

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held January 29, 2026

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Kathryn L. Zerfuss
John F. Coleman, Jr.
Ralph V. Yanora

Docket Numbers:

Application of Peoples Natural Gas Company LLC, for
All of the Authority and the Necessary Certificates of
Public Convenience to Merge PNG Gathering, LLC
into Peoples Natural Gas Company, LLC

A-2025-3056882
G-2025-3056883

OPINION AND ORDER

BY THE COMMISSION:

On August 14, 2025, Peoples Natural Gas Company LLC (“Peoples”, “Applicant”, or the “Company”) filed an application requesting Commission approval to merge PNG Gathering LLC (PNG Gathering) into Peoples (Application) with Peoples being the surviving entity, upon the final rehabilitation of the Goodwin/Tombaugh gathering system. In the Application, Peoples requests that the Commission grant certificates of public convenience pursuant to Sections 1102(a)(3) and of the Public Utility Code (Code), 66 Pa. C.S. § 1102(a)(3) and necessary to authorize the merger. The Applicant

also seeks all other approvals necessary under the Code to carry out the proposed transaction.

Section 2102(a) of the Code, 66 Pa. C.S. § 2102(a), provides for Commission approval of the exchange of property between affiliates. Since PNG Gathering is a subsidiary of Peoples as defined by Section 2101 of the Code, 66 Pa. C.S. § 2101, the Applicant also seeks Commission approval of the merger between affiliates.

The Application also requires Commission review under Section 2210(a) of the Code, 66 Pa. C.S. § 2210(a) because it involves a merger by a natural gas distribution company. Under Section 2210(a)(1) of the Code, the Commission is required to consider whether a proposed acquisition of or by a natural gas distribution company is likely to result in anticompetitive or discriminatory conduct. 66 Pa. C.S. § 2210(a). Additionally, the Commission is required to consider the impact that a proposed acquisition of or by a natural gas distribution company may have on the employees of the natural gas distribution company. 66 Pa. C.S. § 2210(a)(2).

PROCEDURAL HISTORY

By Secretarial Letter dated August 15, 2025, the Applicant was directed to publish notice once in a newspaper having a general circulation in the area involved and file proof of publication with the Commission on or before Monday September 15, 2025. The Secretarial Letter also notified the Applicant that the Commission would publish notice of the filing of the Application in the Saturday, August 30, 2025 issue of the *Pennsylvania Bulletin*. See 55 Pa.B. 6387. The Notice directed that all protests be filed by September 15, 2025. Additionally, the Applicant served copies of the Application upon the Office of Small Business Advocate (OSBA), the Office of Consumer Advocate (OCA), the Commission's Bureau of Investigation and Enforcement, and all parties who

participated in the proceeding in which Peoples was acquired by Aqua America, Inc. (now Essential Utilities, Inc.) at Docket Nos. A-2018-3006061 *et al.*

On August 15, 2025, OSBA filed a Notice of Appearance, and on August 28, 2025, it filed a Notice of Intervention and Public Statement.

On September 10, 2025, OCA filed a Notice of Appearance, Notice of Intervention, and Public Statement.

On September 11, 2025, the Applicant filed an Affidavit of Publication evidencing publication of Notice of the Application in the Greene County Messenger on August 22, 2025.

On September 19, 2025, the proceeding was transferred to the Office of Administrative Law Judge (OALJ). On September 29, 2025, the Commission issued an Initial Telephone Prehearing Conference Notice and scheduled a prehearing conference for October 7, 2025, at 1:00 p.m.

On October 1, 2025, the OALJ issued a Prehearing Conference Order directing, *inter alia*, the parties to file Prehearing Conference Memoranda on or before 12:00 p.m. on Monday, October 6, 2025.

On October 3, 2025, the parties contacted the OALJ by email and advised that no party would be requesting evidentiary hearings. As such, the parties requested that the Application be transferred to the Commission's Bureau of Technical Utility Services (TUS). The OALJ responded to the parties by email that discussion of the proposed transfer to TUS would take place at the prehearing conference.

On October 6, 2025, Applicant, OCA, and OSBA filed prehearing conference

memoranda.

On October 7, 2025, the prehearing conference convened as scheduled. Applicant, OCA, and OSBA were present and represented by counsel. During the prehearing conference, with no objection from any party, the Application was consolidated with the matter docketed at G-2025-3056883. No party indicated there was any public interest in this matter such that the scheduling of public input hearings would be appropriate. No party was aware of any protests that had been filed or were expected to be filed. After discussion, OCA and OSBA agreed to withdraw their Interventions so the matter could be transferred to TUS.

On October 9, 2025, OCA filed a letter with the Commission withdrawing its Intervention. On October 10, 2025, OSBA filed a letter with the Commission withdrawing its Intervention.

Since both Interventions had been withdrawn and no protests had been filed, this matter was no longer contested and there were no issues requiring an evidentiary hearing, and as such, the OALJ deemed it appropriate that this matter be transferred to TUS for disposition. Therefore, the OALJ issued an order on October 10, 2025, reassigning these proceedings to TUS for further action.

THE APPLICANT AND RELATED ENTITIES

Peoples is a Pennsylvania limited liability company that provides natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. As defined in Sections 102 and 2202 of the Code, 66 Pa. C.S. §§ 102, 2202, Peoples is a "public utility" and a "natural gas distribution company" that provides natural gas services to approximately 700,000 customers in all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Blair, Butler,

Cambria, Clarion, Clearfield, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Somerset, Venango, Washington and Westmoreland. Peoples is an indirect subsidiary of Essential Utilities, Inc. (Essential)¹, which was registered in Pennsylvania in 1968, originally as Philadelphia Suburban Corporation, and subsequently as Aqua America, Inc. Essential is a natural gas, water and wastewater utility holding company that currently provides service throughout its operating subsidiaries in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana, Virginia, and Kentucky.

PNG Gathering is a non-utility entity that was formed when Peoples acquired Equitable Gas Company in the acquisition proceeding at Docket Nos. A-2013-2353647 *et al.*² PNG Gathering is the owner of the Goodwin/Tombaugh gathering system. When Aqua America, Inc., now Essential, acquired Peoples in 2020, Essential agreed to remediate the Goodwin/Tombaugh gathering system over a 7-year period.³ Under the Essential Acquisition Settlement, the parties agreed that as the Goodwin/Tombaugh plant was replaced, the plant would be transferred to Peoples and regulated by the Commission as distribution pipeline. The merger of PNG Gathering into Peoples will allow Peoples to transfer the remaining used and useful Goodwin/Tombaugh plant from PNG Gathering to Peoples books and dissolve PNG Gathering as a separate corporate entity. In the instant

¹ Essential is the direct owner of LDC Funding LLC, which owns PNG Companies LLC, which is the parent company of Peoples and PNG Gathering.

² *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 Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651 (Order entered Nov. 14, 2013) (Equitable Acquisition Proceeding).

³ *See Joint Application of Aqua America, Inc., Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., Peoples Natural Gas Company LLC and Peoples Gas Company LLC for All of the Authority and the Necessary Certificates of Public Convenience to Approve a Change in Control of Peoples Natural Gas Company LLC and Peoples Gas Company LLC by Way of the Purchase of All of LDC Funding, LLC's Membership Interests by Aqua America, Inc.*, Docket Nos. A-2018-3006061, A-2018-3006062 and A-2018-3006063, Settlement ¶ 29 (Essential Acquisition Settlement). The Essential Acquisition Settlement was approved by Commission Order entered on January 24, 2020.

matter, Peoples is not proposing any rate changes and will address whether the plant should be included in rate base in the Company's next base rate proceeding.

MERGER OF PNG GATHERING INTO PEOPLES

The Applicant states that under the terms of the Merger Agreement, PNG Gathering will be merged into Peoples, with Peoples being the surviving entity and that the merger of PNG Gathering into Peoples will take place once rehabilitation of the Goodwin/Tombaugh system is completed (the Proposed Transaction).

The Applicant further explains that as approved by the Essential Acquisition Settlement, when Peoples replaces Goodwin/Tombaugh facilities, this plant is transferred to Peoples and included in rate base. From the time that Peoples acquired the Goodwin/Tombaugh facilities in 2013 until the Essential acquisition of Peoples in 2020, Peoples had spent approximately \$2.1 million on plant replacements (current net book value of \$1.9M) in the Goodwin/Tombaugh system. This plant, which was replaced between 2013 - 2020, is still on PNG Gathering's books and has not been transferred to Peoples. The purpose of the Proposed Transaction is to transfer this remaining Goodwin/Tombaugh plant, which is used and useful, to Peoples upon final rehabilitation of the system and to dissolve PNG Gathering as a separate corporate entity.

The Applicant states that PNG Gathering will be merged into Peoples at no cost to Peoples and that no financing will be necessary for the Proposed Transaction. At the time of the merger, PNG Gathering's assets will consist of net property, plant and equipment, and some deferred tax assets. PNG Gathering does not currently have and will not have any debt at the time of the merger.

PUBLIC INTEREST AND AFFILIATED INTEREST CONSIDERATIONS

The Applicant claims that the proposed transfer of control is in the public interest for the following reasons:

- Peoples is not proposing any rate changes. Upon closing of the Proposed Transaction, the plant that is being transferred to Peoples will be included in the Company's rate base. Parties will be able to address whether the plant should be included in rate base in the Company's next base rate proceeding;
- The Proposed Transaction will have no impact on customers. Currently, Peoples maintains and operates the Goodwin/Tombaugh pipeline assets and the customers served from those pipelines. Peoples will continue to maintain and operate the Goodwin/Tombaugh assets up until, through and after PNG Gathering is merged with and into Peoples;
- The Proposed Transaction would not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, nor would it have any adverse effect on the retail natural gas market in Pennsylvania. The Proposed Transaction would not result in any changes to the gas operations or customer choice programs of Peoples. All rates, terms and conditions that have an impact on retail competition in Peoples' service territory will remain unaffected by the Proposed Transaction;
- Given the extremely limited nature of this merger transaction, there will be no adverse impact on Peoples' employees;
- Peoples, as a certificated public utility, possesses the technical expertise and the financial resources to operate the Goodwin Tombaugh system and to maintain the operations and make improvements to meet

continuing and future customer needs. Peoples is legally fit and financially fit to own and operate the merged companies as Peoples already operates them separately;

- The rehabilitation of the Goodwin/Tombaugh gathering system has been a tremendous success to date. As of the end of calendar year 2024, the Company is on schedule to rehabilitate the entire system by the end of 2026. Also as of the end of 2024, the Company had replaced 125 miles of pipe and abandoned 90 miles of pipe with no customer or supply impacts. This represents 70% of the pipe that needs to be rehabilitated, and this was achieved at 44% of the total budgeted cost of rehabilitation for the entire system. This rehabilitation has provided and will continue to provide substantial, affirmative benefits for customers; and,
- Approval of the Proposed Transaction and the issuance of the requested certificate of public convenience and such other approvals as may be required are “necessary or proper for the service, accommodation, convenience, or safety of the public” and will provide affirmative public benefit. Upon final rehabilitation, it is in the public interest to transfer the remaining Goodwin/Tombaugh property to Peoples. This will ensure that this remaining plant is subject to Commission jurisdiction and is classified as distribution pipeline for safety purposes under 49 C.F.R. § 192, which is consistent with how rehabilitated Goodwin/Tombaugh plant has been treated since Essential acquired Peoples and PNG Gathering in 2020. As noted above, PNG Gathering is a non-regulated gathering entity, and therefore, it is in the public interest and provides a substantial public benefit for this remaining plant to be transferred to Peoples, a regulated utility.

2210 CONSIDERATIONS

The Proposed Transaction would not result in any changes to the gas operations or customer choice programs of Peoples. All rates, terms and conditions that have an impact on retail competition in Peoples' service territory will remain unaffected by the Proposed Transaction. Therefore, the Proposed Transaction would not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, nor would it have any adverse effect on the retail natural gas market in Pennsylvania. Additionally, given the limited nature of the Proposed Transaction as contemplated in the Essential Acquisition Settlement, there will be no adverse impact to Peoples' employees.

For the reasons advanced by the Applicant, we conclude that the record provides substantial evidence of affirmative public benefits sufficient to warrant approval of the proposed transaction under *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825 (Pa. 1972); *Irwin A. Popowsky v. Pa. Pub. Util. Comm'n*, 937 A.2d 1040 (Pa. 2007).

Additionally, the Commission is not bound to apply the substantial affirmative public benefit test and may formulate the specific criteria or factors to be used in assessing whether a utility's proposed internal restructuring is "proper" for servicing the public and deserving of a certificate of public convenience. *PPL Elec. Utils. Corp. v. Pa. Pub. Util. Comm'n*, Docket No. 624 C.D. 2019 (unreported opinion filed October 27, 2020) at slip op. 16, 24. The merger of PNG Gathering, which is a subsidiary of PNG Companies LLC, the parent company of Peoples and PNG Gathering, into Peoples is proper for the service, accommodation, convenience, or safety of the public. 66 Pa.C.S. Section 1102(a)(3); 52 Pa. Code § 69.901, *PPL Elec. Utils. Corp. v. Pa. Pub. Util. Comm'n*, Docket No. 624 C.D. 2019 (unreported opinion filed October 27, 2020) at slip op. 16, 24. The proposed merger of PNG Gathering into Peoples will not have any effect on the management and operations of PNG Gathering or Peoples and is proper for the

service, accommodation, convenience, or safety of the public. 66 Pa.C.S. Section 1102(a)(3); 52 Pa. Code § 69.901.

Finally, we find that as the proposed merger of PNG Gathering into Peoples will not result in any changes to the gas operations or customer choice programs of Peoples and that all rates, terms and conditions that have an impact on retail competition in Peoples' service territory will remain unaffected as the proposed transaction will not result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power. Nor will it prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market. Finally, as the limited nature of the Proposed Transaction will have no adverse impact to Peoples' employees, we find that the Proposed Transaction preserves the benefits of a properly functioning and effectively competitive retail natural gas market as proposed. *See* 66 Pa. C.S. § 2210.

CONCLUSION

In conclusion, the Application will be approved, and a certificate of public convenience be issued for the transfer to Peoples, through merger, of all property of PNG Gathering used or useful in the public service, pursuant to Section 1102(a)(3) of the Code. 66 Pa.C.S. § 1102(a)(3). The granting of the Application is proper for the service of the public, and a certificate of public convenience should be issued, evidencing the Commission's approval. Additionally, the Request for Approval of Merger Between Affiliates shall be approved pursuant to Section 2102(a) of the Code, 66 Pa. C.S. § 2102(a). Finally, the merger is approved as it preserves the benefits of a properly functioning and effectively competitive retail natural gas market as proposed in accordance with Section 2210 of the Code, 66 Pa.C.S. § 2210.

The Commission has determined that the Applicant is current with its quarterly, annual financial and Security Planning and Readiness Self Certification report filing requirements, and there are no outstanding Commission fines, fees or assessments due.

Having reviewed the Application, we conclude that the proposed merger of all property of PNG Gathering into Peoples, pursuant to Section 1102(a)(3) of the Code, 66 Pa.C.S. § 1102(a)(3), the proposed merger by a natural gas distribution company pursuant to 2210 of the Code, 66 Pa. C.S. § 2210, and the request for approval of merger between affiliates pursuant to Section 2102(a) of the Code, 66 Pa. C.S. § 2102(a), should be approved; **THEREFORE,**

IT IS ORDERED:

1. That the Merger Application of PNG Gathering, LLC into Peoples Natural Gas Company, LLC at Docket Nos. A-2025-3056882 and G-2025-3056883 be approved.

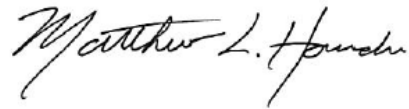
2. That a Certificate of Public Convenience be issued pursuant to Section 1102(a)(3) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(3), authorizing the transfer to Peoples Natural Gas Company, LLC, through merger, of all property of PNG Gathering, LLC used or useful in the public service.

3. That within thirty (30) days following consummation of the transaction approved by Ordering Paragraph No. 1, above, Peoples Natural Gas Company, LLC shall notify this Commission of the effective date of the merger.

4. That if the Applicant determines that the instant transaction will not occur, they shall promptly file notice of such determination with the Commission.

5. That upon filing of either notice directed by Ordering Paragraphs Nos. 3 or 4, above, the proceedings at Docket Nos. A-2025-3056882 and G-2025-3056883 shall be marked closed.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Matthew L. Homsher". The signature is written in a cursive style with a large initial "M".

Matthew Homsher
Secretary

(SEAL)

ORDER ADOPTED: January 29, 2026

ORDER ENTERED: January 29, 2026