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File #: 173472

January 17, 2019

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: 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 and A-2018-3006063**

Dear Secretary Chiavetta:

Enclosed please find Joint Applicants' Prehearing Memorandum in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in blue ink that reads "Michael W. Hassell".

Michael W. Hassell

MWH/cls
Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST-CLASS MAIL:

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Parties and The Retail Energy Supply
Association*

Date: January 17, 2019



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF AQUA	:	
AMERICA, INC., AQUA	:	
PENNSYLVANIA, INC., AQUA	:	Docket Nos. A-2018-3006061
PENNSYLVANIA WASTEWATER, INC.,	:	A-2018-3006062
PEOPLES NATURAL GAS COMPANY	:	A-2018-3006063
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.	:	

**PREHEARING CONFERENCE MEMORANDUM OF
THE JOINT APPLICANTS**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

Pursuant to 52 Pa. Code § 5.224(c) and the January 4, 2019 Prehearing Conference Order of Administrative Law Judge Mary D. Long (the “ALJ”), Aqua America, Inc. (“Aqua America”) and its subsidiaries, Aqua Pennsylvania, Inc. (“Aqua PA”), Aqua Pennsylvania Wastewater, Inc. (“Aqua PA Wastewater”), along with Peoples Natural Gas Company LLC (“Peoples Natural Gas”) and Peoples Gas Company LLC (“Peoples Gas”) (hereinafter, collectively the “Joint Applicants”) hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. The Joint Applicants request that all documents be served on both:

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and

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As requested in the March 9, 2018 Prehearing Conference Order, please be advised that Mr. Michael W. Hassell will serve as the lead representative for Joint Applicants and for Aqua America, Aqua PA and Aqua PA Wastewater (collectively "Aqua") for purposes of the prehearing conference. In addition, Mr. David P. Zambito will serve as lead representative for Peoples Natural Gas and Peoples Gas (collectively the "Peoples Companies") for purposes of the prehearing conference. Other counsel for Joint Applicants will be participating and available during the telephonic prehearing conference as needed.

2. The Joint Applicants agree to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Michael W. Gang at mgang@postschell.com, Michael W. Hassell at mhassell@postschell.com, Kimberly A. Joyce at kajoyce@aquaamerica.com, Alexander R. Stahl at astahl@aquaamerica.com, Jonathan P. Nase at jnase@cozen.com, and William H. Roberts II at william.h.robertsii@peoples-gas.com

II. PROCEDURAL HISTORY

3. On November 13, 2018, the Joint Applicants filed the above-captioned Application seeking all necessary approvals from the Pennsylvania Public Utility Commission (“Commission”) pursuant to Sections 1102(a)(3) and 2210(a)(1) of the Pennsylvania Public Utility Code (“Code”), 66 Pa. C.S. §§ 1102(a)(3) and 2210(a)(1), authorizing the change in control of the Peoples Companies to Aqua America by way of the purchase of all of the membership interests of LDC Funding LLC (“Funding”)¹ by Aqua America. The Joint Applicants further sought all other approvals or certificates of public convenience that are appropriate, customary, or necessary under the Code to carry out the transaction contemplated in the Application in a lawful manner.

4. On November 19, 2018, the Commission issued a Secretarial Letter that acknowledged receipt of the Application and directed Joint Applicants to publish notice of the Application once in a newspaper having a general circulation in the area involved and file proof of publication with the Commission on or before December 31, 2018. The letter also indicated that notice of the Application would be published in the *Pennsylvania Bulletin* on December 1, 2018, and that the deadline for filing protests and petitions to intervene was December 31, 2018.

5. On December 6, 2018, the Joint Applicants filed their Direct Testimony.

6. The Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance and a Notice of Intervention and Protest on December 7, 2018.

7. On December 11, 2018, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed two Notices of Appearance.

¹ As explained in Section II of the Application, Peoples Natural Gas and Peoples Gas are wholly-owned subsidiaries of PNG Companies LLC (“PNG”). PNG is in turn a wholly-owned subsidiary of LDC Holdings LLC (“Holdings”), which is the wholly-owned subsidiary of Funding.

8. Also on December 11, 2018, the Utility Workers Union of America, Local 612 (“Local 612”) filed a Petition to Intervene.

9. On December 19, 2018, the Laborers’ District Council of Western Pennsylvania (“District Council”) filed a Petition to Intervene and Notice of Appearance.

10. Also on December 19, 2018, the Office of Consumer Advocate (“OCA”) filed a Protest and Public Statement. OCA additionally filed Notices of Appearance on January 4, 2019.

11. On December 21, 2018, the Pennsylvania Independent Oil & Gas Association (“PIOGA”) and United States Steel Corporation (“U.S. Steel”) each filed a Petition to Intervene. In addition, Equitrans, L.P. (“Equitrans”) filed a Petition to Intervene and Notice of Appearance.

12. Also on December 21, 2018, the Commission issued a Notice of a Call-In Telephonic Prehearing Conference.

13. On December 26, 2018, Duquesne Light Company (“Duquesne Light”) filed a Petition to Intervene.

14. On December 27, 2018, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene.

15. On December 28, 2018, Aqua filed Proofs of Publication of Notice of the Application with the Commission.

16. On December 31, 2018, the NGS Parties² and the Retail Energy Supply Association (“RESA”) jointly filed a Petition to Intervene. Direct Energy Business Marketing, LLC and Direct Energy Small Business, LLC (collectively “Direct Energy”) also filed a Petition to Intervene.

² The NGS Parties in this proceeding are comprised of Direct Energy Solutions, Inc. and Shipley Choice LLC d/b/a Shipley Energy.

III. ISSUES

17. The primary issue in this proceeding is whether the Proposed Transaction described in the Application is in the public interest. 66 Pa C.S. §§ 1102(a)(1)-(3), 1103(a). As explained in the Application, this determination is to be based on whether: (1) the acquiring entity is legally, technically, and financially fit; and (2) whether the issuance of a certificate of public convenience granting the approvals required to effect the proposed merger “is necessary or proper for the service, accommodation, convenience, or safety of the public.”

18. On the first issue, the Joint Applicants note that the acquiring entity, Aqua America, is presumed to be technically, legally and financially fit to assume control of the Peoples Companies by virtue of its long-standing existence and ownership of jurisdictional public utility service providers, *e.g.*, Aqua PA and Aqua PA Wastewater. Aqua America also has offered evidence demonstrating its technical, financial and legal fitness to acquire the Peoples Companies.

19. On the second issue, it is the Joint Applicants’ position that the change in control contemplated by the Application meets this requirement because the Proposed Transaction will be completely seamless to existing customers in terms of the service they will receive, and the proposed merger will have no adverse effect on the Joint Applicants’ current provision of public utility services.

20. The Application also details the considerable public benefits of the proposed merger, including: (a) the Joint Applicants’ combined experience in public utility infrastructure ownership, maintenance and replacement; (b) maintaining jobs in Pennsylvania and expanding opportunities for both natural gas and water/wastewater employees; (c) the creation of long-term efficiencies; (d) the Joint Applicants’ community presence; (e) the evaluation specific functions

that more appropriately belong in a shared services company; and (f) additional transparency and access to capital through public ownership of the Peoples Companies.³ These benefits will occur from the post-acquisition operation of the Joint Applicants, as explained in the Application and the Joint Applicants' Direct Testimony.

21. In addition, the Proposed Transaction will have no adverse effects on the Joint Applicants' customers, employees or retail natural gas competition in Pennsylvania. All rates, terms and conditions that have an impact on the Joint Applicants' customers and retail competition will remain unchanged in the initial post-merger tariffs. Furthermore, the Proposed Transaction will not have a significant impact on employees because it does not contemplate the elimination of employees or leadership; rather, it would maintain the existing expertise in the field of natural gas operations and management provided by the existing employees and Pittsburgh-based leadership of the Peoples Companies. Therefore, it is the Joint Applicants' position that the Application will produce substantial affirmative public benefits and, as such, is in the public interest.

22. The Joint Applicants reserve the right to raise and/or address additional issues that may arise during the course of the proceeding.

IV. WITNESSES

23. The Joint Applicants have, at this time, identified the following five witnesses in this proceeding and submitted the Direct Testimony of these witnesses on December 6, 2018:

Statement No.	Witness	Subjects Addressed
1	Christopher H. Franklin Chairman, Chief Executive Officer and President	Overview of Direct Testimony Overview of the Proposed Transaction Fitness of Aqua America, Inc.

³ The Joint Applicants note that they will update and file the necessary affiliated transaction agreements at the appropriate time.

	Aqua America, Inc. 762 West Lancaster Avenue Bryn Mawr, PA 19010	Post-Transaction Books of Account Post-Transaction Plans and Commitments Community Presence
2	Daniel J. Schuller Executive Vice President and Chief Financial Officer Aqua America, Inc. 762 West Lancaster Avenue Bryn Mawr, PA 19010	Financial Fitness of Aqua America, Inc. Financing the Proposed Transaction Aqua America, Inc.'s Access to Capital Post-Transaction Books of Account Benefits of the Proposed Transaction
3.	Morgan K. O'Brien President and Chief Executive Officer PNG Companies LLC 375 North Shore Drive Suite 600 Pittsburgh, PA 15212	Overview of the Peoples Companies Current and Post-Transaction Management The Peoples Companies' LTIIP The Peoples Companies' UFG Mitigation Plan Community Presence Effect On Natural Gas Competition and Choice The Peoples Companies' SAP Platform
4.	Richard S. Fox Executive Vice President and Chief Operating Officer, Regulated Operations Aqua America, Inc. 762 West Lancaster Avenue Bryn Mawr, PA 19010	Technical Fitness Safety Culture and Commitment Shared Operations Post-Transaction
5.	James C. Barbato Vice President, Corporate Engineering Aqua America, Inc. 762 West Lancaster Avenue Bryn Mawr, PA 19010	Aqua PA's Water and Wastewater Pipe Experience Alignment of Commitments to Safety And Proactive Infrastructure Replacement Post-Transaction Commitments

24. The Joint Applicants reserve the right to call additional witnesses, as necessary, to address issues that may arise during the course of this proceeding and will provide the ALJ as well as the other parties in this matter reasonable notice if necessary. The Joint Applicants also reserve the right to change or call additional witnesses at any time upon appropriate notice to the ALJ and the parties.

V. DISCOVERY

25. Discovery has been initiated and remains ongoing as a part of this proceeding.

26. At this time, the Joint Applicants do not propose modifications to the Commission's procedures for discovery.

27. The Joint Applicants also encourage the use of informal discovery to expedite the discovery process.

28. On December 10, 2018, OSBA served its Set I Interrogatories and Requests for Production of Documents. Aqua and the Peoples Companies separately objected to certain interrogatories in OSBA Set I on December 20, 2018. OSBA filed Motions to Compel Aqua's and the Peoples Companies' responses to the disputed discovery on December 28, 2018. Aqua and the Peoples Companies each filed an Answer to OSBA's Motion to Compel on January 2, 2019. On January 3, 2019, the ALJ issued an Interim Order directing the OSBA and the Joint Applicants to confer and attempt to resolve informally the discovery disputes described in the motions to compel informally, requiring OSBA and the Joint Applicants to be prepared to detail the status of such discussions at the Prehearing Conference and holding the disposition of the Motions to Compel in abeyance until after the Prehearing Conference.

29. The Joint Applicants will be prepared to discuss the status of discussions with OSBA at the Prehearing Conference.

VI. LITIGATION SCHEDULE

30. The Joint Applicants propose following procedural schedule:

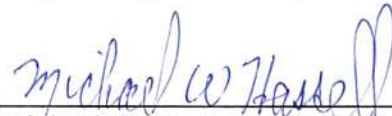
Other Parties' Direct Testimony	March 5, 2019
Rebuttal Testimony	April 2, 2019

Surrebuttal Testimony	April 12, 2019
Evidentiary Hearings	April 22-24, 2019
Main Briefs	May 15, 2019
Reply Briefs	May 28, 2019

VII. SETTLEMENT

31. As of this time, no settlement discussions have been held. The Joint Applicants remain open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



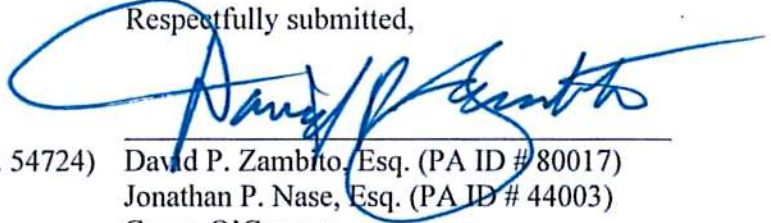
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Date: January 17, 2019

Counsel for Aqua America, Inc. and its subsidiaries, Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.

Respectfully submitted,



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Date: January 17, 2019

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