

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 11, 2013

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

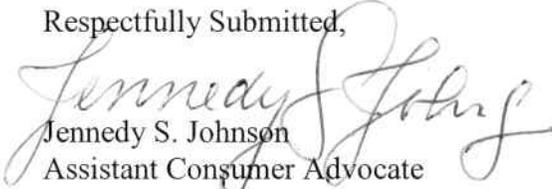
RE: Joint Application of Peoples Natural Gas Company, LLC, Peoples TWP, LLC and Equitable Gas Company, LLC For All of the Authority and the Necessary Certificates of Public Convenience (1) to transfer all of the Issued and Outstanding Limited Liability Company Membership Interest in Equitable Gas Company, LLC to PNG Companies LLC, (2) to Merge Equitable Gas Company, LLC with the Peoples Natural Gas Company, LLC, (3) to Transfer Certain Storage and Transmission Assets of Peoples Natural Gas Company, LLC to Affiliates of EQT Corporation, (4) to Transfer Certain Assets Between Equitable Gas Company, LLC and Affiliates of EQT Corporation, (5) for Approval of Certain Ownership Changes Associated with the Transaction, (6) for Approval of Certain Associated Gas Capacity and Supply Agreements, and (7) for Approval of Certain Changes in the Tariff of Peoples Natural Gas Company LLC.
Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Protest and Public Statement in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,


Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosures

cc: Office of Administrative Law Judge
Office of Special Assistants
Bureau of Technical Utility Services
Certificate of Service

167717

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of	:	
the Authority and the Necessary Certificates	:	
of Public Convenience (1) to Transfer All	:	
of the Issued and Outstanding Limited	:	
Liability Company Membership Interest of	:	
Equitable Gas Company, LLC to PNG	:	Docket Nos. A-2013-2353647
Companies LLC, (2) to Merge Equitable	:	A-2013-2353649
Gas Company, LLC with Peoples Natural Gas	:	A-2013-2353651
Company LLC, (3) to Transfer Certain	:	
Storage and Transmission Assets of Peoples	:	
Natural Gas Company LLC to Affiliates	:	
of EQT Corporation, (4) to Transfer Certain	:	
Assets between Equitable Gas Company,	:	
LLC and Affiliates of EQT Corporation,	:	
(5) for Approval of Certain Ownership	:	
Changes Associated with the Transaction,	:	
(6) for Approval of Certain Associated Gas	:	
Capacity and Supply Agreements, and	:	
(7) for Approval of Certain Changes in the	:	
Tariff of Peoples Natural Gas Company LLC	:	

PROTEST OF THE
OFFICE OF CONSUMER ADVOCATE

The Office of Consumer Advocate (OCA) files this Protest in the above-captioned Application proceeding pursuant to the provisions of the Rules of Practice and Procedure of the Pennsylvania Public Utility Commission (Commission), 52 Pa.Code Sections 5.51-5.53, and Chapters 11, 13, 21 and 22 of the Public Utility Code. On March 19, 2013, Equitable Gas Company, LLC (Equitable), Peoples TWP LLC (Peoples TWP) and Peoples Natural Gas

Company LLC (Peoples) (collectively, the Applicants) filed the instant Application seeking Commission approval of the following:

(1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (EQT), to PNG Companies LLC (PNG), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (SRIFNA);

(2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG;

(3) the transfer of certain storage and transmission assets of Peoples to EQT;

(4) the transfer of certain assets and or the exchange of certain services between EQT and Equitable;

(5) certain PNG ownership changes associated with the transaction;

(6) certain associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and or EQT; and

(7) certain changes in Peoples' tariff necessary to carry out the proposed transactions.

The Applicants further seek all other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in this Application in a lawful manner.

Through this Application, PNG will merge Peoples and Equitable, although Equitable will initially operate as a separate division. If the Application is approved, the Applicants state that PNG will focus on the regulated distribution utility businesses of Peoples, Peoples TWP, and Equitable while EQT will focus on transportation, storage, gathering, exploration and production business. Application ¶ 4. To achieve this reorganization, under the

transaction numerous assets, rights and commercial agreements will be transferred. Further, under the terms of the asset purchase agreement, PNG will pay EQT \$720 million, which includes \$100 million of pipeline improvements.

The OCA files this Protest in order to ensure that the Application is approved only if (1) it is found to be in the public interest; (2) it provides substantial, affirmative benefits to Equitable, Peoples and Peoples TWP's ratepayers; (3) it does not adversely affect retail natural gas competition in Pennsylvania; and (4) it is in accordance with the Public Utility Code.

Specifically, the OCA avers as follows:

1. The Protestant is Tanya J. McCloskey, Acting Consumer Advocate, 555 Walnut Street, 5th Floor, Forum Place, Harrisburg, PA 17101-1923. Protestant's attorneys for receiving service of all documents in this proceeding are Darryl A. Lawrence and Jennedy S. Johnson, Assistant Consumer Advocates.

2. The OCA is authorized by law to represent the interests of utility ratepayers in all proceedings before the Commission. 71 P.S. §§ 309-1, *et seq.* The OCA files this Protest to ensure the interests of Equitable, Peoples and Peoples TWP ratepayers are protected in the proposed transactions.

3. The Application must be examined pursuant to Chapters 11, 13, 21 and 22 of the Public Utility Code.

4. Section 1102 of the Public Utility Code requires that the Commission issue a Certificate of Public Convenience as a legal prerequisite to offering service, abandoning service and certain property transfers by public utilities or their affiliated interests. 66 Pa.C.S. § 1102(a)(1)-(3). As set forth below, the Commission must also examine this transaction under the provisions of Chapters 21 and 22 of the Code.

5. The Code requires that a certificate shall only be granted upon findings that the granting of such certificate is “necessary or proper for the service, accommodation, convenience or safety of the public.” 66 Pa.C.S. § 1103(a). The Supreme Court has construed this section of the Code as requiring a finding that a proposed merger will affirmatively benefit the public and specifically will “affirmatively promote the ‘service, accommodation, convenience or safety of the public’ in some substantial way.” City of York v. Pa.P.U.C., 295 A.2d 825, 828 (Pa. 1973); Popowsky v. Pa.PUC, 937 A.2d 1040 (Pa. 2007).

6. Additionally, Section 1103 explicitly allows the Commission to impose conditions upon the issuance of a Certificate of Public Convenience. 66 Pa.C.S. § 1103(a). Section 1103(a) of the Code provides: “The Commission, in granting such a certificate, may impose such conditions as it may deem to be just and reasonable.” The OCA submits that the Commission may wish to consider the imposition of conditions in order to ensure that the public interest standard is met.

7. Section 1317 requires the submission of information sufficient to enable the Commission to make a least cost fuel procurement policy evaluation. Section 1317(f) states that “as part of its filing under section 1307(f), a natural gas distribution company shall file a proposed plan with the commission for the acquisition or receipt of natural gas supplies.” 66 Pa.C.S § 1317(d).

8. Further, Section 2102 of the Public Utility Code states that prior to any arrangement providing for the furnishing of certain services, *e.g.*, management, supervisory, legal, etc., between a public utility and any affiliated interest, Commission approval must be obtained.

9. Section 2204(e) requires that a natural gas distribution company obtain Commission approval to enter into new contracts or to renew contracts for firm storage or transportation capacity. 66 Pa.C.S. § 2204(e).

10. Finally, pursuant to Section 2210 of the Public Utility Code, enacted as a provision of the Natural Gas Choice and Competition Act, the Commission, in exercising its authority to consider mergers, acquisitions, consolidations or dispositions, must consider: (1) whether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market; and (2) the effect on the employees of the natural gas distribution company. 66 Pa.C.S. § 2210(a). Section 2210(b) also requires that the Commission only approve such transaction upon terms and conditions it finds necessary to preserve the benefits of a properly functioning and effectively competitive retail natural gas market.

11. Based upon the OCA's preliminary review of the Application, the Application raises a number of important issues that must be resolved by the Commission before granting approval of this merger and issuing Certificates of Public Convenience in this matter. The OCA submits that the Application and proposals of the Applicants as filed may not support a conclusion that the merger will provide substantial, affirmative benefits to the public and will affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way or that it will not adversely affect retail natural gas competition in Pennsylvania.

12. Preliminarily, the OCA has identified the following areas that require further consideration by the Commission and must be resolved prior to Commission approval of this merger.

a. Affirmative Ratepayer Benefits: The Application and its proposals may not demonstrate that this merger will provide substantial, affirmative ratepayer benefits in accordance with Pennsylvania law. The request for merger approval should not be approved unless and until the Applicants can demonstrate and provide affirmative, substantial ratepayer benefits from this merger such as through rate reductions, rate stability and enhanced quality of service.

b. Merger Savings/Synergies: The OCA submits that the Applicants' proposal must be examined to determine if the proposed merger will result in synergies and savings that will provide substantial, affirmative benefits to ratepayers. The Applicants' estimates of savings must be thoroughly reviewed and substantiated.

c. Costs to Achieve: Additional information regarding the costs to achieve the merger is necessary before the Commission can determine that these costs are reasonable. In addition, the allocation of costs to achieve between ratepayers and shareholders, and between corporate functions and subsidiaries, must be examined to determine whether ratepayers are receiving an appropriate share of the net benefits anticipated from this merger.

d. Quality of Service: The Application provides no specific proposal to ensure that quality of service to Equitable, Peoples TWP and Peoples ratepayers improves because of this merger. Therefore, the OCA submits that the Commission must, at a minimum, ensure that quality of service, including reliability, customer service, and billing service, are enhanced as a result of the merger.

e. Impact on Rates: The Application provides that Equitable's retail tariff in effect at the time the proposed transaction occurs will be adopted by Peoples and will remain in full force and effect. Application ¶ 105. The OCA submits that the Commission must examine the impact the proposed merger will have on the delivery rates and purchased gas cost rates for the companies.

f. Market Power and Effects on Competitive Markets: Under Section 2210, the Commission must examine the effect of this merger on the competitive retail natural gas market. The impact on the market should be further explored to assure that the merger does not negatively impact the retail market.

g. Natural Gas Purchasing: As natural gas distribution companies, Equitable, Peoples and Peoples TWP are required to obtain natural gas on behalf of their customers under a least-cost procurement policy. 66 Pa.C.S. §§ 1307(f), 1317 and 1318. Therefore, such purchases must be just and reasonable. The OCA submits that the Commission should determine if this merger will affect the Applicants' purchasing practices.

h. Corporate Structure: The proposed corporate structure raises several issues that should be explored and resolved prior to approval of the merger. For example, appropriate accounting protocols to prevent cross-subsidization must be in place. In addition, appropriate Codes of Conduct must be in place to govern the relationships between the operating companies. The proposed corporate structure also must be reviewed to assure that there are no adverse tax effects.

i. Universal Service: The Application does not discuss the continuation and improvement of Equitable, Peoples or Peoples TWP's universal service programs. The Commission must examine the universal service programs to ensure that these

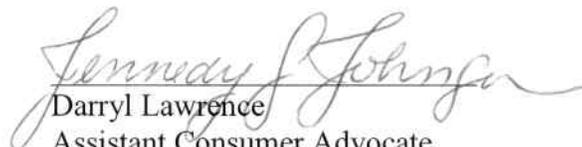
programs receive appropriate funding and local management attention and to assure that the programs continue to improve to meet the needs of low-income and payment troubled customers in Equitable, Peoples and Peoples TWP's service territories. It is also important to maintain and enhance the participation of local community-based organizations in the development and implementation of these programs.

j. Continuation of PUC Jurisdiction: Post corporate-restructuring, the Commission must ensure that it retains sufficient jurisdiction, as well as access to appropriate books and records of all subsidiaries, to ensure the continued provision of safe, adequate and reliable service in Pennsylvania, to ensure against inappropriate cross subsidies at the expense of Pennsylvania consumers, and to support workable and viable competitive markets for retail natural gas supply.

13. The OCA reserves the right to raise additional issues as the case proceeds and further information is obtained from the Company.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Pennsylvania Public Utility Commission investigate and hold full hearings, including public input hearings in the service territories of Equitable and Peoples, regarding the above-captioned Application. The OCA further requests that the Commission not approve this Application unless it finds that: (1) the Application is in the public interest; (2) it provides substantial, affirmative benefits to Equitable, Peoples and Peoples TWP's ratepayers; (3) it does not adversely affect retail competition in Pennsylvania; and (4) it is in accordance with the Public Utility Code. Additionally, the OCA requests that the Commission impose such terms and conditions upon the proposed merger as are necessary to ensure that the Application meets the requirements set forth above.

Respectfully Submitted,



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April 15, 2013

PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUANT TO 71 P.S. Section 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 P.S. Section 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate (OCA) to represent the interests of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Protest and participate in proceedings before the Commission involving the Application filed on March 19, 2013 by Equitable Gas Company, LLC (Equitable), Peoples TWP LLC (Peoples TWP) and Peoples Natural Gas Company LLC (Peoples).

The Application seeks Commission approval of (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (EQT), to PNG Companies LLC (PNG), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (SRIFNA); (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) certain associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and or EQT; and (7) certain changes in Peoples' tariff necessary to carry out the proposed transactions. The Applicants further seek all other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in this Application in a lawful manner.

Through this Application, PNG will merge Peoples and Equitable, although Equitable will initially operate as a separate division. If the Application is approved, the

Applicants state that PNG will focus on the regulated distribution utility businesses of Peoples, Peoples TWP, and Equitable while EQT will focus on transportation, storage, gathering, exploration and production business. To achieve this reorganization, as part of the transaction numerous assets, rights and commercial agreements will be transferred. Further, under the terms of the asset purchase agreement, PNG will pay EQT \$720 million, which includes \$100 million of pipeline improvements.

The Consumer Advocate has filed this Protest with the Commission to ensure that the merger is approved only if (1) the Application is in the public interest; (2) it provides substantial, affirmative benefits to Equitable, Peoples and Peoples TWP's ratepayers; (3) it does not adversely affect retail competition in Pennsylvania; and (4) it is in accordance with the Public Utility Code. Among the areas to be addressed by the OCA are: affirmative ratepayer benefits, merger savings/synergies, costs to achieve, quality of service, impact on rates of the operating subsidiaries, market power and effects on competitive markets, impact on universal service programs, and necessary ratepayer protections. The OCA will seek to ensure that affirmative benefits from the merger are provided to Pennsylvania ratepayers from the proposed merger and that all Pennsylvania ratepayers are properly protected.

CERTIFICATE OF SERVICE

Joint Application of Peoples Natural Gas :
Company LLC, Peoples TWP LLC, and :
Equitable Gas Company, LLC for All of :
the Authority and the Necessary Certificates :
of Public Convenience (1) to Transfer All :
of the Issued and Outstanding Limited :
Liability Company Membership Interest of :
Equitable Gas Company, LLC to PNG : Docket Nos. A-2013-2353647
Companies LLC, (2) to Merge Equitable : A-2013-2353649
Gas Company, LLC with Peoples Natural Gas : A-2013-2353651
Company LLC, (3) to Transfer Certain :
Storage and Transmission Assets of Peoples :
Natural Gas Company LLC to Affiliates :
of EQT Corporation, (4) to Transfer Certain :
Assets between Equitable Gas Company, :
LLC and Affiliates of EQT Corporation, :
(5) for Approval of Certain Ownership :
Changes Associated with the Transaction, :
(6) for Approval of Certain Associated Gas :
Capacity and Supply Agreements, and :
(7) for Approval of Certain Changes in the :
Tariff of Peoples Natural Gas Company LLC :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Protest and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 11th day April 2013.

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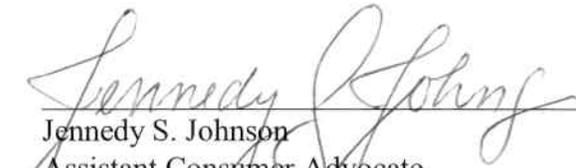
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