

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF AQUA AMERICA,)
INC.; STEELRIVER INFRASTRUCTURE FUND)
NORTH AMERICA LP; STEELRIVER LDC)
INVESTMENTS LP; LDC PARENT LLC; LDC) CASE No.
FUNDING LLC; LDC HOLDINGS LLC;) 2018-00369
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.)

**ATTORNEY GENERAL’S SUPPLEMENTAL DATA REQUESTS
PUBLIC REDACTED VERSION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”), and submits these Supplemental Data Requests to Aqua America, Inc. (“Aqua”); Steelriver Infrastructure Fund North America LP; Steelriver LDC Investments LP; LDC Parent LLC; LDC Funding LLC; LDC Holdings LLC; PNG Companies LLC (“PNG”); Peoples Gas KY LLC; and Delta Natural Gas Co., Inc. (“Delta”) [hereinafter jointly referred to as “Joint Applicants”] to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.

(3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Joint Applicants with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If you believe any request appears confusing, request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words “document” or “documents” are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which

any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL

A small, light blue rectangular box containing a handwritten signature in dark ink, which appears to be 'AB'.

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Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on December 28, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 28th day of December, 2018.



Assistant Attorney General

Electronic Joint Application of Aqua America, Inc., et al., for Approval of Transfer of Control
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1. Reference the response to AG 1-2. Explain how the proposed divestiture of:
(i) SteelRiver Infrastructure Fund North America LP; (ii) SteelRiver LDC Investments LP; and (iii) LDC Parent LLC, of any and all interests in PNG and Delta will affect the ability of the Joint Applicants to possess the technical, and managerial abilities to provide reasonable service.
2. Reference the response to AG 1-6 (b). Explain why PNG is no longer utilizing the services of Peoples Service Co.
 - a. Identify the service company, if applicable, that PNG's LDC operating entities other than Delta will utilize.
 - b. Identify any and all service agreements by and among PNG's LDC operating entities other than Delta.
3. Reference the response to AG 1-9.
 - a. Identify any planned or anticipated “. . . necessary and appropriate future changes and improvements” regarding Delta's operations.
 - b. Identify the ways in which Delta's customers “. . . may also benefit from economies of scale resulting from a larger customer base of both gas and water.”
 - c. Identify any and all planned or anticipated: (i) technology solutions that will enhance customer service tools, other than the SAP Technology Platform identified in the response to AG 1-10; (ii) “. . . design and engineering of pipe replacement programs, mapping of pipelines, and other improvements and work efficiency tools that might not be economical on a standalone basis.”
 - d. Do PNG, Delta and their affiliates currently have a focus on prudently replacing aged distribution pipe?
 - e. Provide the last five (5) instances Delta has had issues or concerns accessing capital.
 - f. Provide evidence that Delta “will have greater access to capital under Aqua America's control.”
 - g. Provide evidence that Delta will be able to access capital at preferential cost after the proposed transaction than it would without the transaction.
 - h. Without the proposed transaction, is Delta unable to use or access the technology solutions or tools mentioned in the response, “including the design and engineering of pipe replacement programs, mapping of pipelines, and other improvements and work efficiency tools that might not be economical on a standalone basis”?

- i. If the response to subpart (h), above, confirms that those solutions and tools are unavailable under the current structure, provide citations to the record in Case No. 2017-00125 where the applicants in that matter disclosed those tools and solutions were unavailable upon closing the transaction.
4. Reference the response to AG 1-10 (a), which discusses the SAP Technology Platform's provision of chat, email, mobile billing and payment, text and a customer portal.
 - a. Explain whether the Joint Applicants are aware that many of Delta's customers do not have access to computers and/or other digital technologies, and still rely on hand-written letters, telephone calls, and in-person visits to Company offices.
 - b. Explain what is meant by the portion of the response that states, "The customer portal will allow customers to . . . elect their Customer Choice options."
5. Reference the Joint Applicants' response to AG 1-12. The initial request sought "Aqua's current capital structure," while the response provided only "The capital structures for Aqua America's utility operating subsidiaries."
 - a. Provide Aqua's current capital structure.
 - b. Provide Aqua's anticipated or estimated post-closing capital structure.
 - c. Provide the dates of the Applications for the "most recent rate cases" cited in the response.
 - d. For those capital structures that are stated to be 50/50, confirm that was the actual capital structure, and not the capital structure used for ratemaking purposes.
 - (i) If the 50/50 mix was for ratemaking purposes, provide the actual capital structure for each operating subsidiary.
6. Reference the response to AG 1-16, Attachment KYOAG-16-A. In the event the Commission should approve the Proposed Transaction, will any of the entities identified on this Attachment seek to register to transact business in the Commonwealth of Kentucky? If so, identify all such entities.
7. Reference the response to AG 1-16, Attachment KYOAG-16-P. In the event the Proposed Transaction receives all necessary approvals from all regulatory authorities, including the Kentucky Commission, identify all changes that will occur in the corporate structure.
 - a. Provide an organizational chart identifying all such changes.

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8. Reference the response to AG 1-19. Provide biographical summaries of the members of each board of directors can be accessed. Internet links to existing pages that include the biographical information requested may satisfy this response.
9. Reference the confidential response to AG 1-20.
 - a. State whether the documents provided constitute the entire filing made pursuant to the Hart-Scott-Rodino Antitrust Improvements Act and pertinent regulations. If not, provide the entire filing.
10. Reference the response to AG 1-21, in which the Joint Applicants state that the only filing made to a federal agency was included as a confidential attachment to AG 1-20. [REDACTED]. If not, provide the actual filing.
11. Reference the response to AG 1-23. Provide an illustrative example of how the commitments referenced in Case No. 2017-00125 could potentially be “inconsistent” with any of the commitments the Joint Applicants may agree to in the instant case.
12. Reference the Joint Applicants’ response to AG 1-38 and AG 1-40. Are the responses merely indicating Aqua America is publically traded? If not, explain in detail why not.
13. Reference the response to AG 1-42 and attachment 1-42-CONF-R. Confirm that the IT and Cybersecurity Due Diligence Report, Executive Summary, p. 5 of 57, states that IT initiatives underway at Delta are “large and complex, impact core systems including SAP, and require a significant spend (budget of \$34.9M in FY 18). Unless managed appropriately, there could be delays, cost overruns, potential business disruption, and customer impact.”
 - a. Confirm whether all of the \$34.9M of IT spend is within the Delta service territory. If not, identify how much is within Delta’s territory.
 - b. Identify all measures Joint Applicants will employ to minimize business interruption, delays, and cost overruns.
14. Reference the response to AG 1-42-CONF-R. Confirm that the IT and Cybersecurity Due Diligence Report, Executive Summary, p. 5 of 57, states that “. . . eight to ten compressor stations are controlled by an outdated program and hardware that is no longer supported by the vendor. Replacing the application requires the engine to be rewired with new sensors, remote terminal units, and possibly replacing the engine itself; the total cost would

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be \$500,000 or more per station. The IT Capex project list did not include upgrade of these systems.”

- a. Confirm how many of the above-described compressor stations are located in the Delta service territory.

15. Reference the response to AG 1-65. Identify specifically where in Aqua's attachment KYOAG-65, the subject of remuneration of any type or sort that would be awarded in the event the Proposed Transaction is approved can be found.

16. Reference the response to AG 1-42, Attachment OAG-42-CONF, the [REDACTED].

- a. Confirm that the Executive Summary states that Delta [REDACTED].
- b. Confirm that Delta's [REDACTED].

17. Reference the response to AG 1-42, Attachment OAG-42-CONF, [REDACTED].

- a. Confirm that the Executive Summary states that when PNG acquired Delta, it did not [REDACTED].
- b. Reference further the [REDACTED], p. 4-5, which [REDACTED].
- c. [REDACTED].

18. Reference the response to AG 1-42, Attachment OAG-42-CONF, [REDACTED] p. 2-5 and Figure 2-3 [REDACTED].

- [REDACTED]
- [REDACTED]
19. Reference the Joint Applicants' response to AG 1-95. The initial request sought information for the past eight (8) years, while the response provided information for only the past three (3). Provide the eight (8) years initially requested or explain in complete detail why the Joint Applicants did not and cannot provide the information as requested.
20. Confirm that in Case No. 2018-00317,¹ the Kentucky Public Service Commission Staff posed multiple data requests to Delta regarding its gas procurement practices.
- a. Confirm that in Delta's response to the Commission's data request item no. 1, Delta stated, "The Company is a member of a small customer group, represented by Mr. Joshua Menter of McCarter & English, LLP, which represents our interests to Interstate pipelines in an effort to keep interstate pipeline transportation costs as low as possible." Provide an explanation of the services this entity provides to Delta, and state whether Delta has ever issued an RFP for the services this entity provides.
 - b. Confirm that in response to PSC data request item no. 2, Delta provided the names of the entities providing commodity supply to Delta.
 - c. Confirm that in response to PSC data request item no. 8, Delta acknowledged that it has not undertaken any RFPs for gas supply in the past five (5) years, and that the Company does not have a written procedure for this activity.
 - d. Confirm that in response to PSC data request item no. 3, Delta stated that it has no written procedures for nominations and dispatching.
 - e. State whether any of the other PNG LDC affiliates engage the services of any entity that provides services similar to McCarter & English, LLP, identified in subpart a. of this question. If so, describe the nature of the services, and identify the PNG affiliate.
 - f. State whether any of the other PNG LDC affiliates undertake RFPs for gas supply. If so, state how frequently such RFPs are issued, and provide copies of any written procedures utilized in gas supply procurement.
 - g. State whether any of the other PNG LDC affiliates have written procedures in place for nominations and dispatch.

¹ *In Re*: Purchased Gas Adjustment Filing of Delta Natural Gas Co., Inc.

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- h. State whether the Joint Applicants will require that Delta initiate:
(i) RFPs for gas supply on a regular basis; and (ii) written procedures for nominations and dispatch. If not, explain fully why not.
 - i. Identify the page number(s) in the B&V Report which discuss that Delta: (i) has not issued RFPs for gas supply in at least five years; and (ii) lacks written procedures for nominations and dispatch.
- 21. Identify all actions Joint Applicants will take to ensure that Delta's gas procurement practices are fully consistent with prevailing industry standards and practices, and will provide Delta's customers with the least cost gas possible.
- 22. Reference the response to AG 1-42, Attachment OAG-42-CONF, the [REDACTED] [REDACTED] entitled, [REDACTED] [REDACTED] [REDACTED] [REDACTED]
 - a. Has a final version of the [REDACTED] been completed? If so, provide a copy.
 - b. If the response to subpart a., above, is "no," when do the Joint Applicants anticipate the final version will be completed? Do the Joint Applicants commit to providing the final version of this report when it is completed? If not, why not?
- 23. Reference the response to AG 1-42, Attachment OAG-42-CONF, the [REDACTED] [REDACTED] [REDACTED] [REDACTED]
- 24. Reference the Joint Applicants' response to PSC 1-6 (c).
 - a. Will the Joint Applicants agree to honor the affiliate transaction rules set forth in KRS 278.2201 through 278.2219? If not, why not?
- 25. Reference the Final Order in Case No. 2017-00125, Appendix. Explain whether Joint Applicants in this matter will commit to honoring the 43 express commitments set forth therein (some, but not all of which may be duplicative of those set forth in PSC 1-5 and 1-6 in the instant case).

- a. Explain whether Joint Applicants are aware that these, or similar commitments were required in virtually every transfer of control proceeding in the last approximate ten (10) years.
 - b. If Joint Applicants are not willing to honor those commitments, explain fully: (i) why they should be excused from honoring the commitments; and (ii) why the Commission should not deny the application.
26. Reference the Morgan testimony in Joint Applicants' Pennsylvania application regarding the Proposed Transaction (attachment KYOAG 21 PA), beginning at p. 11 wherein he discusses the Peoples' Companies' programs for assisting customers.
- a. At p. 12, Mr. Morgan states the Peoples Companies "created a suite of programs and services to increase affordability, provide a safety net for limited income homeowners facing a costly gas related repair and, perhaps most importantly, to connect those in need with resources beyond gas service."
 - (i) Why hasn't Delta instituted a similar suite of programs in its service territory?
 - (ii) State whether Joint Applicants would be willing to provide a similar suite of programs in Delta's service territory. If not, why not?
 - b. At p. 12, Mr. Morgan states that the Peoples Companies have partnered with the United Way to allow customers who are challenged to pay their utility bill to also have access to many important social service programs.
 - (i) Provide details of how this program works.
 - (ii) Explain how and provide a timeline for when Delta plans to institute a similar program in its service territory.
 - c. At p. 12, Mr. Morgan states: "We know many of our customers who struggle to pay their gas bills, most likely also struggle for life's basic human needs like food, shelter and health care assistance." Do Joint Applicants acknowledge that many of Delta's ratepayers face the same struggles?
 - d. Provide details regarding the Peoples Companies' Customer Assistance Program ("CAP"), discussed briefly at p. 12.
 - (i) Explain how and provide a timeline for when Delta plans to institute a similar program in its service territory.
 - (ii) If Delta has yet to undertake such a program, confirm the Joint Applicants are willing to undertake a similar program and tariff filings for Delta's service territory.
 - e. At p. 12, Mr. Morgan states the Peoples Companies advertise the availability of LIHEAP on customer bills.

- (i) Explain how Delta currently performs the same task. If Delta does not already, confirm Joint Applicants are willing to do the same for Delta's bills?
 - f. At p. 13, Mr. Morgan speaks of the emergency heating appliance and gas line program. Provide details regarding this program.
- 27. Confirm that the Joint Applicants are willing and interested to meet with the low-income energy assistance agencies, and staff of the Office of the Attorney General, for the purpose of discussing programs (including those set forth in the immediately preceding question), to provide assistance to low-income customers.
- 28. Reference PSC 1-2 and the Joint Applicants' response to same.
 - a. Do Delta, PNG and their current affiliates have the financial ability to provide and implement the state-of-the art tools listed in the response?