

ICC Docket No. 14-0496

Joint Applicants' Response to I.C.C. DOCKET NO. 14-0496

Illinois Attorney General's Data Requests AG 16.01-16.03 AG Exhibit No. 9

Dated: February 10, 2015

Witness ReedDate 2-19-15 Reporter CC**REQUEST NO. AG 16.01:**

Ref: JA Response to City of Chicago Data Request 10.55 ("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.").

- (a) What is the "longest period" for which impacts of the proposed reorganization can be reasonably identified and quantified?
- (b) What discount rate should be applied to future costs and benefits for calculating the net harm or benefit referenced in the above-quoted discovery response and in Mr. Reed's rebuttal testimony, JA Ex. 8.0, at 3:62-4:73?
- (c) Please list, by year, all reasonably identified and quantified benefits and harms that the Joint Applicants believe will result from the proposed reorganization over the "longest period" referenced in part (a), along with a discounted value or other calculation (using the discount rate referenced in part (b)), showing net harm or net benefit over that "longest period." Please provide footnoted citations or justifications for each benefit or harm item shown. Please provide a working Excel spreadsheet version of any discounted value analysis.

RESPONSE:

- (a) As discussed on page 34 of Mr. Reed's direct testimony, the reorganization is likely to generate net savings of three to five percent of non-fuel O&M expenses of the combined company after a five to ten year ramp up period relative to what non-fuel O&M for the Companies would have been absent the reorganization. As such, it is reasonable and appropriate to assess the existence of net harm or no net harm over a period of at least five to ten years. Beyond 10 years, it is difficult to isolate, identify and quantify the merger effects from other effects.
- (b) As explained on page 35 of Mr. Reed's direct testimony, neither the Companies nor Mr. Reed have conducted a detailed analysis of the potential merger savings specific to the merger of WEC and Integrys. Mr. Reed has provided an estimate of merger savings, net of the transition-related costs to achieve those savings, in Chart 3 of his direct testimony. Mr. Reed believes that the merger costs and benefits could be evaluated using either of the Company's cost of capital or the customers' cost of capital, or both.
- (c) Please see response to Request No. AG 16.01(b). As discussed in that response, neither the Companies nor Mr. Reed have conducted an analysis of

the benefits that are likely to be achieved for this merger, so, therefore, the requested information is not available.