

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF PNG)	
COMPANIES LLC, DRAKE MERGER SUB INC.)	
AND DELTA NATURAL GAS COMPANY, INC.)	
FOR APPROVAL OF AN ACQUISITION OF)	CASE NO.
OWNERSHIP AND CONTROL OF DELTA)	2017-00125
NATURAL GAS COMPANY, INC.)	

JOINT RESPONSE OF
PNG COMPANIES LLC, DRAKE MERGER SUB INC.,
STEELRIVER INFRASTRUCTURE FUND NORTH
AMERICA LP, STEELRIVER LDC VENTURES LLC
AND DELTA NATURAL GAS COMPANY, INC.
TO THE
ATTORNEY GENERAL'S POST-HEARING REQUEST
FOR INFORMATION TO JOINT APPLICANTS
DATED JUNE 12, 2017

FILED: June 14, 2017

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 001

Responding Witness: John B. Brown

Q-001 For each of the past three calendar years, provide the sums Delta spent with regard to the following:

- a. Community involvement;
- b. Charitable contributions;
- c. Low-income funding; and
- d. Economic development

A-001 :

	2016	2015	2014
Community involvement	10,581	20,627	14,643
Charitable contributions	13,496	16,922	29,893
Low-income funding	30,000	30,000	30,000
Economic development	-	-	-

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 002

Responding Witness: Preston D. Poljak

Q-002 Provide the parameters of the recovery of costs associated with Peoples' replacement of high risk pipe (i.e., what lengths of pipe or other costs are capitalized vs. expensed).

A-002: All lengths of pipe are capitalized. Costs eligible for recovery under Peoples' pipeline replacement program are primarily costs associated with lines, company owned main-to-curb service lines, meters, regulator stations, construction fleet, tools and equipment and automated meter reading technology.

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 003

Responding Witness: Morgan K. O'Brien

Q-003 As an on-going data request, when decided, provide the number and names of the directors of the post-closing board. Provide a short bio for each director if such a bio has not been previously provided in the record.

A-003: PNG will provide this information when it is available.

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 004

Responding Witness: Preston D. Poljak

Q-004 Provide the capital structure for PNG Companies LLC., LDC Holdings LLC., and LDC Holdings II LLC.

A-004 The capital structure as of 3/31/17 for each of the entities is as follows:

	<u>PNG Companies</u>	<u>LDC Holdings</u>	<u>LDC Holdings II</u>
Total Debt	\$880,000,000	\$1,044,050,000	\$137,244,111
Total Equity	\$894,923,301	\$736,595,631	\$92,384,341
Total Capitalization	\$1,774,923,301	\$1,780,645,631	\$229,628,452

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 005

Responding Witness: Preston D. Poljak

Q-005 Will the Joint Applicants commit that Delta's capital structure will maintain a minimum debt to capitalization ratio of 40%, which is approximately the level it is today? This commitment would be in addition to the commitment in response to AG 2-3, whereby the Joint Applicants agreed to maintain a maximum debt to capitalization ratio at the utility, excluding working capital borrowing, of 55%.

A-005: As described in the response to AG Set II question 2, PNG may enter into a note exchange agreement with existing Delta noteholders whereby the existing Delta notes would be exchanged for notes issued by PNG Companies that contain the same principal amount, amortization schedule and interest rate that are contained in the existing Delta notes. To the extent the exchange occurs, a new note will be put in place between Delta and PNG that will contain the same economic terms as the existing note between Delta and its current noteholders. PNG has agreed to seek PSC approval prior to executing a new note between Delta and PNG, therefore an interim period could exist between the date of the note exchange with Delta's existing note holders and the approval of an intercompany note between Delta and PNG where Delta's long-term debt to capitalization ratio could drop below 40%. PNG will commit to maintain a minimum debt to capitalization ratio of 40% provided that such commitment will not apply during the period between the exchange of notes with the existing Delta noteholders and the issuance of an intercompany note between PNG and Delta.

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 006

Responding Witness: Preston D. Poljak

Q-006 Regarding previous acquisitions by PNG Companies LLC and its affiliates, were those acquisitions completed in a manner similar to the proposed transaction, whereby the acquired utility is the surviving entity and the merger sub ceases to exist (i.e., a reverse triangular merger)?

A-006: Yes, in substance. In its previous acquisitions, PNG Companies LLC or its affiliate purchased shares of stock (or membership interests in a limited liability company) from a single, selling shareholder. After closing, PNG Companies or its affiliate held shares of stock (or membership interests) in the "target" business. Here, the acquired utility is a public company, with thousands of public shareholders. Unlike the previous acquisitions, there is no a single, selling shareholder. The reverse triangular merger will permit PNG Companies LLC to acquire shares from the public shareholders, using a standard corporate-law merger transaction under Kentucky law. After closing, PNG Companies will hold shares of stock in the "target" business – identical to its previous acquisitions.

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 007

Responding Witness: Preston D. Poljak

Q-007 Provide the amount that PNG Companies LLC., and its affiliates, have borrowed from its \$400 Million revolving credit facility.

A-007 \$45 million was outstanding as of 6/9/17.

**PNG COMPANIES LLC, DRAKE MERGER SUB INC. AND DELTA NATURAL GAS
COMPANY**

CASE NO. 2017-00125

**June 16, 2017 Joint Response to the
Attorney General's Data Requests
Dated June 12, 2017**

Question No. 008

Responding Witness: Preston D. Poljak

Q-008 Provide the exact amount of Goodwill on the books of PNG Companies LLC and its affiliates before considering the proposed transaction. In the response, provide the entities that are represented in the consolidated amount.

A-008 Consolidated Goodwill at PNG Companies is \$284.9 million of Goodwill prior to consideration of the Delta acquisition and is recorded on the books of Peoples Natural Gas Company LLC.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF CLARK)

The undersigned, John B Brown, being duly sworn, deposes and says that he is Chief Operating Officer, Treasurer and Secretary of Delta Natural Gas Company, Inc. and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness and the answers contained therein are true and correct to the best of his information, knowledge and belief.

John B Brown

John B. Brown

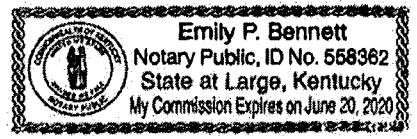
Subscribed and sworn to before me, a Notary Public, in said County and State this 14th
day of June 2017.

Emily P. Bennett (SEAL)

Notary Public

My Commission Expires:


6/20/20




VERIFICATION

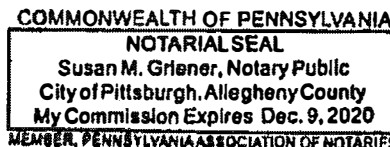
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

MORGAN K. O'BRIEN, being duly sworn, deposes and says that he is the President and Chief Executive Officer of PNG Companies LLC ("PNG") and a Vice President of Drake Merger Sub Inc. ("Drake"); that he has read the foregoing responses for which he is identified as the witness and knows the matters contained therein relating to PNG and Drake and their affiliates; and that said matters are true and correct to the best of his information, knowledge and belief.


MORGAN K. O'BRIEN

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 13 day of June, 2017.


Notary Public



My Commission Expires:
12/9/20