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NEWS RELEASE

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PSC Approves Sale of Delta Natural Gas Co. To PNG

New owner operates gas systems serving 700,000 customers in three states

FRANKFORT, Ky. (July 13, 2017) – The Kentucky Public Service Commission (PSC) has approved the sale of Delta Natural Gas Co. to PNG Companies LLC.

Delta is headquartered in Winchester and serves about 39,000 customers in 23 counties in eastern and central Kentucky. It is the smallest of Kentucky's five major local natural gas distribution companies.

PNG, which is based in Pittsburgh, distributes gas to about 700,000 customers through its systems in Pennsylvania, West Virginia and Kentucky. It currently operates People's Gas KY, a farm tap system serving 2,950 customers in 10 eastern Kentucky counties. (A farm tap system is not regulated as a utility and is supplied from lines that transport gas from wells.)

In an order issued today, the PSC found that PNG has the legally required financial, technical and managerial ability to provide reasonable service to Delta's customers. The PSC also found that the transaction is consistent with the public interest, as required by law, subject to PNG's compliance with 43 conditions it agreed to over the course of the proceeding.

Those conditions include:

- Continuing to operate under the Delta name, with headquarters in Winchester, KY.
- Maintaining Delta's historic levels of community involvement, economic development, charitable contributions and assistance to low-income customers.
- Several provisions to insure that none of the acquisition costs associated with the purchase of Delta by PNG are borne by Delta's customers.
- Maintaining current service levels for Delta's customers.

In their joint application, Delta and PNG stated that the acquisition should lead to improvements in service as Delta gains access to technology already in use at PNG. As a much larger company, PNG's proven ability to attract investment capital should benefit Delta and its customers, the PSC said in today's order.

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PNG said that it would seek out opportunities to expand natural gas service within Delta's current territory and work with communities seeking access to natural gas. PNG also committed to working with communities and local governments to spur economic development.

Delta's current rates will remain in effect after the transaction is completed and any future rate adjustments will have to be approved by the PSC.

The sale will include the purchase of all outstanding shares of Delta stock at a price of \$30.50. Delta, a publicly traded company, currently has about 7.13 million shares outstanding, placing the value of the transaction at about \$217.5 million. The sale includes three Delta affiliates not regulated by the PSC.

When the sale is concluded, Delta will become a wholly owned subsidiary of PNG.

PNG and Delta filed the application for PSC approval of the transfer of control on March 17. The application was amended on May 5 to reflect the complete corporate structure of PNG, including parent entities.

The only other party to the case was the Kentucky Office of Attorney General, which, under Kentucky law, acted as the representative of Delta's ratepayers. An evidentiary hearing was conducted on June 8.

Today's order, a video of the hearing, and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2017-00125.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 75 employees.

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