

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

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WISCONSIN ENERGY CORPORATION, INTEGRYS )  
ENERGY GROUP, INC., PEOPLES ENERGY, LLC, THE )  
PEOPLES GAS LIGHT AND COKE COMPANY, NORTH )  
SHORE GAS COMPANY, ATC MANAGEMENT INC., )  
and AMERICAN TRANSMISSION COMPANY LLC )

) DOCKET No. 14-0496

Application pursuant to Section 7-204 of the Public )  
Utilities Act for authority to engage in a )  
Reorganization, to enter into agreements with )  
affiliated interests pursuant to Section 7-101, and for )  
such other approvals as may be required under the )  
Public Utilities Act to effectuate the Reorganization. )

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Direct Testimony and Exhibit of

**Michael P. Gorman**

On behalf of

**City of Chicago and the Citizens Utility Board**

November 26, 2014



**Direct Testimony of Michael P. Gorman**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,  
3         Chesterfield, MO 63017.

4    **Q     WHAT IS YOUR OCCUPATION?**

5    A     I am a consultant in the field of public utility regulation and a Managing Principal of  
6         Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7    **Q     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8    A     This information is included in Appendix A to my testimony.

9    **Q     ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10   A     I am testifying on behalf of the City of Chicago (“City”) and the Citizens Utility Board  
11         (“CUB”).

12   **Q     WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

13   A     My testimony addresses the testimony and application submitted by Wisconsin  
14         Energy Corporation (“WEC”), Integrys Energy Group, Inc. (“Integrys” or “TEG”),  
15         Peoples Energy, LLC, The Peoples Gas Light and Coke Company (“PGL”), North  
16         Shore Gas Company (“NS”), ATC Management Inc., and American Transmission  
17         Company LLC (“Joint Applicants”).<sup>1</sup>

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<sup>1</sup>All data request responses (“DRR”) I relied on will be served on the parties in response to the Joint Applicants’ Data Requests to all parties.

18 Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS.

19 A My recommendations and conclusions are summarized as follows:

20 1. The regulatory mechanisms currently applied to PGL and NS stabilize revenues  
21 and enhance the market value of PGL and NS. This revenue stability provides  
22 greater cost recovery assurance and enhances cash flow stability.

23 2. This enhanced market value contributed toward Integrys getting a premium to its  
24 intrinsic value in the proposed acquisition. The Joint Applicants should provide  
25 benefits to customers comparable to the value enhancement created by these  
26 regulatory mechanisms.

27 3. Recognizing the added market value and cash flow benefit to investors created by  
28 regulatory mechanisms, I believe it is appropriate to require a five-year freeze in  
29 base rates to create a benefit to retail ratepayers as a condition of reorganization  
30 approval.

31 A five-year rate freeze would not limit PGL's and NS's ability to use their current  
32 approved rider mechanisms. I believe this is a balanced benefit given the ability  
33 of PGL to achieve the stated goal of creating a more efficient company via the  
34 proposed reorganization, and at the same time to recover most of its capital  
35 investments (with a return) through rider mechanisms, and to produce savings  
36 from the reorganization, based on consolidated operations and service company  
37 arrangements.

38 4. The Joint Applicants have proposed to exclude any reorganization integration or  
39 consolidation costs from their cost of service in setting rates. I believe this an  
40 appropriate target and appropriate commitment. However, the commitment  
41 should be expanded to include any severance packages provided to any  
42 executive officers or employees of the Joint Applicants. No costs associated with  
43 WEC's proposed acquisition/merger with Integrys ("Transaction") or the  
44 reorganization integration should be subject to recovery from retail customers in  
45 the ratemaking process as a condition of the merger.

46 5. The financing structure of the proposed Transaction may create limitations on the  
47 utilities' ability to fund planned capital expenditures designed to ensure public  
48 safety and service reliability. The reorganization financing structure will create  
49 significant pressure on WEC to withdraw cash from its utility companies in a  
50 sufficient amount to meet the increased financial obligations caused by the  
51 reorganization.

52 The Joint Applicants should commit to ring-fence protections to ensure that PGL  
53 and NS are able to fund their infrastructure investment and operations and  
54 maintenance programs before they increase dividend payments to WEC. In  
55 particular, adequate funding for prompt completion of PGL's Accelerated Main  
56 Replacement Program ("AMRP") must be assured. This commitment should be a  
57 strong commitment that allows the Illinois Commerce Commission ("ICC") to  
58 invoke penalties on the Joint Applicants or limit PLG/NS dividend payment  
59 authority, if dividend payments above authorized levels are made prior to a utility

60 funding its AMRP, and the AMRP achieves its timeline commitment. This  
61 ring-fence protection should remain in effect as long as the Qualifying  
62 Infrastructure Plant (“QIP”) rider program is in effect.

63 6. The Joint Applicants’ proposed commitments are so heavily conditioned,  
64 contingent, and lacking in specifics that they have dubious value to ratepayers,  
65 the Commission, or Illinois. The claimed benefits are not concrete and are  
66 unquantified, making valuation of their worth virtually impossible. In addition, the  
67 claimed benefits and commitments generally do not include meaningful  
68 enforcement mechanisms that assure claimed ratepayer benefits will be realized.

69 **I. Revenue Stability**

70 **Q WHAT RECENT CHANGES IN REGULATORY MECHANISMS HAVE OCCURRED**  
71 **IN THE STATE OF ILLINOIS THAT REDUCE THE RISK ASSOCIATED WITH THE**  
72 **RECOVERY OF CAPITAL INVESTMENTS FOR GAS UTILITIES?**

73 A Public Act 98-0057 added Section 9-220.3 to the Public Utilities Act (“Act”). Section  
74 9-220.3 of the Act authorizes some Illinois gas utilities, including PGL, to file a tariff  
75 for a surcharge that adjusts rates and charges to provide for recovery of costs  
76 associated with QIP investments. PGL plans to use this rate mechanism in order to  
77 support its AMRP.

78 Joint Applicants witness Allen Leverett states that the AMRP is a 20-year  
79 program, which PGL has implemented to replace cast iron and ductile iron gas mains  
80 and services, to upgrade its distribution system from low pressure to medium  
81 pressure, and to relocate gas meters from inside facilities to outside facilities by 2030.

82 PGL asserts that it will make material annual investment in these main  
83 replacement programs, over the next 20 years.<sup>2</sup> The qualifying QIP capital  
84 investment is more than 70% of the total capital investments Integrys management  
85 plans over the next five years.

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<sup>2</sup>Direct Testimony of Allen Leverett (Joint Applicants Ex. 1.0) at 18.

86 **Q HAS PGL'S RIDER QIP BEEN APPROVED BY THE COMMISSION?**

87 A Yes. On January 7, 2014, the Commission approved PGL's request to implement its  
88 proposed Rider QIP in Docket No. 13-0534. The QIP surcharge will allow PGL to  
89 recover a return on and of investments for: (1) the costs to install facilities to retire  
90 cost iron/ductile iron gas distribution facilities; (2) gas meter relocation costs to move  
91 meters from inside customers' premises to outside; (3) the cost of upgrading the gas  
92 distribution system from a low pressure system to a medium pressure system,  
93 including installation of high-pressure facilities to support the upgrade; (4) the cost to  
94 replace high-pressure transmission pipelines identified as at higher risk of failure;  
95 and (5) the cost to install regulator stations to establish over-pressure protection.

96 Further, each year PGL can file a petition seeking a reconciliation of QIP costs  
97 and recovery in a reconciliation proceeding. In the petition, PGL must support the  
98 accuracy and prudence of its qualifying infrastructure investment.

99 **Q DOES THE RIDER QIP PROVIDE REVENUE STABILITY TO PGL?**

100 A Yes. Under PGL's 20-year program to replace gas infrastructure in the City of  
101 Chicago, PGL expects average annual investments over the next five years of  
102 \*\*\* [REDACTED] \*\*\*.<sup>3</sup>

103 WEC notes in a November 2014 investor presentation, the Rider QIP  
104 surcharge will provide "Immediate earnings as infrastructure investments are made  
105 (return on and of capital costs)."<sup>4</sup> Since the cost recovery will occur outside of rate  
106 cases, the QIP will reduce regulatory lag for recovery of capital investments and  
107 provide revenue stability to the Company. PGL's QIP rider mechanisms for assured

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<sup>3</sup>Supplemental Direct Testimony of Scott J. Lauber (Joint Applicants Ex. 5.0) and Joint Applicants Exhibit 4.1 Confidential.

<sup>4</sup>Wisconsin Energy Corporation presentation, November 2014, at page 29.

108 recovery of and on PGL's increasing rate base (due to AMRP) is a major element of  
109 the utility's premium value to the acquiring firm, WEC.

110 **Q HAVE CAPITAL MARKET PARTICIPANTS RECOGNIZED THE RISK REDUCTION**  
111 **FEATURES OF THE QIP?**

112 A Yes. In a report on Integrys, *Value Line* stated that the existence of new regulatory  
113 mechanisms in Illinois will allow PGL to support earnings growth without filing rate  
114 increases, even as it pursues its large AMRP capital program.

115 On the gas side, the utilities in Illinois expect to spend \$2.2 billion-  
116 \$2.6 billion over a 10-year span to replace gas mains beginning in  
117 2014. They will be able to earn a return on these expenditures without  
118 having to file a general rate case.<sup>5</sup>

119 **Q DOES THIS REVENUE STABILITY DISTINGUISH THE ACQUISITION OF PGL**  
120 **FROM OTHER RECENT ACQUISITIONS?**

121 A Yes. For example, Rider QIP was not available during the acquisition of Nicor Gas by  
122 AGL. Thus, this rider increases PGL's revenue stability as compared to that of Nicor  
123 Gas in that acquisition.

124 In its November 2014 presentation to investors, Integrys highlighted several  
125 innovative ratemaking mechanisms that reduce its risks. Integrys informed investors  
126 that recent approval of the QIP Rider will reduce risk for PGL, enhancing the risk  
127 reduction from implementation of a bad debt rider in 2009, storage service rider,  
128 implementation of a decoupling mechanism in 2012, and the existence of a rider to  
129 recover manufactured gas plant site cleaning cost. All of these rider mechanisms  
130 shift the risks of cost recovery from Integrys investors, to PGL and NS ratepayers.

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<sup>5</sup>*Value Line Investment Survey*. "Integrys Energy," December 20, 2013.

131 This risk shift occurs because the various regulatory mechanisms allow for more  
132 frequent rate changes -- and in some cases reconciliations that provide PGL and NS  
133 assurance of full cost recovery, but increase rate instability for customers to provide  
134 this assurance to utility shareholders. The net effect is a risk reduction for PGL and  
135 NS, and enhancement of the value of Integrys stock. Integrys stock benefits because  
136 as risk is reduced, investor-required returns are lowered, to reflect the more stable  
137 and predictable cash flow outlook for these two utility companies.

138 **Q HAS THE REVENUE STABILITY PROVIDED TO PGL BY RIDER QIP IMPROVED**  
139 **THE MARKET VALUE OF TEG?**

140 A Yes. Standard & Poor's ("S&P") has noted positively the risk reduction aspects of the  
141 Illinois regulatory mechanisms in place at both PGL and NS. Concerning PGL, S&P  
142 states as follows:

143 PGLC also benefits from several other regulatory mechanisms that  
144 mitigate potential cash flow volatility and reduce regulatory lag. These  
145 alternatives to traditional base rate case applications include an  
146 infrastructure surcharge, a bad-debt tracker, riders for recovery of both  
147 environmental cleanup and energy conservation costs, and a  
148 decoupling mechanism.<sup>6</sup>

149 And concerning NS, S&P states as follows:

150 NSG also benefits from several other regulatory mechanisms that  
151 mitigate potential cash flow volatility and reduce regulatory lag. These  
152 alternatives to traditional base rate case applications include bad-debt  
153 trackers, riders for recovery of both environmental cleanup and energy  
154 conservation costs, and decoupling.<sup>7</sup>

155 The existence of these regulatory mechanisms supports the gas utilities'  
156 "Excellent" business outlook, reduces cost recovery uncertainty, and hence their

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<sup>6</sup>Standard & Poor's RatingsDirect. "Summary: The Peoples Gas Light & Coke Co.," April 8, 2014 at 3.

<sup>7</sup>Standard & Poor's RatingsDirect. "Summary: North Shore Gas Co.," April 8, 2014 at 3.

157 credit standing and lowers their investment risk. This risk reduction benefits investors  
158 and enhances the value of PGL.

159 **Q WILL INTEGRYS'S INVESTORS RECEIVE FAIR COMPENSATION AS PART OF**  
160 **THE PROPOSED REORGANIZATION TRANSACTION?**

161 A Yes. Indeed, Integrys's own consultant estimated that the consideration to Integrys  
162 shareholders represents a \*\*\*[REDACTED]\*\*\* premium to the prevailing intrinsic value of  
163 Integrys stock.<sup>8</sup> Regulatory mechanisms implemented in Illinois, which substantially  
164 stabilize revenue collections for PGL and NS, provide material consideration to  
165 Integrys's shareholders as part of this proposed reorganization transaction.

166 **II. Proposed Rate Freeze**

167 **Q DID THE JOINT APPLICANTS PROPOSE A RATE FREEZE ASSOCIATED WITH**  
168 **THIS PROPOSED REORGANIZATION?**

169 A Yes. Joint Applicants witness Allen Leverett proposes a two-year rate freeze if the  
170 Commission approves this reorganization. Mr. Leverett says the Joint Applicants'  
171 proposal for a two-year base rate freeze is conditioned upon all the utilities' existing  
172 riders and automatic adjustment clauses, including Rider QIP, remaining in effect  
173 during the rate-freeze period. However, Mr. Leverett wants a utility option that would  
174 give PGL and NS the right to request a waiver from this base rate limitation, on a  
175 perceived threat to the financial integrity of PGL and NS.<sup>9</sup>

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<sup>8</sup>Confidential & Proprietary attachment to Joint Applicants' Response to City of Chicago Request No. 9.02, Integrys Energy Group Board Book, June 21, 2014, page 281 of 344, Lazard "Pro Forma Impact Analysis: Intrinsic Value."

<sup>9</sup>Direct Testimony of Allen Leverett at 21.

176 Q DO YOU BELIEVE A TWO-YEAR RATE FREEZE IS APPROPRIATE GIVEN THE  
177 PROJECTED BENEFITS TO WEC AND INTEGRYS SHAREHOLDERS CREATED  
178 BY THIS ACQUISITION?

179 A No. With the riders in effect, the expected combination of the Joint Applicants'  
180 service company, and a reasonable expectation of producing some synergies from  
181 the creation of this larger company, I believe a two-year stayout period is simply not  
182 long enough.

183 Q PLEASE EXPLAIN.

184 A PGL has implemented the QIP Rider and can increase its distribution rates by as  
185 much as 4% per year under this rider. Further, PGL and NS have risk-reducing rider  
186 mechanisms including bad debt riders, decoupling riders, fuel cost recovery riders,  
187 and riders regarding manufacturing gas plant site cleanup. As I explained earlier,  
188 each of these riders provides added value for shareholders, by imposing added  
189 burdens on utility ratepayers. Without protective actions by the Commission, that  
190 added value could flow to the acquiring company's shareholders, rather than  
191 enhancing the utilities' ability to provide safe, reliable infrastructure and adequate,  
192 least-cost service. With all these riders in effect, the Joint Applicants should be able  
193 to defer an increase in base rates for a longer time period.

194 Further, over 70% of PGL's planned capital expenditures will be subject to  
195 recovery through Rider QIP. The remaining increase in capital investments will  
196 largely match the depreciation expense already reflected in current rates. For  
197 example, in 2013, PGL and NS reflected over \$100 million and \$10.5 million  
198 (respectively) of depreciation and amortization. Recovering this amount of annual  
199 depreciation expense will reduce rate base, and the non-qualifying QIP investments

200 will increase rate base. The existence of the rider should help provide sufficient  
201 funding for PGL and NS to make qualifying capital investments during the base rate  
202 freeze period. This ability to make non-qualifying capital investments roughly equal to  
203 the amount of depreciation expense, while recovering qualifying investment through  
204 the QIP rider, will not grow the rate base element of base rates. However, these  
205 mechanisms should mitigate the amount of cost efficiencies PGL and NS need to  
206 achieve in order to support a longer base rate freeze period.

207 Further, under the proposed reorganization structure, the Company will  
208 consolidate its service company operations, which also should produce savings.

209 **Q WOULD A LONGER BASE RATE FREEZE HELP CREATE BENEFITS FOR**  
210 **SHAREHOLDERS AND RATEPAYERS FROM THE PROPOSED**  
211 **REORGANIZATION?**

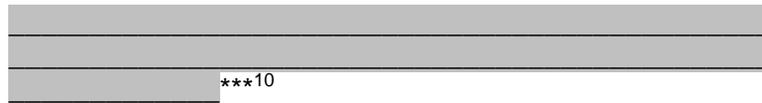
212 **A** Yes. The proposed Transaction will benefit PGL's ultimate investors through the  
213 combination of these utilities. These benefits are outlined by Integrys's Board of  
214 Directors.

215 Integrys's Board of Directors outlines its findings on the proposed Transaction.  
216 It includes the following assessment:

217 \*\*\* [REDACTED]  
218 [REDACTED]

219 [REDACTED]  
220 [REDACTED]  
221 [REDACTED]  
222 [REDACTED]  
223 [REDACTED]  
224 [REDACTED]

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A longer base rate freeze will provide benefits to customers in the form of increased stability and mitigated base rate increases over a five-year period. While customers will pay increased costs based on the tracker mechanisms, a longer term base rate freeze period will provide customers some assurance of benefits from the reorganization.

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**Q DO YOU BELIEVE THAT THE COMMISSION SHOULD CONSIDER A FINANCIAL INTEGRITY WAIVER PROVISION, AS PART OF THIS FIVE-YEAR BASE RATE FREEZE LIMITATION FOR PGL AND NS?**

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**A** Yes, that is not unreasonable, since ratepayers need a utility that is able to provide its essential services safely and efficiently, at least cost. However, if such a provision is included, the burden of proving financial need for increasing base rates should be placed on PGL and NS at the time of that filing. The Commission should be clear that a waiver for financial integrity needs must meet a high standard. Any waiver should be based on the necessity of an increase in rates, such as being necessary to maintain an investment grade bond rating outlook. A mere expectation that PGL and NS earnings may be reduced is not an acceptable reason to waive adherence to the rate freeze.

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I believe a five-year rate freeze is appropriate in this proceeding, given the significant rider value to shareholders and the potential for synergy savings, which the Joint Applicants (to date) have declined to quantify.

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<sup>10</sup>Confidential response to City Data Request 9.02.

248 **III. Reorganization Integration and Acquisition Costs**

249 **Q DO PGL/NS PROPOSE TO RECOVER IN RATES COSTS ASSOCIATED WITH**  
250 **THE REORGANIZATION TRANSACTION BETWEEN WEC AND INTEGRYS?**

251 A No. According to the Revised Direct Testimony of Scott Lauber (Joint Applicants Ex.  
252 2.0 REV. at 11), the Joint Applicants will not seek recovery of costs incurred to  
253 accomplish the reorganization. Those costs include Transaction, Change in Control,  
254 Financing and Legal/Other Professional costs.

255 **Q IS IT APPROPRIATE TO EXCLUDE THESE COSTS OF THE TRANSACTION OR**  
256 **COSTS OF INTEGRATION FROM RECOVERY FROM RETAIL CUSTOMERS?**

257 A Yes. While it is not clear with the detail Mr. Lauber provided on his Joint Applicants  
258 Exhibit 2.1, it appears that all costs related to the Transaction will not be recovered  
259 from retail customers. However, the Commission should specifically state that any  
260 executive, Board of Director or senior employee severance costs or early termination  
261 fees should also not be subject to recovery from retail customers. DRR City 2.02 (re  
262 “severance payments”).

263 **Q YOU HAVE MENTIONED POSSIBLE SYNERGY SAVINGS. DO THE JOINT**  
264 **APPLICANTS PLAN TO EXCLUDE FROM RETAIL CUSTOMER RECOVERY THE**  
265 **COSTS OF THE CORPORATE RESTRUCTURING THAT THE FORMAL PAPER**  
266 **TRANSACTION IS INTENDED TO ENABLE?**

267 A It appears that the Joint Applicants intend that all costs occasioned by or resulting  
268 from the reorganization -- excepting only those directly connected with the formal  
269 transactions to effect the changes in ownership of the involved corporate entities (the  
270 Transaction) -- will be subject to recovery from ratepayers. DRR City 2.02. The usual

271 costs of such reorganizations, like restructuring corporate divisions, relocating  
272 personnel or operations, and installing the same accounting and IT systems for all  
273 units, are what the Joint Applicants call “transition costs” DRR City 7.01. The Joint  
274 Applicants assert that “net savings” from the reorganization will flow to ratepayers  
275 through the normal rate case process. (The Joint Applicants use “net savings” to  
276 mean savings less the costs of producing savings. DRR City 2.02, 2.05, 6.08, 7.01.)

277 However, despite the clear, immediate benefits to Joint Applicants  
278 shareholders of reorganization approval, any “net savings” to ratepayers are deferred  
279 and uncertain. Any ratepayer benefit from restructuring is deferred by the Joint  
280 Applicants’ position that possible savings from corporate restructuring have not been  
281 estimated, will not be estimated for years, and are likely to occur only after the rate  
282 freeze period. Moreover, any such ratepayer effects also are uncertain, and possibly  
283 adverse, since “net savings” may not exist if savings are exceeded by the costs to  
284 produce savings. The only certainty appears to be planned inclusion of all “transition  
285 costs” in future rate determinations.

#### 286 **IV. Financial Risk**

287 **Q DOES THE PROPOSED TRANSACTION FINANCING STRUCTURE CREATE RISK**  
288 **FOR THE JOINT APPLICANTS’ ABILITY TO MEET CAPITAL NEEDS FOR THEIR**  
289 **UTILITY COMPANIES?**

290 **A** Yes. The proposed financing structure of the Transaction will result in a significant  
291 increase in the amount of debt at the parent company level, which will be supported  
292 predominantly by cash distributions from utility subsidiaries. As a result, cash  
293 dividend payments will be the primary source of cash flow available to WEC to  
294 service the acquisition-related debt held by the parent. WEC projections show that

295 WEC can manage this level of acquisition-related debt, if the projected cash flow is  
296 actually realized in coming years. However, there is a risk that the consolidated WEC  
297 cash flow will not be realized as projected and that the additional acquisition-related  
298 debt will create financial distress at WEC, compelling WEC to withdraw more cash  
299 from its utility affiliates to satisfy its financial obligations. Pulling more cash out of  
300 PGL/NS could impact the utilities' ability to timely fund capital budgets consistent with  
301 their system modernization and improvement goals.

302 **Q PLEASE DESCRIBE THE PROPOSED TRANSACTION.**

303 A Wisconsin Energy Corporation will acquire Integrys stock for 1.128 WEC shares plus  
304 \$18.58 of cash per Integrys share.<sup>11</sup>

305 Under the terms of the financing plan for the proposed acquisition, WEC will  
306 pay a premium above the prevailing book value of Integrys's common stock and will  
307 record a goodwill asset on the post acquisition parent company balance sheet of  
308 \$2.25 billion.<sup>12</sup>

309 WEC plans to issue new WEC stock and \$1.5 billion of acquisition debt to  
310 fund the proposed acquisition of Integrys's stock.<sup>13</sup>

311 **Q HOW WILL WEC SUPPORT THE DEBT SERVICE ON THE PROPOSED**  
312 **\$1.5 BILLION OF ACQUISITION DEBT?**

313 A WEC's only source of cash to service the acquisition debt will come from its utility  
314 subsidiaries. WEC describes its reliance on its current utility subsidiaries to support  
315 its financial obligations as follows:

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<sup>11</sup>Direct Testimony of John J. Reed (Joint Applicants Ex. 3.0) at 4, footnote 2.

<sup>12</sup>WEC proxy filing to stockholders, "Merger Proposed – Your Vote is Very Important,"  
Registration Statement No. 333-198096, October 14, 2014 at 161.

<sup>13</sup>*Id.*

316 ***We are a holding company and rely on the earnings of our***  
317 ***subsidiaries to meet our financial obligations.***

318 As a holding company with no operations of our own, our ability to  
319 meet our financial obligations and pay dividends on our common stock  
320 is dependent upon the ability of our subsidiaries to pay amounts to us,  
321 whether through dividends or other payments. The ability of our  
322 subsidiaries to pay amounts to us will depend on the earnings, cash  
323 flows, capital requirements and general financial condition of our  
324 subsidiaries and on regulatory limitations. Prior to distributing cash to  
325 Wisconsin Energy, our subsidiaries have financial obligations that must  
326 be satisfied, including among others, debt service and preferred stock  
327 dividends. Our subsidiaries also have dividend payment restrictions  
328 based on the terms of their outstanding preferred stock and regulatory  
329 limitations applicable to them. In addition, each of the bank back-up  
330 credit facilities for Wisconsin Energy, Wisconsin Electric and  
331 Wisconsin Gas have specified total funded debt to capitalization ratios  
332 that must be maintained.<sup>14</sup>

333 After the acquisition, WEC still will need to draw sufficient cash from its  
334 subsidiaries (including PGL/NS) to pay public dividends to WEC public shareholders,  
335 and to pay the debt service (principal and interest) on the \$1.5 billion of acquisition  
336 debt.

337 **Q DID WEC PROVIDE A FORECAST BASED ON ITS POST-TRANSACTION**  
338 **PERIOD THAT OUTLINES ITS ABILITY TO SUPPORT THIS ACQUISITION DEBT**  
339 **ALONG WITH ITS OTHER FINANCIAL OBLIGATIONS?**

340 **A** Yes. In response to City Data Request 6.01, the Joint Applicants provided the  
341 financial forecast that it also provided to credit rating agencies, which was used to  
342 assess the credit metric impact on the Joint Applicant utility companies and WEC  
343 after the merger.

344 In that forecast, the consolidated operations are projected to produce enough  
345 cash flow to support the additional \$1.5 billion of acquisition-related debt. However, a  
346 more direct analysis helps to assess whether the projected level of dividend

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<sup>14</sup>Wisconsin Energy Corporation 2013 Form 10-K at 30, emphasis added.

347 payments from the utility subsidiaries up to WEC may be adequate to service the  
348 acquisition-related debt. If WEC requires its utilities to pay up higher dividends, the  
349 cash flow available to utilities for making system modernization will be reduced, and  
350 that could either delay replacement of aging infrastructure, or require the utilities to  
351 rely more on external debt. Going to the market for external debt could increase the  
352 financial leverage of the utilities and erode their credit standing. Each of those  
353 responses to a call for greater contributions to acquisition debt coverage would harm  
354 the utilities' ratepayers, either through diminished service or higher costs of service in  
355 rates. Therefore, an assessment of whether or not the projected level of dividend  
356 payments from utility companies up to WEC is able to support both public dividend  
357 payments and the acquisition debt service is useful in assessing the likelihood of  
358 increased demands on the utility companies to pay dividends to the parent to service  
359 these two material financial obligations.

360 **Q DID YOU COMPARE THE JOINT APPLICANTS' PROJECTIONS, FOR AFTER**  
361 **THE TRANSACTION IS COMPLETED, OF UTILITY DIVIDEND PAYMENTS UP TO**  
362 **WEC, TO WEC'S PUBLIC DIVIDENDS NEEDS, AND ITS ABILITY TO SERVICE**  
363 **THE ACQUISITION-RELATED DEBT?**

364 **A** Yes. I performed this analysis by comparing the forecasted level of utility dividend  
365 payments up to WEC, with the amount of cash WEC needs to pay its public dividends  
366 and to service the \$1.5 billion of acquisition-related debt. Note that, WEC will also  
367 have to service existing parent company debt from the cash flows of utility affiliates.  
368 However, my analysis simply focuses on the cash needed for public dividends and  
369 acquisition-related debt payments, almost certainly understating the pressure for

370 greater cash flow from WEC's utility subsidiaries. This analysis is outlined on my  
371 Public (Redacted) City/CUB Exhibit 4.1

372 On this exhibit, I show WEC utility projected cash dividend payments to WEC  
373 over the period 2015-2018, and WEC's public dividend payment after the  
374 Transaction. On page 1 of my Redacted City/CUB Exhibit 4.1, I also estimated the  
375 annual debt service cost on the \$1.5 billion of acquisition debt. In estimating the debt  
376 service cost on the acquisition debt, I assumed a 15-year amortization of the  
377 acquisition debt cost at a weighted average interest rate of around 4%.<sup>15</sup>

378 As shown on this exhibit, WEC's planned public dividend payments from utility  
379 subsidiaries up to WEC may not be adequate both to pay the forecasted public  
380 dividend payments and to service the acquisition debt based on the 15-year  
381 amortization schedule. This exhibit demonstrates that the proposed Transaction will  
382 create some incentive for WEC to maximize the cash withdrawal from its utility  
383 subsidiaries in order to service the significant increase in debt at the parent company  
384 level, and to pay its public dividends.

385 **Q DOES THE NEED TO WITHDRAW DIVIDENDS FROM THE UTILITIES IMPACT**  
386 **THE UTILITIES' ABILITY TO FUND CAPITAL EXPENDITURES?**

387 **A** Yes. Utilities can fund capital expenditures with internal sources of cash, and  
388 external borrowings. Utilities' external borrowings are largely limited to external debt  
389 markets. However, WEC can make equity infusions in the company, if it has the  
390 funds available. Dividend payments to WEC from a utility will reduce the amount of  
391 internal funds that remain in the utility and that are available to fund utility  
392 infrastructure investments. As such, if WEC requires the utility to increase the

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<sup>15</sup>The weighted interest rate is about \$1.35 billion of long-term debt at 4.4%, and \$200 million at a short-term interest rate estimated to be 2%.

393 amount of dividend payments up to WEC so it can service its own public dividends  
394 and acquisition-related debt, then the amount of internal cash available to the utilities  
395 to support their own capital investment programs will be reduced.

396 For example, pressures from the corporate parent to maintain cash flow to  
397 cover the acquisition debt could affect PGL's AMRP work. Since the Joint Applicants'  
398 proposed infrastructure commitment for PGL, to "maintain [PGL's] current accelerated  
399 main replacement program (AMRP)," is not defined by specific investment amounts,  
400 that commitment might not protect the continuity of the program. Therefore, the  
401 amount of dividends utilities would be expected to pay up to WEC to enable the  
402 parent to meet its public dividend payments, and its other financial obligations is a  
403 factor the Commission must consider in determining whether the reorganization can  
404 be or should be approved. Again, WEC's only source of cash is from dividend  
405 payments or borrowings from its utility affiliates.

406 **Q DO THE PROJECTIONS MADE BY WEC REFLECT A NORMAL LEVEL OF**  
407 **UTILITY DIVIDEND PAYMENTS?**

408 A WEC's projections suggest an increase in the percentage of utility earnings paid out  
409 as dividends to WEC over the forecast period, compared to before the merger.

410 **Q PLEASE DESCRIBE THE IMPACT ON THE PROJECTED DIVIDEND PAYOUT**  
411 **RATIO OF THE UTILITY SUBSIDIARIES AFTER THE MERGER.**

412 A As shown on page 2 of this exhibit, the significant amount of funding necessary to  
413 pay dividends and pay the acquisition debt may have a significant impact on retaining  
414 internal funds for the utility companies, particularly for Wisconsin Electric Power  
415 Company ("WEPCo").

416 As shown on page 2 of Redacted City/CUB Exhibit 4.1, over this same time  
417 period, WEPCo forecasts suggest WEPCo will pay out more than \*\*\*[REDACTED]\*\*\* of its  
418 earnings to WEC as dividends over this time period, approximately \*\*\*[REDACTED]\*\*\* of  
419 earnings will be paid out as dividends by PGL, NS and Wisconsin Public Service  
420 Corp., and approximately \*\*\*[REDACTED]\*\*\* of earnings will be paid out by Wisconsin Gas.

421 In total, WEC's projections show that utility subsidiaries pay out 89% of utility  
422 earnings up to WEC as dividend payments. Aside from the ratepayer funds collected  
423 through PGL's infrastructure rider QIP, only a reduced fraction of PGL's retained  
424 earnings or new debt (with consequences noted earlier) will be available to support  
425 the most costly investment program in PGL's history.

426 **Q HAVE THE CREDIT RATING AGENCY REPORTS ON WEC NOTED THE**  
427 **INCREASED LEVERAGE NECESSARY TO SATISFY THE ACQUISITION DEBT**  
428 **AND GIVEN AN ASSESSMENT OF THE PROPOSED ACQUISITION ON WEC'S**  
429 **CREDIT STANDING?**

430 **A** Yes, Standard & Poor's, Moody's and Fitch have all noted the increased financial  
431 obligation being taken on by WEC as a result of the acquisition. They also recognize  
432 that WEC's only source of cash will be its utility subsidiaries. However, the Wisconsin  
433 utility subsidiaries are recognized to have regulatory insulation that limits the amount  
434 of dividends that the utilities can pay up to WEC in order to satisfy this acquisition  
435 debt obligation. This Public Service Commission of Wisconsin ("Wisconsin  
436 commission") protection of ratepayer and service quality in that state will undoubtedly  
437 result in pressure to increase the amount of cash withdrawn from non-Wisconsin  
438 utilities as a result of the acquisition. The Wisconsin commission has the authority, as  
439 I understand it, to restrict Wisconsin utilities from payments of dividends, or moving

440 other cash up to their parent companies unless commission-prescribed common  
441 equity ratio and other financial metrics are satisfied. As such, the Wisconsin  
442 commission can limit the movement of cash from the utility to its parent company.

443 What this means is if the projected level of dividend payments from utility  
444 affiliates is not adequate to meet WEC's cash flow financial obligations, then WEC  
445 may be limited in the amount of cash flow it can withdraw from Wisconsin utilities, and  
446 therefore WEC may be under more financial pressure to further increase the amount  
447 of cash flows it pulls out of non-Wisconsin utilities. Pulling out more cash out of a  
448 utility company will limit the utility's internal cash flow available to fund its capital  
449 programs and to meet its own financial obligations.

450 The significance of WEC's financial obligations, and the potential impact on  
451 utility affiliates are also recognized by Standard & Poor's.

452 Specifically, Standard & Poor's stated as follows:

453 The negative outlook on WEC, Integrys, PGL&C, and NSG  
454 reflects the potential negative effect on WEC's consolidated  
455 financial measures of the company's announced \$9.1 billion  
456 acquisition of Integrys. We expect that the incremental debt  
457 associated with this transaction will weaken WEC's financial  
458 measures. Therefore, we believe that the company's  
459 consolidated financial risk profile could fall toward the lower  
460 end of our "significant" financial risk profile category, leaving  
461 little room for underperformance relative to our forecast.<sup>16</sup>

462 Moody's stated as follows:

463 The negative outlook reflects the increase in WEC's holding  
464 company debt compared to the consolidated indebtedness  
465 which will hover around 20% for a sustained period of time. It  
466 further considers the introduction of integration risk given  
467 WEC's limited acquisition experience and lack of track-record  
468 in operating under the Illinois regulatory environment. WEC's

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<sup>16</sup>*Standard & Poor's RatingsDirect*. "Research Update: Wisconsin Energy And Integrys Ratings Affirmed On Announced Merger; Certain Outlooks Revised To Negative From Stable," June 23, 2014.

469 negative outlook considers the expected deterioration in WEC's  
470 consolidated key credit metrics.<sup>17</sup>

471 Fitch stated as follows:

472 KEY RATING DRIVERS

473 Increasing Leverage: The proposed acquisition results in a  
474 meaningful increase in consolidated leverage compared to  
475 WEC's current and projected pre-acquisition financial position.  
476 This is primarily driven by the combination of \$1.5 billion of  
477 acquisition debt to be issued by WEC and a delay in  
478 management's previous plan to reduce existing parent debt.  
479 Fitch estimates WEC's pro-forma holdco debt to increase to  
480 approximately 30% of total consolidated debt from 16%  
481 pre-acquisition. Management has indicated they intend on  
482 reducing parent debt over time but has not established specific  
483 targets.<sup>18</sup>

484 **Q DID THE JOINT APPLICANTS RECOGNIZE THE INCREASED DEBT RESULTING**  
485 **FROM THE PROPOSED TRANSACTION IN ITS FILING?**

486 A Yes. At pages 6 and 7 of Mr. Scott Lauber's Supplemental Direct Testimony (Joint  
487 Applicants Ex. 5.0), he states that Wisconsin Energy Holding Company's debt will  
488 increase from \$817 million at year-end 2013, up to \$2.3 billion by year-end 2015. He  
489 states that this level of debt will increase from 15.6% of consolidated debt at year-end  
490 2013 up to 20.8% of consolidated debt by year-end 2015. After the combination, the  
491 amount of acquisition debt included at the parent company level will result in parent  
492 company debt equal to approximately 31.3% of total consolidated company debt at  
493 year-end 2015.

494 By any reasonable measure, the proposed financing structure will significantly  
495 increase the amount of debt at the parent company level. WEC's ability to service

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<sup>17</sup>*Moody's Investors Service*: "Rating Action: Moody's changes WEC's rating outlook to negative following acquisition announcement; places Integrys on review for upgrade after revealing plans to divest its retail business," June 23, 2014.

<sup>18</sup>*Fitch Ratings*: "Fitch Places WEC's Ratings on Negative Watch Following Acquisition Announcement," June 24, 2014 at 1.

496 that debt will depend on cash flows from the utilities. However, the rating agencies  
497 recognize that those cash flows are critical, with little margin for under-performing  
498 projections and at further risk because WEC has never taken on a reorganization of  
499 this magnitude, one that depends heavily on success in a new regulatory  
500 environment. Therefore, there is a near-certainty that this planned level of parent  
501 company debt will increase the utility companies' dividend payment obligations (as  
502 the Joint Applicants themselves forecast). In addition, the financial pressures on the  
503 utilities from the reorganization may restrict the amount of internal cash flow available  
504 to the utility companies to support utility capital investments.

505 **Q ARE THE JOINT APPLICANTS PROPOSING ANY RING-FENCE PROVISIONS TO**  
506 **ENSURE THAT UTILITY CASH FLOWS WILL BE USED FOR UTILITY CASH**  
507 **PURPOSES FIRST, BEFORE MOVING CASH UP TO THE PARENT COMPANY**  
508 **LEVEL TO SATISFY ITS FINANCIAL OBLIGATIONS INCLUDING THE PARENT**  
509 **COMPANY DEBT?**

510 A No. Mr. Lauber continues at page 7 of his Supplemental Direct Testimony stating  
511 that the Joint Applicants do not believe any ring-fence protections are necessary in  
512 order to protect PGL and NS from moving cash up to the parent company level to  
513 support its financial obligations.

514 **Q DO YOU BELIEVE IT IS REASONABLE NOT TO HAVE ANY RING-FENCE**  
515 **PROTECTIONS TO ENSURE THAT PGL/NS ARE ABLE TO FUND THEIR**  
516 **PLANNED CAPITAL IMPROVEMENT OF THE ILLINOIS UTILITIES?**

517 A No. The Joint Applicants should make a firm commitment or guarantee that PGL can  
518 fund its qualifying QIP improvements at a level defined by the Commission before

519 PGL makes dividend payments up to WEC. NS should also have the assurance that  
520 it will be able to fund its proposed capital improvement program, particularly those  
521 expenditures necessary for public safety and to improve service reliability, before it is  
522 asked to pay dividends to WEC. This commitment will provide assurance that the  
523 Joint Applicants are supporting PGL's and NS's ability to fund capital programs  
524 needed to enhance the safety of their distribution systems, and to improve system  
525 reliability ahead of funding the acquisition-related debt created by this proposed  
526 merger. In this respect, there is no reason that Illinois' utilities and ratepayers should  
527 have less protection from the effects of the proposed acquisition than utilities and  
528 ratepayers under the jurisdiction of the Wisconsin commission.

529 WEC should make a commitment, and propose enforceable ring-fence  
530 restrictions that limit its ability to require PGL/NS to make dividend payments, or any  
531 other cash transfer to WEC before its planned AMRP budgets are fully funded, and  
532 PGL/NS are able to achieve their goal of making AMRP investments, and improving  
533 the safety and reliability of their delivery service infrastructure.

534 The benefits of the AMRP are not only to improve system reliability, but to also  
535 improve the safety of PGL's and NS's delivery system.<sup>19</sup> Because of the reliability  
536 and safety public benefits created through the AMRP, the Joint Applicants should  
537 make a commitment that funding for this delivery system modernization will be made  
538 before PGL and/or NS will make larger dividend payments up to their parent  
539 company.

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<sup>19</sup>Joint Applicants Ex. 4.0 REV. at 8:163-164.

540 Q DID YOU PERFORM A VALUATION OF THE COMMITMENTS AND CLAIMED  
541 BENEFITS THE JOINT APPLICANTS OFFERED AS SUPPORT FOR THE  
542 PROPOSED REORGANIZATION?

543 A No. A review of the available specifics respecting the Joint Applicants' commitments  
544 and the benefits they describe for PGL/NS ratepayers revealed that the proposals  
545 lack the certainty, and specific and quantifiable effects that would permit realistic  
546 valuations. The Joint Applicants' commitments are highly conditioned or contingent,  
547 and most lack enough specifics to be objectively evaluated and valued. Several of  
548 the Joint Applicants' main commitments were mentioned in my discussion of the  
549 financial concerns raised by the reorganization and illustrate the problem. The Joint  
550 Applicants' proposed rate case moratorium commitment is heavily conditioned, with  
551 multiple off-ramps for the utilities. Joint Applicants Ex. 1.0 at 19. In addition to a  
552 financial integrity waiver, the Joint Applicants insist on continuation of all its current  
553 revenue assurance riders. Changes in any of those riders, from any source,  
554 apparently would terminate the commitment.

555 Similarly, the commitment to maintain AMRP is conditioned on continuation of  
556 Rider QIP, which assures recovery of qualified infrastructure investments but requires  
557 no minimum annual investment. The Joint Applicant's investment commitment is not  
558 quantified, and it lacks any metric for assessing or enforcing compliance, if pressure  
559 for dividend increases reduces annual AMRP investment. Finally, I note that the  
560 commitment not to seek rate recovery of reorganization costs is narrowly defined -- to  
561 distinguish (non-recoverable) transaction costs from (recoverable) transition costs.  
562 The result is that the risk that reorganization will not yield savings is shifted to  
563 ratepayers.

564 **Q ARE THE BENEFITS TO RATEPAYERS MORE CERTAIN OR QUANTIFIABLE**  
565 **THAN THE VALUE OF THE JOINT APPLICANTS' COMMITMENTS?**

566 A No they are not. The Joint Applicants have not identified any quantifiable ratepayer  
567 benefits. Their testimony on claimed ratepayer benefits describes possibilities and  
568 opportunities that may or may not yield benefits, years in the future. The described  
569 benefits are not specific, quantifiable, or useful as standards the utilities must meet.  
570 The Joint Applicants emphasize that the acquiring firm's improved financial position  
571 may enable PGL "to complete more of its planned investment program using  
572 internally generated cash flow than it would absent the Transaction." Joint Applicants  
573 Ex. 3.0 at 30. But the Joint Applicants were unable to explain how (through what  
574 mechanism) the utilities and their ratepayers could benefit from WEC's finances,  
575 when the utilities will continue to issue their own debt, and there are no planned  
576 equity infusions. DRR City 2.26, 2.21, 2.22, 7.03, and 2.23.

577 The proposed commitments and claimed ratepayer benefits lack certainty,  
578 verifiable specifics, and quantifiable value. Without metrics for assessing  
579 commitment compliance or ratepayer benefits and without meaningful enforcement  
580 provisions, the proposed inducements have dubious value for ratepayers.

581 **Q IF THE COMMISSION APPROVES THE REORGANIZATION PROPOSAL, ARE**  
582 **THERE ANY TERMS YOU RECOMMEND THAT THE COMMISSION SHOULD**  
583 **ORDER AS CONDITIONS TO THE REORGANIZATION?**

584 A Yes. As a condition of the reorganization, I recommend the Commission impose the  
585 following commitments or restrictions:

586 1. PGL/NS must agree to a five-year base rate freeze, subject to financial waiver as  
587 described above.

588 2. The Joint Applicants should accept ring-fence provisions that ensure that PGL  
589 and NS fund their AMRP on a timely basis consistent with their original proposed  
590 plan in this proceeding, before dividend payments are made up to WEC. Failure  
591 to accomplish this should result in financial penalties to PGL and NS. The Joint  
592 Applicants should commit to foregoing recovery of any transaction integration cost  
593 or implementation cost. This should include severance packages and bonuses to  
594 executives and employees, restructuring charges, cost to complete the  
595 transaction, employee reductions and relocations, coordination of information  
596 technology ("IT") systems, and any and all transaction costs between WEC and  
597 Integrys shareholders.

598 Failure to comply with these terms should result in measurable and verifiable  
599 penalties to the Joint Applicants (via PGL and NS) including failure to include  
600 executive compensation in rates, and adjustments to authorized return on equity  
601 sufficient to send an appropriate signal to the executives and shareholders without  
602 distorting the financial integrity of the utility.

603 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

604 **A** Yes, it does.

**Qualifications of Michael P. Gorman**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,  
3         Chesterfield, MO 63017.

4    **Q     PLEASE STATE YOUR OCCUPATION.**

5    A     I am a consultant in the field of public utility regulation and a Managing Principal with  
6         Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7    **Q     PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK**  
8         **EXPERIENCE.**

9    A     In 1983 I received a Bachelors of Science Degree in Electrical Engineering from  
10         Southern Illinois University, and in 1986, I received a Masters Degree in Business  
11         Administration with a concentration in Finance from the University of Illinois at  
12         Springfield. I have also completed several graduate level economics courses.

13                 In August of 1983, I accepted an analyst position with the Illinois Commerce  
14         Commission ("ICC"). In this position, I performed a variety of analyses for both formal  
15         and informal investigations before the ICC, including: marginal cost of energy, central  
16         dispatch, avoided cost of energy, annual system production costs, and working  
17         capital. In October of 1986, I was promoted to the position of Senior Analyst. In this  
18         position, I assumed the additional responsibilities of technical leader on projects, and  
19         my areas of responsibility were expanded to include utility financial modeling and  
20         financial analyses.

21           In 1987, I was promoted to Director of the Financial Analysis Department. In  
22 this position, I was responsible for all financial analyses conducted by the Staff.  
23 Among other things, I conducted analyses and sponsored testimony before the ICC  
24 on rate of return, financial integrity, financial modeling and related issues. I also  
25 supervised the development of all Staff analyses and testimony on these same  
26 issues. In addition, I supervised the Staff's review and recommendations to the  
27 Commission concerning utility plans to issue debt and equity securities.

28           In August of 1989, I accepted a position with Merrill-Lynch as a financial  
29 consultant. After receiving all required securities licenses, I worked with individual  
30 investors and small businesses in evaluating and selecting investments suitable to  
31 their requirements.

32           In September of 1990, I accepted a position with Drazen-Brubaker &  
33 Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc. was  
34 formed. It includes most of the former DBA principals and Staff. Since 1990, I have  
35 performed various analyses and sponsored testimony on cost of capital, cost/benefits  
36 of utility mergers and acquisitions, utility reorganizations, level of operating expenses  
37 and rate base, cost of service studies, and analyses relating to industrial jobs and  
38 economic development. I also participated in a study used to revise the financial  
39 policy for the municipal utility in Kansas City, Kansas.

40           At BAI, I also have extensive experience working with large energy users to  
41 distribute and critically evaluate responses to requests for proposals ("RFPs") for  
42 electric, steam, and gas energy supply from competitive energy suppliers. These  
43 analyses include the evaluation of gas supply and delivery charges, cogeneration  
44 and/or combined cycle unit feasibility studies, and the evaluation of third-party

45 asset/supply management agreements. I have participated in rate cases on rate  
46 design and class cost of service for electric, natural gas, water and wastewater  
47 utilities. I have also analyzed commodity pricing indices and forward pricing methods  
48 for third party supply agreements, and have also conducted regional electric market  
49 price forecasts.

50 In addition to our main office in St. Louis, the firm also has branch offices in  
51 Phoenix, Arizona and Corpus Christi, Texas.

52 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

53 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of  
54 service and other issues before the Federal Energy Regulatory Commission and  
55 numerous state regulatory commissions including: Arkansas, Arizona, California,  
56 Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas,  
57 Louisiana, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, North  
58 Carolina, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah,  
59 Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before the  
60 provincial regulatory boards in Alberta and Nova Scotia, Canada. I have also spon-  
61 sored testimony before the Board of Public Utilities in Kansas City, Kansas;  
62 presented rate setting position reports to the regulatory board of the municipal utility  
63 in Austin, Texas, and Salt River Project, Arizona, on behalf of industrial customers;  
64 and negotiated rate disputes for industrial customers of the Municipal Electric  
65 Authority of Georgia in the LaGrange, Georgia district.

66 Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR  
67 ORGANIZATIONS TO WHICH YOU BELONG.

68 A I earned the designation of Chartered Financial Analyst (“CFA”) from the CFA  
69 Institute. The CFA charter was awarded after successfully completing three  
70 examinations which covered the subject areas of financial accounting, economics,  
71 fixed income and equity valuation and professional and ethical conduct. I am a  
72 member of the CFA Institute’s Financial Analyst Society.

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