

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION 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,) CASE NO.
PEOPLES GAS KY LLC, AND DELTA NATURAL GAS) 2018-00369
COMPANY, INC. FOR APPROVAL OF AN ACQUISITION OF)
OWNERSHIP AND CONTROL OF PNG COMPANIES LLC AND)
DELTA NATURAL GAS COMPANY, INC.)

NOTICE OF FILING


Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on February 14, 2019 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on February 14, 2019 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on February 14, 2019.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at http://psc.ky.gov/av_broadcast/2018-00369/2018-00369_14Feb19_Inter.asx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 26th day of February 2019.



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Executive Director
Public Service Commission of Kentucky

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OF AQUA AMERICA, INC.,)	CASE NO.
STEELRIVER INFRASTRUCTURE)	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.)	

CERTIFICATE

I, KaBrenda L. Warfield, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on February 14, 2019; (excluding any confidential segments, which were recorded on a separate DVD and will be maintained in the non-public records of the Commission, along with the Confidential Exhibits and Hearing Log).
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing of February 14, 2019; (excluding any confidential segments);
4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of February 14, 2019 (excluding any confidential exhibits).

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of February 14, 2019; (excluding any confidential segments) and the time at which each occurred.

6. All items listed above containing confidential materials will be maintained in the non-public records of the Commission.

Signed this 18 day of February 2019.



KaBrenda L. Warfield, CKP
Paralegal Consultant



Stephanie Schweighardt, Notary Public
State at Large
Commission Expires: January 14, 2023
ID#: 614400



Date:	Type:	Location:	Department:
2/14/2019	Other	Hearing Room 1	Housing (HR1)

Judge: Bob Cicero; Talina Mathews; Michael Schmitt
 Witness: John Brown ; Christopher H Franklin ; Morgan O'Brien ; Daniel J Schuller
 Clerk: KaBrenda Warfield

Event Time	Log Event	
8:30:37 AM	Session Started	
8:30:38 AM	Session Paused	
9:18:57 AM	Session Resumed	
9:18:58 AM	Chairman Schmitt	
	Note: Fields, Angela	Chairman stating Preliminary remarks and introduction of Vice Chairman Cicero and Commissioner Mathews.
9:19:49 AM	Chairman Schmitt	
	Note: Fields, Angela	At this time would counsel for Aqua America please identify himself along with any co-counsel and the party you represent?
9:20:06 AM	Chairman Schmitt	
	Note: Fields, Angela	And for Steel River?
9:20:18 AM	Chairman Schmitt	
	Note: Fields, Angela	And the Office of the Attorney General
9:20:26 AM	Chairman Schmitt	
	Note: Fields, Angela	And for Staff?
9:20:30 AM	Chairman Schmitt	
	Note: Fields, Angela	Publication notice given.
9:20:44 AM	Chairman Schmitt	
	Note: Fields, Angela	I also understand that at this time there are no confidentiality motions pending correct?
9:21:14 AM	Chairman Schmitt	
	Note: Fields, Angela	Are there any other motions or concerns that any of the parties or counsel would like to bring to our attention?
9:21:27 AM	Chairman Schmitt	
	Note: Fields, Angela	So at this time is there any member of the public in the hearing room who would like to come forward and provide either an oral or written statement for consideration by the Commission?
9:22:01 AM	Chairman Schmitt	
	Note: Fields, Angela	Is there any reason why we should not proceed with the hearing at this time?
9:22:05 AM	Chairman Schmitt	
	Note: Fields, Angela	At this time then if Counsel for Aqua Steel River would like to call their first witness please do so.
9:22:13 AM	Atty Leet Aqua America - witness Franklin	
	Note: Fields, Angela	Yes, Aqua America would call Mr. Chris Franklin.
9:22:21 AM	Chairman Schmitt - witness Franklin	
	Note: Fields, Angela	Swearing in.
9:22:31 AM	Atty Leet Aqua America - witness Franklin	
	Note: Fields, Angela	Could you please first state your full name for us for the record?
9:22:41 AM	Atty Leet Aqua America - witness Franklin	
	Note: Fields, Angela	Mr. Franklin by whom are you employed?
9:22:45 AM	Atty Leet Aqua America - witness Franklin	
	Note: Fields, Angela	And how long have you worked there?

9:22:49 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela What is your current position at Aqua?

9:22:55 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela And as Chairman, President, and CEO of the company generally speaking what are your duties and responsibilities include?

9:23:12 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela In connection with this proceeding Mr. Franklin have you caused prefiled written testimony to be filed in the record?

9:23:21 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela And have you also provided responses to certain Data Request that have been supplied to the company in connection with this proceeding?

9:23:28 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela If you were asked all those same questions today would you provide the same answer under oath today in this proceeding?

9:24:06 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela But do you recall generally the focus the burden of that request that was directed to Aqua?

9:24:22 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela And the supplemental information that you indicate you would provide now if given the opportunity that document was it provided as part of these proceedings to all parties?

9:24:36 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela Other than that change Mr. Franklin, do you adopt your prefiled testimony and the responses that you provided to this Commission in connection with this proceeding?

9:24:49 AM Atty Leet Aqua America - witness Franklin
Note: Fields, Angela I'll pass the witness for cross examination Mr. Chairman.

9:24:50 AM Chairman Schmitt
Note: Fields, Angela Mr. Cook questions?

9:24:52 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Would you agree that if the proposed transaction is approved, this would be Aqua's initial venture into the gas LDC business?

9:25:24 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Is Aqua aware that the counties comprising the service territories of both Delta and People's Kentucky have some of the highest poverty rates in the state, and in the country?

9:25:43 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Is Aqua willing to pledge to seek affordable rates for its Delta and People's Kentucky customers?

9:26:07 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Mr. Chairman at this time I would request that we move to a confidential record.

9:26:13 AM Private Recording Activated

9:26:29 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Mr. Franklin Is the purpose of Aqua's transaction to bolster earnings?

9:27:32 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Does Aqua anticipate that the infrastructure investments of the utilities included in the underlying transaction are the vehicle for additional earnings?

9:28:09 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Is the driver of the underlying transaction a need that Aqua perceives to increase its compound annual growth rate of earnings?

9:28:45 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Is the expected increase in annual growth of earnings the driver for the premium Aqua will be paying in the transaction?

9:29:26 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Can Delta's ratepayers expect that the purpose of Aqua's interest in Delta's infrastructure is due to its potential for higher earnings?

9:30:00 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Now, I'd like to ask you some questions about one of the confidential handouts that I passed out before the start of today's hearing. These are from the Aqua's Hart-Scott-Rodino filing. The first is the Project Mercury Board Meeting October 3, 2018.

9:30:47 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela So you have that in front of you?

9:30:50 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Are you familiar with this, have you seen it?

9:30:55 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela So this is like a presentation that was given at the Aqua Board Meeting for October third?

9:31:15 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela I would like for you to turn first to page 7 of this handout.

9:31:31 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Do you see where the title at the top is marked as "Strategic Rational?"

9:31:38 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Could you read the third bullet point into the record it starts off as significant growth?

9:31:57 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Would you agree that Aqua's interest in this transaction is the attractiveness of investment in the purchased utilities?

9:32:12 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Does Aqua budget to need, or its shareholders' expectations of earnings?

9:32:21 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela How do you square that response with the information provided in the document here?

9:34:15 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela In this same document could you turn to the proceeding page six?

9:34:20 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Am I correct that the dotted dark line represents Aqua's compound annual growth rate without the acquisition of the PNG entities is that correct?

9:34:42 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela And then the solid blue line depicts a growing compound annual growth rate under the scenario of the acquisition going through?

9:34:54 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela So given Aqua's plans for significant capital expenditures, what's in it for Delta's customers?

9:35:29 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela So will Mr. Schuller then be able to explain what some of those other things are?

9:35:36 AM Asst. Atty Gen. Cook - witness Franklin
Note: Fields, Angela Mr. Chairman that is all the questions I have for this witness on the confidential record but I have a couple more on the public before I finish with the witness.

9:35:49 AM Public Recording Activated

9:35:59 AM	Chairman Schmitt Note: Fields, Angela	We are now back into public session. Mr. Cook do you have additional cross examination?
9:36:09 AM	Asst. Atty Gen. Cook - witness Franklin Note: Fields, Angela	Your response to AG 46
9:36:12 AM	Asst. Atty Gen. Cook - witness Franklin Note: Fields, Angela	Your response to AG 1-46 stated that "...because Aqua America is a water and wastewater provider, and Delta is a natural gas provider, this is not a typical "synergy" transaction. My question is since the date of your response, have any additional synergies been identified?
9:36:37 AM	Asst. Atty Gen. Cook - witness Franklin Note: Fields, Angela	What will the gas customers of Delta and People's Gas Kentucky get that they don't already have today if the proposed transaction is approved?
9:38:15 AM	Asst. Atty Gen. Cook - witness Franklin Note: Fields, Angela	Mr. Chairman that is all the questions I have for this witness.
9:38:18 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Vinsel questions?
9:38:19 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Prior to coming to Aqua America you worked at a electric and gas utility in Pennsylvania?
9:39:25 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Could you tell me a little bit about that experience?
9:40:06 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	I believe that Chairman Emeritus, Mr. DeBenedictis also worked at that same entity before coming to Aqua America? Is that correct?
9:40:25 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Carolyn Burke is an Executive Vice President with Dynegy?
9:40:31 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Dynegy operates natural gas and coal fire generation facilities?
9:40:38 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	She's got a certain background in natural gas that she brings?
9:41:00 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Also Mr. DeBenedictis has a background as a regulator in Pennsylvania and at the EPA correct?
9:41:26 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And then Wendell Holland is it correct he is the former Chairman and Commissioner at the Pennsylvania Public Utility Commission?
9:41:38 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	He's also the Director of another energy company correct?
9:41:47 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And is Mr. Holland also a independent Director?
9:42:00 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And finally I noticed Ellen Ruff with her background at Duke Energy?
9:42:09 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And included at one time heading up the corporate gas and electric operations?
9:42:17 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Is there anyone that I am missing there?
9:42:35 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Is Aqua America considering bringing on an additional board member with gas experience?

9:42:57 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And speaking of Independent Directors one of the issues in the last acquisition of Delta was having an Independent Director on Delta's board. I know that Aqua American said that they are considering it. Can you tell me the status of that consideration?
9:44:20 AM	Chairman Schmitt Note: Fields, Angela	Comments.
9:44:41 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Speaking of Pennsylvania. With this application we know that Aqua America also filed petitions in Pennsylvania with the Public Utility Commission there and in West Virginia with the Public Service Commission there in terms of the acquisition of the respective entities.
9:45:02 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Can you confirm, in Pennsylvania there are actually three proceedings for different entities, is that correct?
9:45:15 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Rate cases yes.
9:46:00 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And what is the status of the acquisition case?
9:46:41 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	And what is the status of the West Virginia proceeding?
9:47:11 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	In response to one of the Attorney General's Data Request. [Click on link for comments].
9:47:40 AM	POST HEARING DATA REQUEST Note: Fields, Angela Note: Fields, Angela	Asst. GC Vinsel - witness Franklin I would like to submit a copy of the commitments as the Commission understands your responses were.
9:48:01 AM	Asst. GC Vinsel - witness Franklin Note: Fields, Angela	Staff does not have any further questions at this time.
9:48:10 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero questions?
9:48:11 AM	Vice Chairman Cicero - witness Franklin Note: Fields, Angela	Comments [click on link].
9:48:33 AM	Vice Chairman Cicero - witness Franklin Note: Fields, Angela	You indicated a 133 years of water service, and during that entire time it has been strictly water service, is that right? And wastewater?
9:49:15 AM	Vice Chairman Cicero - witness Franklin Note: Fields, Angela	And you indicated that infrastructure improvement not just in the water utility sector but across all utilities was a corporate goal or maybe as a corporate citizen to improve infrastructure of course there is always the return on ? that drives utilities. We understand that.
9:49:36 AM	Vice Chairman Cicero - witness Franklin Note: Fields, Angela	But I'm curious after 133 years why go to gas and not stick with water?
9:54:46 AM	Vice Chairman Cicero - witness Franklin Note: Fields, Angela	You indicate a hundred million dollar investment in acquisitions in 2018 and another hundred million dollars already in 2019. But the acquisition you're talking about now is in the billions rather than the millions.

9:55:04 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela And based on that is this an effort by Aqua to expand at a much greater rate with this type of an acquisition because you're going to be changing yourself from primarily a water service business that might have gone into a gas service but instead at one fell swoop your almost dividing the company into a gas and water company?

9:57:28 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela So you'll probably be asked this question in a request from Staff. But i'm going to ask it anyway.

9:57:34 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela Basically you're getting into Kentucky because of PNG and their acquisition of Delta prior to this. Is it your intent to expand in Kentucky into water acquisitions or waste water acquisitions in terms of you said infrastructure is now a goal. Is that one of the goals of the company?

9:58:27 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela Switching gears a little bit. Pipeline replacement programs accelerated pipeline replacement programs. Do you participate or does Aqua participate in an accelerated program in other states that permit at least for water since you are not doing gas yet. Are you participating in those types of programs and has it been successful?

10:00:04 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela Do you think that 90 years is the average main life for a water pipe?

10:00:42 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela I guess the last question I would ask is. You indicated that other industries you looked at had multiples that were above and beyond what Aqua was willing to go into. Would you characterize the PNG acquisition as the multiples paid for that was more in line with a utility risk type for natural gas that there wasn't a premium paid?

10:01:52 AM Vice Chairman Cicero - witness Franklin
Note: Fields, Angela Thank you. I don't have anything else Chairman.

10:01:55 AM Chairman Schmitt
Note: Fields, Angela Commissioner Mathews?

10:01:58 AM Chairman Schmitt
Note: Fields, Angela I have no questions. Any redirect?

10:02:06 AM Chairman Schmitt - witness Franklin
Note: Fields, Angela Any reason why this witness may not be excused? You may step down thank you. You may call your next witness.

10:02:15 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Next Aqua America call Dan Schuller to testify.

10:02:26 AM Chairman Schmitt witness Schuller
Note: Fields, Angela Swearing in.

10:02:39 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Please state your full name for the record?

10:02:43 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Mr. Schuller by whom are you employed?

10:02:46 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela And how long have you worked there?

10:02:49 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela What is your current job title with Aqua America?

10:02:55 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela And if you could describe to the Commission generally what your responsibilities are as the Chief Financial Officer of Aqua America?

10:03:12 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Have you caused to be filed into the record in this case certain prefiled written testimony on your behalf?

10:03:20 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela And have you also caused to be filed certain responses to Data Request that were made in connection to this proceeding?

10:03:27 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela If you were asked all of those questions today under oath would you provide the same answers here at this proceeding?

10:03:36 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Do you have any revisions, amendments, or modifications to make to any of that?

10:03:41 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela Do you adopt all of that prefiled testimony and those responses as your testimony here in this proceeding?

10:03:51 AM Atty Leet Aqua America - witness Schuller
Note: Fields, Angela I'll pass the witness for cross examination Mr. Chairman.

10:03:54 AM Chairman Schmitt
Note: Fields, Angela Mr. Cook? Do you expect to have confidential questions?

10:04:10 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela If you could first turn to the application page 11?

10:04:49 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Do you have that in front of you page 11?

10:04:52 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Now here the joint applicants reference that the base price of the acquisition is 4.275 billion is that correct?

10:05:02 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela This transaction is also being submitted to West Virginia where they are going to be reviewing the application to determine whether to approve it? Is that correct?

10:05:29 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela The West Virginia consumer advocate in that case has posed discovery in Aqua's pending application? Correct?

10:05:39 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela I would ask you to turn to AG's Exhibit Tab 1.

10:05:50 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela On page two of that is it not true that according to Aqua's responses to the consumer advocate's Second Data Request that Aqua indicated that the purchase price includes an approximate two billion dollar acquisition premium?

10:06:23 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Okay, well that was my next question so.

10:06:25 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela So is the two billion premium then in addition to the stated purchase price of 4.275 billion?

10:06:36 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela It's inclusive, okay thank you.

10:06:42 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Counsel if you could get page 12 of the application?

10:06:52 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela When I look at page 12 of the application it appears that Aqua has total assets of 5.4 billion, is that correct?

10:07:12 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Is there any data for end of the year 2018?

10:07:43 AM POST HEARING DATA REQUEST
Note: Fields, Angela Provide data for end of the year 2018?
Note: Fields, Angela Asst. Atty Gen. Cook - witness Schuller

10:07:50 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Will any portion of the acquisition premium be recorded on the books of Delta, or its three unregulated subsidiaries, or Peoples Gas Kentucky?

10:08:05 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Can you explain how it makes sense for Aqua to pay a premium of that size and to not seek recovery of that in rates in one or more subsidiaries?

10:09:08 AM Vice Chairman Cicero - Schuller
Note: Fields, Angela The good will is not going to be recharacterized into the asset base?

10:09:16 AM Vice Chairman Cicero - Schuller
Note: Fields, Angela That's a two billion dollar premium that will then be left as good will and you will not reclass it?

10:09:41 AM Vice Chairman Cicero - Schuller
Note: Fields, Angela Thank you. I'm sorry go head.

10:09:43 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Has Aqua obtained approval of its Hart-Scott-Rodino filing?

10:09:51 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Do you know when that was obtained?

10:10:03 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela When do you expect to receive approval from Pennsylvania and West Virginia?

10:10:50 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Now if you could turn to AG tab 2. Do you have those in front of you?

10:10:50 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela AG tab 2

10:10:59 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Those consist of responses to AG's first set of Data Request items 46, 47, and 48. Do you see those?

10:11:13 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Review for a couple of moments before I ask you any questions.

10:11:40 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela If I understand the responses there correctly would you agree that essentially the proposed transaction has no synergies, no economies of scale, and no tax advantages or savings other than what Mr. Franklin supplemented?

10:13:04 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Along those lines let me ask you would Aqua be willing to commit that if any synergies are identified or savings that come the time for Delta to file its next base rate case would you agree to identify what those savings synergies are and where they can be found in the application for that base rate case?

10:14:09 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela If any savings/synergies are identified and can definitely be attributed to the transaction then will the company affirmatively state what those were in the application for the next base rate case for Delta?

10:14:42 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Mr. Chairman at this point I have just a few questions for the confidential record.

10:14:49 AM Private Recording Activated

10:14:54 AM Chairman Schmitt
Note: Fields, Angela We are now in confidential session.

10:14:57 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela First I wanted to follow up with one of the questions I had with Mr. Franklin and it is regarding the handout that is the Project Mercury Board Meeting October 3, 2018. Do you have that in front of you?

10:15:31 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela And could you turn to page 6?

10:15:36 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela And the solid blue line do you see that?

10:15:42 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela And does that represent the compound annual growth rate assuming that the transactions go through?

10:17:29 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela The revision of the five year plan represented in the solid blue line inherent in that was the acquisition included?

10:17:43 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela So the blue line you are saying has nothing to do with the acquisition?

10:17:49 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Is there any document available whether it is in the Hart-Scott-Rodino filing or elsewhere that you are aware of that shows projections for compound annual growth rate assuming that the transaction is approved?

10:18:24 AM POST HEARING DATA REQUEST
Note: Fields, Angela Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Identify where that document is.

10:19:04 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela And then if you could turn to the second confidential exhibit.

10:19:11 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela This is it says Project Mercury Initial Synergy Discussion September 28th of last year. Do you see that?

10:19:22 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Could you take just a few moments to flip through those pages?

10:20:17 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Would you agree that this documents speaks in general terms of some synergies, but does not identify any specific synergies as to Delta?

10:21:41 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Mr. Chairman that is all the questions I have on the confidential record.

10:21:47 AM Public Recording Activated

10:21:48 AM Chairman Schmitt
Note: Fields, Angela We are now back on the public record. Mr. Cook do you have additional questions?

10:21:53 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela I would like to ask you if you could to turn to your response to the Attorney General's second set of Data Request number 3?

10:22:48 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Moving ahead what will the gas customers of Delta and People's Gas Kentucky get that they don't already have today if the proposed transaction is approved?

10:23:34 AM Asst. Atty Gen. Cook - witness Schuller
Note: Fields, Angela Are those things that today are not available to Delta customers?

10:24:15 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Will Aqua today pledge to seek affordable rates for its Delta and People's Kentucky customers?
10:25:22 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Will the transaction in any way affect Delta's current capital structure?
10:25:35 AM	POST HEARING DATA REQUEST Note: Fields, Angela	If not already in the record provide Aqua's published Code of Ethics and Corporate Governance Guidelines.
	Note: Fields, Angela	Asst. Atty Gen. Cook - witness Schuller
10:25:54 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	What effect will any approval of the transaction have on Aqua's credit rating?
10:26:28 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Counsel if you could provide the witness with his response to The Attorney General's second set of Data Request item number five.
10:27:25 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Do you have that in front of you now?
10:27:28 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Can you refer to subpart d as in David?
10:27:33 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Can you explain why these subsidiaries use capital structures that differ from their actual structures?
10:28:34 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Mr. Chairman that is all the questions I have at this time.
10:28:38 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Vinsel
10:28:40 AM	Asst. GC Vinsel PSC - witness Schuller Note: Fields, Angela	Housekeeping
10:28:49 AM	Asst. GC Vinsel PSC - witness Schuller Note: Fields, Angela	Attorney General Exhibits marked and filed into evidence.
10:29:36 AM	Asst. GC Vinsel PSC - witness Schuller Note: Fields, Angela	Will Aqua America's acquisition of PNG result in any change to the balance to any account in PNG's balance sheet?
10:29:54 AM	Asst. GC Vinsel PSC - witness Schuller Note: Fields, Angela	And similarly will Aqua America's acquisition of PNG result in any change to the balance of any account in Delta's balance sheet?
10:31:13 AM	Asst. GC Vinsel PSC - witness Schuller Note: Fields, Angela	Staff has no further questions.
10:31:15 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero?
10:31:18 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	You indicated that there will be no impact on Delta as far as the acquisition cost being transferred down into the units is that right?
10:31:32 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	What about an on going basis allocation cost?
10:32:18 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	Do you anticipate there to be a structural difference in allocation of cost given that water utilities are somewhat different than gas utilities?
10:33:08 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	As far as your budgeting goes your capital budgeting. Do you do a one year plan and a five year plan?

10:33:55 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	Do you do a one year and a twelve month basis with detail and a three year annual with less detail?
10:34:28 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	And do you do pipeline replacement on a historical basis or future projections?
10:34:43 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	So when you went for your pipeline replacement funding from the Commissions in the states that you are operating in do you provide a detailed basis or do you project based on some inflation factor?
10:35:41 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	For my perspective the concern is [click on link for comments].
10:36:20 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	Would you characterize the capital budget as being a split between typical ONM projects and pipeline replacement? Or would you say pipeline replacement makes up the majority of the capital program?
10:37:43 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	Maybe I should characterize it as accelerated pipeline replacement versus normal pipeline replacement?
10:38:34 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	I guess from the gas side of it I understand the accelerated replacement you got a safety factor [click on link for comments].
10:40:33 AM	Vice Chairman Cicero - witness Schuller Note: Fields, Angela	I guess I don't have any more questions.
10:40:39 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Mathew's questions?
10:40:42 AM	Chairman Schmitt Note: Fields, Angela	I have no questions. Any re-direct?
10:40:46 AM	Chairman Schmitt Note: Fields, Angela	Anything else Mr. Cook?
10:40:47 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Is there any particular reason why a regulator in another state would require a 50/50 capital structure?
10:41:14 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	Perhaps a little more straightforward or easier to deal with from a regulatory perspective?
10:41:28 AM	Asst. Atty Gen. Cook - witness Schuller Note: Fields, Angela	That's all.
10:41:31 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Vinsel?
10:41:32 AM	Chairman Schmitt Note: Fields, Angela	Is there any reason why this witness may not be excused?
10:41:54 AM	Session Paused	
10:57:36 AM	Chairman Schmitt Note: Fields, Angela	Mr. Leet does Aqua have anymore witnesses to call?
10:57:36 AM	Session Resumed	
10:57:44 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Braun on behalf of Steel River do you have witnesses to present?
10:57:49 AM	Chairman Schmitt Note: Fields, Angela	Would you please call your first witness?
10:57:57 AM	Chairman Schmitt - witness O'Brien Note: Fields, Angela	Swearing in.
10:58:12 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Braun you may ask.

10:58:15 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela Will you please state you name for the record?

10:58:23 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela Mr. O'Brien by whom are you employed and what capacity?

10:58:32 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela And what is your role?

10:58:36 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela And can you please state your business address?

10:58:44 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela Did you casuse to be filed direct testimony in this proceeding?

10:58:48 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela And are you also the sponsor of Data Request in this proceeding?

10:58:52 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela Do you have any corrections or updates to the testimony or request?

10:58:56 AM Atty Braun SRIFNA - witness O'Brien
Note: Fields, Angela The witness is available for cross.

10:58:58 AM Chairman Schmitt
Note: Fields, Angela Mr. Cook?

10:59:00 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela So if this transaction is approved are you going to be staying in charge of the LBC portion of good company?

10:59:35 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela I have a question for you about your direct testimony, if counsel will pull that up for you and I will wait for you to have it?

11:00:11 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Could you turn to page five and let me know when you are there?

11:00:36 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela At line 16 do you see a sentence there that says "we have the tools?"

11:00:45 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Could you read that sentence into the record?

11:00:57 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Can you identify the tools and resources that will dramatically change the quality of your service?

11:02:13 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Continuing in your direct could you turn to page 7?

11:02:25 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela At line 4 do you see the sentence that starts off with "and finally?"

11:02:32 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Could you read that sentence into the record please?

11:02:45 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Can you explain how the new company will insure that families and businesses in those communities will have a high quality of life, while still maintaining affordable rates?

11:03:42 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela And then in your direct at page 8, line 7, do you have that there?

11:03:52 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela You say there that PNG is aggressively reaching out to rural communities in Pennsylvania to bring gas service to them correct?

11:04:04 AM Asst. Atty Gen. Cook - witness O'Brien
Note: Fields, Angela Can you explain how will the new company do that in the counties that today are in or adjacent to Delta's existing service territory?

11:05:55 AM	Asst. Atty Gen. Cook - witness O'Brien Note: Fields, Angela	Would Aqua committ to trying to ramp up the expansion of gas service in that part of the state?
11:07:13 AM	POST HEARING DATA REQUEST Note: Fields, Angela Note: Fields, Angela	Asst. Atty Gen. Cook - witness O'Brien To Mr. Franklin about whether or not Aqua plans on ramping up the expansion of gas service in that part of the state.
11:07:23 AM	Asst. Atty Gen. Cook - witness O'Brien Note: Fields, Angela	With that Mr. Chairman I believe that is all the questions I have.
11:07:27 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Vinsel?
11:07:28 AM	Asst. GC Vinsel PSC - witness O'Brien Note: Fields, Angela	Are there any plans to find other candidates to serve along with him?
11:09:50 AM	Asst. GC Vinsel PSC - witness O'Brien Note: Fields, Angela	Staff has no further questions.
11:09:51 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero?
11:09:55 AM	Vice Chairman Cicero - witness O'Brien Note: Fields, Angela	Did People's Natural Gas seek out someone to purchase them or did Aqua approach People's to buy them?
11:10:16 AM	Vice Chairman Cicero - witness O'Brien Note: Fields, Angela	So you don't know which way?
11:10:26 AM	Vice Chairman Cicero - witness O'Brien Note: Fields, Angela	As far as you know People's wasn't look for?
11:10:54 AM	Vice Chairman Cicero - witness O'Brien Note: Fields, Angela	Do you believe that this transaction is good both for the companies and the rate payers?
11:12:03 AM	Vice Chairman Cicero - witness O'Brien Note: Fields, Angela	I don't have any other questions. Thank you.
11:12:05 AM	Chairman Schmitt - witness O'Brien Note: Fields, Angela	Commissioner Mathew?
11:12:07 AM	Chairman Schmitt - witness O'Brien Note: Fields, Angela	I have none.
11:12:08 AM	Chairman Schmitt - witness O'Brien Note: Fields, Angela	Mrs. Braun any re-direct?
11:12:10 AM	Chairman Schmitt - witness O'Brien Note: Fields, Angela	Is there any reason why this witness may not be excused?
11:12:17 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Braun you may call your next witness.
11:12:19 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	We call John Brown.
11:12:30 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	Swearing in.
11:12:39 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Braun.
11:12:41 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	Can you please state your name for the record?
11:12:46 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	By whom are you employed?
11:12:49 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	And what is your role with Delta?

11:12:54 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	And did you cause to be prepared and filed direct testimony in this case?
11:12:59 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	And were you also the sponsor of certain Data Responses in this case?
11:13:03 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	Do you have any corrections or updates to the testimony for those responses?
11:13:08 AM	Atty Braun SRIFNA - witness Brown Note: Fields, Angela	The witness is available for cross examination.
11:13:10 AM	Chairman Schmitt Note: Fields, Angela	Mr. Cook cross examination?
11:13:12 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	If this transaction is approved will you be staying on at Delta?
11:13:25 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Could you turn to your direct testimony? The first one is on page 6. Just let me know when you are there?
11:13:50 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do you see at line 21 you state that Delta has added 600 customers since PNG took control of Delta?
11:14:01 AM	POST HEARING DATA REQUEST Note: Fields, Angela Note: Fields, Angela	Asst. Atty Gen. Cook - witness Brown To provide a table or chart showing Delta's growth over the past five years in terms of both customer count and gas consumption.
11:14:16 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	And then your direct at page 7. Could you turn there?
11:14:23 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do you see at line five you state that Delta is connecting to a neighboring municipal gas system to assist it with winter security. Is it possible to identify this system or is that still something that you do not want to go into?
11:14:43 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Also in your testimony back to page six again. You see at line three you identify a Ms. Croft as an employee of Delta?
11:14:58 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	And you say basically that she is a key employee right? Is she going to be staying on at Delta?
11:15:08 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Also on that same page at a line ten you talk about how Mr. Weslosky was essentially called up to the Pennsylvania Office. Who has taken his place at Delta?
11:16:10 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	To your knowledge if this transaction is approved everywhere will Mr. Weslosky be staying on with what we today know as the PNG headquarters?
11:16:32 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Now this proposed transaction it's the second one for Delta in just two years. What will Aqua do for Delta ratepayers that PNG is not doing today?
11:18:04 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	I'm going to ask you to turn to a response to a Data Request. It's the Attorney General's first set.

11:18:23 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Here you state in just a few weeks, Delta's liability insurance will be up for renewal, and that an analysis will be conducted to determine whether continuing with the existing coverages, or incorporating Delta's liability program into a larger combined insurance program would be beneficial to the ratepayers, is that correct?
11:19:10 AM	POST HEARING DATA REQUEST Note: Fields, Angela	Asst. Atty Gen. Cook - witness Brown In regard to Delta's liability insurance.
11:19:25 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	If you could turn to your response to the Commissions first set of Data Request. It's item number two.
11:19:42 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Here you identify what Aqua has referred to as "state of the art tools" to improve safety. Do you see that? You list four bullet points. Will any of those tools lead to savings for Delta ratepayers?
11:20:40 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Along those same lines I want to ask you the same question that I asked the two Aqua witnesses. In the event that any savings/synergies are identified when Delta comes in next for its next base rate case whenever that is. Wouldl you commit then to identifying what those savings are or were? And then identifying where those can be found in the application?
11:21:25 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Just one more question I believe you have up there your response to the Attorney Generals Second Data Request item number 20.
11:21:43 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do you see subpart F in your response?
11:21:52 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	When will Delta issue its next RFP for gas?
11:22:36 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	It appeared that other PNG companies issue RFPs on an annual basis. That' s the impression that I have from reading the responses from Data Request. Is that your impression as well?
11:23:03 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do you know wheter there is any advantage to doing it on an annual basis? Or a multi year basis, do you have any thoughts on that?
11:24:18 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do you and your gas supply people at Delta keep in touch with the other PNG companies to see what kind of prices they are getting for supply?
11:25:04 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	I'm trying to make an analogy here. [Click on link for comments].
11:25:32 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Is that something that Delta sees a need to do? Is there any advantage to doing that?
11:26:32 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	Do Delta suppliers are they able to obtain flow from Marcellus and Utica or is it more Gulf?
11:27:26 AM	Asst. Atty Gen. Cook - witness Brown Note: Fields, Angela	That's all the questions I have Mr. Chairman.
11:27:29 AM	Chairman Schmitt Note: Fields, Angela	Mrs, Vinsel questions?

11:27:30 AM	Asst. GC Vinsel - witness Brown Note: Fields, Angela	Will there be other people who will fill in as Secretary and Treasurer? Or will you continue in that role?
11:29:32 AM	Asst. GC Vinsel - witness Brown Note: Fields, Angela	Staff has no further questions.
11:29:37 AM	Chairman Schmitt Note: Fields, Angela	Commissioner Cicero?
11:29:40 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	The bylaws require certain titles to be held and that is why you're designated for those roles such as the secretary and the treasurer?
11:30:19 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	But the bylaws probably designated those titles because those were considered the officers of the company is that correct?
11:30:26 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	And typically you establish a management team with operations a president that oversees everything, a chief financial officer, general counsel, whatever in order to manage a business with different functional perspective. That's the reason why you have it isn't not so that one person wears a hat for everything and ? their own mind what's good or what's bad would you say that's an accurate statement?
11:30:56 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	So is it time for the bylaws to change?
11:31:53 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	Lockbox functions?
11:31:57 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	So does that mean that there is an unhealthy consolidation of functional responsibilities if you got the Treasurer, and the President, and the Secretary all consolidated into one position if there is actually a functional responsibility for those?
11:32:19 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	What does the auditor say?
11:32:42 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	So there is no CFO it's a controller?
11:32:51 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	So you have a CFO, but he is not located in Kentucky?
11:33:03 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	I'm not going to pursue it any further but you can tell from the conversation that it sounds like there might be some administrative cleanup that needs to be done. That's my only comment [click on the link for more remarks].
11:33:43 AM	Vice Chairman Cicero - witness Brown Note: Fields, Angela	I don't have anything else.
11:33:46 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	Commissioner Mathews?
11:33:49 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	I have no questions.
11:33:50 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	Mrs. Braun any re-direct?
11:33:52 AM	Chairman Schmittee - witness Brown Note: Fields, Angela	Any other questions from anyone?
11:33:53 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	Is there any reason why Mr. Brown may not be excused?
11:33:59 AM	Chairman Schmitt - witness Brown Note: Fields, Angela	You may step down sir thank you.

11:34:01 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Braun do you have any other witness?
11:34:05 AM	Chairman Schmitt Note: Fields, Angela	Mr. Cook do you have a witness?
11:34:08 AM	Chairman Schmitt Note: Fields, Angela	Mrs. Vinsel anything further to bring to the Commission?
11:34:14 AM	Chairman Schmitt Note: Fields, Angela	Is it possible to have those Data Request filed by the end of the day on Monday the 18th? [Staff & AG]
11:34:31 AM	Chairman Schmitt Note: Fields, Angela	For Aqua and Steel River could you have your answers filed by the end of the day Monday the 25th?
11:34:52 AM	Chairman Schmitt Note: Fields, Angela	After the responses are filed Mr. Leet, Mrs. Braun would you like to file a brief?
11:35:05 AM	Chairman Schmitt Note: Fields, Angela	Would everybody agree to simutaneously briefing? I think the last date on which a decision can be made is March 20th.
11:35:24 AM	Chairman Schmitt Note: Fields, Angela	Would it be possible for each of the parties to file their briefs by March the 5th by the end of the day?
11:35:42 AM	Chairman Schmitt Note: Fields, Angela	Is there anything else that any Counsel would like to bring before the Commission?
11:35:49 AM	Atty Lee Aqua America Note: Fields, Angela	Only one thing I want to mention. I know that our clients at Aqua America are very sensative about the confidential documents that were intorduced in this proceeding. Certainly had no objection to them being apart of the proceeding.
11:36:15 AM	Asst. Atty Gen. Cook Note: Fields, Angela	Just one question. I was just wondering when the DVD for the confidential record would be available?
11:36:59 AM	Chairman Schmitt Note: Fields, Angela	If there is not anything else this hearing is hereby adjourned.
11:37:05 AM	Session Paused	
11:37:11 AM	Session Ended	



Name:	Description:
AG Confidential Exhibit 01	Confidential Materials (see confidential section of this hearing)
AG Confidential Exhibit 02	Confidential Materials (See confidential section of this hearing)
AG Exhibit 01	Responses to Consumer Advocate Division's Second Data Requests
AG Exhibit 02	Response to AG First Data Request



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February 6, 2019

VIA HAND DELIVERY

04:45 PM FEB 06 2019 EXEC SEC DCV

Thomas N. White, Esquire
Consumer Advocate Division
700 Union Building
723 Kanawha Blvd., Room 700
Charleston, West Virginia 25301

Re: **CASE NO. 18-1475-G-PC**
PEOPLES GAS WV LLC and AQUA AMERICA, INC.

Joint petition for consent and approval for Aqua America, Inc. to acquire indirectly all of the issued and outstanding limited liability company membership interests of Peoples Gas WV LLC

Dear Mr. White:

Please find enclosed Aqua America, Inc.'s Responses to the Consumer Advocate Division's Second Data Request.

Thank you for your attention to the foregoing, and please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd M. Swanson', with a long horizontal line extending to the right.

Todd M. Swanson

Encl.
cc (w/ encl.): Ingrid Ferrell, Executive Secretary
Service List

024300.00001

8320342.1

Respondent: Daniel J. Schuller

Date: 02/06/2019

**PEOPLES GAS WV LLC and
AQUA AMERICA, INC.**

**CONSUMER ADVOCATE DIVISION
WEST VIRGINIA PUBLIC SERVICE COMMISSION**

CASE NO. 18-1475-G-PC

CAD-II-1

Please refer to the Company's Supplemental Response to CAD 1-2-b which states in part: "The purchase price includes an acquisition premium over the net book value of total company assets." Please state and explain the current estimated value of that acquisition premium as of the present date and provide any related workpapers in Excel with cells intact.

RESPONSE

While the final allocation of the purchase price has yet to be performed, Aqua America, Inc. ("Aqua") anticipates that the acquisition premium will be approximately \$2 billion dollars for acquisition of the issued and outstanding membership interests in LDC Funding LLC ("LDC Funding"). As stated in the November 20, 2018 Joint Petition (¶¶ 9-13), LDC Funding is the indirect parent of Peoples Gas West Virginia LLC ("PGWV"), Peoples Natural Gas Company LLC, Peoples Gas Company LLC, Peoples Gas KY LLC, and Delta Natural Gas Company. Please see the attached spreadsheet CAD-II-1 Attachment 1.

Calculation of Estimated Goodwill

Equity Value	\$2,975
Plus: 2019E Debt	1,300
Less: 2019E Cash	0
Total Enterprise Value (TEV)	\$4,275

Implied Goodwill	
Equity Value	\$2,975
Less: Net Assets as of 12/31/2019 (see below)	899
Implied Goodwill	\$2,076
<i>Total Assets as of 12/31/2019</i>	<i>\$3,326</i>
<i>Less: Existing Goodwill as of 12/31/2019</i>	<i>432</i>
<i>Less: Total Liabilities as of 12/31/2019</i>	<i>1,995</i>
Net Assets	\$899

Respondent: Daniel J. Schuller
Date: 02/06/2019

**PEOPLES GAS WV LLC and
AQUA AMERICA, INC.**

**CONSUMER ADVOCATE DIVISION
WEST VIRGINIA PUBLIC SERVICE COMMISSION**

CASE NO. 18-1475-G-PC

CAD-II-2

Please refer to the Companies' Supplemental Response to CAD I-2-b as well as Appendix C of the Nov. 20, 2019 filing – Post-Transaction Corporate Structure. Please state and explain how and to which post transaction corporate entity(ies) the acquisition premium is being booked.

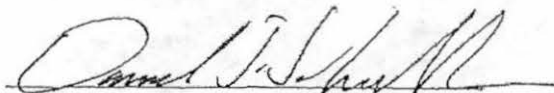
RESPONSE

Aqua has not performed an analysis to create the opening balance sheet, as it is currently identifying where the acquisition premium will be recorded. It is not anticipated that the acquisition premium associated with the proposed transaction will be recorded on PGWV's books. As set forth in the November 20, 2018 Joint Petition (¶ 41), Aqua does not intend to recover the acquisition premium from PGWV ratepayers. Moreover, in the December 6, 2018 Direct Testimony by Aqua witness Daniel J. Schuller (page 5), he testifies that "Aqua America recognizes that acquisition premiums and acquisition costs from the Proposed Transaction are not recoverable in rates, and Aqua America commits that there will not be a claim for these amounts in future rate filings by PGWV."

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA,
COUNTY OF MONTGOMERY to-wit:

Daniel J. Schuller, after being duly sworn upon his oath states that he is Executive Vice President and Chief Financial Officer for Aqua America, Inc., one of the Petitioners named in the attached and foregoing Responses to the Consumer Advocate Division's Second Data Request and that he has read the same, and the statements and facts contained therein are true and correct, except insofar as they are therein stated to be on information and belief, and that, insofar as they are therein stated to be on information and belief, he believes them to be true.

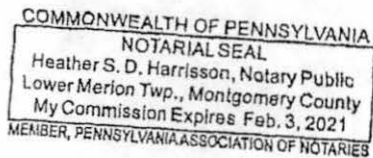


Taken, sworn to and subscribed before me this 5 day of February 2019.

My commission expires Feb. 3, 2021.



NOTARY PUBLIC



CERTIFICATE OF SERVICE

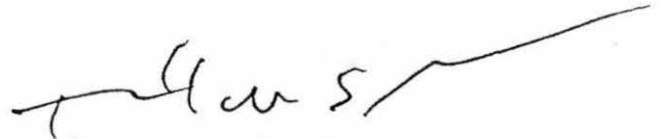
I, Todd M. Swanson, counsel for Aqua America, Inc., do hereby certify that a copy of Aqua America, Inc.'s Responses to the Consumer Advocate Division's Second Data Request has been served upon the following this 6th day of February 2019, addressed as follows:

VIA HAND DELIVERY

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Todd M. Swanson (WVSB No. 10509)

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 the Attorney General's First Request for Information
Dated December 7, 2018**

Question No. 46

**Responding Witness: Christopher H. Franklin / Morgan K. O'Brien / John B.
Brown**

- Q-46. Identify any and all synergies that are expected to result from the Proposed Transaction, if approved. Provide copies of any and all reports regarding same.
- a. State whether any synergy savings, with costs detailed, will be shared with Joint Applicants' customers, and if so, whether this includes Kentucky customers, and how much.
 - b. Did Aqua and/or its affiliates assume the existence of any synergies when it made the economic decision to acquire PNG and Delta? If so, describe in detail.
- A-46. Delta will continue to be operated by the same employees and overseen by the same management as it is now. Aqua America intends to explore potential options for sharing of best practices, technology sharing, and other further initiatives. However, because Aqua America is a water and wastewater provider, and Delta is a natural gas provider, this is not a typical "synergy" transaction. Over time, as new technologies are deployed, Aqua America may identify additional opportunities for long-term process improvement and efficiencies. As stated in the Joint Application, Aqua America does not have plans to file for a base rate increase.

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 the Attorney General's First Request for Information
Dated December 7, 2018**

Question No. 47

**Responding Witness: Christopher H. Franklin / Morgan K. O'Brien / Daniel J.
Schuller**

- Q-47. Provide copies of any and all reports and other documents identifying economies of scale or scope, with costs detailed, expected to result from the Proposed Transaction.
- a. Identify any economies of scope or scale, with costs detailed, affecting the Joint Applicants' Kentucky-based operations; and
 - b. State whether any savings related to economies of scale or scope, with costs detailed, will be shared with Joint Applicants' customers, and if so, how much.
- A-47. Joint Applicants have not analyzed economies of scale or scope expected to result from the Proposed Transaction.

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
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CASE NO. 2018-00369

**Joint Response to the Attorney General's First Request for Information
Dated December 7, 2018**

Question No. 48

Responding Witness: Daniel J. Schuller

- Q-48. Identify, in detail, any and all tax advantages, benefits and/or savings the Joint Applicants expect to result from the Proposed Transaction, and provide any relevant quantifications.
- A-48. The Joint Applicants are not aware of any tax advantages, benefits, or savings that will result from the Proposed Transaction.

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