

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.)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO JOINT
APPLICANTS

PNG Companies LLC ("PNG"), Drake Merger Sub. Inc. ("Drake"), and Delta Natural Gas Company, Inc. ("Delta") (collectively, "Joint Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission an original and six copies in paper medium and an electronic version of the following information. The information requested herein is due no later than April 19, 2017. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

Joint Applicants shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, page 1, which states that the proposed acquisition is subject to the approval of Delta's shareholders, the Commission, and other regulatory agencies.

a. Provide the status of and timetable for the approval of the proposed acquisition by Delta's shareholders.

b. Identify the other regulatory agencies that must approve the proposed acquisition, and the status of and timetable for each agency's approval of the proposed transaction.

2. Refer to the Application, page 6, which sets forth the merger commitments included in the Agreement and Plan of Merger ("APM"). Describe in specific detail the

compensation, benefits, and severance protections for non-executive employees of Delta.

3. Refer to the Application, page 6, and the APM, Section 1.6(b).

a. For the five current Delta executive officers who will be offered positions with Delta after the closing of the proposed transaction, provide:

- i. Each officer's name and current title;
- ii. Each officer's current employment status;
- iii. Each officer's proposed title, job duties, and compensation, if

finalized. If the proposed title and job duties of any of the five executive officers have not been finalized, provide an expected timeline for a decision.

b. State whether the Joint Applicants have identified the independent director who will be appointed to Delta's Board of Directors post-closing. If not, explain how the independent director will be selected.

c. If the independent director has been identified, state whether Delta's current Board of Directors has approved the proposed independent director to be appointed to Delta's Board of Directors once the proposed transaction closes. If the independent director has been approved, provide the person's name and a description of the person's qualifications.

4. Refer to the Application, page 7, which states that PNG has the financial ability to "leverage the significant technology investments" to improve the level of customer service provide by Delta and better manage Delta's resources. Explain in specific detail what technology will be implemented, its cost, and how that technology will improve Delta's customer service and resource management.

5. Refer to the Application, page 8, which states that PNG has the financial ability to provide Delta employees with “the most state of the art tools” to continue to improve safety. Explain in specific detail what “state of the art tools” will be implemented and how said tools will improve the safety of providing utility service to Delta’s customers.

6. Refer to the Application, page 8, which states that PNG will expand Delta’s partnerships and working relationships with economic development leaders. Describe what plans PNG has to implement expanded partnerships and economic development efforts.

7. Describe in specific detail the size and identify the potential members of Delta’s Board of Directors once the proposed transaction closes.

8. Provide the current tariffs of PNG’s local gas distribution company affiliates.

9. Provide an organizational chart showing the current organizational structure of PNG, PNG’s affiliates, and PNG’s parent company or companies.

10. Refer to APM, Section 5.6(a).

a. Explain in detail the entity named “SteelRiver Operations LP,” its relationship to PNG, and its role in the proposed merger transaction.

b. Provide a copy of the Confidentiality Agreement dated as of August 30, 2016, between SteelRiver Operations LP and Delta.

11. Refer to the APM, Section 8.11, notice to Drake Merger Sub, Inc. Explain in detail the entity named “SteelRiver Partners,” its relationship to PNG, and its role in the proposed merger transaction.

12. Refer to the Direct Testimony of Morgan K. O'Brien, ("O'Brien Testimony") pages 13–14. Provide resumes for the three PNG personnel identified as having future oversight responsibilities for Delta's business.

13. Refer to O'Brien Testimony, page 14, lines 9–10. Describe in detail the Board of PNG and provide the Board members' names and addresses.

14. Refer to the Direct Testimony of Preston D. Poljak ("Poljak Testimony"), page 5, lines 9–10. If part of the purchase price is to be financed, provide details of the loan agreement.

15. Refer to the Poljak Testimony, page 2, lines 17–19. Explain in detail the entities named "SteelRiver LDC Ventures LLC" and "SteelRiver Infrastructure Fund North America, LP," their role in the proposed merger transaction, and the extent to which either or both of these entities will acquire any control of Delta, as control is defined in KRS 278.020(7), if the proposed merger transaction is approved.

16. If, upon approval of the proposed merger transaction, SteelRiver LDC Ventures LLC or SteelRiver Infrastructure Fund North America LP will have any direct or indirect control of Delta, explain in detail why the proposed merger application does not request approval for those entities to acquire direct or indirect control of Delta.

17. Refer to the Poljak testimony, page 7, line 18. Provide PNG's most recent reports from Moody's Investors Service and Standard & Poor's.

18. Refer to the Poljak Testimony, pages 9–10. Provide the PNG internal code of conduct.

19. Provide PNG's most recent quarterly and 12-month balance sheet, income statement and statement of cash flows.

20. Provide the proposed journal entry or entries PNG will make to record the ownership transfer.



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Public Service Commission
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DATED APR 07 2017

cc: Parties of Record

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