

ATTACHMENT KYOAG-25
Commitments from Case No. 2017-0012

1. PNG commits to maintain Delta's headquarters in Winchester, Kentucky, following the closing of the acquisition.

Aqua America will honor this commitment.

2. PNG commits to operate the surviving entity under the name "Delta Natural Gas" and use its current logo.

Aqua America will honor this commitment.

3. PNG commits to maintain Delta's historic levels of community involvement, charitable contributions, low income funding, and economic development efforts in Delta's current operating areas.

Aqua America will honor this commitment.

4. PNG commits to provide compensation, benefits, and severance protection to non-executive employees of Delta as set out in the APM.

Aqua America commits to provide compensation, benefits, and severance protection to non-executive employees of Delta as set forth in Section 5.6 of the Purchase Agreement between LDC Parent LLC and Aqua America, Inc., attached as Exhibit A to the Joint Application.

5. PNG commits to enter into discussions with each of Delta's five executive officers, Glenn Jennings, John Brown, Johnny Caudill, Brian Ramsey, and Matthew Wesolosky, regarding mutually agreeable terms for the executive officers to continue their employment with Delta after the proposed transaction closes.

Mr. Caudill, Mr. Jennings and Mr. Ramsey have all retired from Delta, and Mr. Wesolosky has transferred to PNG in Pittsburgh, PA, all in accordance with each executive officer's respective agreement. Assuming Mr. Brown is still with Delta at closing, Aqua America will continue to honor the existing agreement with him.

6. PNG commits to provide copies of post-closing employment agreements with Delta executives Glenn Jennings, John Brown, Johnny Caudill, Brian Ramsey, and Matthew Wesolosky, their respective job titles and duties, if the Delta executives enter into employment agreements with PNG.

Please see the response to Commitment 5. Additionally, these copies were filed as part of Case No. 2017-00125. Aqua America and PNG do not anticipate any new or incremental employment agreements with these individuals.

7. PNG commits to having an independent director on Delta's post-closing board of directors.

Aqua America understands that this is an important concern to the Commission and is currently evaluating this opportunity.

8. Joint Applicants commit that neither Delta nor its ratepayers, directly or indirectly, will incur any additional costs, liabilities, or obligations in conjunction with the acquisition of Delta by Joint Applicants.

Joint Applicants will honor this commitment.

9. Joint Applicants commit that they will not seek to recover costs associated with the transaction in Delta's rates.

Joint Applicants will honor this commitment.

10. Joint Applicants commit that they will not utilize push-down accounting in any manner arising from the transaction contemplated in this case.

Joint Applicants will honor this commitment.

11. Joint Applicants commit that they will file an application and seek Commission approval prior to entering into any services agreement with Peoples Service Company.

Joint Applicants will honor this commitment.

12. Joint Applicants commit that all contractual and regulatory commitments entered into by Delta prior to the closing of the transaction will be honored.

The Joint Application requests that the Commission relieve the parties in Case No. 2017-00125 of the commitments agreed to therein, so that the applicants to this proceeding do not have inconsistent commitments should the Commission approve the Proposed Transaction. Other than seeking relief from those commitments, Delta will honor all contractual and regulatory commitments which Delta entered into prior to the closing of the transaction, including any commitments made as part of this proceeding.

13. Joint Applicants commit that Delta will give clear and conspicuous notice to its customers prior to any change in services resulting from the contemplated transaction.

Joint Applicants will honor this commitment.

14. Joint Applicants commit that Delta ratepayers will not be asked to contribute to costs associated with operating any PNG utility, including People's KY Gas, LLC.

Joint Applicants will honor this commitment.

15. Joint Applicants commit that Delta will not guarantee the credit of any affiliates if the transaction is approved.

Joint Applicants will honor this commitment.

16. Joint Applicants commit they will not seek recovery for any costs to achieve the transaction, or costs to achieve initial savings associated with the transition of Delta from a publicly traded company to a privately held company.

Delta will not be transitioning from a publicly traded company to a privately held company as a result of the proposed transaction; accordingly, this commitment is not applicable as written. Joint Applicants commit that they will not seek recovery for any costs to achieve the proposed transaction, or costs to achieve initial savings associated with the proposed transaction, from Delta's ratepayers.

17. Joint Applicants commit that Delta will not be required to pledge any of its assets to finance the debt or any purchases of its affiliates.

Joint Applicants will honor this commitment.

18. Joint Applicants commit that Delta will not 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.

Joint Applicants will honor this commitment.

19. Joint Applicants commit that neither Delta nor its ratepayers will 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.

Joint Applicants will honor this commitment.

20. Joint Applicants commit that Delta will not be exposed to any increased insurance premiums in the event the Commission approves the transaction.

Joint Applicants will honor this commitment.

21. Joint Applicants commit that Delta will not be exposed to any additional contributions to any pension or medical plans, etc., for employees than it otherwise would not have faced but for the approval.

Joint Applicants will honor this commitment.

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

Given that the non-utility lines of business of Aqua America and Peoples amount to less than 2% of each company's respective revenues, Joint Applicants do not believe that there is any need for Aqua America and Peoples to implement ring-fencing arrangements to address such limited non-regulatory activities. Joint Applicants commit that they will seek advance Commission approval of any necessary affiliate agreements prior to entering into such agreements.

23. Joint Applicants commit to 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 percent.

Joint Applicants will honor this commitment. If circumstances change that require a change to this commitment, Aqua America will notify the Commission and parties in advance.

24. Joint Applicants commit that Delta will not (a) guarantee debt or credit facilities of any PNG affiliate; (b) mortgage utility assets on behalf of an affiliate; and (c) loan funds or otherwise extend credit to any affiliate.

Joint Applicants will honor this commitment.

25. Joint Applicants commit that, in the event an employee is terminated without cause prior to the termination of the "no impact period," any severance paid to such an employee would be considered a transaction cost and would not be recovered through Delta's rates.

Joint Applicants commit that, in the event severance is payable to a Delta employee pursuant to the terms in Section 5.6 of the Purchase Agreement, any severance paid would be considered a transaction cost and would not be recovered through Delta's rates.

26. Joint Applicants commit that Delta will not incur any additional indebtedness or pledge any assets to finance any part of the purchase price paid by PNG for Delta stock.

Joint Applicants will honor this commitment.

27. Joint Applicants commit that Delta will seek Commission approval pursuant to KRS 278.300 if Delta issues any securities or evidences of indebtedness with PNG.

Joint Applicants will honor this commitment.

28. Joint Applicants commit to provide the names of all directors of Delta's post-closing board of directors, together with a short biographical description of each board member.

Joint Applicants will honor this commitment.

29. Joint Applicants commit to maintain a minimum debt-to-capitalization ratio of 40 percent 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.

No notes will be exchanged with Delta noteholders, and no intercompany note between PNG and Delta will be issued in the course of the proposed transaction. Accordingly, this commitment is inapplicable to the proposed transaction.

30. Joint Applicants commit that they will maintain Delta's corporate office, and its books and records, within Delta's service territory.

Aqua America commits to maintaining Delta's current Winchester, Kentucky office. Once the SAP integration is complete, Delta's books and records will be stored within PNG's ERP system and will be fully accessible in the Winchester office.

31. Joint Applicants commit that if PNG Companies, LLC and/or any of its affiliates are the sources for any charges to Delta, Joint Applicants agree to allow the Commission to audit the accounting records of those affiliates.

Joint Applicants will honor this commitment.

32. Joint Applicants commit they will not cross-subsidize between their regulated and non-regulated businesses.

Yes, Aqua America does not intend to change Delta's current business practices.

33. Joint Applicants commit that the accounting and ratemaking treatments of Delta's excess deferred income taxes will not be affected by the transaction.

Joint Applicants will honor this commitment.

34. Joint Applicants commit that Delta's customers will experience no adverse change in service if the transaction is approved.

Joint Applicants will honor this commitment.

35. Joint Applicants commit that they will not achieve merger savings at the expense of degrading the adequacy and reliability of Delta's retail gas service.

Joint Applicants will honor this commitment.

36. Joint Applicants commit that costs pertaining to the lawsuits filed against Delta and others arising from the proposed transaction (including but not limited to attorney fees

and any sums paid in settlements) are considered transaction costs and will not be recovered from Delta's ratepayers.

At this time, Joint Applicants are not aware of any lawsuits pending against Delta and/or others arising from the proposed transaction. Accordingly, this commitment is inapplicable.

37. Joint Applicants commit that only shareholder funds will be used in providing grants or donations for economic development.

Joint Applicants will honor this commitment.

38. Joint Applicants commit that the proposed transaction will not result in any write-ups, write-offs, or restatements of financial results.

Joint Applicants will honor this commitment.

39. Joint Applicants commit that Delta ratepayers will not be responsible for any termination, and/or other fees or expenses paid should the contemplated transaction not be consummated.

Joint Applicants will honor this commitment.

40. Joint Applicants commit that no additional stock of any class will be issued as a condition of the transaction's consummation.

Joint Applicants commit that no additional stock of any class will be issued by Delta as a condition of the transaction's consummation.

41. Joint Applicants commit that any costs associated with Delta's use of the SAP based Customer Information System will be capitalized and accounted for in the appropriate Federal Energy Regulatory Commission account.

Joint Applicants will honor this commitment.

42. Joint Applicants commit that any changes to the Delta Pipeline Replacement Program will be filed with the Commission and approval of any changes contemplated will be sought at that time.

Joint Applicants will honor this commitment.

43. Joint Applicants commit that Delta will not incur any additional indebtedness or pledge any assets to finance any part of the purchase price paid by PNG for Delta stock.

Joint Applicants will honor this commitment.