

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.)	CASE NO.
FOR APPROVAL OF AN ACQUISITION OF)	2017-00125
OWNERSHIP AND CONTROL OF DELTA)	
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 THIRD REQUEST
FOR INFORMATION TO JOINT APPLICANTS
DATED MAY 22, 2017

FILED: May 30, 2017

**PNG COMPANIES LLC, DRAKE MERGER SUB INC., STEELRIVER
INFRASTRUCTURE FUND NORTH AMERICA LP, STEELRIVER LDC
VENTURES LLC AND DELTA NATURAL GAS COMPANY**

CASE NO. 2017-00125

**May 30, 2017 Joint Response to the
Attorney General's Third Set of Data Requests
Dated May 22, 2017**

Question No. 001

Responding Witness: John McGuire

Q-001 Assuming the contemplated transaction is approved, will SteelRiver Infrastructure Fund North America LP, and SteelRiver LDC Investments LP [hereinafter "Amended Joint Applicants"] confirm that Delta and its ratepayers will not be exposed to any increased costs for shared corporate services that it otherwise would not have faced but for the approval? If so, identify all such costs as completely as possible.

A-001 As stated in the direct testimony of Mr. John McGuire, the Amended Joint Applicants do not make any guarantees or commitments in respect of operations of individual portfolio companies or business lines. All of the operations of the operating companies that constitute the Peoples Utilities are managed at the PNG level, by management that reports to the Board of Directors of PNG. PNG has the management team that will oversee (i) the day-to-day business of the operating companies going forward, including Delta, should the Proposed Transaction be approved by the Commission and (ii) any commitments made to the Commission in conjunction with such approval.

Refer to the response to the Attorney General's Initial Data Request, Question Number 2 and the testimony of Morgan O'Brien.

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Question No. 002

Responding Witness: John McGuire

Q-002 Reference the application, p. 7, wherein it is stated: "... the acquisition by PNG of control over Delta will have no adverse impact on the provision of service by Delta to Delta's customers." Can the Amended Joint Applicants identify any additional benefits Delta ratepayers will receive as a result of the proposed transfer of control? If so, please state with specificity.

A-002 Refer to the response to the Attorney General's Initial Data Request, Question Number 4.

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Question No. 003

Responding Witness: John McGuire

Q-003 Reference the application, p. 8, the third bullet point, wherein the original Joint Applicants pledge to, "[e]xpand Delta's partnerships and working relationships with economic development leaders within the communities and within government to help drive and support the further success and growth of the communities within the Delta footprint."

A. Do the Amended Joint Applicants also pledge to expand Delta's partnerships and working relationships with Kentucky-based community action centers and other low-income advocate support groups? If not, why not?

A-003 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 and (ii) the response to the Attorney General's Initial Data Request, Question Number 6.

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Question No. 004

Responding Witness: John McGuire

Q-004 In the event the Commission approves the contemplated transaction, if the Amended Joint Applicants, and/ or their affiliates experience any changes in their equity-to-capital ratio, please describe any potential effect on Delta and its ratepayers.

A-004 The Amended Joint Applicants' other lines of business will be "ring fenced" from PNG and Delta so that adverse financial results in those other lines of business will not affect Delta or its ratepayers. Refer to the response to the Attorney General's Initial Data Request, Question Numbers 9 and 10.

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Question No. 005

Responding Witness: John McGuire

Q-005 Provide a chart depicting Amended Joint Applicants' organizational structure, including all subsidiaries, affiliates, and all parent companies.

A-005 Refer to (i) the response to the Commission Staff's Initial Data Request, Question Number 9 and (ii) the testimony of John McGuire, page 2.

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Question No. 006

Responding Witness: John McGuire

Q-006 Identify the members of the Amended Joint Applicants' respective boards of directors or members.

A-006 Each Amended Joint Applicant is organized as a partnership and does not have directors, a board of directors or members.

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Question No. 007

Responding Witness: John McGuire

Q-007 Provide copies of any and all filings the Amended Joint Applicants submitted to any state or federal agency regarding the contemplated transaction.

A-007 Refer to response to the Attorney General's Initial Data Request, Question Number 16.

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Question No. 008

Responding Witness: John McGuire

Q-008 Provide a copy of the most recent audited financial statements for each of the Amended Joint Applicants.

A-008 As previously provided in Mr. O'Brien's and Mr. Poljak's filed testimony and in information shared as responses in this proceeding, PNG has the financial wherewithal to execute this transaction. Each of the Amended Joint Applicants is an investment partnership and because of the ring fencing in place that has been described elsewhere in this proceeding, the financial information relating to these investors are not relevant information in determining whether PNG can finance this acquisition. Such information is not required or necessary for any of the contemplated financing of this transaction as set forth.

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Question No. 009

Responding Witness: John McGuire

Q-009 In the event the Commission approves the contemplated transaction, state whether the Amended Joint Applicants will honor all contractual and regulatory commitments which Delta entered into prior to the closing of the transaction.

A-009 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 and (ii) the response to the Attorney General's Initial Data Request, Question Number 18.

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Question No. 010

Responding Witness: John McGuire

Q-010 State the amount of termination fees, and/or any and all other fees and expenses Amended Joint Applicants would have to pay if the contemplated transaction is not consummated.

A. Of those fees, state the amount for which Delta ratepayers would, or could, become responsible.

B. If Delta ratepayers would be responsible for any such fees/expenses, state whether the company would have to file a rate case to recover such sums.

A-010 Zero. Refer to the response to the Attorney General's Initial Data Requests, Question Number 24.

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Question No. 011

Responding Witness: John McGuire

Q-011 Identify the ways in which the Amended Joint Applicants have chosen to be taxed by the IRS, and by any relevant state government.

A-011 Each of the Amended Joint Applicants is a partnership for federal and state income tax purposes.

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Question No. 012**

Responding Witness: John McGuire

Q-012 State whether either one or both of the Amended Joint Applicants has or have reserved the right to adjust their regular dividends or distributions, as the case may be, pending completion of the transaction. If so:

- A. For how long will any modification to the dividend/distribution remain in effect?
- B. Provide, in complete detail, the rationale for any such adjustment.
- C. State whether that entity intends on seeking Commission approval of same, and if not, why not.
- D. As a result of any potential increase in dividend/distribution, state:
 - i. how much additional funding for corporate expenses of any type or sort that entity will seek from Delta's ratepayers; and
 - ii. whether any such adjustment will cause Delta to file a rate case, and if so, when.

A-012 Neither of the Amended Joint Applicants anticipates a change in its distribution policy; however, each may do so at any point when such applicant believes a modification is warranted. Refer to the response to the Attorney General's Initial Data Requests, Question Number 26.

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Question No. 013

Responding Witness: John McGuire

Q-013 As a result of the contemplated transaction, will Delta ratepayers be asked in any manner whatsoever to contribute toward any costs associated with operating any of the Amended Joint Applicants business operations, or those of its affiliates and subsidiaries?

A-013 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 4 and (ii) the response to the Attorney General's Initial Data Requests, Question Number 29.

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Question No. 014

Responding Witness: John McGuire

Q-014 Discuss what effect the addition of the Amended Joint Applicants to the petition in this matter will have on the ability of: (i) PNG Companies, LLC; and (ii) Delta to borrow capital.

A-014 Neither Amended Joint Applicant is aware of any detrimental effect on the ability of PNG Companies, LLC or Delta to borrow capital arising from the addition of the Amended Joint Applicants to the petition. Please refer to the response to the Attorney General's Initial Data Request, Question Number 30.

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Question No. 015

Responding Witness: John McGuire

Q-015 Provide copies of any and all reports, analyses or reviews of the credit profile for Delta after any approval of the application as conducted by any/each of the Amended Joint Applicants.

A-015 Neither of the Amended Joint Applicants has conducted analyses or reviews of the credit profile for Delta after approval of the application. Please refer to the response to the Attorney General's Third Set of Data Requests, Question Number 14.

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Question No. 016

Responding Witness: John McGuire

Q-016 Identify, in detail, any and all tax advantages, benefits and/or savings the Amended Joint Applicants expect to result from the contemplated transaction, and provide any relevant quantifications.

A-016 Neither Amended Joint Applicant expects any tax advantages, benefits or savings to accrue to it as a result of the contemplated transaction. Refer to the response to the Attorney General's Initial Data Request, Question Number 39.

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Question No. 017

Responding Witness: John McGuire

Q-017 State whether the Amended Joint Applicants currently have any deferred tax accounts on their respective balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance, and the reason for same.

A-017 Neither Amended Joint Applicant currently has any deferred tax accounts on its balance sheet.

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Question No. 018

Responding Witness: John McGuire

Q-018 For each deferred tax balance identified above, state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

A-018 Not applicable. Refer to the response to the Attorney General's Third Set of Data Requests, Question Number 17.

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Question No. 019

Responding Witness: John McGuire

Q-019 If the contemplated transaction is approved, identify any and all other cost savings for Delta ratepayers that are expected to result from the addition of Amended Joint Applicants to the petition in this matter.

A-019 Neither of the Amended Joint Applicants expects additional cost savings for Delta ratepayers to arise from the addition of the Amended Joint Applicants to the petition. Please refer to the responses to the Attorney General's Initial Data Request, Questions Number 37, 38, 39 and 43.

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Question No. 020

Responding Witness: John McGuire

Q-020 If the contemplated transaction is approved, state whether Delta would be guaranteeing the credit of any of Amended Joint Applicants, and/or any of their affiliates or subsidiaries.

A-020 Please refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 4 and (ii) the responses to the Attorney General's Initial Data Request, Question Number 44.

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Question No. 021

Responding Witness: John McGuire

Q-021 Do the Amended Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If not, please identify the categories and provide a definition. Regardless of the answer, please provide the following:

- A. For the costs-to-achieve the transaction, explain how the Amended Joint Applicants determine the costs that are allocated to or the responsibility of their respective owners, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.
- B. For the costs-to-achieve cost savings in the post-transaction structure, explain how the Amended Joint Applicants determine the costs that are allocated to or the responsibility of their respective owners, and those costs that are allocated to or the responsibility of their respective ratepayers, if any. Include any allocation methodologies.
- C. For the costs-to-achieve the transaction, explain how the Amended Joint Applicants determine the costs that are allocated to or the responsibility of their respective non-regulated operations. Include any allocation methodologies.
- D. For the costs-to-achieve cost savings in the post-transaction structure, explain how the Amended Joint Applicants determine the costs that are allocated to or the responsibility of their respective regulated operations. Include any allocation methodologies.
- E. Do the Amended Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?
- F. Do the Amended Joint Applicants consider the reduction of tax liability or the obtainment of tax benefits as cost savings?
- G. Do the Amended Joint Applicants consider the reduction of a company's or units operating loss a cost savings?

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Question No. 021, page 2

Responding Witness: John McGuire

- H. Supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year, by applicant.)
- I. For the schedule requested under sub-part [h] (the prior question), please identify by year for as many years as your projections provide the following:
- i. the assignment of costs to each of the Amended Joint Applicants' owners;
 - ii. the assignment of costs to each of the Amended Joint Applicants' ratepayers, if any; and
 - iii. the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Amended Joint Applicants.
- J. Supply an itemized schedule that shows the costs-to-achieve the cost savings in the post-transaction structure by year for as many years as your projections provide. (This is a request for a schedule that depicts the estimated costs by year.)
- K. For the schedule requested under sub-part [j] (the prior question), please identify by year for as many years as your projections provide the following:
- i. the assignment of costs to each of the Amended Joint Applicants' owners;
 - ii. the assignment of costs to each of the Amended Joint Applicants' ratepayers, if any; and
 - iii. the breakdown of the assignment of costs between regulated and on-regulated operations.

A-021 Neither Amended Joint Applicant has categorized the estimated costs of the proposed transaction. Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 45.

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Question No. 022

Responding Witness: John McGuire

Q-022 For each category of costs to achieve cost savings in the post transaction structure, did the Amended Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Amended Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?

A-022 Neither Amended Joint Applicant has categorized the estimated costs of the proposed transaction. Refer to (i) the response to Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 46.

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Question No. 023

Responding Witness: John McGuire

Q-023 Provide documentation of all allocations. If the Amended Joint Applicants did not do so, please explain why.

A-023 Neither Amended Joint Applicant has categorized or allocated the estimated costs of the proposed transaction. Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 47.

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Question No. 024

Responding Witness: John McGuire

Q-024 For each category of costs to achieve cost savings in the post transaction structure, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

A-024 Neither Amended Joint Applicant has allocated the estimated costs of the proposed transaction. Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 48.

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Question No. 025

Responding Witness: John McGuire

Q-025 For each category of costs to achieve cost savings in the post transaction structure, identify the corresponding amount of cost savings allocated to non-- regulated operations for that category.

A-025 Neither Amended Joint Applicant has allocated the estimated costs of the proposed transaction so no corresponding amount can be identified by an Amended Joint Applicant. Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 49.

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Question No. 026

Responding Witness: John McGuire

Q-026 Provide a copy of any and all due diligence report(s) the Amended Joint Applicants conducted.

A-026 Neither Amended Joint Applicant conducted due diligence separate from that conducted by PNG. Refer to response to the Attorney General's Initial Data Request, Question Number 50.

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Question No. 027

Responding Witness: John McGuire

Q-027 In the course of conducting their due diligence reviews; did the Amended Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers? If yes, please identify same and provide the associated documents.

A-027 Neither Amended Joint Applicant has customers.

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Question No. 028

Responding Witness: John McGuire

Q-028 If the contemplated transaction is approved, state whether Delta would be required to pledge any of its assets to finance the debt or any purchases of the Amended Joint Applicants, and/or any of their affiliates and subsidiaries.

A-028 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 4 and (ii) the response to the Attorney General's Initial Data Requests, Question Number 52.

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Question No. 029

Responding Witness: John McGuire

Q-029 If the contemplated transaction is approved, state whether Delta or its current subsidiaries will, as a condition of the contemplated transaction, be required to grant liens or encumbrances, or otherwise pledge any of their assets to finance any or all of the costs of the transaction.

A-029 Refer to (i) the Amended Joint Applicants' response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 53.

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Question No. 030

Responding Witness: John McGuire

Q-030 Identify how much debt the Amended Joint Applicants, stated independently for each one, plan to incur in order to consummate the proposed transaction. Will Delta ratepayers be required to reimburse one or more of the Amended Joint Applicants for debt incurred for this purpose? If so, state how much, categorized by each Amended Joint Applicant.

A-030 Neither Amended Joint Applicant plans to incur any debt in order to consummate the proposed transaction.

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Question No. 031

Responding Witness: John McGuire

Q-031 If the contemplated transaction is approved, state whether the Amended Joint Applicants would require Delta to give any type or sort of preference to its gas suppliers. If so, identify any and all such gas suppliers.

A-031 Neither Amended Joint Applicant controls or owns a natural gas producer or marketer except those controlled or owned by PNG. Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 56.

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Question No. 032

Responding Witness: John McGuire

Q-032 Assuming the contemplated transaction is fully approved in every jurisdiction and by every regulatory authority, state whether any officers or directors of the Amended Joint Applicants will receive any bonus, compensation, distributions, retirement matches, incentives, insurance, use of corporate- owned property and/ or any other remuneration of any type or sort. Please identify the applicable individuals, the method of remuneration, and the cash value thereof.

A-032 No officer or director of the Amended Joint Applicants will receive any bonus, compensation, distribution, retirement match, incentives, insurance, use of applicant owned property or other remuneration arising from the contemplated transaction becoming fully approved by the PSC.

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Question No. 033

Responding Witness: John McGuire

Q-033 Assuming the contemplated transaction is approved by all relevant regulatory authorities; explain the process through which Delta will be able to challenge the allocation of a cost from a parent entity or affiliate. If the ability to challenge the allocation of a cost will not exist, then affirmatively state that fact.

A-033 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 58.

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Question No. 034

Responding Witness: John McGuire

Q-034 Please provide all minutes of all meetings held during which the Boards of Directors or meeting of members of each of the Amended Joint Applicants discussed the contemplated transaction.

A-034 Refer to the response to the Attorney General's Third Set of Data Request, Question Number 6.

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Question No. 035

Responding Witness: John McGuire

Q-035 With regard to your response to the question immediately above, provide copies of the resolutions of all Boards of Directors or meeting of members that were required to approve the contemplated transaction.

A-035 There are no resolutions of a Board of Directors or resolutions of a meeting of members. Refer to the response to the Attorney General's Third Set of Data Requests, Question Number 6.

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Question No. 036

Responding Witness: John McGuire

Q-036 Will the contemplated transaction result in any changes in accounting principles for either of the Amended Joint Applicants or any of their subsidiaries or affiliates? If yes, please summarize the change(s), and identify the impact on Delta ratepayers, whether direct or indirect, if any.

A-036 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 61.

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Question No. 037

Responding Witness: John McGuire

Q-037 Do the Amended Joint Applicants anticipate any substantive changes in any existing contracts which Delta holds with other vendors (e.g., engineering, Information technology, maintenance, etc.)? If so, please summarize the changes.

A-037 Refer to (i) the Amended Joint Applicants' response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 62.

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Question No. 038

Responding Witness: John McGuire

Q-038 Do the Amended Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Amended Joint Applicants will enter into said contract(s) be affiliated in any way with the Amended Joint Applicants, or any of their employees, owners, officers, contractors, consultants, or directors?

A-038 Refer to (i) the Amended Joint Applicants' response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 63.

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Question No. 039

Responding Witness: John McGuire

Q-039 As to the Amended Joint Applicants, provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.

A-039 Neither Amended Joint Applicant conducted due diligence or received reports separate from the diligence conducted or reports received by PNG. Refer to response to the Attorney General's Initial Data Request, Question Number 64.

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Question No. 040

Responding Witness: John McGuire

Q-040 Will the transaction result in any write-ups, write-offs, or a restatement of financial results of Delta, the Amended Joint Applicants, or their affiliates? If yes, explain in detail with all financial ramifications for Delta's ratepayers.

A-040 Refer to (i) the Amended Joint Applicants' response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 65.

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Question No. 041

Responding Witness: John McGuire

Q-041 Post-transaction, will the Amended Joint Applicants or their affiliates be required to make any filings with the Securities and Exchange Commission? If yes, identify and explain the filing requirement(s).

A-041 No.

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Question No. 042

Responding Witness: John McGuire

Q-042 Will the Amended Joint Applicants commit to not use "pushdown accounting" in any manner arising from the contemplated transaction? If not, why not?

A-042 Refer to (i) the Amended Joint Applicants' response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 70.

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Question No. 043

Responding Witness: John McGuire

Q-043 Assuming the contemplated transaction receives full approval from all relevant regulatory authorities, what amount of liquid assets will the Amended Joint Applicants hold?

A-043 Each of the Amended Joint Applicants is an investment fund that, as a policy, maintains cash balances at *de minimus* levels. Neither of the Amended Joint Applicants holds marketable securities. While the balances are expected to be minimal, they cannot be known at this time.

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Question No. 044

Responding Witness: John McGuire

Q-044 Identify with specificity each factor, stated-reason, or rationale of the Amended Joint Applicants offered in support of their argument in the instant matter that the contemplated transaction is consistent with the public interest, within the meaning of KRS Ch. 278 et seq.

A-044 Please refer to the responses to the Attorney General's Initial Data Request, Question Number 73.

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Question No. 045

Responding Witness: John McGuire

Q-045 Do the Amended Joint Applicants anticipate, project, or otherwise forecast any additional reorganizations, mergers, change of control, or other transactions involving Delta for the thirty-six (36) month period following any potential approval and consummation of this purchase agreement? If yes, then describe in detail.

A-045 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 74.

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Question No. 046

Responding Witness: John McGuire

Q-046 Are the Amended Joint Applicants willing to make a commitment that if they do not hold Delta for at least a ten-year (10) period, then they will pay (to the Commonwealth of Kentucky) an exit fee if they voluntarily enter into a subsequent agreement to sell Delta? If not, then please explain why not.

A-046 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 and (ii) PNG's response to the Attorney General's Initial Data Request, Question Number 75.

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Question No. 047

Responding Witness: John McGuire

Q-047 Will Delta and/or its ratepayers, directly or indirectly, incur any additional costs, liabilities, or obligations in conjunction with the proposed transaction in connection with the repayment and refinancing of closing indebtedness?

A-047 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1 for a description of the manner in which Delta is anticipated to be managed if the transaction is approved and (ii) the response to the Attorney General's Initial Data Request, Question Number 76.

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Question No. 048

Responding Witness: John McGuire

Q-048 With regard to any pending or threatened litigation (including but not limited to any pending or threatened regulatory review, shareholder lawsuits, or supervision enforcement actions) involving Delta, its parent entities and its affiliates, are the Amended Joint Applicants making any provisions in which they will agree to fund the defense of pending or threatened litigation? If so, please explain in detail. If not, please explain why not.

A-048 No. Neither of the Amended Joint Applicants is aware of pending or threatened litigation involving Delta, its current affiliates or its future affiliates, assuming the proposed transaction is approved, that is reasonably expected to result in a material cost to either of the Amended Joint Applicants and, therefore, no provision or reserve is considered necessary at this time.

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Question No. 049

Responding Witness: John McGuire

Q-049 Assuming the contemplated transaction is approved, and with the addition of the Amended Joint Applicants to the petition in this case, will Delta be exposed to any type of contractual liability or obligations that it otherwise would not have faced but for the approval? If so, please describe in detail.

A-049 Neither of the Amended Joint Applicants is aware of any type of contractual liability or obligation that Delta would not otherwise have faced but for the approval of the contemplated transaction with the addition of the Amended Joint Applicants to the petition.

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Question No. 050

Responding Witness: John McGuire

Q-050 Assuming the contemplated transaction is approved, and with the addition of the Amended Joint Applicants to the petition in this case, will Delta be exposed to any increased insurance premiums, whether health insurance, disability, life, etc., that it otherwise would not have faced but for the approval? If so, please describe in detail.

A-050 Neither of the Amended Joint Applicants is aware of any type of increased insurance premium to which Delta would be exposed but for the approval of the contemplated transaction with the addition of the Amended Joint Applicants to the petition.

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Question No. 051

Responding Witness: John McGuire

Q-051 Assuming the contemplated transaction is approved, and with the addition of the Amended Joint Applicants to the petition in this case, will Delta be exposed to any additional contributions to any pension plans, medical plans, etc. for employees that it otherwise would not have faced but for the approval? If so, please describe in detail, together with any applicable employees or officer's name(s), if known, as well as amount.

A-051 Neither of the Amended Joint Applicants is aware of any additional contributions to any pension plans, medical plans, etc. for employees to which Delta would be exposed but for the approval of the contemplated transaction with the addition of the Amended Joint Applicants to the petition.

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Question No. 052

Responding Witness: John McGuire

Q-052 State whether Amended Joint Applicants ever have or currently do retain the services of lobbyists related in any manner to: (a) any employee of the federal government; and/or (b) any employee of the Commonwealth of Kentucky. If so, identify the lobbyist and employee, and explain in detail whether the retention of these services constituted a conflict of interest or potential conflict under any applicable law, and if so, why. Identify any corrective action either or both of the Amended Joint Applicants believe may be required to remedy any conflict or potential conflict.

A-052 Neither of the Amended Joint Applicants has retained lobbyists, currently or in the past, related to the federal government or the Commonwealth of Kentucky.

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Question No. 053

Responding Witness: John McGuire

Q-053 Reference the response to PSC 1-17, attachment KYPSC-17-1, Moody's Investors Service Credit Opinion, p. 2 of 5, the discussion regarding ring- fencing.

- A. Discuss the types of ring-fencing Amended Joint Applicants have put in place regarding Delta.
- B. If the response to subpart a., above, is "none," state whether Joint Applicants would agree to the following:
 - i. ring-fencing of Delta from all other Steel-River owned companies and LLCs;
 - ii. limiting Delta's dividend payable to PNG to a level that maintains a maximum debt to capitalization ratio at the utility, excluding working capital borrowing, of 55%; (iii) provisions prohibiting Delta from:
 - i. Guaranteeing debt or credit facilities of any PNG affiliate;
 - ii. Mortgaging utility assets on behalf of an affiliate; and
 - iii. loaning funds or otherwise extending credit to any affiliate.

A-053 Refer to (i) the response to the Attorney General's Third Set of Data Requests, Question Number 1, (ii) the response to the Attorney General's Supplemental Data Requests, Question Number 3 and (iii) the testimony of John McGuire, pages 4 – 5.

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Question No. 054

Responding Witness: John McGuire

Q-054 State whether any of the Joint Applicants (including the Amended Joint Applicants) are parties to any litigation regarding the subject matter of the proposed transaction. If so, identify the style of each such litigation and the court in which it was filed.

A-054 The Amended Joint Applicants are aware of the three litigations listed below that (i) are in regard of the proposed transaction and (ii) involve at least one of the Joint Applicants:

Halberstam v. Delta Natural Gas Company, Inc., *et al.*, Clark County, Kentucky Circuit Court, Case No. 17-CI-00175;

Parshall v. Delta Natural Gas Company, Inc., *et al.*, in the United States District Court for the Eastern District of Kentucky, Case No. 5:17-cv-00194; and


Cole v. Delta Natural Gas Company, Inc., *et al.*, Clark County, Kentucky Circuit Court, Case No. 17-CI-00213.

On May 25, 2017 counsel to all of the parties to the above cases executed a Memorandum of Understanding that outlines the terms of a settlement of all of the cases that will be submitted to the courts for approval.

VERIFICATION


STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

John McGuire, being duly sworn, deposes and says that he is a Partner of SteelRiver Infrastructure Partners II LP (together with its affiliated investment management entities, "SteelRiver") and is Chief Legal Officer of SteelRiver Infrastructure Fund North America LP; that he has read the foregoing responses for which he is identified as the witness and knows the matters contained therein relating to SteelRiver and its affiliates; and that said matters are true and correct to the best of his information, knowledge and belief.



John McGuire

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 30th day of May, 2017.



Notary Public

CRYSTAL ANN GRACIANI
NOTARY PUBLIC-STATE OF NEW YORK
No. 01GR6272461
Qualified in Kings County
My Commission Expires 11-19-2020

My Commission Expires:

11/19/2020