

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 7, 2013

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

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

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Jennedy S. Johnson".
Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney ID. # 203098

Enclosures

cc: Hon. Mark A. Hoyer, ALJ
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the prehearing conference notice issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. Introduction

On March 19, 2013, Equitable Gas Company, LLC (Equitable), Peoples TWP LLC (Peoples TWP) and Peoples Natural Gas Company LLC (Peoples) (collectively, the Applicants) filed the instant Application seeking Commission approval of the following: (1) the

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

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

On April 15, 2013, the OCA filed its Protest in this matter. On April 8 and April 13, 2013, respectively, the Bureau of Investigation and Enforcement and the Office of Small Business Advocate each filed a Notice of Appearance in this matter. Numerous other parties

also filed Protests and/or Petitions to Intervene in this matter, including: Retail Energy Supply Association; Dominion Transmission, Inc.; United Steel Workers International Union, Local 12050; Dominion Retail & Interstate Gas Supply; US Steel Corp.; Pennsylvania Independent Oil & Gas Association; Peoples-Equitable Merger Interveners; Utility Workers Union of America Local 666; Snyder Brothers, Inc.; and Pennsylvania State University.

Administrative Law Judge (ALJ) Mark A Hoyer, was assigned to this proceeding. On April 24, 2013, ALJ Hoyer notified the parties that a Prehearing Conference would take place on May 9, 2013. The OCA submits this prehearing memo in accordance with the directives of ALJ Hoyer's Prehearing Conference Order.

II. Issues and Sub-issues

Based on the OCA's preliminary review of the Application, the OCA has identified a number of issues, which it anticipates will be included in its investigation of this merger. It is anticipated that other issues may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. As soon as the OCA has received the necessary information, and has had the opportunity to review the answers to the interrogatories, it is anticipated that informal discovery meetings can be scheduled. At those meetings, the OCA will be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony, which will set forth the specific issues to be addressed in this proceeding. At that time, the OCA will also be able to make its specific recommendations.

Preliminarily, the OCA has identified the following areas that require further consideration:

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

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

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

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

e. Impact on Rates: The Application provides that Equitable's retail tariff in effect at the time the proposed transaction occurs will be adopted by Peoples and will remain in full force and effect. The OCA submits that the Commission must examine the impact

the proposed merger will have on the delivery rates and purchased gas cost rates for the companies.

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

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

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

i. Universal Service: The Application does not discuss the continuation and improvement of Equitable, Peoples or Peoples TWP's universal service programs. The Commission must examine the universal service programs to ensure that these programs receive appropriate funding and local management attention and to assure that the programs continue to improve to meet the needs of low-income and payment troubled customers in Equitable, Peoples and Peoples TWP's service territories. It is also important to maintain and

enhance the participation of local community-based organizations in the development and implementation of these programs.

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

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

III. Proposed Revisions to Discovery Rules

In order to effectively investigate and adequately develop a record in this proceeding, the OCA requests certain modifications of the Commission's procedural rules on a going-forward basis, as set forth below:

A. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service of the interrogatories;

B. Objections to interrogatories shall be communicated orally within three (3) calendar days of service; unresolved objections be served to the ALJ in writing within five (5) calendar days of service of interrogatories;

C. Motions to dismiss objections and/or directing the answering of interrogatories shall be filed within three (3) calendar days of service of written objections.

D. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions;

E. Rulings over such motions shall be issued, if possible, within seven (7) calendar days of filing of the motion;

F. Responses to requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days;

G. Requests for admission shall be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service; and

IV. Witnesses

The OCA intends to present the direct, rebuttal and surrebuttal testimony, as may be necessary, of expert witnesses in this proceeding. At this time, the OCA has identified the following potential witnesses in the identified areas:

Merger/Acquisition Policy Issues (including Savings and Benefits):

Richard Hahn
LaCapra Associates
9th Floor
One Washington Mall
Boston, MA 02108
Telephone: 617-778-5515
E-mail: rhahn@lacapra.com

Gas Procurement and Market Power Issues:

Melissa Whitten
LaCapra Associates
9th Floor
One Washington Mall
Boston, MA 02108
Telephone: 617-778-5515
E-mail: mwhitten@lacapra.com

Quality of Service/Universal Services Issues:

Nancy Brockway
10 Allen Street
Boston, MA 02131
Telephone: (617) 645-4018
E-mail: nbrockway@aol.com

The OCA's witnesses will present testimony in written form and will also attach various exhibits, documents and explanatory information which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony and answers to interrogatories be provided directly to the expert witnesses listed above as well as counsel for the OCA.

If the OCA determines that an additional witness or witnesses will be necessary for any portion of its case, the OCA will notify Your Honor and all parties of record promptly.

V. Public Input Hearings

As of the date of the filing of this prehearing memo, the OCA has received four public input hearing requests. The OCA respectfully requests that a telephonic public input hearing in this matter.

VI. Proposed Schedule

The OCA proposes the following procedural schedule in this proceeding:

Non-Applicant Direct Testimony:	July 28
Rebuttal Testimony:	September 23
Surrebuttal Testimony	October 23
Hearings:	November 4-8
Main Briefs:	December 3
Reply Briefs:	December 20

It is the OCA's understanding that this schedule is acceptable to I&E and OSBA. The OCA was unable to circulate the schedule among the other parties prior to the submission of its prehearing memo.

VII. Settlement

The OCA is willing to participate in settlement negotiations concerning all issues raised by this case.

VIII. Service on the OCA

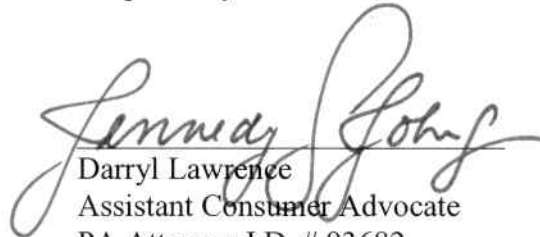
The OCA will be represented in this case by Assistant Consumer Advocates

Darryl Lawrence and Jennedy Johnson. Two copies of all documents should be served on the

OCA as follows:

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Respectfully Submitted,



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Tanya J. McCloskey
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Dated: May 7, 2013
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CERTIFICATE OF SERVICE

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of	:	
the Authority and the Necessary Certificates	:	
of Public Convenience (1) to Transfer All	:	
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(6) for Approval of Certain Associated Gas	:	
Capacity and Supply Agreements, and	:	
(7) for Approval of Certain Changes in the	:	
Tariff of Peoples Natural Gas Company LLC	:	

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

Dated this 7th day May 2013.

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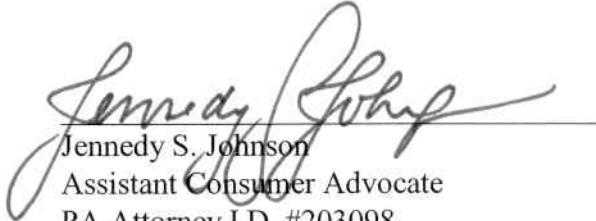
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