

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF)	
AQUA AMERICA, INC.,)	
STEELRIVER INFRASTRUCTURE)	CASE NO. 2018-00369
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. FOR APPROVAL OF AN)	
ACQUISITION OF OWNERSHIP)	
AND CONTROL OF PNG)	
COMPANIES LLC AND DELTA)	
NATURAL GAS COMPANY, INC.)	

**JOINT RESPONSE OF 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. FOR APPROVAL OF AN
ACQUISITION OF OWNERSHIP AND CONTROL OF PNG COMPANIES LLC
AND DELTA NATURAL GAS COMPANY, INC.
TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
DATED DECEMBER 26, 2018**

FILED: January 7, 2019

**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. FOR APPROVAL OF AN ACQUISITION OF
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND
DELTA NATURAL GAS COMPANY, INC.**

CASE NO. 2018-00369

**Joint Response to Commission Staff's Second Request for Information
Dated December 26, 2018**

Question No. 1

Responding Witness: Christopher H. Franklin / John B. Brown

- Q-1. Refer to Joint Applicants' response to Commission Staff's First Requests for Information (Staff's First Request), Item 1.b. As originally requested, identify and explain any barriers to Delta employees seeking to bid on job openings at Aqua America, or vice versa, that exist currently, i.e., before the proposed transaction.
- A-1. There are not currently any barriers to Delta employees seeking to bid on job openings at Aqua America, or vice versa.

**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. FOR APPROVAL OF AN ACQUISITION OF
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND
DELTA NATURAL GAS COMPANY, INC.**

CASE NO. 2018-00369

**Joint Response to Commission Staff's Second Request for Information
Dated December 26, 2018**

Question No. 2

Responding Witness: Christopher H. Franklin

- Q-2. Refer to Joint Applicants' response to Staff's First Request, Item 3. Confirm that Aqua America, PNG, and Delta intend to retain an independent director on Delta's post-closure board.
- A-2. Aqua America understands that this is an important concern to the Commission, and the Company is currently evaluating this opportunity.

**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. FOR APPROVAL OF AN ACQUISITION OF
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND
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CASE NO. 2018-00369

**Joint Response to Commission Staff's Second Request for Information
Dated December 26, 2018**

Question No. 3

Responding Witness: Daniel J. Schuller

- Q-3. Refer to the Joint Applicants' response to Staff's First Request, Item 10 and the Attorney General's First Request for Information (Attorney General's First Request), Item 9. Explain how Delta can both retain its existing, stand-alone capital structure and access Aqua America's "broad range of capital sources," without the need to allocate Aqua America's capital structure to Delta.
- A-3. The current plan is to maintain Delta's current capital structure, as it exists with PNG. Increases in capital due to infrastructure replacements or expansion would be likely be funded with internally generated funds and a combination of debt and equity raised at the Aqua America level.

**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. FOR APPROVAL OF AN ACQUISITION OF
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND
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Dated December 26, 2018**

Question No. 4

Responding Witness: Christopher H. Franklin

- Q-4. Refer to the Joint Applicants' response to Staff's First Request, Item 13. Provide examples of the best practices held by Aqua America that could translate to natural gas pipeline replacement programs.
- A-4. Aqua received the 2008 National Association of Water Companies (NAWC) Award for implementing two management systems that prioritize and efficiently manage the replacement of pipeline infrastructure. The best practices from these systems, including prioritizing, documenting and planning a main replacement program would translate to the combined company and replacing natural gas infrastructure. Other best practices that could translate to natural gas pipeline replacement include purchasing a significantly larger quantity of main replacement materials in conjunction with Aqua America's main replacement efforts and Delta's gas pipeline replacement efforts. This could improve material pricing and increase Delta's purchasing power. Another best practice example is leveraging main replacement contractors, some with regional presence, across the combined company, which could drive efficiencies.

**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. FOR APPROVAL OF AN ACQUISITION OF
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND
DELTA NATURAL GAS COMPANY, INC.**

CASE NO. 2018-00369

**Joint Response to Commission Staff's Second Request for Information
Dated December 26, 2018**

Question No. 5

Responding Witness: Morgan K. O'Brien / John B. Brown

- Q-5. Refer to the Joint Applicants' response to the Attorney General's First Request, Items 10 and 28. Explain whether Delta plans to implement a Customer Choice program as a result of the proposed transaction.
- A-5. No, Delta does not intend to implement a Customer Choice program as a result of the proposed transaction. In their responses, Mr. Brown and Mr. O'Brien referred to the PNG SAP system, which is being implemented at Delta, as having functionality with respect to Customer Choice. This functionality is specific to the "Customer Choice Program" in the tariffs of other PNG regulated utilities and therefore will not be utilized at Delta.


VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF MONTGOMERY) SS:

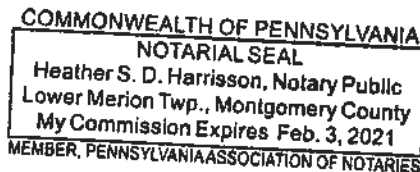
CHRISTOPHER H. FRANKLIN, being duly sworn, deposes and says that he is the Chairman, Chief Executive Officer, and President of Aqua America, Inc. ("Aqua America"), that he has read the foregoing Responses to Requests for Information and knows the matters contained therein relating to Aqua America and its affiliates; and that said matters are true and correct to the best of his knowledge and belief.


CHRISTOPHER H. FRANKLIN

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 4 day of January, 2019.


Notary Public

My Commission Expires:
Feb 3, 2021



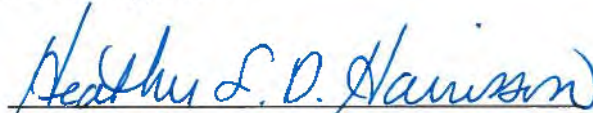
VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF MONTGOMERY)

DANIEL J. SCHULLER, being duly sworn, deposes and says that he is the Executive Vice President and Chief Financial Officer of Aqua America, Inc. ("Aqua America"), that he has read the foregoing Responses to Requests for Information and knows the matters contained therein relating to Aqua America and its affiliates; and that said matters are true and correct to the best of his knowledge and belief.


DANIEL J. SCHULLER

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 4 day of January, 2019.


Notary Public

My Commission Expires:
Feb. 3, 2021

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Heather S. D. Harrison, Notary Public
Lower Merion Twp., Montgomery County
My Commission Expires Feb. 3, 2021
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

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 that he has read the foregoing Responses to Requests for Information and knows the matters contained therein relating to PNG and its affiliates, including Peoples Gas KY LLC and Delta Natural Gas Company, Inc.; and that said matters are true and correct to the best of his knowledge and belief.

Morgan K. O'Brien
MORGAN K. O'BRIEN

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 2 day of January, 2019

Susan M. Griener
Notary Public

My Commission Expires:

12/9/20

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Susan M. Griener, Notary Public
City of Pittsburgh, Allegheny County
My Commission Expires Dec. 9, 2020
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

VERIFICATION


COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK) SS:

JOHN B. BROWN, being duly sworn, deposes and says that he is the President, Treasurer, and Secretary of Delta Natural Gas Company, Inc. and that he has read the foregoing Responses to Requests for Information and knows the matters contained therein relating to Delta Natural Gas Company, Inc.; and that said matters are true and correct to the best of his knowledge and belief.



JOHN B. BROWN

Subscribed and sworn to before me, a Notary Public in and for the above County and State, on this 9th day of December, 2018.



Notary Public

My Commission Expires:
6/20/20

