

ICC Docket No. 14-0496
Joint Applicants' Response to
City of Chicago's Data Requests 10.01-10.61
Dated: December 31, 2014

REQUEST NO. 10.17:

Please refer to the Rebuttal Testimony of Mr. Allen Leverett, JA Ex. 6.0, at lines 513-518: Is it the JA's position that the protection of the interests of the utilities and their customers in a reorganization cannot require improvement of deficiencies the Commission finds in a utility's existing operations?

RESPONSE:

The Joint Applicants object to this data request to the extent it calls for legal opinion or discovery of legal theories. Further, the Joint Applicants object to this data request as overbroad and ambiguous because the terms "protection of the interests" and "improvement of deficiencies" are not defined in the context of this data request. Notwithstanding the foregoing objections or the Joint Applicants' General Objections, the Joint Applicants respond to this data request as follows:

As a factual matter, the Joint Applicants state that "protection of the interests" of utilities and their customers means preventing harm, diminishment or other adverse effects from occurring to those interests, and in this context, "protection" thus does not mean requiring that the position of those parties be improved. In this context, therefore, "improvement of deficiencies" would be above and beyond what is required for the protection of interests.

ICC Docket No. 14-0496
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Dated: December 31, 2014

REQUEST NO. 10.55:

Please refer to the Rebuttal Testimony of Mr. Reed, JA Ex. 8.0, at line 62: Did Mr. Reed's understanding of the Commission review process take into account the provisions of PUA Section 7-204(f)? Is it the JA's position that utilities may reorganize at will as long as there is "no net harm"? If yes, over what period is "net harm" assessed? Is it Mr. Reed's understanding that utilities may reorganize at will as long as there is "no net harm"? If yes, over what period is "net harm" to be assessed?

RESPONSE:

The Joint Applicants object to this data request to the extent it calls for legal opinion or discovery of legal theories. Notwithstanding the foregoing objections or the Joint Applicants' General Objections, the Joint Applicants respond to this data request as follows:

As discussed in Mr. Reed's direct testimony starting on line 531, "[t]he Commission reviews proposed "reorganizations" by public utilities in Illinois under Section 7-204 of the Public Utilities Act" which includes Section 7-204(a) through Section 7-204(f).

It is Mr. Reed's understanding that the Illinois standard of review for proposed reorganizations is "no net harm". As stated in Section 7-204(b), "[t]he Commission shall not approve any proposed reorganization if the Commission finds... that the reorganization will adversely affect the utility's ability to perform its duties under this Act." See 220 ILCS 5/7-204. Put in the positive, the Commission shall approve a reorganization if it finds that the reorganization will not adversely affect the utility's ability to perform its duties under the Public Utilities Act. Specifically, the reorganization must satisfy seven specific requirements outlined in Section 7-204(b). The proposed reorganization satisfies the requirements of Section 7-204 and as such should be approved. See Mr. Reed's direct testimony starting at line 824.

As discussed in Mr. Reed's direct testimony, the proposed merger will create both immediate and long-term benefits to customers, shareholders and the public. Mr. Reed's assessment of "no net harm" took into consideration likely conditions of the utilities and the customers before, immediately after and long after the merger. The existence of "net harm", or the lack thereof, should be assessed over the longest period for which impacts can be reasonably identified and quantified. It is important to note that when assessing the longer term, one must consider a myriad of relevant facts. For example, it would not be appropriate to assume that all changes post-reorganization are solely attributable to the reorganization.