

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105-3265**

**Application of Equitable Resources,
Inc. for Approval of the
Reorganization of Equitable
Resources, Inc. into a Holding
Company Structure with the
Equitable Gas Company Division
Becoming a Separate Legal Entity and
Money Pool Agreement**

**Public Meeting held
MAY-2008-C-0004**

Docket No. A-121100F0006; G-20071218.

MOTION OF CHAIRMAN WENDELL F. HOLLAND

On January 8, 2007, Equitable Resources, Inc. (Equitable) filed an Application for approval of the reorganization of Equitable into a holding company structure with the Equitable Gas Company Division becoming a separate legal entity. The Application is docketed at A-121100F0006.

On January 8, 2008, Equitable, the Office of Small Business Advocate (OSBA), the Office of Consumer Advocate (OCA), and the Office of Trial Staff (OTS), filed a Supplement to the Application proposing agreed upon Conditions for approval of the Application (Supplement Application). Intervener, the Independent Oil and Gas Association of Pennsylvania (IOGA), did not join in the Supplement Application. As discussed below Equitable now agrees to accept, to the extent feasible, the additional terms and conditions sought by IOGA.

On May 15, 2008, Equitable filed a Motion for acceptance of additional terms and conditions, if necessary, and approval of reorganization without hearing or, in the alternative, motion for expedited hearing. This Motion is now before us for consideration and disposition.

Equitable filed its Motion pursuant to the Commission's Rules and Regulations at 52 Pa. Code § 5.103(a). Section § 5.103(a) provides that a motion may be made at any time. Further, Equitable, pursuant to the Commission's Rules and Regulations at 52 Pa. Code § 5.103(d), requests that the Commission itself act on its Motion. Equitable contends that Section 5.103(d), "...authorizes and directs the presiding officer, in those instances where the Commission has not acted, to rule on a motion where an immediate ruling is essential in order to proceed with the hearing. Thus, the Commission itself may act on a motion in circumstances such as the instant matter." (Motion at p. 4)

I agree with Equitable that its Motion is properly before us and it is within our power to act on its Application and Motion. Further, I believe its Application for reorganization should be approved contingent upon acceptance by Equitable of certain of the additional conditions proposed by IOGA and as limited below.

In its Motion Equitable contends that IOGA's additional terms and conditions are not necessary, and that it previously opposed them. However, Equitable goes on to state that, "...Equitable Resources, with one caveat, is willing to accept the proposed additional terms and conditions if the Commission deems the additional terms and conditions necessary and can approve the reorganization without hearing. The caveat is that Equitable Resources does not maintain account detail by geographical location. With substantial, additional effort, existing data can be segregated by political subdivision, if it is concluded to be necessary to have the information in this form." (Motion at p. 7) The Application should be approved contingent upon acceptance by Equitable of the additional conditions proposed by IOGA with the exception that a decision should not be made at this time regarding whether Equitable should be required to maintain account detail by geographical location or political subdivision. The question of what constitutes utility property is an issue properly examined and adjudicated in the context of Equitable Gas Company Division's next general base rate proceeding.

In its original Application Equitable explains in detail the reasons why the Application is in the public interest and delineates the public benefits that will occur.¹ In the Supplement Application filed January 8, 2008, Equitable, OSBA, OCA and OTS explain why the conditions set forth in the Supplement Application are in the public interest.² Upon review of these declarations I am persuaded that the reorganization of Equitable into a holding company structure with Equitable Gas Company Division becoming a separate legal entity is clearly in the public interest.

This application for reorganization was filed January 8, 2007. Nearly 17 months have passed, all of the protestants are satisfied and I am convinced approval of the Application is in the public interest; consequently, it is time for the Commission to consider and approve this reorganization.

¹ Equitable states that the new structure will, "...better segregate its regulated natural gas utility business from its unregulated businesses and the risks associated therewith, while allowing it to better respond to the changing business environment of the natural gas industry." (Application p. 3) In addition Equitable states that reorganization may allow it, "...to be able to finance its natural gas utility business at a cost of capital that is at least the same as, and may be less than, the cost of capital for the entire organization." (Application p. 4) Finally, Equitable advises us that, "The reorganization will provide additional protection for ratepayers by putting Equitable Gas into its own separate company. Being a discreet company and no longer part of (although still owned by) the parent company will segregate and insulate Equitable Gas and its customers from the other non-regulated businesses that will continue to be owned by Equitable Resources, such as natural gas production, gathering, marketing and transmission.

² The Supplement Application sets forth fourteen conditions for approval and explains in detail why these conditions are in the public interest and provide a public benefit. The matters covered by the conditions include: No Recovery of Reorganization Costs Through Rates; Cost of Capital; Ratemaking Capital Structure; Long Term Debt Ratio; Access to Books and Records; Corporate Cost Allocations; Affiliated Interest Agreements; Financings; Equitable Gas Company's Long Term Debt; Presentation to Stock and Bond Analysts; Notice of Declaration of Special Cash Dividends; and, Subsequent Filing Under Chapter 11 of the Public Utility Code. (Supplement Application pp. 3-6)

THEREFORE I MOVE:

- 1) That the Application, as amended by the Supplement Application and as conditioned by this Motion, be approved; and,
- 2) That the Bureau of Fixed Utility Services prepare an Opinion and Order consistent with this Motion.

DATE

WENDELL F. HOLLAND, CHAIRMAN