

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF AQUA)	
AMERICA, INC., STEELRIVER INFRASTRUCTURE)	
FUND NORTH AMERICA LP, STEELRIVER LDC)	CASE NO.
INVESTMENTS LP, LDC PARENT LLC, LDC)	2018-00369
FUNDING LLC, LDC HOLDINGS LLC, PNG)	
COMPANIES LLC, PEOPLES GAS KY LLC, AND)	
DELTA NATURAL GAS COMPANY, INC. FOR)	
APPROVAL OF AN ACQUISITION OF)	
OWNERSHIP AND CONTROL OF PNG)	
COMPANIES LLC AND DELTA NATURAL GAS)	
COMPANY, INC.)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO AQUA AMERICA, INC., STEELRIVER INFRASTRUCTURE FUND NORTH
AMERICA LP, STEELRIVER LDC INVESTMENTS LP, LDC PARENT LLC, LDC
FUNDING LLC, LDC HOLDINGS LLC, PNG COMPANIES LLC, PEOPLES GAS KY
LLC, AND DELTA NATURAL GAS COMPANY, INC.

Aqua America, Inc. (Aqua America), Steelriver Infrastructure Fund North America LP (SRIFNA), Steelriver LDC Investments LP (SRLDCI), LDC Parent LLC (LDC Parent), LDC Funding LLC (LDC Funding), LDC Holdings LLC (LDC Holdings), PNG Companies LLC (PNG), Peoples Gas Ky LLC (Peoples), and Delta Natural Gas Company, Inc. (Delta) (collectively, Joint Applicants), pursuant to 807 KAR 5:001, are to file with the Commission the original and an electronic version of the following information. The information requested herein is due on December 17, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if they obtain information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, pages 12 and 21, regarding Joint Applicants' intentions to retain current employees and post-closure career development opportunities.

a. Explain whether current Delta employees will be allowed or encouraged to transfer to affiliate companies within one year of the proposed transaction.

b. Identify and explain any current barriers to Delta employees seeking to bid on job openings at Aqua American, or vice versa.

c. Confirm that any commitment to retain current Delta employees would not preclude termination for cause. If this cannot be confirmed, explain.

2. Refer to the Application, page 14, which states that Aqua America has the financial ability to provide "the most state-of-the-art tools" to continue to improve the safety of providing service. Provide specific details regarding the state-of-the-art tools that will be available to customers of Delta and Peoples.

3. Refer to the Purchase Agreement, Article VIII, Section 8.2(d), which states that the seller shall deliver resignations of directors and officers requested by the buyer. Also refer to the Application, page 12, where Aqua America states that it intends to retain the employees and leadership of PNG, Peoples, and Delta for at least one year after the proposed transaction closes. State whether Aqua America will retain the current members of PNG's and Delta's respective boards of directors and, if not, provide the proposed size and identity, if known, of PNG's and Delta's respective post-closure boards of directors.

4. Refer to the Application, page 20, which states that Delta and Peoples will maintain rates in effect at the closing of the proposed transaction, and may seek to modify

Delta's and Peoples' rates "from time to time" in accordance with Kentucky law and the Commission's regulations. State whether Joint Applicants believe that existing customers can be served at Delta's and Peoples' respective current rates with no decline in service after the proposed transaction closes.

5. Refer to the Application, pages 19–20, and the Direct Testimony of Daniel J. Schuller (Schuller Testimony), pages 10–13. State whether Joint Applicants will provide written acceptance of the following commitments and assurances:

a. All costs associated with the proposed transaction will not have the effect of increasing Delta's or Peoples' respective rates for gas service.

b. Neither Delta, Peoples, nor their respective ratepayers, directly or indirectly, will incur any additional costs, liability, or obligations in conjunction with the proposed transaction.

c. Neither Delta nor Peoples will incur any additional indebtedness or pledge any assets to finance any part of the purchase price paid by Aqua America to acquire indirect control of Delta and Peoples.

d. Delta's headquarters will be maintained in Winchester, Kentucky, after the proposed transaction closes.

e. All Delta and Peoples employees located in Kentucky will continue to be employed for a period of at least one year after the proposed transaction closes.

f. Delta's current level of community involvement, charitable contributions, low-income funding, and economic development in Delta's current operating area will be maintained after the proposed transaction closes.

g. Delta will seek Commission approval before entering into any service agreement with Aqua America or its affiliates.

h. Neither Delta's nor Peoples' respective customers will be asked to contribute to costs associated with operating any Aqua America utility subsidiary or affiliate.

i. Neither Delta nor Peoples will guarantee the credit of any affiliates if the proposed transaction is approved.

j. Neither Delta nor Peoples will be required to pledge any of their respective assets to finance the debt or any purchases of any affiliates if the proposed transaction is approved.

k. Neither Delta nor Peoples will be required to grant liens or encumbrances, or otherwise pledge any of their assets, to finance any or all of the costs of the proposed transaction.

6. State whether Joint Applicants will provide written acceptance of the following commitments and assurances:

a. Joint Applicants will not utilize push-down accounting in any manner arising from the proposed transaction.

b. Joint Applicants will give clear and conspicuous notice to Delta's and Peoples' respective customers prior to any change in service resulting from the proposed transaction.

c. Joint Applicants will commit to ring-fencing of Delta and Peoples such that Delta and Peoples would be insulated from Joint Applicants' non-utility lines of business.

7. Refer to the Direct Testimony of Christopher H. Franklin, page 6, lines 15–20, regarding an incremental surcharge to offset additional depreciation expense and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems that is utilized in certain states in which Aqua America operates. Explain whether Aqua America, or its subsidiaries, would propose a similar surcharge for Delta and/or Peoples if the proposed transaction is approved.

8. Refer to the Schuller Testimony, page 5, lines 11–14. Provide the latest date that approval of an application pursuant to the Hart-Scott-Rodino Antitrust Improvements Act could be granted.

9. Refer to the Schuller Testimony, page 5, lines 15–20. Provide the current status and latest possible approval date of Joint Applicants' applications to the Pennsylvania Public Service Commission and the West Virginia Public Service Commission.

10. Refer to the Schuller Testimony, page 10, lines 13–14.
- a. Explain whether and how Aqua America will allocate its capital structure to Delta.
 - b. Provide the equity-management target ranges that Aqua America will use to determine the “appropriate” capital structure for Delta.
 - c. Provide Delta's current capital structure.
 - d. Explain the expected effect, if any, of the proposed transaction on Delta's capital structure.

11. Refer to the Direct Testimony of John B. Brown, page 8, line 21 through page 9, line 2. Explain whether Aqua America will file quarterly and annual financial reports on a consolidated basis.

12. Throughout the Application and Direct Testimony, Joint Applicants discuss in detail Aqua America's experience with water and wastewater systems. Describe Aqua America's experience with gas distribution companies.

13. Explain how Aqua America's experience with water and wastewater infrastructure replacement informs potential gas pipeline replacement programs that might be implemented at Delta and Peoples.



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DATED DEC 05 2018

cc: Parties of Record

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