



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE  
REFER TO OUR FILE

January 17, 2019

Secretary Rosemary Chiavetta  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.  
Joint Application of Aqua America, Inc., Aqua Pennsylvania, Inc., Aqua  
Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC and Peoples  
Gas Company LLC for all of the Authority and the Necessary Certificates of  
Public Convenience to Approve a Change in Control of Peoples Natural Gas  
Company LLC and Peoples Gas Company LLC by Way of the Purchase of All of  
LDC Funding LLC's Membership Interests by Aqua America, Inc.  
Docket Nos: A-2018-3006061, A-2018-3006062 & A-2018-3006063

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's  
(I&E) **Prehearing Memorandum** for the above-captioned proceeding.

Copies are being served on all active parties of record as evidenced in the attached  
Certificate of Service. If you have any questions, please contact me at 717-783-6156.

Sincerely,

Erika L. McLain

Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney I.D. No. 320526

ELM/jfm  
Enclosure

cc: Hon. Mary D. Long (ALJ, PUC Pittsburgh)  
Per Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. A-2018-3006061
v.	:	A-2018-3006062
	:	A-2018-3006063
Joint Application of Aqua America, Inc.,	:	
Aqua Pennsylvania, Inc., Aqua	:	
Pennsylvania Wastewater, Inc., Peoples	:	
Natural Gas Company LLC and Peoples	:	
Gas Company LLC for all of the	:	
Authority and the Necessary Certificates	:	
of Public Convenience to Approve a	:	
Change in Control of Peoples Natural Gas	:	
Company LLC and Peoples Gas	:	
Company LLC by Way of the Purchase	:	
of All of LDC Funding LLC's	:	
Membership Interests by Aqua America,	:	
Inc.	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated January 17, 2019, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

**Served via First Class and Electronic Mail**

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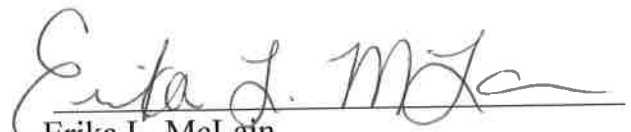
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Bureau of Investigation and Enforcement  
PA Attorney I.D. No. 320526

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Aqua America, Inc., Aqua	:	
Pennsylvania, Inc., Aqua Pennsylvania	:	
Wastewater, Inc., Peoples Natural Gas	:	
Company LLC and Peoples Gas Company LLC	:	Docket No. A-2018-3006061
for all of the Authority and the Necessary	:	Docket No. A-2018-3006062
Certificates of Public Convenience to Approve a	:	Docket No. A-2018-3006063
Change in Control of Peoples Natural Gas	:	
Company LLC and Peoples Gas Company LLC	:	
by Way of the Purchase of All of LDC Funding	:	
LLC's Membership Interests by Aqua America,	:	
Inc.	:	

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**PREHEARING MEMORANDUM OF THE  
BUREAU OF INVESTIGATION AND ENFORCEMENT**

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**TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:**

In accordance with the Prehearing Conference Order dated January 4, 2019, the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission") hereby submits this Prehearing Memorandum in the above-captioned docket. The I&E prosecutors assigned to this proceeding are Carrie B. Wright and Erika L. McLain. Ms. Wright and Ms. McLain may be contacted as follows:

By mail: Carrie B. Wright  
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Pennsylvania Public Utility Commission  
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Harrisburg, PA 17120

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## I. BACKGROUND

On November 13, 2018, Aqua America, Inc. (“Aqua America”), Aqua Pennsylvania, Inc. (“Aqua PA”), Aqua Pennsylvania Wastewater, Inc. (“Aqua PA Wastewater”), Peoples Natural Gas Company LLC (“Peoples Natural Gas”) and Peoples Gas Company LLC (“Peoples Gas”) (collectively, “the Applicants”) filed a Joint Application for All of the Authority and Necessary Certificates of Public Convenience to Approve a Change in Control of Peoples Natural Gas and Peoples Gas by Way of the Purchase of All of LDC Funding, LLC’s Membership Interests by Aqua America.

The Application provides for Aqua America to acquire Peoples Natural Gas and Peoples Gas by way of the purchase of LDC Funding LLC from LDC Parent for \$4.275 billion as provided in the Purchase Agreement. Peoples Natural Gas and Peoples Gas are wholly-owned subsidiaries of PNG Companies LLC. PNG Companies LLC is in turn a wholly-owned subsidiary of LDC Holdings LLC, which is the wholly-owned subsidiary of LDC Funding LLC. The Commission directed that the case be assigned to the Office of Administrative Law Judge for the scheduling of hearings as may be necessary for the Administrative Law Judge to render a Recommended Decision.

A Telephonic Prehearing Conference is scheduled for Friday, January 18, 2019, at 10:00 a.m., before Administrative Law Judge Mary D. Long (“ALJ Long”). I&E submits this Memorandum in compliance with the Prehearing Conference Order issued by ALJ Long.

## II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in this proceeding:

- Corporate Structure;
- Financial Separation;
- Cost Allocation;
- Unaccounted for Gas;
- Compliance with prior Commission Orders and Settlements;
- Aqua's safety record and safety training program;
- Aqua's familiarity with gas safety regulations;
- Peoples' pipeline replacement costs;
- Availability of crews to carry out Peoples' pipeline replacement efforts;
- Peoples' damage prevention program concerns;
- Peoples' gas leak management and risk analysis;
- Peoples' safety training program.

The list is as complete as can be made at this time. I&E reserves the right to address other issues, as it deems appropriate if any such relevant issues arise.

## III. WITNESSES

It is currently expected that I&E may call the following witnesses without being limited thereto:

- Ethan Cline, Fixed Utility Valuation Engineer
- John Zalesky, Fixed Utility Financial Analyst
- Anthony Spadaccio, Fixed Utility Financial Analyst
- Matthew Matse, Pipeline Safety Engineer
- Scott Orr, Pipeline Safety Engineer

The I&E witnesses may be contacted through the contact information listed above for Ms. Wright and Ms. McLain. I&E reserves the right to substitute witnesses or call additional witnesses if warranted.<sup>1</sup> All active parties will be notified of any amendments to the I&E witness list.

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<sup>1</sup> The above issues list is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery.

#### **IV. EVIDENCE**

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Joint Application, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports. However, there may be issues of Commission policy or legal representation that are not properly the subject of testimony or factual issues that are clear on the record and need not be supported by testimony, I&E reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed through briefing.

#### **V. DISCOVERY**

I&E is not proposing discovery modifications in this proceeding. However, I&E does not object to shortening the time frame for responding to interrogatories.

#### **VI. SCHEDULE**

I&E concurs with the schedule as set forth in the OCA prehearing memo.

#### **VII. SERVICE OF DOCUMENTS**

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

#### **VIII. PUBLIC INPUT HEARINGS**

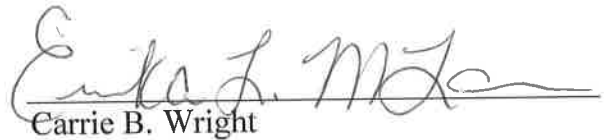
To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of Smart Hearings where possible.



## IX. SETTLEMENT

I&E intends to participate in any settlement discussions and is willing to work with the parties to reach a resolution of any or all issues. In the event settlement discussions fail to result in a complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully submitted,



Carrie B. Wright  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

Erika L. McLain  
Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

Pennsylvania Public Utility Commission  
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January 17, 2019