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March 19, 2013

RECEIVED

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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 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 Companies, LLC, (2) to Merge Equitable Gas Company, LLC with 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 No. A-2013-__________**

Dear Secretary Chiavetta:

Enclosed please find the original and two copies of the 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 Companies, LLC, (2) to Merge Equitable Gas Company, LLC with 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 pursuant to Sections 1102(a)(3), 1317(d), 2102(a) and 2204(e) of the Public Utility Code.

This filing consists of three separate books. The first book contains the Joint Application. The second book contains the non-proprietary supporting Appendices. The third book contains the **HIGHLY CONFIDENTIAL** Appendices, which are being filed under seal. Also enclosed are two disks, one containing an electronic copy of the Joint Application and one containing an electronic copy of the non-proprietary supporting Appendices.

Also enclosed is a check in the amount of $350 for the filing fee.

Respectfully submitted,

Michael W. Gang

Michael W. Gang

MWG/skr
Enclosures

cc: Certificate of Service

# CERTIFICATE OF SERVICE

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

## VIA HAND DELIVERY:

Sharon Webb, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 1102
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Allison Kaster, Esquire
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Darryl Lawrence
Office of Consumer Advocate
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Harrisburg, PA 17101-1923



## AND BY OVERNIGHT DELIVERY:

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63105

Dated: March 19, 2013

Christopher T. Wright

**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 Companies LLC, (2) to Merge Equitable Gas Company, LLC with 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 No. A-2013-________ |

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**JOINT APPLICATION FOR APPROVAL OF THE TRANSFER OF MEMBERSHIP INTERESTS, TRANSFER OF CERTAIN ASSETS, AND CERTAIN ASSOCIATED GAS CAPACITY AND SUPPLY AGREEMENTS PURSUANT TO SECTIONS 1102(a)(3), 1317(d), 2102(a) AND 2204(c) OF THE PUBLIC UTILITY CODE**

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**TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:**





10555025v2

## I. INTRODUCTION

1. By this Application, Peoples Natural Gas Company LLC ("Peoples"), Peoples TWP LLC ("Peoples TWP"), and Equitable Gas Company, LLC ("Equitable") (hereinafter, collectively the "Applicants") hereby request all necessary approvals from the Pennsylvania Public Utility Commission ("Commission"), pursuant to Sections 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4) of the Public Utility Code ("Code"), 66 Pa.C.S. §§ 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4), authorizing: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation ("EQT")[1], 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.

[1] Unless otherwise specified in this Application, all references to "EQT" shall be deemed to also include all of its subsidiaries and affiliates.

2. The complete names and addresses of the Applicants are as follows:

Peoples Natural Gas Company LLC
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

Peoples TWP LLC
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

Equitable Gas Company, LLC
225 North Shore Drive
Pittsburgh, PA 15226

3. The attorneys for the Applicants are:

Counsel for Peoples and Peoples TWP

Michael W. Gang (I.D. # 25670)
Christopher T. Wright (I.D. # 203412)
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Counsel for Equitable

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David W. Gray (I.D. # 76111)
General Counsel
Equitable Gas Company
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Pittsburgh, PA 15212
Phone: 412.395.3634
Fax: 412.395.3155
E-mail: dgray@equitablegas.com

The Applicants' attorneys are authorized to receive all notices and communications regarding this Application.

4. Through this Application, the Applicants seek Commission approval of a multifaceted transaction that will better align the assets of PNG and EQT with their respective principle business interests. Upon closing, PNG will focus on the regulated distribution utility businesses of Peoples, Peoples TWP, and Equitable; while EQT will focus on its transportation, storage, gathering, exploration, and production businesses. To accomplish this new focus, it is necessary for the Applicants to engage in a series of related transactions that transfer and realign assets and establish new contractual relationships so that, among other things, Applicants may continue to provide safe and reliable service to all distribution customers in a cost-effective manner after closing of the proposed transaction. The realignment of Peoples' and Equitable's midstream assets with EQT, a company with midstream expertise, also will permit the development and operation of those assets in a manner that will enhance the further development and use of Pennsylvania produced natural gas. As further explained in this Application, the proposed transaction will result in numerous affirmative benefits, including, but not limited to: the unification of two natural gas distribution companies that have significant overlap in their service territories which historically has caused significant redundant expenditures and inefficiencies; substantial capital and rate base savings resulting from avoidance of duplicative pipeline replacement; substantial savings in operations and maintenance activities and costs for Peoples and Equitable; increasing the amount of Pennsylvania produced gas used on the systems of Peoples, Peoples TWP, and Equitable; improving supply competition for customers by creating a larger retail market for suppliers and instituting Peoples' retail market policies on Equitable's distribution system; and encouraging greater production of Pennsylvania produced gas, resulting in more Pennsylvania employment and multiple beneficial effects for western

Pennsylvania communities by, among other things, creating opportunities for Pennsylvania produced gas to reach the interstate market.

5. The proposed transaction will be effectuated pursuant to a Master Purchase Agreement ("MPA") attached hereto as "Appendix A," which includes the buyer and seller disclosures attached as Schedules 1.1(a) through 5.12 **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR SCHEDULES 1.1(a) THROUGH 5.12 (ALL FILED UNDER SEAL)]**; an Asset Exchange Agreement ("AEA") attached as Exhibit A to the MPA; and related commercial documents attached as Exhibits B through Q to the MPA **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR EXHIBITS B THROUGH Q (ALL FILED UNDER SEAL)]**. The contemplated transactions are hereinafter collectively referred to as the "Proposed Transaction."

6. This Application is organized as follows:

(a) Section II provides a description of the Applicants and the other entities involved in the Proposed Transaction.

(b) Section III provides an overview of the Proposed Transaction.

(c) Section IV provides an overview of the post-merger operation of Peoples, with Equitable as a separate operating division.

(d) Section V sets forth the legal standards required for Commission approval of the Proposed Transaction.

(e) Section VI demonstrates that SRIFNA and PNG have the requisite technical, legal, and financial fitness to own and operate Equitable.

(f) Section VII addresses the effect of the Proposed Transaction on customer rates.

(g) Section VIII addresses the effect of the Proposed Transaction on retail gas competition.

(h) Section IX demonstrates that the Proposed Transaction will promote the public interest by producing significant benefits for customers.

(i) Section X demonstrates the Proposed Transaction satisfies the *Penn Estates* considerations.

(j) Section XI sets forth the other regulatory approvals required.

(k) Section XII sets forth additional supporting data.

(l) Section XIII sets forth the conclusion and requested approvals.

7. The Applicants submit, as explained in more detail below, that all criteria necessary for approval of the Proposed Transaction pursuant to the Code have been met, and that the Proposed Transaction will benefit the customers, employees, and the communities served by Peoples, Peoples TWP, and Equitable. The Applicants therefore request that the Application be approved without condition to or modification of the Proposed Transaction.

## II. THE PARTIES AND RELATED ENTITIES

### A. PARTIES

#### 1. Peoples Natural Gas Company LLC

8. Peoples is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples is a wholly-owned subsidiary of PNG, which is an indirect subsidiary of SRIFNA.[2]

9. Peoples is a "public utility" and a "natural gas distribution company" as those terms are defined in Code Sections 102 and 2202 66 Pa.C.S. §§ 102, 2202. Peoples provides natural gas services to approximately 360,000 customers throughout its certificated territory,

[2] On February 1, 2010, PNG closed on its purchase of all of the issued and outstanding shares of capital stock of Peoples, which acquisition was approved by the Commission. *Joint Application for Approval of the Transfer of the Issued and Outstanding Shares of Capital Stock of the Peoples Natural Gas Company*, Docket No. A-2008-2063737 (November 19, 2009).

which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland. Peoples' service territory is shown on the map attached as "Appendix B."

10. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by Peoples are made a part hereof by reference. Peoples has paid all special and general assessments made against it pursuant to Code Section 510, 66 Pa.C.S. § 510. Peoples will remain responsible through its Equitable division for the payment of any and all lawful special and general assessments related to Equitable's facilities that the Commission may make against it, pursuant to Code Section 510.

### 2. Peoples TWP LLC

11. Peoples TWP is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples TWP is a wholly-owned subsidiary of LDC Holdings II, which is an indirect subsidiary of SRIFNA.[3]

12. Peoples TWP is a "public utility" and a "natural gas distribution company" as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Peoples TWP provides natural gas services to approximately 60,300 customers throughout its service territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong,

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[3] On May 24, 2011, LDC Holdings II closed on its purchase of all of the issued and outstanding shares of capital stock of TWP, which acquisition was approved by the Commission. *Joint Application of T.W. Phillips Gas and Oil Company, TWP INC., and LDC Holdings II LLC for approval of a change of control of T.W. Phillips and Oil Company from TWP INC. to LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund North America LP*, Docket No. A-2010-2210326 (May 23, 2011).

Beaver, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, and Westmoreland. Peoples TWP's service territory is shown on the map attached as "Appendix C."

13. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by Peoples TWP are made a part hereof by reference. Peoples TWP has paid all special and general assessments made against it pursuant to Code Section 510, 66 Pa.C.S. § 510. Peoples TWP will remain responsible for the payment of any and all lawful special and general assessments that the Commission may make against it, pursuant to Code Section 510.

### 3. Equitable Gas Company, LLC

14. Equitable is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Equitable was a regulated operating division of Equitable Resources, Inc., prior to a holding company reorganization approved by the Commission at Docket No. A-121100F0006, which became effective July 1, 2008. Equitable is a direct, wholly-owned subsidiary of Distribution Holdco, LLC ("Holdco"), which, in turn, is a wholly-owned subsidiary of EQT Corporation. EQT Corporation is the ultimate parent of the entire EQT family of companies.

15. Equitable is a "public utility" and a "natural gas distribution company" as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Equitable provides natural gas services to approximately 260,000 customers throughout its Pennsylvania certificated territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Clarion, Greene, Indiana, Jefferson, Washington, and Westmoreland. Equitable's service territory is shown on the map attached as "Appendix D."

16. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by Equitable are made a part hereof by reference. Equitable has paid all special and general assessments made against it pursuant to Code Section 510, 66 Pa.C.S. § 510. *After closing of the Proposed Transaction, Peoples will be responsible for the payment of* any and all lawful special and general assessments that the Commission may make against Equitable, pursuant to Code Section 510.

**B. SRIFNA RELATED ENTITIES**

17. SteelRiver Infrastructure Associates LLC, the general partner of SRIFNA, and its affiliated investment management entities (collectively "SteelRiver") manage infrastructure investments throughout North America, with capital under management in excess of $3.8 billion. SteelRiver has a dedicated asset management team that embraces core values of professionalism, low staff turnover, and strong risk management under the direction of Mr. Christopher P. Kinney, Chief Executive Officer of SRIFNA. Mr. Kinney's biography is attached as "Appendix E." SteelRiver successfully manages and operates other premier infrastructure assets in the United States, in addition to its two Pennsylvania gas utilities.[4] SteelRiver management has extensive experience in dealing with various federal and state regulatory authorities, including the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission, the U.S. Department of Justice, the Federal Trade Commission, and the Department of Defense.

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[4] In addition to Peoples and Peoples TWP, SteelRiver owns Diversified Port Holdings LLC (formerly ICS Holdings), a leading operator of break bulk sea ports in Florida, Louisiana, and Alabama; Trans Bay Cable LLC, a 400 megawatt high-voltage direct current electric submarine cable connecting the city of Pittsburg, California and San Francisco; and Patriot Rail Corp., a leading operator of short line and regional freight railroads in the United States, which includes 13 railroads with over 500 total rail miles traversing 13 states. SteelRiver also manages, and is a member of, the consortium that owns the controlling interest (80%) of Natural Gas Pipeline Company of America LLC, which is among the largest domestic natural gas pipelines and storage systems in the United States, with over 9,200 miles of gas transmission pipelines and 13 storage facilities with approximately 600 Bcf of total storage capacity and approximately 260 Bcf of working gas capacity.

18. SRIFNA is an independent investment fund specializing in infrastructure assets. SRIFNA invests for the long-term in infrastructure businesses that provide essential services. Investors in SRIFNA include public employee and other pension plans and insurance companies located throughout North America and Europe.

19. LDC Funding LLC ("LDC Funding") is a Delaware limited liability company and a wholly-owned direct subsidiary of SRIFNA. LDC Funding directly owns a 100% interest in LDC Holdings LLC ("Holdings"), which in turn owns a 100% interest in PNG. LDC Funding also directly owns a 100% interest in LDC Holdings II LLC ("Holdings II"), which in turn owns a 100% interest in Peoples TWP.

20. PNG is a limited liability company organized, validly existing, and in good standing under the laws of Delaware. PNG directly owns a 100% interest in Peoples. PNG is a wholly-owned subsidiary of Holdings, an indirect subsidiary of SRIFNA.

21. Through its subsidiaries PNG and Holdings II, SRIFNA has owned, and SteelRiver has managed, Peoples since February 2010 and Peoples TWP since June 2011. Both utilities have improved in their operations and customer service performance under SteelRiver management. In addition, both utilities' capital expenditures have increased significantly compared to their spending levels prior to be acquired by SRIFNA. Further, Peoples and Peoples TWP have added over 300 new Pennsylvania-based jobs under SteelRiver management.

22. Attached as "Appendix F" hereto is a chart showing the present ownership structure of the SRIFNA-related entities. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX F (FILED UNDER SEAL)].**

23. Upon closing of the Proposed Transaction, it is anticipated that Equitable will be merged into Peoples, with Peoples as the surviving entity. As further described in Section III.B

below, a new parent company of LDC Funding will be included in the indirect ownership of Equitable and Peoples coincident with the closing of the Proposed Transaction. The new parent company will continue to be 100% owned by SteelRiver managed funds. Attached as "Appendix G" hereto is a chart showing the ownership structure of the SRIFNA-related entities as contemplated by the Proposed Transaction following closing of the Proposed Transaction. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX G (FILED UNDER SEAL)].**

### C. EQT RELATED ENTITIES

24. EQT Corporation is a Pennsylvania corporation acting as a holding company for various energy related businesses and enterprises it owns directly or indirectly. EQT conducts its business through three business segments that are generally described as: EQT Production, EQT Midstream and Distribution.

25. The EQT Production business segment is one of the largest natural gas producers in the Appalachian Basin with 6.0 Tcfe of proved reserves across 3.5 million gross acres, including 540,000 acres in the Marcellus Shale play, as of December 31, 2012.

26. The EQT Midstream business segment provides, among other things, gathering, transmission and storage services for EQT Production's produced gas and also provides significant similar services to independent third parties in the Appalachian Basin. EQT Midstream, through its various legal entities, owns and/or operates approximately 10,300 miles of gathering pipeline, 700 miles of transportation pipeline and 32 Bcf of working gas capacity. A core focus of EQT Midstream's growth strategy is to continue to build, develop and otherwise improve upon its uniquely positioned midstream assets within the Marcellus Shale fairway in order to foster the further development, exploration, production, and use of Marcellus Shale and

other locally produced gas. This Proposed Transaction fits squarely within that objective, while also providing significant benefits for the Applicants and their customers.

27. One of the companies within the EQT Midstream segment is Equitrans, L.P. ("Equitrans"), which is a Pennsylvania limited partnership. Equitrans provides services that are subject to the jurisdiction of the FERC. Accordingly, Equitrans is a "natural gas company" within the definition of Section 2(6) of the Natural Gas Act, 15 U.S.C. § 717a(6), and is engaged in the business of gathering, storing, and transporting natural gas in interstate commerce. Equitrans' mainline system is located in northern West Virginia and southwestern Pennsylvania. Equitrans provides open-access transportation service under its blanket transportation certificate, including to local distribution companies serving the City of Pittsburgh and surrounding areas, pursuant to rates, terms, and conditions set forth in its FERC filed tariff. Equitrans is currently owned by Equitrans Investments, LLC and Equitrans Services, LLC, both directly held subsidiaries of EQT Midstream Partners, LP ("EQM"). EQM is a growth-oriented limited partnership formed by EQT to own, operate, acquire and develop midstream assets in the Appalachian basin. EQM provides significant midstream services to companies through two primary assets: the Equitrans Transmission and Storage System and the Equitrans Gathering System. EQM, through Equitrans, operates a 700 mile FERC-regulated, interstate pipeline system and more than 2,000 miles of FERC rate-regulated, low-pressure gathering lines.

28. Another EQT company within the EQT Midstream business segment is EQT Gathering, LLC ("EQT Gathering"), which is a Delaware limited liability company that owns and operates an extensive network of gathering assets that are not subject to FERC jurisdiction. EQT Gathering provides gathering services to third parties as well as to EQT Production.

29. EQT Energy, LLC, ("EQT Energy"), also part of the EQT Midstream business segment, works to optimize the portfolio of EQT's assets from physical production through gathering assets and contractual pipeline assets. As the marketing and trading arm of EQT, EQT Energy's services include optimization of capacity and storage assets and natural gas liquids marketing. Managing more than 20 Bcf of storage related assets creates the scale to extract value for the assets and provide a high level of reliability to its customers. With activity on all major pipelines through the region, including Texas Eastern Transmission, Columbia Gas Transmission, National Fuel Gas Supply, Tennessee Gas Pipeline, Dominion Transmission, and Transco, EQT Energy has access to all Northeast wholesale markets. EQT Energy supports EQT Production as well as third party producers and non-regulated customers across the Mid-Atlantic and Northeastern United States. By coordinating the logistics, gas control and gas sales functions for EQT Production's assets and purchases from third party producers, EQT Energy provides a diversified supply portfolio of Appalachian production for Mid-Atlantic and Northeastern United States end users. On behalf of EQT Production, EQT Energy also manages EQT's firm production capacity portfolio, providing delivered supply to these same markets. Packaged together, these services provide flexible and reliable supply, free of gulf coast related weather concerns in excess of 500,000 Dth/day. EQT Energy also engages in retail gas sales to commercial and industrial customers within its operational footprint.

30. The Distribution segment of EQT, through Equitable, distributes and/or sells natural gas to residential, commercial and industrial customers in southwestern Pennsylvania, West Virginia, and eastern Kentucky; operates a small gathering system in Pennsylvania; and provides off-system sales activities which include the purchase and delivery of gas to customers.

31. Distribution Holdco, LLC ("Holdco") owns all of the issued and outstanding limited liability company membership interests of Equitable and Equitable Homeworks, LLC.[5] EQT Corporation owns all of the issued and outstanding limited liability company membership interests in Holdco.

32. Attached as "Appendix H" hereto is a chart showing the present corporate structure of EQT and its subsidiaries. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX H (FILED UNDER SEAL)].**

33. Attached as "Appendix I" hereto is a chart showing the corporate structure of EQT and its subsidiaries as contemplated by the Proposed Transaction following closing of the Proposed Transaction. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX I (FILED UNDER SEAL)].**

## III. DESCRIPTION OF THE PROPOSED TRANSACTION

### A. ACQUISITION AND MERGER OF EQUITABLE

34. Holdco currently owns all of the authorized, issued, and outstanding limited liability membership interests of Equitable. Under the terms of the MPA, Holdco will sell, convey, transfer, assign, and deliver to PNG all of the issued and outstanding membership interests of Equitable.

35. At closing of the Proposed Transaction, Equitable will be merged with and into Peoples, with Peoples as the surviving entity. Initially, Equitable will be operated as a new separate operating division of Peoples.

[5] Equitable Homeworks, LLC offers various heating and cooling protection programs, line protection programs and restoration programs within Pennsylvania. As part of the transaction, Holdco also will sell, convey, transfer, assign, and deliver to PNG all of the issued and outstanding membership interests in EQT Homeworks, LLC, an unregulated entity.

36. The Proposed Transaction includes (1) the payment of cash (including certain investments by Peoples in midstream assets to be transferred from Peoples to EQT), (2) the transfer of certain assets by Peoples to EQT, and (3) the exchange of certain assets between EQT and Equitable. The Proposed Transaction also includes certain other commercial supply, capacity, lease, interconnect, and service agreements.

37. Among other things, Peoples and Equitable are seeking Commission approval of the acquisition and merger of Equitable pursuant to Code Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3).

### B. CERTAIN OWNERSHIP CHANGES ASSOCIATED WITH THE PROPOSED TRANSACTION

38. The cash component of the consideration to acquire Equitable from EQT is a base price of $720 million, as adjusted pursuant to the terms of the MPA. PNG will finance the consideration through a combination of equity capital and third party debt financing. In order to finance the purchase price for Equitable, SteelRiver has formed a new managed fund, SteelRiver LDC Investments LP ("SRLDCI"). SRLDCI, SRIFNA, and other SteelRiver managed funds will jointly own 100% of LDC Funding through a new entity. This will require the creation of a new indirect parent of Peoples and Peoples TWP to own LDC Funding. SteelRiver will also raise additional debt capital.

39. As explained above, Peoples currently is the wholly owned subsidiary of PNG, PNG is the wholly owned subsidiary of Holdings, and Holdings is the wholly owned subsidiary of LDC Funding. Peoples TWP is the wholly owned subsidiary of Holdings II, which is the wholly owned subsidiary of LDC Funding. Therefore, LDC Funding is the indirect parent of both Peoples and Peoples TWP.

40. Currently, LDC Funding is a wholly owned subsidiary of SRIFNA, which holds 100% of the voting interest in LDC Funding. Upon closing of the Proposed Transaction, SRIFNA proposes to transfer 100% of its securities in LDC Funding to the newly created LDC Ventures LLC ("LDC Ventures"). Simultaneous with the transfer, a new SteelRiver managed fund, SRLDCI, will contribute cash to LDC Ventures and LDC Ventures will transfer the cash to LDC Funding to finance the proposed acquisition of Equitable. Immediately after the transfers by SRIFNA and SRLDCI, LDC Ventures will wholly own and hold 100% of the voting interests in LDC Funding, the indirect parent of Peoples and Peoples TWP.

41. To finance the proposed acquisition of Equitable, SRIFNA will simultaneously transfer a portion of its interest in LDC Ventures to SRLDCI. SRIFNA, SRLDCI and other SteelRiver managed funds will continue to own 100% of LDC Ventures, LDC Funding and therefore Peoples (including its Equitable division) and Peoples TWP. No single investor will hold an interest of 20% or more directly or indirectly in LDC Ventures, LDC Funding or Peoples (including its Equitable division), or Peoples TWP. Upon closing of the Proposed Transaction, SRIFNA will hold a majority voting interest and other SteelRiver managed funds will hold the remaining interest in LDC Ventures, the new indirect parent of Peoples and Peoples TWP. The post-closing structure is shown in "Appendix G."

42. In exchange for its interest in LDC Ventures, SRLDCI has made capital commitments that will be used to finance PNG's acquisition of Equitable, including the payment of transaction expenses, as contemplated by the Proposed Transaction. In connection with the execution and delivery of the MPA, SteelRiver and PNG have obtained fully underwritten commitments from leading third-party financing institutions for the necessary debt facilities sufficient to fund the balance of the cash purchase price payable to EQT.

43. Peoples and Peoples TWP herein are seeking Commission approval of the ownership changes described above to the PNG related entities pursuant to Code Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3).

**C. TRANSFER OF ASSETS OF PEOPLES TO EQT**

44. As part of the consideration for the Proposed Transaction, Peoples will transfer certain transmission pipeline and storage assets to EQT, pursuant to the AEA between PNG and EQT. The total assets to be transferred from Peoples to EQT will be approximately $93 million in rate base as of December 31, 2012 (estimated) and additional rate base improvements for transferred facilities prior to the closing. Attached as "Exhibit A" to the MPA is a copy of the AEA. *See* Appendix A, Exhibit A.

45. Under the AEA, Exhibit C-1, Peoples will transfer approximately 15 Bcf of gas storage capacity and associated pipelines, valves, fittings, regulation, well heads, real property interests, and associated storage facilities to EQT. The gas storage facilities to be transferred to EQT include the following:

> <u>Gamble Hayden Storage Facilities</u> - approximately 3,998 total acres and include an estimated 1.224 Bcf of base gas and 502,860 Mcf of native gas;
>
> <u>Webster Storage Facilities</u> - approximately 2,084 total acres and include an estimated 612,000 Mcf of base gas and 8,568 Mcf of native gas;
>
> <u>Truittsburg Storage Facilities</u> - approximately 3,164 total acres and includes an estimated 1.53 Bcf of base gas and 18,870 Mcf of native gas; and
>
> <u>Rager Storage Facilities</u> - approximately 9,560 total acres and include an estimated 0 Mcf of base gas and 9.193 Bcf of native gas.

46. Peoples also will transfer approximately 200 miles of high pressure transmission pipeline to EQT, together with associated interstate pipeline interconnect facilities, relay

compressor facilities, information technology assets, and other miscellaneous facilities as listed on Exhibit C-1 of the AEA.

47. After closing of the Proposed Transaction, the transferred storage and transmission assets will be operated by a FERC regulated entity. Through the various commercial agreements summarized below, the transferred assets will be used by EQT to interconnect Pennsylvania produced gas to the Peoples and Peoples TWP systems. These interconnections will allow Peoples, Peoples TWP, and Equitable to have greater access to Pennsylvania produced gas. Further, these interconnections will allow more Pennsylvania produced gas to be transported to the interstate market.

48. Peoples herein is seeking Commission approval of the transfer of its assets to EQT pursuant to Code Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3).

**D. Asset Transfers Between and Among EQT**

49. The EQT Asset Exchange Agreement provides for the transfer of various assets between certain EQT entities in order to realign those assets consistent with the goal of providing Equitable with the assets needed to focus on continuing to provide distribution services in a safe, reliable and cost-effective manner, while transferring from Equitable those assets that are not needed for that purpose. The EQT Asset Exchange Agreement is attached as Exhibit L to the MPA. *See* Appendix A, Ex. L. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX L (FILED UNDER SEAL)].** The specific assets to be transferred and the applicable transferor and transferee are specified in Schedules A-1 through A-19 of the EQT Asset Exchange Agreement.

50. The specific assets to be transferred to Equitable under the EQT Asset Exchange Agreement include certain pipeline as well as certain gathering system related assets (*i.e.*,

Tombaugh Pipeline, Goodwin Pipeline,[6] M-85 Pipeline, H-153 Pipeline, M-23 Pipeline and M-30 Pipeline), the North Shore Lease, the Crooked Creek Facility, various intellectual property (*i.e.*, "Equitable Homeworks", "Reliable By Nature", and "Equitable Gas" and related goodwill), software license agreements, non-competition agreements, various vehicles, and other miscellaneous licenses and agreements.

51. The specific assets to be transferred by Equitable to other EQT affiliates include the D-494 and D-497 lines, D-497 Gas Gathering Agreement, certain production rights, the Allegheny County Training Facility, the Allegheny County Refueling Station, the Clarksburg Facility, the Waynesburg Facility, various vehicles, miscellaneous contracts, and certain radio towers (including associated assets).

52. The various Equitable assets proposed to be transferred under the EQT Asset Exchange Agreement to EQT affiliates have been specifically identified as not needed to provide regulated distribution service to retail customers. On the other hand, the assets proposed to be transferred to Equitable are more appropriate and better suited to the provision of traditional regulated distribution service. Thus, Equitable will be able to continue to provide service to customers on gathering systems in a manner similar to how service currently is provided by Equitable and its affiliates. The intent of these assets exchanges is to move forward with each of the to-be unaffiliated companies holding the assets that best fit within its business prospectively. Accordingly, these transfers will better align these assets with the services they are providing to customers throughout the entire supply chain.

[6] The Tombaugh Pipeline and Goodwin Pipeline are the subject of a separate proceeding currently pending before this Commission at Docket Nos. R-2012-2312577, G-2012-2312597, and C-2012-2315323 ("Gathering Proceeding"). Equitable has filed a petition to withdraw the Gathering Proceeding so that the issues pertinent to those gathering systems can be addressed and resolved in this proceeding. The Commission has not yet taken any action on that petition to withdraw.

53. Equitable is seeking Commission approval of the EQT Asset Exchange Agreement and the assets and services proposed to be transferred/exchanged therein between itself and its affiliates pursuant to Code Section 2102(a), 66 Pa. C. S. § 2102(a) and Code Section 1102(a)(3), 66 Pa. C. S. § 1102(a)(3).

**E. COMMERCIAL AGREEMENTS**

54. As part of the Proposed Transaction, the Applicants have entered into or expect to enter into the following arms-length commercial agreements with EQT and its subsidiaries to facilitate the transition of ownership, ensure sufficient capacity to meet current and projected customer demand, and increase use of Pennsylvania produced gas: Sunrise Transportation Agreement, attached as Exhibit B to the MPA; Sunrise Transportation and Storage Agreement, attached as Exhibit C to the MPA; Peoples NAESB, attached as Exhibit D to the MPA; Derry Interconnect Agreement, attached as Exhibit E to the MPA; Ginger Hill Interconnect, attached as Exhibit F to the MPA; Derry Transportation Agreement, attached as Exhibit G to the MPA; PTWP Northern Lateral Capacity Lease, attached as Exhibit H to the MPA; PTWP Northern Lateral Transportation Agreement, attached as Exhibit I to the MPA; Armstrong Interconnect Agreement, attached as Exhibit J to the MPA; Peoples Asset Transportation and Storage Agreement, attached as Exhibit K to the MPA; Equitable NAESB, attached as Exhibit M to the MPA; Extension Agreement, attached as Exhibit N to the MPA; Interim Operational Balancing Agreement, attached as Exhibit O to the MPA; Master Tower Lease and Sublease Agreement, attached as Exhibit P to the MPA; and Transition Services Agreement, attached as Exhibit Q to the MPA. *See* Appendix A. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR THE COMMERCIAL AGREEMENTS (ALL FILED UNDER SEAL)]**. .

55. Pursuant to these agreements, Peoples and Peoples TWP will, among other things, receive various FERC regulated services related to the transferred assets and the Sunrise Pipeline

operated by Equitrans.[7] EQT has significant expertise in optimizing transmission and storage assets, which will benefit the customers of Peoples and Peoples TWP. The agreements secure the provision of adequate and reliable service to Peoples and Peoples TWP and their respective customers well into the future while also promoting the continued development of Pennsylvania produced gas. Consistent with EQT's business strategy over the last several years to shift its focus toward production, exploration, storage, gathering, and transportation, these agreements position EQT to further build out its midstream assets with additional investment that will enhance third party access to robust transportation facilities.

56. The service territories of Equitable, Peoples, and Peoples TWP are well positioned directly on top of Marcellus Shale natural gas supply. This location will provide them great opportunities to continue to take advantage of the Marcellus Shale natural gas resource. Access to this new and rapidly growing local supply provides a unique opportunity to purchase Pennsylvania produced gas during peak winter periods on a basis that is comparable to the more traditional use of interstate pipeline and natural gas storage assets.

57. In an effort to increase the Applicants' access to and capacity to use Pennsylvania produced natural gas, the Applicants' have entered into a series of commercial agreements that provide for the interconnections, capacity, transportation, and supply arrangements with EQT. The Proposed Transaction and these agreements will increase the potential for Peoples, Peoples TWP, Equitable, and their respective customers to continue to rely primarily on Pennsylvania

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[7] The Sunrise Pipeline is a new 41.5 mile interstate pipeline that extends from Greene County, Pennsylvania to Wetzel County, West Virginia. The Sunrise Pipeline will facilitate the continued development of Marcellus Shale natural gas by providing producers with a comprehensive solution to deliver their gas to the interstate market.

produced gas.[8] The commercial agreements also will facilitate transportation of Pennsylvania produced gas to the interstate market.

## IV. POST-MERGER OPERATION OF PEOPLES WITH EQUITABLE

58. In conjunction with or following the closing of the Proposed Transaction, PNG plans to merge Equitable with Peoples. Peoples will initially operate Equitable as a separate operating division for accounting purposes.

59. Post-closing, PNG will keep a separate set of accounting records for both Peoples and Equitable. Both sets of accounting records will separately track all of the required financial statements. This will facilitate the Commission's oversight of the two utility companies' operations, financial results, reports and records. Separate billings to customers with the approved Commission tariff rates will be timely and accurately produced and maintained. PNG will utilize its current SAP financial software system to maintain detailed timekeeping and separate capital records by division. While the day to day operations of Peoples and Equitable will be combined, complete and accurate accounting records will be maintained on the SAP financial system to ensure compliance with all Commission requirements.

60. PNG will merge the operations and management of Peoples and Equitable upon the closing of the Proposed Transaction into a single management and operations unit. This will allow the utilities to commence the process of eliminating the existing redundancies and inefficiencies resulting from separate ownership and operation.

61. Today, Peoples and Equitable each have a complete and separate set of managers and administrators. After closing, PNG plans to combine accounting, treasury, human resources,

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[8] For tax reasons, Equitable currently does not purchase gas from its affiliate producer as explained below.

information technology, purchasing, legal, and rates functions for both companies during a transition process. This will reduce the overall management and administrative costs of the merged utilities over time. While most utility mergers achieve administrative and managerial efficiencies, increased operational efficiencies are expected to be realized in the Proposed Transaction by the gradual elimination of inefficiencies related to overlapping service territories. In Allegheny County alone, there are 10 service centers between the two utilities today. After closing of the Proposed Transaction, this number will be reduced over time without negatively impacting service to customers. In fact, timely customer service will improve by significantly reducing (if not eliminating) customer uncertainty about which company's pipes are in need of repair, marking, or leak testing.

## V. LEGAL STANDARDS AND APPROVALS NEEDED

### A. STANDARD FOR AND REQUIRED SECTION 1102(a)(3) APPROVALS

62. Code Section 1102(a)(3), 66 Pa.C.S. § 1102(a)(3), provides, in pertinent part, that the Commission's prior approval, evidenced by a certificate of public convenience, is required:

> For any public utility or an affiliated interest of a public utility . . . to acquire from, or to transfer to, any person or corporation . . . by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

63. To provide direction for future applicants, the Commission issued a Statement of Policy on October 22, 1994, to establish clear standards regarding the circumstances under which a transfer of voting interest constitutes a change in *de facto* control of the utility, which provides, in pertinent part, as follows:

> (1) A transaction or series of transactions resulting in a new controlling interest is jurisdictional when the transaction or

> transactions result in a different entity becoming the beneficial holder of the largest voting interest in the utility or parent, regardless of the tier. A transaction or series of transactions resulting in the elimination of a controlling interest is jurisdictional when the transaction or transactions result in the dissipation of the largest voting interest in the utility or parent, regardless of the tier.
>
> (2) For purposes of this section, a controlling interest is an interest, held by a person or group acting in concert, which enables the beneficial holders to control at least 20% of the voting interest in the utility or its parent, regardless of the remoteness of the transaction. In determining whether a controlling interest is present, voting power arising from a contingent right shall be disregarded.

52 Pa. Code § 69.901. Thus, Commission approval is required for any transaction that creates or eliminates a controlling interest and results in a different entity becoming the largest voting interest in a public utility company. The determination of the interests involved in a transaction considers all tiers of interest in the utility or parent of the utility and, thus, both direct and indirect ownership interests in a utility are considered under the Commission's Policy Statement.

64. Presently, all of the membership interests in Equitable are held by Holdco. Under the terms of the MPA, all of the issued and outstanding limited liability company membership interests of Equitable will be transferred to PNG. As a result of the proposed membership interest transfer, PNG will acquire title to all of Equitable's tangible and intangible public service property. Further, pursuant to the Commission's Policy Statement, there will be a direct *de facto* change of control under the membership interest transfer because PNG will become the beneficial holder of all the voting interests in Equitable. Accordingly, a certificate of public convenience is required under Code Section 1102(a)(3) for Holdco to transfer its ownership of Equitable to PNG.

65. In conjunction with or following the closing of the Proposed Transaction, PNG plans to merge Equitable with Peoples. However, Peoples will initially operate Equitable as a

separate operating division for rate and accounting purposes. Both Equitable and Peoples are natural gas distribution companies certificated by the Commission. Under Code Section 1102(a)(3), a certificate of public convenience must be obtained to merge or consolidate Equitable with Peoples.

66. The Proposed Transaction further provides for the transfer of certain transportation and storage assets from Peoples to EQT. These assets are currently used and useful in providing distribution service to People's customers. Therefore, under Code Section 1102(a)(3), Peoples must obtain a certificate of public convenience to transfer these assets to EQT.

67. The Proposed Transaction also provides for the transfer of certain assets from Equitable to EQT and the transfer of certain assets from EQT to Equitable. Certain of these assets are currently used and useful in providing distribution service to Equitable's customers, but will not be needed after closing of the Proposed Transaction. Therefore, under Code Section 1102(a)(3), Equitable must obtain a certificate of public convenience to transfer assets to and acquire assets from EQT and its affiliates.

68. The Proposed Transaction further provides for the lease of 15,000 Mcf per day of pipeline capacity on a Peoples TWP pipeline to EQT Gathering to facilitate transportation of local gas to the interstate market. This pipeline currently is used by Peoples TWP to provide distribution service to its customers. However, there is not sufficient demand in Peoples TWP's market to use the capacity that will be leased. Therefore, under Code Section 1102(a)(3), Peoples TWP requests a certificate of public convenience authorizing the lease of this capacity to EQT Gathering.

69. Finally, as part of the Proposed Transaction, SteelRiver plans to add an indirect parent of Peoples and Peoples TWP to facilitate the financing of the Proposed Transaction. LDC Funding currently is the indirect parent of both Peoples and Peoples TWP. SRIFNA currently owns and controls 100% of the securities in LDC Funding. As explained above, upon closing of the Proposed Transaction, (i) SRIFNA will transfer LDC Funding securities to LDC Ventures, and (ii) a new SteelRiver managed fund, SRLDCI, will simultaneously transfer cash to LDC Ventures to finance the acquisition of Equitable. SRIFNA will continue to indirectly hold the largest voting interest in Peoples (including its Equitable division) and Peoples TWP and SteelRiver managed funds will own and control 100% of LDC Ventures and LDC Funding; however, LDC Ventures will become the new direct parent of LDC Funding. Therefore, pursuant to the Commission's Policy Statement, there will be a *de facto* change of control under the proposed ownership reorganization because LDC Ventures will become the beneficial holder of all the voting interests in LDC Funding, the indirect parent of Peoples and Peoples TWP.

70. Code Section 1103 sets forth the procedure to obtain certificates of public convenience. Under Code Sections 1102 and 1103, the Applicants must demonstrate that the party to whom the assets and service obligations are being transferred is legally, technically, and financially fit. *Seaboard Tank Lines*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util. Comm'n*, 138 A.2d 240, 243 (Pa. Super. 1958).

71. The Commission may issue a certificate of public convenience upon a finding 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). This standard requires the Commission to find that the Proposed Transaction will "affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way." *City of York v.*

*Pa. Pub. Util. Comm'n*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972). The "substantial public interest" standard is satisfied by a simple preponderance of the evidence of benefits, and such burden can be met by showing a likelihood or probability of public benefits that need not be quantified or guaranteed. *Popowsky v. Pa. Pub. Util. Comm'n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007). Further, the substantial public benefit test does not require that every customer receive a benefit from the Proposed Transaction. *Popowsky*, at 617-18, 937 A.2d at 1061.

72. In addition to the public benefit test, the Commission will also consider the following ten public interest factors: (1) capital to be allocated to ongoing operating and maintenance expenses; (2) corporate governance/Sarbanes-Oxley compliance; (3) the expected term of ownership; (4) experience as an owner and an operator of utilities; (5) the community presence; (6) the nature and objectives of the various affiliated relationships involved; (7) the fees paid to and services performed by affiliates; (8) limits on use of leverage and other capital structure protections; (9) transparency on corporate structure issues; and (10) creditworthiness. *See Application of Penn Estates Utilities, Inc., Utilities, Inc. of Pennsylvania and Utilities, Inc. -- Westgate for Approval of Stock Transfer Leading to a Change in Control of their Parent Corporation, Utilities, Inc.*, Docket Nos. A-210072F0003, *et al.*, 2006 Pa. PUC LEXIS 88, 252 P.U.R.4th 131 (October 2, 2006)

**B. STANDARD FOR AND REQUIRED SECTION 2204(e) APPROVALS**

73. Pursuant to Code Section 2204(e)(4), 66 Pa.C.S. § 2204(e)(4), prior to entering into new or renewed contracts for firm storage or transportation capacity, a natural gas distribution company is required to obtain Commission approval for such contracts.

74. In this proceeding, Peoples is seeking Code Section 2204(e)(4) approval of the following agreements: the Peoples Sunrise Transportation Agreement, Exhibit B to the MPA; and the Peoples Asset Transportation and Storage Agreement, Exhibit K to the MPA.

75. In this proceeding, Peoples TWP is seeking Code Section 2204(e)(4) approval of the following agreements: the Peoples TWP Transportation and Storage Agreement, Exhibit C to the MPA; and the Peoples TWP Northern Lateral Transportation Agreement, Exhibit I to the MPA.

76. In this proceeding, Equitable is seeking Code Section 2204(e)(4) approval of the following agreement: the Extension Agreement, Exhibit N to the MPA.

77. Peoples, Peoples TWP, and Equitable have determined that the subject agreements with EQT and its subsidiaries are necessary to facilitate the transition of ownership and to secure sufficient capacity to meet existing and future customer demand of Peoples, Peoples TWP, and Equitable following the close of the Proposed Transaction.

## C. STANDARD FOR AND REQUIRED SECTION 1317(d) APPROVALS

78. Code Section 1317, 66 Pa. C .S. § 1317, requires the submission of certain information to enable the Commission to make a least cost fuel procurement policy evaluation. Code Section 1317(d) provides 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."

79. In evaluating whether a proposed plan for the acquisition or receipt of natural gas supplies is a least cost fuel procurement, the natural gas distribution company must demonstrate, among other things, that (i) the utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to ratepayer interests; (ii) the utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies; and (iii) the utility has not withheld from the market

or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. 66 Pa.C.S. §§ 1318(a)(1) through (4).

80. As part of the Proposed Transaction, Peoples and Equitable are seeking to enter into the following gas supply agreements with EQT's affiliates: the Peoples NAESB Agreement and the Equitable Gas NAESB Agreement. Both Peoples and Equitable are subject to Code Sections 1307(f), 1317, and 1318, 66 Pa.C.S. §§ 1307(f), 1317, and 1318, concerning the recovery of natural gas costs because both utilities have gross intrastate annual operating revenues in excess of $ 40,000,000. Pursuant to Code Section 1307(f), Peoples and Equitable annually file with the Commission actual and projected data concerning natural gas costs in order to establish rates for recovery of such costs.

81. Although the Peoples and Equitable NAESB Agreements are subject to Commission review in their respective annual Code Section 1307(f) proceedings, these agreements are a material part of the Proposed Transaction that is the subject of this Application. Accordingly, Peoples and Equitable are seeking Commission approval of the Peoples NAESB Agreement and the Equitable Gas NAESB Agreement pursuant to Code Section 1317(d).

### D. STANDARD FOR AND REQUIRED CODE SECTION 2102(a) APPROVALS

82. Under Code Section 2102, Commission approval is required for any affiliated interest contract before it can become effective. 66 Pa.C.S. § 2102(a). Code Section 2101(a) defines an "affiliated interest" agreement to include the following: "(1) Every corporation and person owning or holding directly or indirectly 5% or more of the voting securities of such public utility; and (2) Every corporation and person in any chain of successive ownership of 5% or more of voting securities." 66 Pa.C.S. § 2101(a)(1), (2).

83. Code Sections 2102(b) and (c) provide the standard for Commission review of an affiliate interest agreement:

> (b) Filing and Action on Contract.... The commission shall *approve such contract or arrangement made or entered into after* the effective date of this section only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the public interest. If at the end of 30 days after the filing of a contract or arrangement, no order of rejection has been entered, such contract or arrangement, whether written or unwritten, shall be deemed, in fact and law, to have been approved. *The commission may, by written order, giving reasons therefor,* extend the 30-day consideration period. No such contract or arrangement shall receive the commission's approval unless satisfactory proof is submitted to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service described herein to the public utility....
>
> (c) Disallowance of Excessive Amounts.... If the commission shall determine that the amounts paid or payable under a contract or arrangement filed in accordance with this section are in excess of the reasonable price for furnishing the services provided for in the contract, or that such services are not reasonably necessary and proper, it shall disallow such amounts, insofar as found excessive, in any proceeding involving the rates or practices of the public utility. In any proceeding involving such amounts, the burden of proof to show that such amounts are not in excess of the reasonable price for furnishing such services, and that such services are reasonable and proper, shall be on the public utility.

66 Pa.C.S. § 2102(b) and (c).

84. The EQT Asset Exchange described above constitutes an affiliated interest agreement under Code Chapter 21.

85. Currently, EQT Corporation and the other EQT entities entering into transactions with Equitable pursuant to the Proposed Transaction qualify as an affiliated interest of Equitable as defined in Code Section 2101(a). Pursuant to Code Section 2102(a), Commission approval of the EQT Asset Exchange Agreement is required before that agreement can become effective.

### E. BURDEN OF PROOF

86. Code Section 332(a), 66 Pa.C.S. § 332(a), provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding. It is axiomatic that "[a] litigant's burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible." *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990). The preponderance of evidence standard requires proof by a greater weight of the evidence. *Cmwlth. v. Williams*, 557 Pa. 207, 732 A.2d 1167 (1999). Consequently, as the parties seeking relief, the Applicants bear the burden of proving that the Proposed Transaction satisfies the requirements of Code Sections 1102, 1103, 1317, 2102, and 2204.

87. Additionally, any finding of fact necessary to support an adjudication of the Commission must be based upon substantial evidence. *Met-Ed Indus. Users Group v. Pa. Pub. Util. Comm'n*, 960 A.2d 189, 193 n.2 (Pa. Cmwlth. 2008) (citing 2 Pa.C.S. § 704). Substantial evidence is such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Borough of E. McKeesport v. Special/Temporary Civil Serv. Comm'n*, 942 A.2d 274, 281 (Pa. Cmwlth. 2008). The "presence of conflicting evidence in the record does not mean that substantial evidence is lacking." *Allied Mechanical and Elec., Inc. v. Pa. Prevailing Wage Appeals Bd.*, 923 A.2d 1220, 1228 (Pa. Cmwlth. 2007) (citation omitted).

## VI. TECHNICAL, LEGAL, AND FINANCIAL FITNESS

### A. STEELRIVER AND PNG HAVE THE TECHNICAL FITNESS TO OWN AND OPERATE EQUITABLE

88. SteelRiver and PNG have the required managerial and utility experience to acquire and operate Equitable. As explained above, Equitable will be acquired by PNG, which is

an indirect subsidiary of LDC Funding and is managed and operated by SteelRiver. SteelRiver is a financially strong, diversified owner and manager of utility and infrastructure assets in the United States, including:

> Natural Gas Pipeline Company of America ("NGPL"), which provides over 60% of the natural gas supply to the Chicago/Midwest area. NGPL operates over 9,200 miles of gas transmission and gathering system pipelines. NGPL also operates 13 storage facilities with approximately 600 Bcf of total storage capacity and approximately 260 Bcf of working gas capacity. SteelRiver is a lead investor in, and manger of, the consortium that has an 80% interest in NGPL;
>
> Trans Bay Cable ("Trans Bay"), a 55-mile, 400 Megawatt high-voltage direct current (HVDC) electric submarine cable connecting the city of San Francisco, California with the City of Pittsburg, California, underneath the East Bay that supplies up to 40% of San Francisco's electric power needs. This project required federal and state approvals along with the support of numerous unions, environmental interests and local communities prior to commencement of construction in 2008. The project commenced operations by the end of 2010;
>
> Patriot Rail, a leading operator of short line and regional freight railroads in the United States, which includes 13 railroads with over 500 total rail miles traversing 13 states; and
>
> Diversified Port Holdings LLC (formerly ICS Holdings), a leading operator of break bulk sea ports in Jacksonville and Port Everglades, Florida, New Orleans, Louisiana and Mobile, Alabama.

89. PNG directly owns and operates Peoples. Further, as explained above, SRIFNA indirectly owns and SteelRiver operates Peoples TWP. As a result, PNG has access to the intellectual capital of both Peoples and Peoples TWP. This wealth of knowledge and experience has already provided PNG with a foundation for operating Equitable. The management and experience of Peoples and Peoples TWP will be a valuable tool in addressing the complicated issues faced by natural gas distribution companies in today's retail market.

90. The technical fitness of SteelRiver and PNG is further demonstrated by the achievement of prior commitments for both Peoples and Peoples TWP. Under SteelRiver's management, Peoples and Peoples TWP have both been able to further improve customer service, customer satisfaction, and pipeline infrastructure, while maintaining reasonable and competitive rates. Further, Peoples and Peoples TWP have met, and in some cases exceeded, all of the commitments agreed to in their prior acquisition proceedings. SteelRiver's management, investment history, and experience, combined with PNG's management and successful operation of Peoples and Peoples TWP, clearly demonstrates that SteelRiver and PNG are technically fit to own and operate Equitable.

91. Further, SteelRiver and PNG believe that an important key to technical fitness is adding many of the highly experienced operations team already in place at Equitable to the PNG organization. PNG will evaluate all employees to identify and select the best team to provide business continuity and safe and reliable customer service, with the expectation that all union workers in the operations area, with the exception of those who voluntarily retire,will be retained in the new organization. If current employees are offered and accept continued employment following closing of the Proposed Transaction, they will have comparable employment terms prospectively as are in place at the time of closing, and they will be integrated into the already successful PNG organization.

92. The management of SteelRiver and PNG are subject to an internal code of conduct that explicitly lays out standards and requirements relating to conduct in the workplace and interaction with stakeholders and business partners. Conduct in the workplace addresses confidentiality, safety, security, fairness and equity, and use of company assets. The latter two categories focus on communication, compliance, insider trading, conflicts of interest, and gifts

and benefits. This code of conduct is updated regularly to adjust to changes in business practices and the workplace.[9]

93. The key PNG individuals responsible for the management of the new merged utility company will be Morgan K. O'Brien, Chief Executive Officer, Ruth A. Delost, Chief Information Officer, and Kenneth J. Johnston, Chief Operating Officer. Their biographies are attached hereto as "Appendix J."

94. For these reasons, SteelRiver and PNG, together with the current Peoples and Equitable management and employees, have the managerial and utility experience necessary to acquire control of Equitable and operate it in the public interest. Further, through SteelRiver, PNG also will be able to access the management experience and expertise of Peoples TWP in providing service to Equitable's customers.

### B. STEELRIVER AND PNG ARE LEGALLY FIT TO OWN AND OPERATE EQUITABLE

95. SteelRiver and PNG are legally fit to own and operate Equitable. These entities are in compliance with all federal and state laws, and have never been prosecuted, indicted, or investigated for criminal activity in this country or any other country.

96. SteelRiver and PNG have engaged numerous outside law firms to handle various specialized matters, including on-going compliance with this Commission's regulations, rules, and orders. Additionally, PNG and SteelRiver have access to an internal team of legal counsel responsible for ensuring compliance with all applicable laws.

97. For these reasons, SteelRiver and PNG are legally fit to own and operate Equitable.

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[9] Equitable will continue to operate under its current code of conduct, physical security, business continuity, cyber-security, and emergency response plans until such plans have been reviewed to determine any areas for improvement.

## C. STEELRIVER AND PNG ARE FINANCIALLY FIT TO OWN AND OPERATE EQUITABLE

98. As stated above, PNG is an indirect subsidiary of SRIFNA. SteelRiver and, indirectly, the investors in its managed funds, are particularly well-suited to own and operate Equitable because of, among other things, their conservative approach to investments, their financial strength, and their geographic diversity.

99. Although Equitable currently has access to substantial capital through EQT, the focus of EQT's investors is substantially different than the focus of investors in SteelRiver's managed funds. EQT's investors are primarily focused on natural gas exploration, production, gathering, storage, and transportation, which have different (*i.e.*, typically higher and more entrepreneurial) risks and return profiles than those sought by investors in a regulated utility company. SteelRiver's investors, on the other hand, are primarily pension funds and insurance companies seeking a stable and steady return over the long-term, which is more consistent with investments in and operations of a regulated utility business.

100. SteelRiver has significant experience and success in accessing capital and financial markets, and this access has been one of the key attributes of its successful infrastructure management and growth. Upon closing of the Proposed Transaction, Equitable, as a division of Peoples and now a part of an even larger regulated utility system, will have the same or better opportunities to access capital for all of its distribution infrastructure investment programs than it did previously.

101. SteelRiver and SRIFNA's ownership and operation of Peoples and Peoples TWP demonstrates a substantial commitment to invest significant capital resources to further improve customer service, customer satisfaction, and pipeline infrastructure, while maintaining reasonable and competitive rates. Through these capital investments, Peoples and Peoples TWP

have met, and in some cases exceeded, all of the commitments agreed to in their prior acquisition proceedings. Peoples has successfully completed two general rate proceedings following completion of the SteelRiver acquisition. SteelRiver and SRIFNA's ownership and operation of Peoples and Peoples TWP clearly demonstrate that SteelRiver and PNG are financially fit to own and operate Equitable. Similar to Peoples and Peoples TWP, access to significant capital resources through SteelRiver will be readily available to support Equitable's ongoing operations, including necessary and appropriate future changes and improvements.

102. Finally, SteelRiver and its managed funds are currently structured to ring-fence each of the businesses of LDC Funding, including Peoples and Peoples TWP, so as to separate LDC Funding from risks and obligations arising from the other business activities of SteelRiver. This ring-fencing of LDC Funding will continue to shelter Peoples and its Equitable division from other investments of SteelRiver and will adequately protect Equitable's customers if any of SteelRiver's other investments become subject to adverse economic circumstances.

103. For these reasons, SteelRiver and PNG have the required financial fitness to acquire the ownership and control of Equitable.

## VII. EFFECT OF THE PROPOSED TRANSACTION ON RATES

104. At closing of the Proposed Transaction, Equitable will be merged with and into Peoples, with Peoples as the surviving entity. However, SteelRiver intends to initially maintain Equitable as a new separate division of Peoples.

105. Equitable's retail tariff filed with the Commission and in effect at the time the Proposed Transaction is consummated will be adopted by Peoples and will remain in full force and effect following the completion of the Proposed Transaction. Because Equitable's present base rates will remain in effect, as they may be amended from time to time in accordance with

law, the Proposed Transaction will not have an adverse effect on Equitable's base rates. To the contrary, avoided capital costs and operational and management savings that are expected to be realized over time are likely to result in lower rates than if the Peoples and Equitable would continue to operate as separate companies. Any future changes to Equitable's currently effective Commission tariff will be made in accordance with applicable statutory provisions and procedures, pursuant to which interested parties would have the opportunity to participate.

106. One of the primary benefits of the Proposed Transaction is the avoidance of duplicative capital costs that would otherwise be required by Peoples and Equitable individually. Combining the two companies is expected to avoid the duplicative replacement of overlapping pipeline facilities, resulting in significant amounts of avoided capital expenditures that would otherwise be needed to maintain and/or replace duplicative pipelines. Over time, these savings will result in rates lower than on a stand-alone basis. The avoided capital cost savings are likely to increase prospectively as both utilities accelerate their pipe replacement programs in accordance with good utility management and Commission safety requirements. Peoples has already replaced all of the cast iron pipe on its system; some of this already invested capital can be optimized to avoid additional capital expenditures in those locations where those new pipes overlap with Equitable's pipe that will be replaced over time.

107. Another significant benefit of the combination of Peoples and Equitable would be more efficient operations. Over a period of years beginning with the closing of the Proposed Transaction, operating efficiencies are expected to be achieved through the consolidation of field operations and offices throughout the overlapping territories, consolidated leak detection and One-Call processes, lower contractor costs, and improved productivity through implementation of standardized operations processes and use of mobile dispatch and GPS technology across all

operating districts. In addition, today both Peoples and Equitable have a redundant set of administrators and managers. Merging these positions and functions where appropriate will help eliminate the current existing redundancies and inefficiencies in the cost structure of the two utilities that exist today under separate ownerships. Following the closing of the Proposed Transaction and after a transition and integration period, the accounting, treasury, human resources, information technology, purchasing, legal and rates functions will be combined for both Peoples and Equitable.

108. In addition, as part of the Proposed Transaction, Peoples will transfer approximately $93 million in rate base assets to EQT plus the cost of additions to improve the transferred facilities prior to the closing. Peoples will remove these transferred assets from rate base and the Distribution System Improvement Charge, which will reduce rates to customers. Service to Peoples using these transferred assets will be charged by EQT's FERC regulated pipeline to Peoples as capacity costs in an amount equal to the revenue requirement that otherwise would have been paid by Peoples' ratepayers through base rates and/or the Distribution System Improvement Charge. Peoples proposes to adopt a Code Section 1307 rate mechanism to recover these capacity costs associated with the transferred assets from sales and transportation customers. Attached as "Appendix K" is a *pro forma* tariff reflecting the proposed changes to Peoples' Retail and Supplier tariffs.

109. The sale or exchange of utility property affects the deferred income taxes that are recorded to account for accelerated tax deductions of such property for federal and state income tax purposes. The acquisition by PNG of membership interests in Equitable is deemed to be an acquisition of assets for tax purposes. Because PNG will be deemed to purchase assets for tax

purposes, the Proposed Transaction would trigger repayment of some of the deferred income tax liabilities associated with Equitable's utility plant.

110. Over time, the combination of Peoples and Equitable is expected to result in significant avoided capital costs as well as operations and management efficiencies that should produce on-going net benefits for customers as compared to maintaining the current structure of separate companies.

## VIII. EFFECT OF THE PROPOSED TRANSACTION ON COMPETITION

111. Under Code Section 2210(a)(1), the Commission, in conjunction with the proper exercise of its authority to approve certain transactions including the acquisition of a natural gas utility, is required to consider whether such a transaction 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. 66 Pa.C.S. § 2210(a)(1).

112. The Proposed Transaction will not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania. The Proposed Transaction will have no adverse effect on the retail natural gas market in Pennsylvania. Instead, it will have a positive effect on retail competition.

113. PNG and SteelRiver are dedicated to promoting competition in the retail natural gas market in the service territories of Peoples and Equitable. The service areas largely overlap in western Pennsylvania and the combination of Peoples and Equitable should make competition for Equitable's customers more attractive to natural gas suppliers. A combined system will potentially increase the availability of distribution interconnects between Peoples' and Equitable's facilities and improve the ability to trade gas supplies among natural gas suppliers

currently operating on both systems. Greater access to local gas supplies also could potentially lower costs for natural gas suppliers.

114. Equitable and Peoples both have active natural gas suppliers serving customers on their systems. However, competition has been more robust on Peoples' system than on Equitable's system. For example, Peoples has lower balancing charges and penalties for over/under deliveries; Peoples offers a new state-of-the-art customer data/EBB/nominations system and a local gas aggregation service; and Peoples has an ongoing and active Energy Choice education and outreach program. Following closing on the Proposed Transaction, Peoples' policies will be extended to Equitable, which will allow marketers to reduce their operating risks and help further develop additional supplier competition on Equitable's distribution system.

115. After closing of the Proposed Transaction, Peoples and Equitable will maintain their current tariff provisions that allow flexing of distribution rates under appropriate circumstances. Currently, Peoples and Equitable have only a small number of customers that have facilities to take gas from both companies. Peoples and Equitable will maintain all existing discounted distribution rate contracts for a minimum period of five years from the closing of the Proposed Transaction. Peoples and Equitable believe that rates charged to customers with multiple distribution company options should be based upon the actual costs to serve customers and the value of service to customers served as well as all customers on the system. The benefits of moving these customers to cost of service rates under one combined company far outweigh any issues associated with gas-on-gas competition.

116. In addition, the Proposed Transaction will allow more local production to reach the interstate market, which will encourage even more Pennsylvania production and improve competition by providing access to additional sources of local natural gas.

117. Finally, as part of the Proposed Transaction, PNG will transfer its PA Gas Marketing LLC customer contracts to EQT. PNG has no plans to have an affiliated gas marketing competitor providing service on the systems of Peoples, Peoples TWP, and Equitable. This has encouraged more competitive marketers actively competing for customers' supply in the past.

## IX. THE PROPOSED TRANSACTIONS WILL BENEFIT THE CUSTOMERS AND COMMUNITIES SERVED

### A. ALIGNMENT OF BUSINESSES AND ACCESS TO CAPITAL

118. The overall purpose of the Proposed Transaction is to better align PNG's and EQT's assets and businesses with their respective principle business interests. After closing of the Proposed Transaction, PNG will focus on the regulated distribution utility businesses of Peoples, Peoples TWP, and Equitable; while EQT will focus on the transportation, storage, gathering, exploration, and production businesses of its subsidiaries.

119. Upon closing of the Proposed Transaction, SteelRiver and PNG will be focused primarily on the regulated distribution business in Pennsylvania through the ownership of Peoples, Peoples TWP, and Equitable. This re-alignment of business interests is more consistent with the goals of SteelRiver's investors, which are primarily pension funds and insurance companies seeking a stable, long-term and steady, return on less risky investments.

120. Similarly, EQT, with the pipeline and storage assets acquired from Peoples and the transfer of its distribution business to PNG, will be focused primarily on transportation,

storage, exploration, gathering, and production activities. The transferred assets will be used by EQT and its subsidiaries to serve the Peoples' system and to move more local production to the interstate market, which will encourage local production and improve competition by providing access to additional sources of local natural gas. This re-alignment of business interest is consistent with the goals of EQT's public shareholders interested in investment in such activities.

**B. AVOIDED PIPE REPLACEMENT COSTS**

121. One of the primary benefits of the Proposed Transaction is the avoided capital costs by combining Peoples and Equitable. Combining the two companies is expected to avoid replacement of the two companies' overlapping pipeline systems resulting in significant amounts of avoided capital expenditures that would otherwise be needed to maintain and/or replace duplicative pipelines. The actual amount avoided is expected to increase with the acceleration of pipeline replacement on both companies' systems.

122. The service areas of Peoples, Peoples TWP, and Equitable largely overlap in western Pennsylvania. Currently, Equitable's service territory covers ten counties; seven of which overlap with both Peoples and Peoples TWP, two that overlap with Peoples, and one that overlaps with Peoples TWP. The overlapping service territories of Peoples, Peoples TWP, and Equitable present opportunities to avoid, reduce, or minimize expenditures in capital projects, as well as daily operating and maintenance activities, which can improve system reliability and deliverability.

123. Presently, there are duplicative pipelines on the Peoples, Peoples TWP, and Equitable systems, a significant number of which are located on the same streets. The Proposed Transaction will help both Peoples and Equitable avoid the need to replace duplicative pipelines. The ability to avoid these replacement costs will result in a lower total rate base than would be the case if the companies were not combined. These savings will reduce the amount of future

rate increases, which is a substantial benefit to the customers of both Peoples and Equitable. It also will avoid undue inconvenience to the general public by avoiding the duplicative disruption that would otherwise occur if the companies stay separate.

124. Approximately 30% of the Peoples system and approximately 24% of the Equitable system is comprised of aging pipeline, such as cast iron and/or bare steel pipes, that is a focus of the pipeline replacement process. The ability to avoid replacing duplicative pipelines will help to accelerate the replacement of these aging pipelines, which will result in improved service to customers and the communities served by Peoples and Equitable.

125. The Proposed Transaction will help eliminate overbuilds and minimize capital investment associated with new customer load opportunities by extending facilities of the company whose existing distribution pipelines are closest to the new load. This will avoid the duplicative expense of two or more company's building redundant facilities to serve new load opportunities.

126. Under current circumstances, each company must build new or expanded facilities where it has insufficient pressure or capacity to meet customer demands. After the closing of the Proposed Transaction, however, these costly scenarios could be avoided if one of the other companies has adequate capacity available to meet customer load requirements and can extend their facilities in a manner that would support those customer demands.

## C. OPERATIONAL AND MANAGEMENT EFFICIENCIES

127. Another significant benefit of the Proposed Transaction will be the operational and management efficiencies that are expected to be realized over a transition period by operating Equitable as a division of Peoples. Unlike most mergers of utility companies, which

only have administrative and "back office" savings,[10] the Proposed Transaction should result in significant operational savings over time for Equitable and Peoples.

128. Operational efficiencies may be achieved over time through a consolidation of field operations and offices throughout the overlapping territories, consolidated leak detection and One-Call processes, lower contractor costs, and improved productivity through implementation of standardized operations processes and use of mobile dispatch and GPS technology across all operating districts.

129. Peoples and Equitable will be able to reduce or eliminate expenditures targeted to resolve operational issues, such as single feed distribution systems or low pressure areas, by connecting and looping adjacent pipelines. This will not only reduce expenditures, but will improve system reliability by minimizing outages and increasing operational flexibility during outages, maintenance, and construction activities.

130. The Proposed Transaction will allow Peoples and Equitable to leverage their total combined infrastructure and construction needs to attempt to reduce manufacturer and contractor costs for pipeline renewals and extensions, service installations, restoration and paving, and vehicle and equipment purchases.

131. Peoples and Equitable also will be able to optimize daily planned operation and maintenance activities, such as leak surveys and inspections, and minimize multiple trips to the same site by assigning tasks geographically. In areas with parallel pipelines, the companies will be able to avoid duplicative operating costs for routine tasks by dispatching one crew to complete the tasks for all companies.

[10] The "back office" generally refers to the technology, services, accounting, and human resources required to manage a company.

132. Following the closing of the Proposed Transaction and after a transition and integration process, the operations of Peoples and Equitable will be consolidated into a single consistent organization to reduce overall call-out and overtime costs in overlapping areas by making all field personnel available as stand-by resources to respond to emergencies regardless of the company.

133. In addition, both Peoples and Equitable currently have redundant administrators and managers. As discussed above, merging those areas should help eliminate the current existing redundancies and inefficiencies in the cost structure of these two utilities that exist today under separate ownership.

134. Finally, following closing of the Proposed Transaction and after a transition and integration process, Peoples and Equitable will implement standardized operations processes, mobile dispatch, and GPS technology to improve efficiency across all operating districts. This standardization will help reduce operating expenses and improve overall work productivity for all three companies.

**D. EXPANDED USE OF PENNSYLVANIA PRODUCED NATURAL GAS**

135. Currently, Equitable does not purchase gas from its affiliate producer. The Proposed Transaction will remove barriers to purchasing increased amounts of Pennsylvania produced gas to serve Equitable's sales customers.

136. Peoples also obtains a significant amount of gas from non-Pennsylvania sources. The transfer of Peoples' assets and the service agreements that are part of the Proposed Transaction will permit Peoples to potentially increase the amount of Pennsylvania produced gas purchased to serve customers.

137. The Proposed Transaction also will encourage further development of Pennsylvania produced gas by creating the opportunity to use existing and new pipelines to move Pennsylvania produced gas into the interstate market.

138. Enhanced production of Pennsylvania gas and expansion of pipeline infrastructure will create both direct and indirect new jobs within the Commonwealth, enhance the wealth creation of Pennsylvania landowners, and support communities in western Pennsylvania by increasing tax revenues at both the state and local government levels.

### E. *IMPROVED SUPPLY COMPETITION FOR EQUITABLE'S* CUSTOMERS

139. Currently, the majority of gas supplies brought onto Equitable's system to serve the commercial and industrial customers are delivered through interstate pipeline systems. Further, only 6% of Equitable's current residential customers have migrated to competitive natural gas supply and that supply is provided by only one supplier.

140. As explained above, the combination of Peoples and Equitable as separate operating divisions under a common parent should make competition for Equitable's customers more attractive to natural gas suppliers. Further, PNG will adopt Peoples' policies for Equitable, which will allow marketers to reduce their operating risks and help develop additional supplier competition on Equitable's distribution system.

141. Upon closing of the Proposed Transaction, PNG expects to create interconnects between the Equitable and Peoples systems to allow more flexibility regarding gas supplies. Over the long-term, greater production of local gas, improved opportunities to access locally produced, and improved ability to move local gas to the market will increase competition.

## F. BENEFITS OF COMMERCIAL AGREEMENTS

142. As part of the Proposed Transaction, Peoples, Peoples TWP, and Equitable plan to enter into various commercial agreements with EQT and its affiliates.

143. The Proposed Transaction capitalizes on the development of Marcellus Shale natural gas in Pennsylvania and is designed to expand development of the Marcellus Shale natural gas and related infrastructure for the benefit of customers and the communities in which they reside. Peoples' and Equitable's customers are already seeing the benefits of locally produced gas. Unfortunately, however, locally produced natural gas historically has not been sufficient to meet the total needs of customers. Peoples, like nearly every other gas utility in the Commonwealth, historically has been required to contract with interstate pipelines and with off-system gas storage providers in order to provide reliable gas supply to meet the requirements of its customers. However, the development of Marcellus Shale natural gas has already begun to change that model.

144. Some of the world's largest oil and gas developers, companies like Exxon, Shell Oil and Chevron, have already invested significant resources in Pennsylvania with the sole purpose of rapidly developing the world's second largest gas reserve. The work of these and other companies, including EQT, will dramatically change the amount of natural gas produced within the Commonwealth. EQT has been and will continue to be a major participant in the natural gas renaissance in Pennsylvania. Western Pennsylvania is expected to be a net exporter of natural gas for many years into the future.

145. The presence of Pennsylvania produced gas will continue to provide opportunities for gas utilities to change the manner in which they procure natural gas for customers in a least cost manner. The commercial agreements that are part of the Proposed Transaction reflect the

initial effort to take advantage of the new opportunities created by the development of Pennsylvania produced gas.

146. *Upon the expiration of the existing Dominion Transmission agreement,* Peoples will use the Sunrise Transportation Agreement between Equitrans and Peoples to replace Peoples' current contract for 251,700 Dth of firm transportation and storage capacity on Dominion Transmission with 251,700 Dth of firm capacity on EQT's new Sunrise Pipeline. This agreement, together with the gas supply options contained in the NAESB agreement between EQT Energy and Peoples, will create a firm and secure supply of Pennsylvania produced gas on peak winter days. These contracts, in combination, will substantially reduce Peoples' need to contract for gas sourced from providers outside of Pennsylvania. These twenty-year agreements will ensure that Peoples' customers will have a secure market-based, long-term supply of Pennsylvania produced gas. And at the same time, the Sunrise Transportation Agreement and NAESB Agreement will not diminish or alter Peoples' commitment to continue to buy all of the Pennsylvania produced gas that is produced on its system today.

147. The Sunrise Transportation and Storage Agreement between Equitrans and Peoples TWP will replace 4 Bcf of storage and transportation agreements with interstate pipeline companies with local EQT storage. This will increase Peoples TWP's ability to purchase more local gas with a higher quality no-notice storage service, which will increase the reliability of the supply without increasing the cost to customers.

148. The Peoples Asset Transportation and Storage Agreement between Equitrans and Peoples will allow customers, marketers, and local suppliers on Peoples system to utilize the transmission and storage assets transferred from Peoples to EQT in a way that appropriately maintains the availability of these assets to replicate the service levels currently provided by the

utility. This twenty-year agreement requires an annual adjustment based on a cost-based formula that will ensure these services continue uninterrupted or unaltered during the term of the agreement.

149. The Ginger Hill Interconnect Agreement is an interconnect between Equitrans and Peoples, using EQT's Sunrise Pipeline. The Ginger Hill Interconnect Agreement will connect the abundant and growing supply of Marcellus Shale development in Greene and Washington Counties to Peoples' distribution system. This strategic interconnect will allow locally produced gas to flow into the most populated portion of the Peoples' system, including the city of Pittsburgh. Today, much of the gas supplying this area comes from interstate pipelines.

150. The Derry Interconnect Agreement and the Armstrong Interconnect Agreement are interconnections between EQT Gathering and Peoples. These interconnections, together with the Derry Transportation Agreement between EQT Gathering and Peoples, will allow more locally produced Marcellus Shale natural gas to flow on the transmission assets transferred from Peoples to EQT than can flow today. Further, these agreements will create a new strategic interconnection with the Texas Eastern interstate pipeline. These proposed EQT investments and agreements add much needed capacity for the growing Marcellus Shale natural gas development without having to build new pipelines.

151. The PTWP Northern Lateral Capacity Lease between EQT Gathering and Peoples TWP, together with the PTWP Northern Lateral Transportation Agreement between EQT Gathering and Peoples TWP, will allow for gas that would otherwise be trapped on the Peoples TWP system to move to markets. The payments to EQT for this new interconnect and capacity will be paid entirely by the producers on the Peoples TWP system and not by customers of Peoples TWP. This five-year agreement will be replaced upon the construction of a new parallel

pipeline to be built by EQT. These arrangements will support the already growing Marcellus Shale natural gas development occurring on and around the Peoples TWP system.

152. The Transition Services Agreement between EQT and PNG will ensure a smooth and seamless transition for customers upon the closing of the Proposed Transaction. Both companies have agreed to provide any transition services that are necessary until all services can be provided independently. These types of agreements are critically important in transactions of this type.

153. The Master Tower Lease and Sublease Agreement between EQT Gathering and Peoples will allow critically important communication towers to be shared between EQT Midstream's business and Equitable following closing of the Proposed Transaction. These communication assets are strategically located and will allow for the continued and uninterrupted operations by both businesses without any risk of critical communication access, which is a key component in the Supervisory Control and Data Acquisition ("SCADA") operations.

154. The commercial agreements, together with the assets transferred from Peoples to EQT, will create interconnections between local production, gathering lines, interstate pipelines, and the distribution systems of Peoples, Peoples TWP, and Equitable. The agreements will create a smooth transition post-closing of the Proposed Transaction. These interconnections will allow Peoples, Peoples TWP, and Equitable to have the potential for greater access to Pennsylvania based sources of natural gas, including Marcellus Shale gas. Further, these interconnections will also encourage further development of local gas by allowing more local gas to be transported to the interstate market. These agreements will not only improve competition on Equitable's system, but will encourage greater production of Marcellus Shale gas and create opportunities for local production to reach the interstate natural gas market.

## G. CUSTOMER SERVICE

155. *Another affirmative benefit of the Proposed Transaction is SteelRiver's* commitment to customer service. Under SteelRiver's ownership, both Peoples and Peoples TWP have exceeded their customer service commitments made in SteelRiver's prior acquisitions of these utilities. Through SteelRiver, Equitable will be able to rely on the experiences and practices of both Peoples and Peoples TWP to improve customer service on Equitable's distribution system.

156. PNG currently plans to incorporate all of Equitable's existing systems, such as human resources, financial, data, etc., into Peoples using Peoples' state-of-the-art IT systems to increase productivity, efficiency, and quality of service at both companies.

157. Equitable's customer call center currently is operated by an outside vendor using the READI system. Initially, Equitable's customer call center service will continue to be provided through the outside vendor using the READI system. However, in approximately two years, or as soon as reasonably practical, PNG intends to analyze integrating the customer service of Equitable with Peoples and Peoples TWP using Peoples' new state-of-the-art SAP customer service system, which was custom built for Peoples and is a more robust system than the READI system currently used by Equitable's outside vendor. PNG believes that bringing Equitable's customer service in-house and using the SAP system will generally improve service to customers. Although the customer service metrics for Peoples, Peoples TWP, and Equitable are all comparable, integrating the customer service of the three companies is expected to result in increased savings, efficiencies, and quality of service.

158. SteelRiver and PNG, as long-term investors in Equitable, together with Equitable's experienced management team, are committed to fostering a culture of excellence and a customer-centered approach to customer service. This experience and SteelRiver's access

to funds from capital and financial markets will help Equitable maintain customer service metrics in line with those of other major gas utilities.

### H. LOW INCOME PROGRAMS

159. Through best practices reviews and the combined knowledge and experience of Peoples, Peoples TWP, and Equitable, each company will be examined to identify ways to improve the customer assistance and low-income programs, while reducing costs for these programs.

### I. EFFECT OF THE PROPOSED TRANSFER ON EMPLOYEES OF EQUITABLE

160. Under Code 2210(a)(2), in conjunction with its consideration of the disposition of assets of natural gas distribution companies, the Commission is required to consider the effects of the Proposed Transaction on employees. 66 Pa.C.S. § 2210(a)(2).

161. SteelRiver and PNG are committed to local management and local staff. A core component of this plan is to utilize the experience and knowledge of existing Equitable employees by integrating them into the PNG organization to maintain the current level of service. SteelRiver and PNG do not expect any of the current union workers in the operations area to lose their positions under the combined companies because of the number of anticipated retirements at Peoples and the operational needs to run a large combined system.

162. To further improve the service provided by Equitable, PNG intends to provide Equitable's employees with the resources, training, and combined expertise of Peoples and Peoples TWP. Infusing Equitable's current employees with additional resources and the experience of Peoples and Peoples TWP will result in a company that provides a better environment for its employees, which, in turn, will make Equitable a more effective provider of services for its customers.

163. In order to maintain the skilled workforce currently in place at Equitable, PNG has committed to maintain levels of total compensation and benefits for any of the Equitable employees it retains at levels comparable to those in effect immediately prior to closing of the Proposed Transaction for at least one year after the closing date. The collective bargaining agreement with Equitable's union employees will continue in effect unless a new agreement or arrangement is mutually agreed upon. In addition, the benefits afforded Equitable employees under EQT's retirement plans will be maintained by Peoples.

164. SteelRiver and PNG also will ensure that Equitable continues to comply with the Commission's diversity policy, 52 Pa. Code §§ 69.801-69.809.

**J. LOST AND UNACCOUNTED FOR GAS**

165. SteelRiver and PNG note the Commission's on-going efforts to reduce lost and unaccounted for gas percentages. SteelRiver and PNG are committed to making the necessary improvements to reduce the amount of lost and unaccounted for gas at Equitable, and will be diligent in looking for new and innovative ways to address this issue.

166. SteelRiver and PNG will provide Equitable with access to financial resources necessary to further reduce lost and unaccounted for gas on a cost effective basis. Further, Equitable will be able to rely on the combined experience of Peoples, Peoples TWP, and Equitable in addressing this issue. Through the information shared by the companies and SteelRiver's access to capital, Peoples should be able to make an efficient and positive effect on its Equitable division's lost and unaccounted for gas. A reduction in Equitable's lost and unaccounted for gas will provide a positive benefit for Equitable's customers.

167. Both Peoples and Equitable have successfully undertaken various steps to improve overall lost and unaccounted for gas on their systems with a particular focus on improving lost and unaccounted for gas levels on the gathering systems. Peoples has enhanced

its leak repairs by reducing the time from discovery to repair and has undertaken a program that identifies gathering pipelines with high leak frequency. Peoples prioritizes remediation of those lines through leak repairs or accelerated pipeline replacement. Peoples also has addressed measurement problems on gas production into gathering lines. Peoples will look to employ these same efforts as well as any proven successful measures utilized by Equitable to further reduce lost and unaccounted for gas. Peoples will use such techniques where applicable to reduce lost and unaccounted for gas on acquired assets, and the companies' operational staff will work together to implement best practices in this area.

### K. LOCAL COMMUNITY AND DEVELOPMENT OF PENNSYLVANIA GAS

168. The Proposed Transaction will have a positive impact on the local community and the economy of the Commonwealth.

169. The Proposed Transaction will provide EQT with $720 million of new capital that will be invested in EQT's core business to, among other things, help further develop Pennsylvania production and pipeline capacity to move more local natural gas to the Applicants and the interstate market. This is a significant benefit for the natural gas competitive market. Moreover, it is beneficial to the Commonwealth because it will infuse local gas producing communities with additional resources as a result of production and related activities. This, in turn, will stimulate the economy and provide a substantial economic benefit to the public.

170. The Proposed Transaction will enhance production of Pennsylvania gas and expansion of pipeline infrastructure. This will both directly and indirectly result in new jobs within the Commonwealth. Increased production of Pennsylvania gas and the expansion of pipeline infrastructure also will support communities in western Pennsylvania by increasing tax revenues at both the state and local government levels.

171. As explained above, the Proposed Transaction will create opportunities for Pennsylvania gas production to reach the interstate natural gas market. This will encourage greater local production of Marcellus Shale gas. It also will increase the amount of Pennsylvania produced gas purchased by Peoples.

## X. *PENN ESTATES* CONSIDERATIONS

### A. THE CAPITAL TO BE ALLOCATED TO ONGOING OPERATING AND MAINTENANCE EXPENSES

172. As explained above, PNG is an indirect subsidiary of SRIFNA, an independent investment fund managed by SteelRiver. SteelRiver and, indirectly, its investors are particularly well-suited to own Equitable because of, among other things, their conservative approach to investments, their financial strength, and their geographic diversity. SteelRiver has significant experience and success in accessing capital and financial markets and this access has been one of the key attributes of its successful infrastructure management and growth.

173. Access to significant capital resources through SteelRiver will enhance Equitable's ability to further improve customer satisfaction, service provided to customers, and its pipeline infrastructure, while maintaining reasonable and competitive rates. Overall, SteelRiver's and PNG's immediate attention will be given to customer service, financial and regulatory management, human resource programs, and the accelerated replacement of dated infrastructure.

174. Further, as explained above, the Proposed Transaction will result in avoided capital needed to replace duplicative/overlapping pipelines on the Peoples and Equitable systems. PNG and SteelRiver are committed to a cost-effective program of reinvestment with best available technologies and organizational practices.

## B. CORPORATE GOVERNANCE/SARBANES-OXLEY COMPLIANCE

175. As noted above, SteelRiver and its portfolio companies have internal corporate governance policies and requirements and are subject to an internal code of conduct that explicitly lays out standards and requirements relating to conduct in the workplace and interactions with stakeholders and business partners. SteelRiver's affiliated investment advisor is also subject to the reporting and regulatory requirement of the Investment Advisors Act of 1940, 15 U.S.C. §§ 80b-1, *et seq*.

176. SteelRiver and PNG do not have Sarbanes-Oxley reporting requirements. Although avoidance of these reporting requirements will shield ratepayers from the associated costs, protection will still be provided by the internal code of conduct, annual audits of Equitable, and the filing by PNG and Equitable of all required financial statements with lenders and the Commission.

177. Peoples will evaluate administrative employees and identify and select the best team to provide business continuity and safe and reliable customer service.

## C. THE EXPECTED TERM OF OWNERSHIP

178. SteelRiver and PNG intend to be a long-term owner of Equitable. SteelRiver is currently a long-term owner and manager of major infrastructure assets, including utility, energy, and transmission businesses.

179. Through the acquisition of Equitable and the previous acquisition of Peoples and Peoples TWP, SteelRiver is demonstrating its continued long-term commitment to all of western Pennsylvania.

## D. EXPERIENCE AS AN OWNER AND AN OPERATOR OF UTILITIES

180. As explained above, Equitable will be acquired by PNG, which is an indirect subsidiary of SRIFNA and operated by SteelRiver. SteelRiver is a financially strong, diversified

owner and manager of utility and infrastructure assets in the United States, including Peoples and Peoples TWP. The ability to access the resources and personnel at SteelRiver provides a solid background in long-term infrastructure ownership, management, and operation.

181. Further, the connection to Peoples and Peoples TWP through SteelRiver will provide Equitable a source of local, first-hand knowledge of the specialized issues and needs of the western Pennsylvania energy market. Similarly, retaining experienced personnel ensures that PNG will be able to combine the resources of SteelRiver with the local knowledge of both Equitable and Peoples that is critical in providing quality service to Equitable's customers. Through best practices reviews, the combined knowledge and experience of Peoples, Peoples TWP, and Equitable will be examined after closing of the Proposed Transaction to identify ways to improve service and reliability to customers at reasonable cost.

182. Accordingly, SteelRiver and PNG provide the benefit of both large-scale, nationally-sourced ownership experience and hands-on local management experience that is specific to this particular community and its customer needs.

## E. THE COMMUNITY PRESENCE

183. The acquisition of Equitable by SteelRiver and PNG will enhance the presence of Equitable in the communities it serves, and will improve the relationships Equitable has with its customers and suppliers.

184. A particularly important benefit of the Proposed Transaction will be to allow more local production to reach the interstate market, which will encourage local production and improve competition by providing access to additional sources of less-costly local natural gas. This would provide a substantial economic benefit to local gas suppliers, ratepayers, and the Commonwealth.

185. In contrast to other transactions where the seller exits Pennsylvania, EQT will remain a major employer and contributor to the Pennsylvania economy and western Pennsylvania after closing of the Proposed Transaction.

186. Peoples will maintain Equitable's current level of annual charitable contributions for a period of at least five years following closing of the Proposed Transaction.

## F. THE NATURE AND OBJECTIVES OF THE VARIOUS AFFILIATED RELATIONSHIPS INVOLVED

187. Attached in "Appendix G" is an ownership chart demonstrating the arrangements to be created by the Proposed Transaction. **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX G (FILED UNDER SEAL)].**

188. The ring-fencing of LDC Funding will shelter Equitable if any of SteelRiver's other investments become subject to adverse economic circumstances, as such ring-fencing does currently for Peoples and Peoples TWP.

## G. THE FEES PAID TO AND SERVICE PERFORMED BY AFFILIATES

189. Following the close of the Proposed Transaction, Equitable as a division of Peoples will be subject to Peoples' affiliated interest agreements. Services provided by PNG or other affiliated interests will be provided pursuant to this existing, Commission-approved affiliate interest agreement. Any other agreement between affiliated interests for sharing of services or employees will be separately filed with the Commission pursuant to Code Section 2102.

## H. THE USE OF LEVERAGE TO ELIMINATE OR MAXIMIZE INCOME TAX LIABILITIES

190. The Applicants fully recognize that the Commission will not allow Equitable as a division of Peoples to use a capital structure for rate making purposes that is inconsistent with the capital structure of similarly-situated gas distribution companies. PNG will continue to

separately issue and maintain debt held by investors not affiliated with PNG or its affiliates, unless the Commission authorizes to the contrary. Peoples will not request a capital structure for Equitable for ratemaking purposes that is outside the range of capital structures employed by comparable gas distribution companies.

### I. THE TRANSPARENCY ON CORPORATE STRUCTURE ISSUES

191. Peoples agrees not to guarantee the debt of PNG, LDC Funding, SteelRiver, Peoples TWP or their affiliates, grant liens upon its property other than in conjunction with obtaining financing for Peoples or Equitable, or make loans or extend credit to the aforesaid entities for a term of more than one year, without prior Commission approval if required by the Code.

### J. CREDITWORTHINESS

192. PNG is an indirect subsidiary of LDC Funding, which is a direct, wholly-owned subsidiary of SRIFNA. As explained above, SRIFNA is a financially strong, diversified owner and manager of utility and infrastructure assets that is fully capable of maintaining and enhancing the level of service and customer satisfaction provided by Equitable, and supporting improvements to service where appropriate. SteelRiver currently manages infrastructure investments throughout North America, with capital under management in excess of $3.8 billion.

## XI. OTHER REGULATORY APPROVALS

193. EQT and PNG plan to complete the Proposed Transaction as soon as possible after all regulatory approvals have been obtained.

194. In addition to approval from this Commission, the Proposed Transaction also requires approval from the West Virginia Public Service Commission and the Kentucky Public Service Commission for the assets that are being transferred in those states.

195. Following the close of the Proposed Transaction, Equitable as a division of Peoples will be subject to Peoples' affiliated interest agreements. Any other agreement between affiliated interests for sharing of services or employees will be separately filed with the Commission pursuant to Code Section 2102.

196. The Proposed Transaction is subject to federal clearances under the Hart-Scott-Rodino Antitrust Improvements Act, and the transfer of certain licenses of Equitable will require the approval of the Federal Communications Commission. In addition, FERC approvals will be needed in connection with certain aspects of the Proposed Transaction, including some of the asset transfers.

## XII. ADDITIONAL SUPPORTING DATA

197. The following Appendices, containing additional information in support of this Application, are attached hereto:

- Appendix A: MPA, which includes the buyer and seller disclosures attached as Schedules 1.1(a) through 5.12 **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR SCHEDULES 1.1(a) THROUGH 5.12 (ALL FILED UNDER SEAL)]**, AEA attached as Exhibit A to the MPA, and related commercial documents attached as Exhibits B through Q to the MPA **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR EXHIBITS B THROUGH Q (ALL FILED UNDER SEAL)]**.
- Appendix B: Map of Peoples service territory.
- Appendix C: Map of Peoples TWP service territory.
- Appendix D: Map of Equitable service territory.
- Appendix E: Biography of Mr. Christopher P. Kinney, Chief Executive Officer of SRIFNA.
- Appendix F: The present ownership structure of the SRIFNA-related entities **[HIGHLY CONFIDENTIAL TREATMENT IS**

**REQUIRED FOR APPENDIX F (FILED UNDER SEAL)].**

- Appendix G: The ownership structure of the SRIFNA-related entities as contemplated by the Proposed Transaction **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX G (FILED UNDER SEAL)].**
- Appendix H: The present corporate structure of EQT and its subsidiaries **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX H (FILED UNDER SEAL)].**
- Appendix I: The corporate structure of EQT and its subsidiaries as contemplated by the Proposed Transaction **[HIGHLY CONFIDENTIAL TREATMENT IS REQUIRED FOR APPENDIX I (FILED UNDER SEAL)].**
- Appendix J: Biographies of Morgan K. O'Brien, Chief Executive Officer, Ruth A. Delost, Chief Information Officer, and Kenneth J. Johnston, Chief Operating Officer.
- Appendix K: *Pro forma* tariff reflecting the proposed changes to Peoples' tariff.

198. All annual reports, tariffs, certificates of public convenience, applications, securities certificates, and similar documents previously filed by the Applicants are made a part hereof by reference.

## XIII. CONCLUSION

WHEREFORE, for all the foregoing reasons, the Applicants respectfully request that the Pennsylvania Public Utility Commission approve and issue the necessary certificates of public convenience to:

(1) Transfer all of the issued and outstanding limited liability company membership interest of Equitable Gas Company, LLC to PNG Companies LLC;

(2) Merge Equitable Gas Company, LLC with Peoples Natural Gas Company LLC;

(3) Transfer certain storage and transmission assets of Peoples Natural Gas Company LLC to EQT Corporation and/or affiliates;

(4) Transfer/exchange certain services and assets between Equitable Gas Company, LLC and EQT Corporation and/or its affiliates in accordance with approved affiliated interest agreements;

(5) Approve PNG ownership changes associated with the Proposed Transaction;

(6) Approve the associated gas capacity and supply agreements between Peoples, Peoples TWP, Equitable, and EQT affiliates;

(7) Approve certain changes in the tariff of Peoples Natural Gas Company LLC; and

(8) Grant any other approvals or certificates appropriate, customary, or necessary under the Public Utility Code to carry out the transactions contemplated in this Application in a lawful manner.

Respectfully submitted,

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Counsel for Peoples Natural Gas Company LLC and Peoples TWP LLC

Date: March 19, 2013

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Counsel for Equitable Gas Company, LLC

## VERIFICATION

I, Andrew P. Wachter, being a Vice President at Peoples TWP LLC, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect Peoples TWP LLC to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 3/19/13

Andrew P. Wachter

## VERIFICATION

I, Morgan K. O'Brien, being the President and Chief Executive Officer of Peoples Natural Gas Company LLC and PNG Companies LLC, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect Peoples Natural Gas Company LLC and PNG Companies LLC to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: MARCH 19, 2013

Morgan K. O'Brien

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