)

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**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 6/23/2021 DOCKET NO.: G-40, Sub 160

ATTORNEY NAME and TITLE: James H. Jeffries IV, Partner

FIRM NAME: McGuireWoods LLP

ADDRESS: 201 N. Tryon St., Suite 3000

CITY: Charlotte STATE: NC ZIP CODE: 28202

APPEARANCE ON BEHALF OF:
Frontier Natural Gas Company

APPLICANT: COMPLAINANT: INTERVENOR:

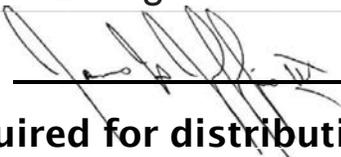
PROTESTANT: RESPONDENT: DEFENDANT:

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To receive an electronic **CONFIDENTIAL** transcript, please complete the following:

Yes, I have signed the Confidentiality Agreement.

Email: jjeffries@mcguirewoods.com

SIGNATURE: 

(Required for distribution of **CONFIDENTIAL** transcript)

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE June 23, 2021 DOCKET #: G-40, Sub 160

PUBLIC STAFF ATTORNEYS Elizabeth Culpepper and Megan Jost

TO REQUEST A **CONFIDENTIAL** TRANSCRIPT, PLEASE PROVIDE YOUR EMAIL ADDRESS BELOW:

ACCOUNTING _____

CONSUMER SERVICES _____

COMMUNICATIONS _____

ENERGY _____

ECONOMICS _____

LEGAL elizabeth.culpepper@psncuc.nc.gov; megan.jost@psncuc.nc.gov

TRANSPORTATION _____

WATER _____

Non-confidential transcripts are located on the Commission's website. To view and/or print, please access <https://ncuc.net>.

COUNSEL/MEMBER(S) REQUESTING A **CONFIDENTIAL** TRANSCRIPT WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT WILL NEED TO SIGN BELOW.

/s/ Elizabeth D. Culpepper

/s/ Megan Jost

**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 6-18-21 **DOCKET NO.:** G-40, Sub 160

ATTORNEY NAME and TITLE: Craig Schauer

FIRM NAME: Brooks, Pierce, McLendon, Humphrey & Leonard, LLP

ADDRESS: 1700 Wells Fargo Capitol Center, 150 Fayetteville Street

CITY: Raleigh **STATE:** NC **ZIP CODE:** 27609

APPEARANCE ON BEHALF OF: Ullico Infrastructure Hearthstone

Holdco, LLC

APPLICANT: **COMPLAINANT:** **INTERVENOR:**

PROTESTANT: **RESPONDENT:** **DEFENDANT:**

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Yes, I have signed the Confidentiality Agreement.

Email: cschauer@brookspierce.com

SIGNATURE: /s/ Craig Schauer

(Required for distribution of CONFIDENTIAL transcript)

**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 6-18-21 **DOCKET NO.:** G-40, Sub 160

ATTORNEY NAME and TITLE: Marcus Trathen

FIRM NAME: Brooks, Pierce, McLendon, Humphrey & Leonard, LLP

ADDRESS: 1700 Wells Fargo Capitol Center, 150 Fayetteville Street

CITY: Raleigh **STATE:** NC **ZIP CODE:** 27609

APPEARANCE ON BEHALF OF: Ullico Infrastructure Hearthstone

Holdco, LLC

APPLICANT: **COMPLAINANT:** **INTERVENOR:**

PROTESTANT: **RESPONDENT:** **DEFENDANT:**

Non-confidential transcripts are located on the Commission's website. To view and/or print transcripts, go to <https://ncuc.net>, hover over the Dockets tab and select Docket Search, enter the docket number and click search, select the highlighted docket number and select Documents for a list of all documents filed.

To receive an electronic **CONFIDENTIAL** transcript, please complete the following:

Yes, I have signed the Confidentiality Agreement.

Email: mtrathen@brookspierce.com

SIGNATURE: /s/ Marcus Trathen

(Required for distribution of CONFIDENTIAL transcript)

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

/A

DOCKET NO. G-40, SUB 160

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Joint Application of Frontier Natural Gas)
Company and Ullico Infrastructure) **APPLICATION AND**
Hearthstone Holdco, LLC for Approval of the) **REQUEST FOR WAIVER OF**
Sale and Transfer of Stock) **MARKET STUDY**
) **REQUIREMENT**

Frontier Natural Gas Company (“Frontier”) and Ullico Infrastructure Hearthstone Holdco, LLC (“UIHH”) (collectively, the “Applicants”), through their respective undersigned counsel, and pursuant to N.C. Gen. Stat. § 62-111, hereby apply to the North Carolina Utilities Commission (the “Commission”) for approval of a transaction whereby Hearthstone Utilities Inc. (“HUI”) and its subsidiaries will become wholly owned subsidiaries of UIHH, and authorization and/or waiver as is necessary and appropriate to effect the proposed transaction.

In support of this application, the Applicants show the Commission the following:

1. The names and addresses of the Applicants are:

Frontier Natural Gas Company
Attn: Fred A. Steele
110 PGW Drive
Elkin, North Carolina 28621

Ullico Infrastructure Hearthstone Holdco, LLC
Attn: Sonia Axter
111 South Wacker Drive, Suite 3925
Chicago, IL 60606

2. It is respectfully requested that any notices or other communications with respect to this application be served upon the following:

For Frontier:

James H. Jeffries IV
McGuireWoods LLP
201 North Tryon Street, Suite 3000
Charlotte, NC 28202
Telephone: 704-343-2348
Email: jjeffries@mcguirewoods.com

For UIHH:

Marcus W. Trathen
Craig Schauer
Brooks, Pierce, McLendon,
Humphrey & Leonard, LLP
Suite 1700, Wells Fargo Capitol Center
150 Fayetteville Street
P.O. Box 1800 (zip 27602)
Raleigh, NC 27601
Telephone: (919) 839-0300
Email: mtrathen@brookspierce.com
Email: cschauer@brookspierce.com

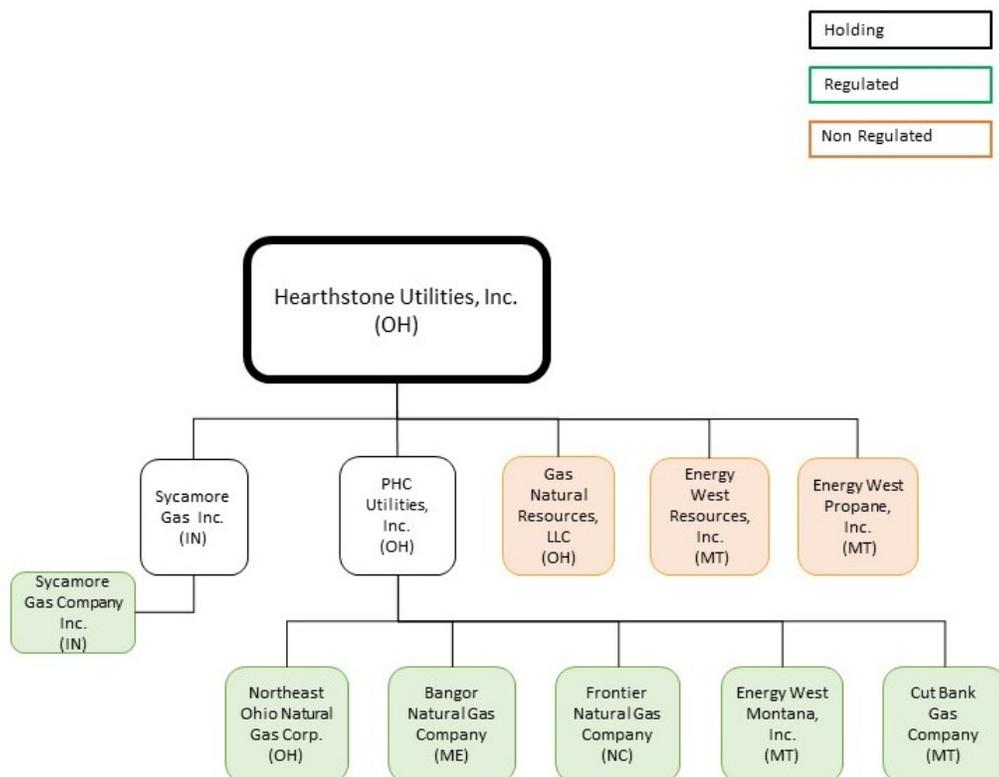
DESCRIPTION OF THE APPLICANTS AND INVOLVED ENTITIES

3. Frontier is a corporation duly organized and existing under the laws of the State of North Carolina, with its headquarters in Elkin, North Carolina. Frontier is a North Carolina public utility within the meaning of N.C. Gen. Stat. § 62-3(23) whose operations within the state are subject to the provisions of Chapter 62 of the General Statutes and the jurisdiction of the Commission. A copy of Frontier's financial statements as of September 30, 2020, is attached as Exhibit A.

4. Frontier is a wholly owned subsidiary of PHC Utilities, Inc. ("PHC"), and PHC is wholly owned by HUI.¹ HUI is a holding company and the indirect parent of several natural gas utilities serving approximately 82,000 customers in Indiana,

¹ Neither HUI nor PHC is a gas utility under North Carolina law and, thus, they are not presently subject to this Commission's jurisdiction or supervision.

Montana, North Carolina, Ohio, and Maine. HUI has employees and is actively engaged in providing services and oversight for its subsidiary utilities, including Frontier. HUI’s corporate structure showing its regulated and unregulated holdings is depicted below:



5. HUI is owned by GEP Bison Holdings, Inc. (“GBH”), which is owned by an infrastructure fund managed by an investment management subsidiary of BlackRock, Inc. PHC and GBH are intermediary holding companies which do not have employees, do not provide utility service in any of the states in which their utility subsidiaries operate, and do not make operational, regulatory, or financial decisions for any of the operating utilities they hold, including Frontier.

6. UIHH is a special purpose entity established for the purpose of acquiring GBH and its subsidiaries, including HUI and Frontier (the “Transaction”).

7. UIHH is a wholly-owned subsidiary of Ullico Infrastructure Master Fund, L.P., which, along with its general partner UIF GP, LLC (“UIF GP”), are referred to as Ullico Infrastructure Fund (“UIF” or the “Fund”). Ullico Infrastructure Master Fund, L.P. is an infrastructure investment vehicle created and managed under the Ullico Affiliated Group. The Union Labor Life Insurance Company established the Ullico Affiliated Group to provide institutional investors the opportunity to make long-term investments, on a commingled basis, into the ownership, maintenance and refurbishment of the nation’s infrastructure. Accordingly, UIF’s investment vehicle is structured as an open-ended fund that does not have a defined term of existence, which allows UIF to be committed to a buy-and-hold strategy for its portfolio investments. UIF made its first investment in 2012 and currently has \$3.26 billion in commitments, with \$2.34 billion of invested capital and \$918 million of capital available for future investments. UIF has made 18 investments in the past decade across the transportation, energy, and utilities sectors in the United States and Canada.

THE PROPOSED TRANSACTION

8. On December 22, 2020, GBH’s current controlling owner, GEPIF II ECHO AIV, L.P.,² entered into a Stock Purchase and Sales Agreement (“SPSA”) with UIHH. As this proposed change in Frontier’s upstream ownership requires the Commission’s approval, the Applicants are filing this application seeking approval of the Transaction.

9. The Transaction represents an acquisition of GBH by UIF through its newly formed subsidiary UIHH, whereby GBH will become a wholly owned subsidiary

² Formerly “FREIF II Echo AIV, L.P.” See Order Approving Merger Subject to Regulatory Conditions, Docket No. G-40, Sub 136, at 3 (Aug. 1, 2017).

of UIHH. After the Transaction, GBH and its subsidiaries will remain as currently structured as wholly owned subsidiaries of UIHH. A copy of the SPSA is attached as Exhibit B. The SPSA is confidential and, thus, is filed under confidential seal. A depiction of the post-Transaction corporate structure is attached as Exhibit C.

UIF AND ITS EXPERIENCE WITH ENERGY AND UTILITY INVESTMENTS

10. As described by Ms. Sonia Axter—a Vice President of UIF GP, LLC and a Vice President of UIHH—UIF has experience owning and financing a mixture of energy related firms, including investments in regulated utility assets. UIF’s investment vehicle is an open-ended investment fund that makes investments in infrastructure businesses that provide essential services to communities, governments, and businesses. UIF made its first equity investment in November 2012. Since that time, UIF has secured more than \$3 billion in commitments from investors.

11. UIF has made 18 investments across the transportation, energy, and utilities sectors, providing geographic and sector diversification. As detailed in Ms. Axter’s testimony, these investments include, among others, ownership in a water and wastewater utility, a high-voltage submarine transmission cable, four combined-cycle generation plants, several solar and wind farms, and a natural gas transmission pipeline system.

12. To support its acquisition of GBH and its subsidiaries, UIF has engaged Morgan O’Brien, a seasoned utility executive with extensive experience leading and managing rate regulated electric and gas LDC operations in the United States. Mr. O’Brien has more than 30 years of experience in the regulated public utility industry, including serving as the Chief Executive Officer of Peoples Natural Gas Company LLC

and Peoples Gas Company LLC, and Duquesne Light Company, all of which are public utilities regulated by the Pennsylvania Public Utility Commission. Mr. O'Brien will assist UIF in assuring that the utilities will continue to be run safely and efficiently. Additionally, UIF will retain the current group of experienced and well qualified managers within HUI and will continue to work with the Luvian Partners (a firm that helps manage HUI), who are under contract through December 31, 2022.

THE LEGAL STANDARD FOR APPROVAL

13. Although the management and daily operations of Frontier will not change, the Transaction will result in a change of control of Frontier requiring Commission approval pursuant to N.C. Gen. Stat. § 62-111(a).

14. N.C. Gen. Stat. § 62-111(a) provides that “no franchise now existing . . . shall be sold, assigned, pledged or transferred, nor shall control thereof be changed through stock transfer or otherwise, . . . nor shall any merger or combination affecting any public utility be made through acquisition or control by stock purchase or otherwise, except after application to and written approval by the Commission, which approval shall be given if justified by the public convenience and necessity.”

15. In applying this statutory merger approval standard, the Commission has concluded that a proposed business combination is justified by the public convenience and necessity where: (i) the transaction will have no adverse impact on North Carolina retail ratepayers; (ii) the utility's customers are protected as much as possible from

potential costs and risks resulting from the transaction; and (iii) there are sufficient benefits from the proposed transaction to offset the potential costs and risks.³

16. The Commission has further explained that in making these assessments, it is appropriate to examine matters such as whether service quality will be maintained or improved, the extent to which costs can be lowered and rates maintained or reduced, and whether effective regulation of the merging utility will be maintained.⁴

**THE TRANSACTION IS JUSTIFIED BY THE
PUBLIC CONVENIENCE AND NECESSITY**

17. The Transaction is justified by the public convenience and necessity for the reasons explained below and those set forth in the pre-filed Direct Testimony of Kevin Degenstein, Chief Operating Officer and Chief Compliance Officer for HUI; the Direct Testimony of Fred Steele, President/General Manager of Frontier; and Sonia Axter, a Vice President of UIF GP, LLC and a Vice President of UIHH.

18. Frontier will continue to provide natural gas service as a regulated utility pursuant to its Certificates of Public Convenience and Necessity and will remain under the jurisdiction of the Commission. The Transaction will not affect the Commission's regulatory jurisdiction over Frontier, and Frontier will continue to comply with all applicable regulations, rules, orders, and regulatory conditions issued by the Commission. After the closing of the Transaction, Frontier will continue to provide service to the public under its approved rates, terms and conditions of service and no changes to such

³ See e.g., *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* (Duke/Piedmont Order), Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, at p. 68 (Sept. 29, 2016).

⁴ *Id.*

rates, terms and conditions of service are proposed in conjunction with this application or the underlying Transaction.

19. Importantly, the Transaction will not result in increased rates to customers as a result of the change in ownership. There is no proposal to change Frontier's rates, terms or conditions of service, management or operational structure as a result of the Transaction; Frontier will maintain its existing high-quality service, tariffs, rates, and terms following the Transaction.

20. None of the acquisition premium paid for GBH will be recovered from Frontier's customers. In addition, UIF has no present intention to modify the existing regulatory accounting and cost allocation methods approved and in place for Frontier; and any such changes would, of course, be subject to the Commission's supervision.

21. Additionally, the Transaction will not change the terms of the Intercompany Agreements Frontier has executed with HUI, which were approved in Docket G-40, Sub 133, and that are in place for Frontier. While UIF is planning to add incremental acquisition debt to HUI as part of the Transaction, this supplemental financing will not result in any increase in the debt of Frontier or HUI's other operating regulated or unregulated subsidiaries. All Regulatory Conditions that were part of the Commission's Order approving Intercompany Agreements will remain in place and stay in full force and effect.

22. Frontier provides adequate service to its customers in North Carolina and the Transaction will not create any risks to the services provided to those customers. No changes to Frontier's services, operations, or regulatory policies are contemplated in connection with the Transaction. Customers will continue to be able to interact with

Frontier at its existing office in North Carolina. No utility company operations, plant, equipment, franchises, permits, or other assets of Frontier will change or be transferred in connection with the Transaction. Nor are any changes of employment status of utility employees contemplated.

23. Frontier, under its new ultimate parent company, will continue to be committed to providing safe, affordable, and reliable natural gas service in North Carolina. Ultimate ownership and oversight by UIF, with its management focus, experience, and financial resources will better position Frontier to meet future customer demands and to implement plans for system expansion in Frontier's certificated counties.

24. UIF understands, acknowledges, and accepts the regulatory responsibilities of natural gas utilities required by the North Carolina General Statutes and the rules and regulations of the Commission. UIF will ensure that Frontier will continue to comply with all Commission orders, procedures, rules and standards, and Regulatory Conditions previously imposed by the Commission. Specifically, the Transaction will have no effect on the provisions of the settlement agreement reached with the Public Staff in Docket No. G-40, Sub 124, or the Regulatory Conditions agreed to in Docket No. G-40, Sub 136, all of which will remain fully applicable to Frontier's North Carolina operations.

25. The Transaction will also preserve the existing utility expertise and management resources at HUI. Following the Transaction, Luvian Partners, who are under contract through December 31, 2022, will continue to help with management of HUI, providing resources and expertise as needed to allow the utilities to ensure their

operations are streamlined and that customers continue to be offered safe, adequate, and reliable natural gas service.

26. UIF and its related entities represent an innovative and diversified holder of energy assets with a demonstrated commitment to infrastructure investment. Frontier and other HUI subsidiaries will benefit from UIF's knowledge of and experience working with regulated entities. UIF has the financial resources, experience, and expertise to support and enhance Frontier's growth and operations in ways that will provide tangible benefits to Frontier and Frontier's customers. Importantly, UIF will retain Frontier's management and employees that have experience in ensuring compliance with all applicable rules, regulations, and Commission orders.

27. UIF has experience in owning and financing a variety of energy-related assets. Those energy-related investments have over 7 GW of gross power production capacity and own approximately 6,000 miles of pipeline. As such, it is familiar with and experienced in the ownership and the operational importance of good management of energy companies.

28. UIF and its personnel are experienced and capable in the business of transporting and selling natural gas. In addition, UIF believes in maintaining a strong local community presence, maintaining constructive industry relationships, and being a long-term committed partner in the communities in which it operates.

29. UIF has raised over \$3.2 billion in infrastructure capital and is well financed with stable long-term funding and solid access to debt financing, capital markets, and geographic diversity. UIF will be able to enhance the financial security of both HUI and Frontier by providing continued access to capital for the expansion and

maintenance of Frontier's system. It will also continue to provide a long-term, strategic focus for the operations of its subsidiaries without being subject to the fluctuations in publicly-traded equity markets or shareholder expectations based upon quarterly earnings reports.

30. As a consequence of these factors (and others discussed in the Direct Testimony supporting this application), the Transaction is justified by the public convenience and necessity because the Transaction will: (1) align the interests of investors and ratepayers; (2) provide financial stability and continued access to capital to Frontier to enable Frontier to continue to expand the availability of natural gas service into unserved areas; (3) sustain the experienced and stable management of Frontier; (4) reduce fixed costs per ratepayer as Frontier's customers and volumes grow; and (5) provide other tangible and intangible long-term benefits to Frontier and its ratepayers. Furthermore, the Transaction will be seamless to Frontier's customers and will not adversely affect Frontier's customers in any way, as they will continue to receive the same high quality service to which they are accustomed, but with greater managerial focus, flexibility, and attention to changing market needs and opportunities. In addition, the Transaction will in no way affect Frontier's rates.

31. A more detailed analysis of the costs and benefits of the transaction described above is set forth in the Cost-Benefit Analysis attached hereto as Exhibit D and discussed in the Direct Testimony of witness Sonia Axter.

REQUEST FOR WAIVER

32. Given the relative size of Frontier's North Carolina operations and the lack of any other UIF-owned operations served by or in proximity to Frontier's service

territory, there is no possibility that the Transaction will enhance or increase either Frontier's or UIF's market power in any relevant retail or wholesale market. With respect to the retail operations of Frontier, activities in that market are subject to direct supervision by this Commission and no change in either the rates, terms or conditions of service or Frontier's power in that market will occur as a result of the Transaction. With respect to the wholesale markets in which Frontier participates, those markets are largely regulated by the Federal Energy Regulatory Commission and no change will occur in Frontier's market power in those markets as a result of the Transaction. Furthermore, UIF's ownership interest in the Southern Star Central Gas Pipeline, Inc. does not create any market power in the mid-Atlantic interstate gas market in which Frontier is situated. Therefore, Frontier respectfully requests a waiver of the requirement to file a market power analysis, as would otherwise be required to be filed by Commission Order in Docket No. M-100, Sub 129.

REGULATORY FILINGS AND APPROVALS

In addition to the approval sought in this Application, the Transaction is also subject to regulatory filings and approvals by the Maine Public Utilities Commission, the Montana Public Service Commission, and the Public Utilities Commission of Ohio.

EXHIBITS

33. The following exhibits are being filed with this Application:

Exhibit A – Frontier Financial Statements as of September 30, 2020

Exhibit B – Stock Purchase and Sales Agreement (Confidential)

Exhibit C – Post-Transaction Corporate Organization

Exhibit D – Cost-Benefit Analysis

WHEREFORE, the Applicants respectfully request that the Commission:

1. Approve the Transaction as explained in this Application and supporting testimony;
2. Grant the waiver of the requirement that Frontier file a market power analysis in this docket, as would otherwise be required by Commission Order in Docket No. M-100, Sub 129; and
3. Grant such other approvals and/or issue such terms of an Order in this docket as may be necessary to effectuate the relief requested in this Application.

Respectfully submitted this 27th day of January, 2021.

Frontier Natural Gas Company

/s/ James H. Jeffries IV
James H. Jeffries IV
McGuireWoods LLP
201 North Tryon Street, Suite 3000
Charlotte, NC 28202
Telephone: 704-343-2348
Email: jjeffries@mcguirewoods.com

**Ullico Infrastructure Hearthstone
Holdco, LLC**

/s/ Marcus W. Trathen
Marcus W. Trathen
Craig Schauer
Brooks, Pierce, McLendon,
Humphrey & Leonard, LLP
Suite 1700, Wells Fargo Capitol Center
150 Fayetteville Street
P.O. Box 1800 (zip 27602)
Raleigh, NC 27601
Telephone: (919) 839-0300
Email: mtrathen@brookspierce.com
Email: cschauer@brookspierce.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of Frontier Natural Gas Company and Ullico Infrastructure Hearthstone Holdco, LLC’s Application for Approval of Sale and Transfer of Stock has been served by electronic mail, hand delivery, or by depositing a copy in the United States mail, postage prepaid to the following:

Dianna Downey
Chief Counsel – Public Staff
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, NC 27699-4300
dianna.downey@psncuc.nc.gov

This the 27th day of January, 2021.

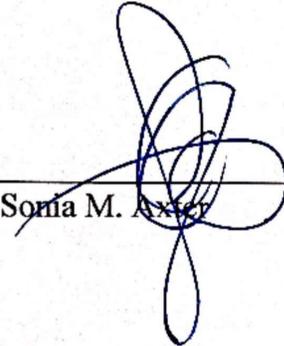
By: /s/ Craig D. Schauer
Craig Schauer
BROOKS, PIERCE, MCLENDON,
HUMPHREY & LEONARD, LLP
Suite 1700, Wells Fargo Capitol Center
150 Fayetteville Street
P.O. Box 1800 (zip 27602)
Raleigh, NC 27601
Telephone: (919) 839-0300
Email: cschauer@brookspierce.com

VERIFICATION

State of TENNESSEE)
)
County of DAVIDSON)

Sonia M. Axter, being first duly sworn, deposes and says:

That she is Vice President of UIF GP, LLC and Ullico Hearthstone Holdco, LLC;
that she has the authority to verify the foregoing Joint Application; that she has read this
Joint Application, and knows the contents thereof; and that the same is true of her own
knowledge.

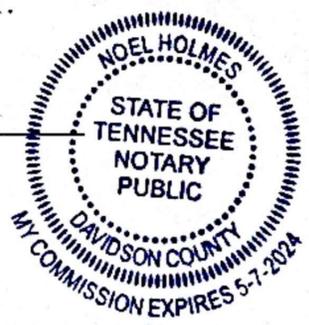


Sonia M. Axter

Sworn to and subscribed before me
This 26 day of January, 2021.



Notary Public



STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

VERIFICATION

Fred A. Steele, being duly sworn, deposes and says that he is President and General Manager of Frontier Natural Gas Company, that as such, he has read the foregoing and knows the contents thereof; and he believes that the facts set forth therein are true and correct.

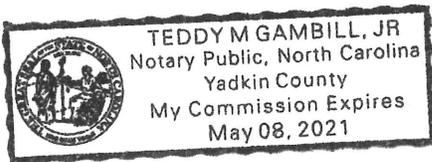
Fred A Steele
Fred A. Steele

Surry County, North Carolina
Signed and sworn to before me this day by Fred A. Steele.

Date: 1-27-2021 Teddy M Gambill, Jr
Notary Public

(Official Seal)

My Commission Expires: 5-8-2021



/A

EXHIBIT A

FRONTIER FINANCIAL STATEMENTS

DOCKET NO. G-40, SUB 160

Frontier Natural Gas Company
Statement of Cash Flows
As of September 30, 2020

OFFICIAL COPY

Jul 19 2021

	Nine Months Ended 9/30/2020
CASH FLOWS FROM OPERATIONS:	
Net Income (Loss)	\$ 1,773,064
Adjustments to Reconcile Net Income to Net Cash Used In Operations:	
Depreciation & Amortization	1,141,689
Changes in Assets and Liabilities:	
Accounts Receivable	811,107
Inventory	(72,724)
Other Current Assets	(37,053)
Held for Sale Assets	170,100
Costs in Excess of Billings	320,757
Accounts Payable - Affiliates	(111,163)
Accounts Payable	(540,310)
Other Current Liabilities	281,744
Deferred Debt Costs	25,068
Deferred Taxes Liability-Current	-
Other LT Liability-Non Current	-
Deferred Tax Liability Non-Current	529,019
	4,291,298
Net Cash (Used In) Provided by Operations	4,291,298
CASH FLOWS FROM INVESTING:	
Property Plant & Equipment	(1,616,454)
Fixed Asset Disposal & CIAC	(425,394)
Net Cash (Used in) Provided by Investing	(2,041,848)
Addition to Paid in Capital	-
Dividend Payable to HUI	(1,350,000)
CASH FLOWS FROM FINANCING:	
Notes Payable Payments	(750,000)
	(1,350,000)
Net Cash (Used in) Provided by Financing	(1,350,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	149,451
CASH AND CASH EQUIVALENTS-BEGINNING OF PERIOD	50,424
CASH AND CASH EQUIVALENTS-END OF PERIOD	\$ 199,875

Frontier Natural Gas Company
Balance Sheet
As of September 30, 2020

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Jul 19 2021

	9/30/2020	12/31/2019
ASSETS		
Cash & Cash Equivalents	\$199,875	\$50,424
Accounts Receivable - Trade	1,302,620	1,520,247
Allowance for Doubtful Accounts	(160,000)	(82,065)
Accrued Gas Receivables	537,496	1,107,042
Note Receivable	54,000	
Net Accounts Receivable	1,734,116	2,545,223
Deferred Debt Costs	110,193	135,261
Held for Sale Assets		170,100
Deferred Taxes Asset	674,482	674,482
Total Other Assets	784,675	979,843
Gas Stored	45,460	45,460
Inventory	684,358	611,634
Total Inventory	729,818	657,094
Prepaid Expenses	221,629	184,576
Costs in Excess of Billings	49,010	369,767
Total Other Current Assets	270,639	554,343
Total Current Assets	3,719,123	4,786,928
Property, Plant & Equipment-Historical Cost Gross	165,046,186	164,187,008
Contributions in Aid of Construction	(4,671,738)	(3,941,676)
Construction Work In Progress	2,263,607	643,480
Impairment Reserve	(76,771,226)	(76,771,226)
EWST Purchase Price Adjustment	(31,199,181)	(31,199,181)
Land Impairment	(0)	(296,278)
Accumulated Depreciation/Amortization-Historical Cost	(66,030,761)	(62,805,070)
Accumulated Amortization-Impairment/Purchase Adj.	46,767,466	44,687,137
Net Property, Plant & Equipment	35,404,353	34,504,194
Total Assets	\$39,123,476	\$39,291,122

Frontier Natural Gas Company
Balance Sheet
As of September 30, 2020

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Jul 19 2021

	<u>9/30/2020</u>	<u>12/31/2019</u>
LIABILITIES & EQUITY		
Accounts Payable - Affiliates	185,729	296,892
Due to Affiliates - Current	185,729	296,892
Accounts Payable - Trade	1,036,341	1,576,652
Total Accounts Payable	1,036,341	1,576,652
Customer Deposits	97,337	112,592
LOC		750,000
Other Accrued Taxes and Fees	155,197	54,160
Misc Other Current Liabilities	288,072	92,110
Total Other Current Liabilities	540,607	1,008,862
Total Current Liabilities	1,762,677	2,882,406
Long Term Debt	8,700,000	8,700,000
Total Long Term Debt	8,700,000	8,700,000
Other LT Liability-Non Current	1,034,119	1,034,119
Deferred Taxes Liability-Noncurrent	3,142,011	2,612,992
Total Other Noncurrent Liabilities	4,176,129	3,647,111
Total Long-Term Liabilities	12,876,129	12,347,111
Total Liabilities	14,638,807	15,229,517
Paid In Capital	10,172,134	10,172,134
Total Paid in Capital	10,172,134	10,172,134
Net Income	1,773,064	3,085,387
Dividends Payable	(14,030,860)	(12,680,860)
Retained Earnings - BOP	26,570,331	23,484,944
Retained Earnings - EOP	14,312,535	13,889,471
Total Equity	24,484,669	24,061,605
Total Liabilities and Equity	\$39,123,476	\$39,291,122

Frontier Natural Gas Company
Income Statement -
As of September 30, 2020

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Jul 19 2021

	<i>September Actual</i>	<i>YTD September Actual</i>
OPERATING REVENUE:		
Gas Revenue - Transportation Only	\$ 389,384	3,704,056
Gas Revenue - Full Service	573,930	6,766,351
	-----	-----
TOTAL OPERATING REVENUE	963,314	10,470,407
COST OF GOODS SOLD	256,049	3,401,108
GROSS MARGIN - TRANSPORTATION	389,384	3,704,056
GROSS MARGIN - FULL SERVICE	317,881	3,365,243
	-----	-----
GROSS MARGIN	707,265	7,069,299
	73.4%	67.5%
OPERATING EXPENSES:		
Labor	115,242	1,016,297
Employee Benefits	24,413	338,304
Employee Reimbursable Expenses	856	6,997
Purchased Materials	17,683	164,221
Purchased Services	48,913	404,994
Finance Charges	1,274	12,194
Rent	2,500	26,908
Overhead-Corporate	70,630	682,500
Fleet	5,737	37,199
Uncollectible Expense	50,890	87,030
Outside Services & Other A&G	8,169	197,958
	-----	-----
Total Operating Expenses	346,307	2,974,602
Depreciation-Utility	374,907	3,353,727
Amortization-Utility	(245,782)	(2,212,038)
	-----	-----
Depreciation & Amortization	129,125	1,141,689
Property Taxes	19,000	171,000
Other Taxes	13,011	145,331
	-----	-----
Other Taxes	32,011	316,331
	-----	-----
NON-OPERATING REVENUE		
Miscellaneous Non-Operating Income	(0)	(1,597)
	-----	-----
Total Non-Operating Revenue	(0)	(1,597)
	-----	-----
EARNINGS BEFORE INTEREST & INCOME TAXES	199,822	2,638,275

Interest Expense	39,043	336,192
Interest Charges	39,043	336,192
EARNINGS BEFORE INCOME TAXES	160,779	2,302,082
Federal Income Taxes & Deferred Fed IT	33,764	483,437
Total Federal Taxes	33,764	483,437
State Income Taxes	3,183	45,581
Total State Taxes	3,183	45,581
Total Operating Taxes	36,947	529,019
NET INCOME / (LOSS)	\$ 123,832	\$ 1,773,064
EBITDA	328,947	3,779,964

/A

EXHIBIT B

STOCK PURCHASE AND SALES AGREEMENT

DOCKET NO. G-40, SUB 160

**[INTENTIONALLY OMITTED –
FILED UNDER CONFIDENTIAL SEAL]**

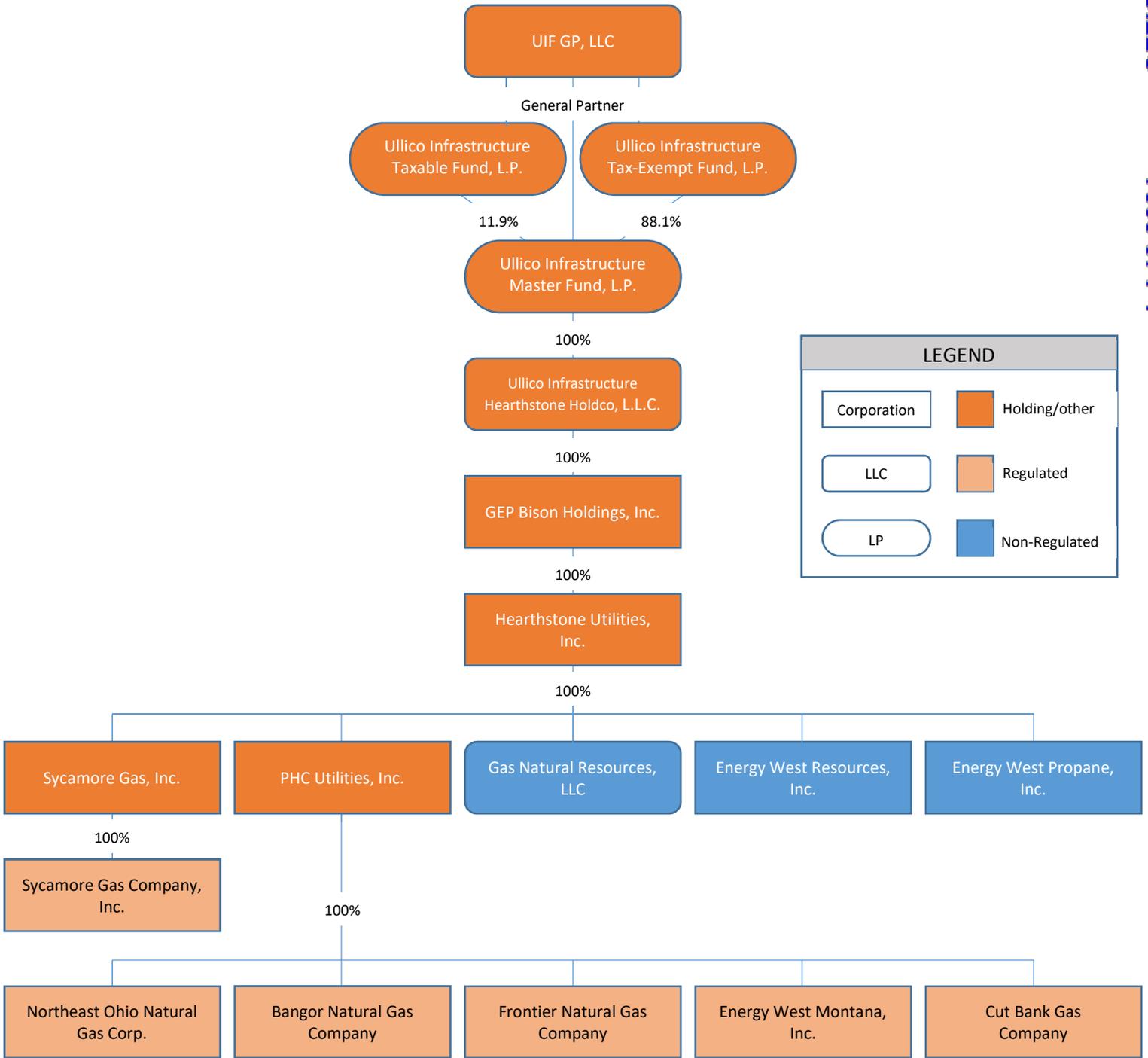
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EXHIBIT C

POST-TRANSACTION CORPORATE ORGANIZATION

DOCKET NO. G-40, SUB 160

UIF PORTFOLIO INVESTMENT – HEARTHSTONE – PROPOSED ENTITY DIAGRAM



LEGEND	
Corporation	■ Holding/other
LLC	■ Regulated
LP	■ Non-Regulated

/A

EXHIBIT D

COST-BENEFIT ANALYSIS

DOCKET NO. G-40, SUB 160

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
*Cost Benefit Analysis***

The following cost-benefit analysis was developed in relation to the pending acquisition of **GEP Bison Holdings Inc.** (“GBH”) by **Ullico Infrastructure Hearthstone Holdco, LLC** (“UIHH”). This analysis documents the expected benefits, detriments, costs and savings associated with the purchase. The information and format of this analysis is based on the requirements set forth in the Commission’s November 2, 2000 order in Docket No. M-100, Sub 129.

ASSUMPTIONS

The following assumptions were used when developing the cost-benefit analysis:

- The analysis identifies future expected benefits, detriments, costs and savings associated with the acquisition and is subject to change as a result of changes in economic conditions, regulatory orders, management decisions and/or operating conditions that were not known at the time this analysis was developed.
- Estimates reflected herein were developed as of January 2021.
- The analysis captures projected incremental benefits and costs resulting from the acquisition and includes both qualitative and quantitative benefits.
- The analysis does not include federal and state income tax ramifications of the transaction.

COST-BENEFIT ANALYSIS FILING REQUIREMENT

The Commission’s November 2, 2020 order in Docket No. M-100, Sub 129 requires all applicants seeking authority to engage in mergers or other business combinations within the natural gas industry, as stated in Ordering Paragraph 2.(a), to provide “a comprehensive list of all material areas of expected benefits, detriment, cost, and savings over a specified period (e.g. three to five years) following consummation of the merger and a clear description of each individual item in each area.”

Because the acquisition of GBH by UIHH is a business combination within the natural gas industry that affects Frontier Natural Gas Company (“Frontier”), UIHH is providing the following information in response to this requirement.

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
*Cost Benefit Analysis***

SUMMARY OF PRESENTLY QUANTIFIABLE COSTS AND BENEFITS

Below is a summary of the anticipated quantifiable costs and benefits applicable to GBH with respect to the proposed transaction which have been identified at this time. Costs and benefits identified at the corporate level are, generally, directly assigned to the utilities/companies that Hearthstone Utilities, Inc. (HUI), a subsidiary of GBH, oversees, or are allocated to the various subordinate entities based on the recently approved shared services agreements, or are anticipated to yield additional economic benefits to customers which have not yet been quantified. Customers will not bear any acquisition premium or transaction costs associated with this acquisition which shall be paid exclusively by UIHH.

Benefits

- The benefits of the acquisition cannot be quantified at this time.

Costs

- One-time transition costs estimated to be up to \$9 million, which shall be paid exclusively by UIHH, not by ratepayers.

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
Cost Benefit Analysis**

COMPREHENSIVE IDENTIFICATION OF ALL ANTICIPATED ACQUISITION COSTS AND BENEFITS

ITEM	DESCRIPTION	QUANTIFICATION OF BENEFIT / COST
BENEFITS FROM THE ACQUISITION:		
Alignment of Interests between Investors and Ratepayers	UIHH's 100% owner, the Ullico Infrastructure Master Fund, LP ("UIF"), is an open-ended investment vehicle that does not have a finite holding period for its investments but rather seeks long-term investments in stable assets, such as public utility companies. UIF's emphasis on long-term ownership better aligns the interests of the utility stakeholders (including ratepayers) with its owners and brings stability and continuity of focus to the enterprise. UIF's open-ended fund structure also enables perpetual access to capital, which better aligns with the long-term capital needs of the utility.	This ongoing benefit is not readily quantifiable at this time but will accrue to Frontier customers for years to come.
Continued Access to Capital	The acquisition will give Frontier access to UIF's \$918 million of available capital as of January 2021 (in addition to future funds raised by UIF), which will sustain Frontier's ability to access, on reasonable terms, the capital needed to meet economically feasible customer growth opportunities and ongoing system requirements.	The amount of these ongoing benefits will depend upon numerous factors, including, but not limited to, conditions in the financial markets, and cannot reasonably be quantified at this time.
Financial Stability	In addition to providing Frontier with long-term and consistent access to capital, UIF, as an open-ended investment fund, is making an enduring investment in GBH that, in turn, will provide long-term financial stability for Frontier. Long-term investors are able to make decisions that better align with the long-term interests of the ratepayers and other key stakeholders, bringing financial stability to the enterprise.	This ongoing benefit is not readily quantifiable at this time but will accrue to Frontier customers for years to come.

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
Cost Benefit Analysis**

ITEM	DESCRIPTION	QUANTIFICATION OF BENEFIT / COST
BENEFITS FROM THE ACQUISITION (CONT.):		
Management Stability and Experience	<p>UIF will retain the experienced management teams at HUI and Frontier. To support its acquisition of GBH and its subsidiaries, UIF has engaged Morgan O’Brien, a seasoned utility executive with extensive experience leading and managing rate regulated electric and gas LDC operations in the United States. Mr. O’Brien will assist management and UIF in assuring that Frontier will continue to be run safely and efficiently and will make progress at the GBH level towards UIF’s near-term initiative to establish a full-time executive management team (replacing the short-term management contract that exists currently). UIF also has a history of investing in energy and infrastructure, which will provide valuable corporate governance and experience to complement existing leadership.</p>	<p>This ongoing benefit is not readily quantifiable at this time but will accrue to Frontier customers for years to come.</p>
Improved Service, Safety, and Investments	<p>The combination of financial and management stability, supplemented with additional industry experience from UIF, will foster long-term planning, enhanced customer service, improved safety and reliability, and better coordination of investments to serve existing customers and unserved areas. UIF will offer capital to allow Frontier to pursue necessary system upgrades, address any infrastructure replacement and enhance customer service. UIF recognizes the many changes that are developing both nationally and regionally around environmental matters, technology evolution and the ever changing landscape of customer’s needs and wants with their energy usage. UIF plans to prioritize these opportunities and drive positive change by engaging and supporting further innovation around how a utility operates and how a utility can harness these technologies to better and more cost effectively deliver energy to customers.</p>	<p>This ongoing benefit is not readily quantifiable at this time but will accrue to Frontier customers.</p>

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
Cost Benefit Analysis**

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ITEM	DESCRIPTION	QUANTIFICATION OF BENEFIT / COST
BENEFITS FROM THE ACQUISITION (CONT.):		
A Reduction in Fixed Costs Per Ratepayer	Because UIF is interested in pursuing growth in customer and volumes served, Frontier's fixed costs should be spread over a larger customer base over time.	This ongoing benefit is not readily quantifiable at this time but will accrue to Frontier customers.
Retaining Local Offices and Management in Elkin, North Carolina	The proposed acquisition will continue to maintain Frontier's headquarters in Elkin, North Carolina. This is a direct benefit to the State and to the localities where Frontier's offices, equipment and employees are located. These benefits include the positive direct economic effect of rents, salaries, taxes, purchasing, and charitable contributions but also include indirect benefits such as continued civic engagement and the maintenance of Frontier's existing brand. This is a benefit to the Commission and to the Frontier's customers through enhanced responsiveness and sensitivity to local and state issues and priorities, including economic development and the expansion of gas infrastructure.	This ongoing benefit has not been quantified at this time but represents the real economic impact of the maintenance of Frontier's local office in Elkin and its participation in the community as an employer and supporter of community. Benefit includes economic impacts of local taxes, rents, and local payroll and multiplier of that payroll in the local economy.
Sustained Ability to Facilitate Infrastructure Expansion and Economic Development Efforts	In order to facilitate economic growth and the attraction of new businesses to North Carolina, utilities, business development entities and local governments must coordinate the availability of a full range of utility and infrastructure services. Under UIHH's ownership, Frontier would have access to capital and UIF's experience in infrastructure investments, which, combined with North Carolina economic incentives, should enhance Frontier's ability to extend infrastructure to unserved customers and under-developed areas.	This ongoing benefit is not presently quantifiable.

**Ullico Infrastructure Hearthstone Holdco, LLC Acquisition of
GEP Bison Holdings Inc., Including Frontier Natural Gas Company
Cost Benefit Analysis**

ITEM	DESCRIPTION	QUANTIFICATION OF BENEFIT / COST
BENEFITS FROM THE ACQUISITION (CONT.):		
No Change in Rates, Charges or Terms and Conditions of Service	While UIF believes that the proposed acquisition will provide most or all of the benefits identified above, it is important to note that the acquisition will not result in any increase to rates or charges or changes in terms or conditions of service pursuant to which Frontier currently provides service to customers in North Carolina. In addition to the rate-case moratorium imposed by the Regulatory Conditions in Docket No. G-40, Sub 136, any future changes would be subject to the Commission's supervisory authority, which further ensures that the proposed acquisition will have no detrimental impact on customers in North Carolina.	This present benefit is essentially equal in value to the sum of the known premium and transaction costs set forth below, to the extent that UIF has agreed to absorb those costs and not attempt to pass them along to ratepayers. This ongoing benefit is not presently quantifiable.

ITEM	DESCRIPTION	QUANTIFICATION OF BENEFIT / COST
COSTS FROM THE ACQUISITION:		
Transaction Fees	There will be one-time costs associated with this transaction. Examples of these costs include investment banker fees and legal, accounting and advisory fees. Ratepayers will not bear these costs.	These one-time costs are currently estimated to be up to \$9 million and will be absorbed entirely by UIF, not by rate payers.
Acquisition Premium	Excess of purchase price (market value) over book value of assets.	This one-time cost will be absorbed entirely by UIF, not by ratepayers, representing a total enterprise acquisition premium spread across all of HUI's businesses and jurisdictions rather than a North Carolina only premium.

**DOCKET NO. G-40, SUB 160
REGULATORY CONDITIONS**

These Regulatory Conditions set forth commitments made by Ullico Infrastructure Hearthstone Holdco, LLC (UIHH), GEP Bison Holdings, Inc. (GBH), Hearthstone Utilities, Inc. (HUI), PHC Utilities, Inc. (PHC), and Frontier Natural Gas Company (Frontier), as a precondition of approval of the application by Frontier and UIHH pursuant to N.C. Gen. Stat. § 62-111(a) for authority to engage in their proposed business combination transaction (Merger). These Regulatory Conditions, which become effective only upon closing of the Merger, shall apply jointly and severally to UIHH, GBH, HUI, PHC, and Frontier (as well as any successor entities), and shall be interpreted in the manner that ensures Frontier's customers (a) are protected from any known adverse effects from the Merger, (b) are protected as much as possible from potential costs and risks resulting from the Merger, and (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from the Merger.

UIF GP, LLC (UIF GP), and Ullico Infrastructure Master Fund, L.P. (UIF), as well as any additional or successor entities with control over UIHH, GBH, HUI, PHC, or Frontier (collectively the Parent Entities), do hereby acknowledge and consent to these Regulatory Conditions agreed and entered into by UIHH, GBH, HUI, PHC, and Frontier (collectively the Subsidiary Entities). The Parent Entities further commit not to cause the Subsidiary Entities to violate such Regulatory Conditions, nor to prevent the Subsidiary Entities from taking action to comply with the Regulatory Conditions, for so long as such Regulatory Conditions remain in effect and applicable to the Subsidiary Entities. The consent and acknowledgment of the Parent Entities set forth above does not constitute a general consent to expansion of the North Carolina Utilities Commission's jurisdiction over the Parent Entities beyond that established by Chapter 62 of the North Carolina General Statutes.

For purposes of these Regulatory Conditions, the North Carolina Utilities Commission is referred to as "the Commission," and the Public Staff – North Carolina Utilities Commission is referred to as "the Public Staff." "Affiliate" shall mean UIHH and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by UIHH, including, but not limited to, Frontier, PHC, HUI, and GBH.

1. **Compliance with Sub 124 Stipulation.** Frontier shall continue to remain bound by the terms and conditions of the Stipulation entered into with the Public Staff on June 27, 2014, as amended on September 14, 2015 (collectively, the Sub 124 Stipulation), and filed in Docket No. G-40, Sub 124, to the extent that those terms and conditions are ongoing and are not clearly superseded by these Regulatory Conditions. The Sub 124 Stipulation is incorporated herein by reference.
2. **Compliance with Sub 133 Regulatory Conditions.** Frontier shall continue to remain bound by the Regulatory Conditions attached to the Commission's Order Granting Conditional Approvals issued August 2, 2016, in Docket No. G-40, Sub 133 (Sub 133 Regulatory Conditions), to the extent that those conditions are ongoing and are not clearly superseded by these Regulatory Conditions. The Sub 133 Regulatory Conditions, with the exception of Attachment A thereto, are incorporated herein by reference. Attachment A to the Sub 133 Regulatory Conditions is superseded by Attachment A hereto.
3. **Compliance with Sub 142 Stipulation.** Frontier shall continue to remain bound by the terms and conditions of the Agreement and Stipulation of Settlement entered into with the Commission Staff, which was approved by Commission Order Approving Agreement and Stipulation of Settlement issued October 31, 2017, and the Amended Stipulation of Settlement, which was approved by Commission Order Approving Modification to Agreement and Stipulation of Settlement issued September 11, 2018, in Docket No. G-40, Sub 142 (collectively, the Sub 142 Stipulation). The Sub 142 Stipulation is incorporated herein by reference.
4. **Measurement of Frontier Rate Base.** For North Carolina regulatory accounting, reporting, and ratemaking purposes, Frontier's rate base as of the Merger closing date shall be set at its net book value as of December 31, 2020, as reported in its financial statements and incorporated into the NCUC Form G.S.-1 Quarterly Financial and Operational Data Reports (NCUC G.S.-1 Reports) provided to the Public Staff and the Commission, plus charges and credits incurred in the normal course of utility business between December 31, 2020 and the Merger closing date.
5. **Merger-related Direct Expenses.** Direct expenses associated with the Merger will be excluded from the regulated expenses of Frontier for Commission financial reporting and ratemaking purposes. Direct merger expenses are change-in-control payments made to terminated executives, merger-related bonuses, severance payments, regulatory process costs, and transaction fees (such as investment banker and legal fees for transaction structuring, financial market analysis, and fairness opinions based on formal agreements with investment bankers). Frontier will file a summary report of its final accounting for Merger-related direct expenses

within 120 days after the close of the Merger, and supplemental reports within 60 days after each quarter until such expenses cease.

6. **Merger Transition Costs.** Frontier shall report the actual transition costs as identified by category in the Cost-Benefit Analysis, Exhibit D to the Merger application, on its NCUC G.S.-1 Report in accordance with generally accepted accounting principles and identify the North Carolina portions of these costs beginning with the first quarter after the Merger closes.
7. **Non-Consummation of Merger.** If the Merger is not consummated, neither the cost, nor the receipt, of any termination payment shall be allocated to Frontier or included in regulated expenses of Frontier for Commission financial reporting and ratemaking purposes. Frontier's customers shall not otherwise bear any direct expenses or costs associated with a failed merger.
8. **Inclusion of Cost Savings in Future Rate Proceedings.** For purposes of future general rate case proceedings for Frontier, Frontier and the Public Staff shall not be limited to or constrained by the provisions of these Regulatory Conditions in asserting or sustaining arguments regarding the proper treatment of merger cost savings in setting just and reasonable rates for Frontier.
9. **Hold Harmless Commitment.** The Merger shall be effectuated in a manner designed to prevent harm to Frontier's ratepayers, although it is recognized that it is possible that matters not currently foreseeable could have the potential to negatively impact Frontier ratepayers in the future. Notwithstanding this, Frontier, UIHH, GBH, HUI, and PHC (as well as any successor entities exercising control over Frontier) shall take all such actions as may be reasonably necessary and appropriate to hold Frontier's customers harmless from the effects of the Merger.¹
10. **Distributions to HUI and PHC.** Frontier shall not pay to HUI (directly or through PHC) any distribution exceeding 100% of Frontier's net income calculated on a two-year rolling average basis. In addition, Frontier shall limit cumulative distributions paid to HUI (directly or through PHC) subsequent to closure of the Merger to (i) the amount of its retained earnings on the day prior to the closure of the Merger, plus (ii) any future earnings recorded by Frontier subsequent to closure of the Merger. Frontier shall not make any distributions to any Affiliates other than PHC and HUI, unless approved by the Commission. The Commission retains the right to impose future limitations on distributions of Frontier if the public interest

¹ Frontier and UIHH reserve the right to dispute future assertions by the Public Staff that any particular future action or event may cause or represent harm to Frontier's ratepayers attributable to the Merger for which relief should be granted under this Condition.

requires, as provided pursuant to applicable law and prior Commission orders.

11. **Protection Against Debt Downgrade.** To the extent the cost rates of any of HUI's or Frontier's long-term debt (more than one year) are or have been adversely affected as a result of the Merger through a ratings downgrade below BBB rating by any one of the three credit rating agencies² or an indicative credit rating associated with a private placement of debt, a replacement cost rate to remove the effect shall be used for all purposes affecting any of Frontier's North Carolina rates and charges. This replacement cost rate shall be applicable to all financings, refundings, and refinancings taking place following the change in ratings. If a downgrade has occurred and is continuing, a replacement cost calculation will be determined, as part of Frontier's future general rate cases. The replacement rate should be commensurate with a BBB rating and no greater than the prime rate plus 200 basis points. This Regulatory Condition will continue for five years after the consummation of the Merger.
12. **Notice of Certain Investments.** Whenever one of the Parent Entities or UIHH makes any new or increased direct or indirect investment in a business entity where: (a) such investment appears or will appear on the books of UIHH, GBH, PHC, or HUI, or will otherwise have an effect on the books, costs, rates, revenues, charges, obligations, services, capitalization, or indebtedness of Frontier, and (b) the amount of such investment is equal to ten percent (10%) or more of HUI's book capitalization, the investing entity shall file or cause to be filed, as soon as practicable following Board or other approval of the subject transaction and any public announcement thereof (if one is made), a notice of the investment with the Commission. The notice shall include a full description of the investment and an explanation of how it will be accounted for in the investing entity's books and records.
13. **Notice of Certain PHC and HUI Investments.** Frontier shall file a notice with the Commission, subsequent to PHC Board or HUI Board approval and as soon as practicable following any public announcement (if one is made), of any new investment in a regulated utility.
14. **Notice by Frontier of Default or Bankruptcy of Affiliate.** If an Affiliate or Parent Entity of Frontier experiences a default on an obligation that is material to HUI or UIHH or files for bankruptcy, and such bankruptcy is material to HUI or UIHH, Frontier shall notify the Commission of the event in advance, if possible, or, if not, as soon as possible but not later than ten (10) days after such event. For purposes of this section, materiality shall be

² The three rating agencies are Moody's Investors Service, S&P Global Ratings, and Fitch Ratings.

any default or bankruptcy that would be required to be disclosed in the audited financial statements of HUI.

15. **Common Equity Capital.** Until the final order is issued in Frontier's next general rate case, Frontier will maintain common equity capital at levels equal to or greater than 45% of total adjusted capital (including common equity, long-term debt, long-term capital leases, and current maturities of long-term debt). No equity distributions, whether by dividend or other form, will be allowed that would result in equity capital falling below this minimum level during the specified period, without prior approval of the Commission. Notwithstanding the foregoing, Frontier shall maintain the right to petition the Commission for an exception to this Regulatory Condition.
16. **Post-Closing Financial Information.** Frontier shall file pre- and post-Merger closing balance sheets and the closing journal entries, including relevant descriptions and disclosures for the transactions recorded, for HUI, PHC, and itself, as soon as practicable but not later than the end of the second full quarter following the close of the Merger.
17. **Meetings with Public Staff.** HUI and Frontier shall meet annually with the Public Staff to discuss Frontier's financial condition and results, service quality initiatives and results, customer service changes, pipeline safety, and potential new tariffs.
18. **Service Company Formation.** Frontier shall notify the Commission of any plans of any Affiliate to form a service company that, to the best knowledge of UIHH, the Affiliate, or Frontier, could potentially cause federal preemption of the Commission's jurisdiction over Frontier or would affect, take services from, or provide services to Frontier at least sixty (60) days prior to the formation of such service company. Frontier will take all such actions as the Commission finds necessary and appropriate to hold North Carolina ratepayers harmless from any federal preemption that may be triggered by the formation of a service company.
19. **Access to Books and Records.** In accordance with and to the extent provided by North Carolina law, the Commission and the Public Staff shall continue to have access to the books and records of Frontier and its Affiliates.
20. **Changes to Board of Directors or Management.** Frontier shall notify the Commission within ten (10) days of any changes to the Board of Directors or management of UIHH, GBH, HUI, PHC, or Frontier.
21. **Notice and Consultation with Public Staff Regarding Proposed Structural and Organizational Changes.** Upon request, UIHH, HUI, and Frontier shall meet and consult with, and provide requested relevant data to, the Public Staff regarding plans for significant changes in

Frontier's or any of its Affiliates' organization, structure, and activities which are reasonably anticipated to affect Frontier; the expected or potential impact of such changes on Frontier's rates, operations and service; and proposals for assuring that such plans do not adversely affect Frontier's customers. Frontier shall inform the Public Staff promptly of any such events and changes.

22. **Mergers and Acquisitions.** For any proposed merger or other business combination³ that would affect Frontier, Frontier shall file an application for approval pursuant to N.C.G.S. § 62-111(a) at least 180 days before the proposed closing date for such merger or other business combination.
23. **Audited Financial Statements.** By the end of the first quarter of each calendar year, Frontier will provide to the Public Staff audited financial statements of HUI for the preceding calendar year.
24. **Merger-related Cost Savings.** In order to ensure that the Commission's three-part test for determining whether a proposed utility merger is justified by the public convenience and necessity is met,⁴ Frontier shall credit a total of \$200,000 to its North Carolina customers in recognition of Frontier's share of the estimated merger-related savings associated with a reduction in HUI's normalized executive management cost (post 2022), through two bill credits in the amount of \$100,000. The first \$100,000 shall be refunded through a one-time bill credit to be completed by January 1, 2022, or as soon as practicable after the transaction is consummated. The second \$100,000 shall be refunded through a one-time bill credit to be completed by January 1, 2023.

The bill credits shall be allocated to the rate schedules by the non-gas cost margin of each rate schedule. The total allocated credits in each rate class will be divided by the total volume of gas from the latest 12 calendar months of usage prior to the date of closing that is available to arrive at a unit credit rate for each rate schedule. Customers within each rate class will be credited an amount equal to the class unit credit rate times each individual customer's volume from the latest 12 calendar months available. Within 30 days after each bill credit is completed, Frontier shall file a report with the Commission detailing the amount of the bill credit by rate schedule.

³ For purposes of these Regulatory Conditions, a "merger or other business combination" is defined as not simply an investment in a business entity, but as a transaction or other event in which either (1) an acquirer obtains control of one or more business entities, or (2) two or more previously separate business entities merge into one with newly defined or established control authority.

⁴ See Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued June 29, 2012, in Docket Nos. E-2, Sub 998 and E-7, Sub 986, aff'd, In re Duke Energy Corp., 232 N.C. App. 573, 755 S.E.2d 382 (2014)

25. **Obligations with Affiliates.** Frontier will not make a loan to any Affiliate, issue a guarantee for an obligation of any Affiliate, or otherwise assume any obligation of any Affiliate without prior Commission approval.
26. **Capital Budgets.** Frontier shall maintain a level of capital and operational support in North Carolina necessary to provide safe, efficient, and reliable service at reasonable rates. Frontier shall continue to provide to the Public Staff, on a confidential basis and for informational purposes, its five year projected capital budget for new, expanded, or upgraded natural gas facilities in North Carolina by June 30 of every year until relieved of this requirement by future Commission order.
27. **Pipeline Safety.** Frontier shall maintain compliance with all federal gas pipeline safety laws and regulations. Pursuant to the Sub 142 Stipulation, Frontier is required to file with the Commission, within three months after completion of construction of system enhancements contemplated in the Sub 142 Stipulation, a report in Sub 142 providing the details of the work completed and an itemized accounting of all monies spent once all required work is completed. Frontier shall provide a copy of the report to the Public Staff at the time it is filed with the Commission.
28. **Regulatory Reporting Requirements.** Frontier shall comply with all regulatory reporting requirements shown on Attachment A hereto.
29. **Regulatory Staffing.** Frontier shall maintain sufficient, adequately trained personnel to ensure that regulatory reporting requirements are complied with in a timely and accurate manner, including the reporting requirements listed on Attachment A hereto. Frontier shall notify the Public Staff when there is any change in regulatory or operational personnel at the management/supervisor level. Each year by June 30, Frontier shall provide the Public Staff with an updated directory of regulatory and operational personnel, including phone numbers and e-mail addresses.
30. **Operating and Maintenance Manual.** Frontier shall provide a current copy of its Operating and Maintenance Manual to the Public Staff, and promptly notify the Public Staff in writing of any substantive changes.
31. **Right-of-Way Maintenance Expenditures.** Frontier shall budget and expend sufficient funds to maintain its pipeline rights-of-way so as to allow ready access by personnel and vehicles for the purpose of responding to pipeline damage, conducting leak and corrosion surveys, performing maintenance activities, and ensuring system integrity, safety, and reliability.
32. **Customer Access to Service Representatives and Other Services.** Frontier shall continue to utilize a third-party service for after-hours calls

related to service outages and leaks. Frontier on-call personnel, who respond to calls 24 hours a day, are contacted by the third-party service when a call is received. Additionally, Frontier will continue to provide knowledgeable and experienced customer service representatives during normal business hours to handle all types of customer inquiries. Frontier shall also maintain up-to-date and user-friendly online services and automated telephone service 24 hours a day to perform routine customer interactions and to provide general billing and customer information.

33. **Customer Surveys.** Frontier shall continue to informally survey its customers regarding their satisfaction with Frontier's public utility service and shall incorporate this information into its processes, programs, and services
34. **Overall Service Quality.** Upon consummation of the Merger, Frontier shall continue its commitment to provide safe, reliable, and affordable natural gas service.
35. **Charges for and Allocations of the Costs of Affiliate Transactions.** Frontier shall keep on file with the Commission a cost allocation manual (CAM) with respect to goods or services provided between and among Frontier and its Affiliates. Affiliate transactions will be directly charged where practicable. The CAM shall encompass transactions, allocations, and the bases for the allocations occurring (a) at the UIHH level and below, and (b) with any Affiliate with which Frontier has a frequent or continuing cost allocation or transaction relationship, either directly or indirectly through UIHH or a direct or indirect subsidiary of UIHH. The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect.
36. **Affiliated Agreements.** Frontier shall file pursuant to N.C.G.S. § 62-153 agreements for the provision and receipt of goods or services between and among Frontier and its Affiliates. All such agreements that involve payment of fees or other compensation by Frontier shall require acceptance and authorization by the Commission, and shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission. Prior to making any changes to existing agreements, Frontier shall file such changes with the Commission.
37. **Transfer Pricing Between Affiliates.** For untariffed goods and services provided by Frontier to a non-utility Affiliate, the transfer price paid to Frontier shall be set at the higher of market value or Frontier's cost(s). For untariffed goods and services provided to Frontier by a non-utility Affiliate, the transfer price(s) charged by a non-utility Affiliate to Frontier shall be set at the lower of market value or the non-utility Affiliate's cost(s). Services

provided by Frontier to utility Affiliates or by utility Affiliates to Frontier shall be transferred at the supplier's cost, unless otherwise directed by order of the Commission.

I/A

Revised Attachment A

Item #	Description	Frequency	Deadline	Requirement	Docket/Statute/ Rule Reference
1.	FERC Form 2 Report	Annually	April 30	One copy filed with PS Acctng. Div. Copies provided to PS Energy Div. and NCUC Fiscal Management Div.	Rule R6-5(9)
2.	Financial & Operating Report	Monthly	45 days	Provided to PS Acctng. Div.	G.S. 62-36. Official NCUC Request.
3.	Deferred Account Report	Monthly	45 days	Filed w/Chief Clerk. Detailed workpapers provided to PS Acctng. Div.	Rule R1-17(k)(5)(c)
4.	Annual Review Of Gas Costs Filing	Annually	December 1	Filed w/Chief Clerk	G.S. 62-133.4(c) and Rule R1-17(k)
5.	Daily Dispatch Report for last day of month	Monthly	3 days	Filed with Chief Clerk and provided to PS Energy Div.	Rule R6-5(7)
6.	Source of Supply, Sales, Customers and Transportation	Monthly	45 days	Filed w/Chief Clerk	G-100, Sub 24A
7.	Customer Bill Format	Each Time Changed		Filed w/Chief Clerk and provided to PS Energy Div.	Rule R6-5(3)
8.	Natural Gas Bond Fund Economic Feasibility Report	Biennially	November 30	Filed w/Chief Clerk	Rule R6-93

Item #	Description	Frequency	Deadline	Requirement	Docket/Rule Reference
9.	Meter Report	Monthly	30 days	Filed w/Chief Clerk and provided to PS Energy Div.	Rule R6-5(7)b
10.	Contracts with Customers	Each Occurrence	Prior to effective date	If term > 1 year, then filed w/ Chief Clerk for approval. If term < 1 year, then provide to PS Acctng. Div. in Annual Review.	Rule R6-5(2)
11.	Incentive Plans	Each Program	Prior to Offer	Filed w/Chief Clerk. Approval required.	G.S 62-140(c), Rule R6-95
12.	Regulatory Fee Report	Quarterly	45 days	Filed w/NCUC Fiscal Management Div.	Rule R15-1
13.	Notice of Supplier Refunds Received	Each Occurrence	1 week	Filed w/Chief Clerk	G-100, Sub 57
14.	Construction Budget	Annually		Filed w/Chief Clerk	Rule R6-5(6)
15.	GS-1 Report	Quarterly	60 days	Filed w/Chief Clerk	G.S. 62-36, Rule R15-1, M-100, Sub 157
16.	Gas Pipeline Safety Reports	Various	Various	Filed w/Chief Clerk, otherwise contact the NCUC Pipeline Safety Div.	G.S. 62-50, Rules Chapter 6, G-100, Sub 92, and G-40, Sub 142

Item #	Description	Frequency	Deadline	Requirement	Docket/Rule Reference
17.	Annual Affiliated Transactions Report	Annually	March 31	Filed w/Chief Clerk	NCUC Final Order Docket No. G-40, Sub 133
18.	Annual Financing Forecast	Annually	March 31	Provided to PS Economic Research Div. and Acctng. Div.	NCUC Final Order Docket No. G-40, Sub 133
19.	Audited Financial Statement of Hearthstone Utilities, Inc.	Annually	March 31	Provided to PS Acctng. Div.	NCUC Final Order Docket No. G-40, Sub 160
20.	Cost Allocation Manual (CAM)	Annually	March 31	Filed w/Chief Clerk	NCUC Final Order Docket No. G-40, Sub 160
21.	Projected Capital Budget	Annually	June 30	Provided to PS Acctng. Div.	NCUC Final Order Docket No. G-40, Sub 160
22.	G-2 Report -- Planned construction of high pressure (>100 psi) pipeline	Each occurrence	30 days prior	Filed w/Chief Clerk	Docket No. G-100, Sub 92
23.	G-3 Report -- Certifies construction of high pressure (>100 psi) pipeline	Each occurrence	60 days from completion	Filed w/Chief Clerk	Docket No. G-100, Sub 92
24.	Residential Disconnection for Non-payment	Monthly	2 weeks from end of month	Filed w/Chief Clerk	Docket No. M-100, Sub 61A

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6.	Source of Supply, Sales, Customers and Transportation	Monthly	45 days	Filed w/Chief Clerk	G-100, Sub 24A
7.	Customer Bill Format	Each Time Changed		Filed w/Chief Clerk and provided to PS Energy Div.	Rule R6-5(3)
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20.	Cost Allocation Manual (CAM)	Annually	March 31	Filed w/Chief Clerk	NCUC Final Order Docket No. G-40, Sub 136160
21.	Projected Capital Budget	Annually	June 30	Provided to PS Acctng. Div.	NCUC Final Order Docket No. G-40, Sub 136160
22.	G-2 Report -- Planned construction of high pressure (>100 psi) pipeline	Each occurrence	30 days prior	Filed w/Chief Clerk	Docket No. G-100, Sub 92
23.	G-3 Report -- Certifies construction of high pressure (>100 psi) pipeline	Each occurrence	60 days from completion	Filed w/Chief Clerk	Docket No. G-100, Sub 92
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