Exhibit No. ___ -T (KMF-1T)
Docket No. UT-050814
Witness: Kathleen M. Folsom
REDACTED VERSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of VERIZON COMMUNICATIONS INC. and MCI, INC. For Approval of Agreement and Plan of Merger	DOCKET NO. UT-050814

TESTIMONY OF

KATHLEEN M. FOLSOM

STAFF OF
WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

September 9, 2005

REDACTED VERSION

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kathleen M. Folsom, and my business address is 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia, Washington 98504-7250. My business e-mail address is kfolsom@wutc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as a Senior Regulatory Telecommunications Analyst. My participation in this case is on behalf of the Commission's Staff (Staff).

Q. What are your education and experience qualifications?

A. I hold a Bachelor of Arts degree in Business Administration from Washington State University. I also hold an MBA, with a concentration in Finance, from Portland State University.

In April 1988, I began my career with the Commission, including providing expert testimony on issues related to the establishment of an authorized rate of return for GTE Northwest Incorporated (GTE-NW) in Docket No. UT-931591 and U S West Communications, Inc. in Docket No.

UT-950200. I have submitted testimony on issues related to transfers of property and merger issues regarding GTE Corporation and Bell Atlantic Corporation in Docket No. UT-981367 and regarding U S WEST Inc. and Qwest Communications International Inc. in Docket No. UT-991358. Additionally, I was the lead staff in the review of the proposed merger of Portland General Electric Co. and Northwest Natural Gas Company, in Docket No. UG-011607. I also provided expert testimony in the review of the sale of Qwest Dex in Docket No. UT-021120. I was the lead staff on Verizon Northwest Inc.'s general rate increase request and provided testimony in response to the Company's petition for $29.7 million in interim rate relief, Docket No. UT-040788.

In my capacity as a Regulatory Analyst, I have presented recommendations to the Commission on numerous security, affiliated interest, and transfer of property applications by various utilities.

II. SCOPE OF TESTIMONY

Q. What is the scope of your testimony in this case?

A. I provide testimony in response to Verizon Communications Inc.'s (Verizon) and MCI, Inc.'s (MCI) (collectively Applicants or Companies) joint application for approval of a transaction that will result in MCI becoming a wholly-owned subsidiary of Verizon. I discuss the following subjects in my testimony:

a. The evidence Verizon and MCI have provided related to the financial impact of the proposed merger.
b. An estimate of the merger-related cost savings and revenue enhancements ("synergies") that are likely to flow to Verizon's Washington intrastate operations.

III. RECOMMENDATIONS

Q. What is your recommendation as to the financial impacts of the proposed merger?

A. It does not appear likely, based on my review of broad financial indictors, that the merger will be harmful to the financial health of the Companies. It is my recommendation, however, that if the debt rating of Verizon is downgraded specifically as a result of the merger, an adjustment in the calculation of the cost of debt should be made for ratemaking purposes to remove the effect of the downgrade on Verizon NW.

Q. What is your estimation of the appropriate portion of the predicted synergies that should flow to Verizon Washington intrastate operations?

A. The minimum Net Present Value (NPV) of savings that should flow to Washington intrastate operations is [redacted], attributable to net revenue synergies, and [redacted], attributable to net expense cost savings, for a total of [redacted] as shown on page 1 of my highly confidential Exhibit No. ___ HC (KMF-2HC). I have estimated that the NPV of synergies attributable to Washington may be at least [redacted] if the synergy allocation process is extended into the years [redacted]. *See page 2 of my highly confidential Exhibit No. ___ HC (KMF-2HC).*

IV. FINANCIAL ISSUES

Q. What was the scope of your examination related to financial issues?

A. The Applicants generally did not pre-file testimony regarding the effect of the proposed merger on the surviving company's financial standing, such as its future creditworthiness or bond ratings. Consequently, I examined a number of publicly available documents including Verizon's Form S-4 Registration Statement filed with the Securities and Exchange Commission

(SEC), bond rating announcements, and financial statements. I reviewed financial indices as they concern the proposed merged company including rate of return, coverage ratios, and any immediate demands for new financing. Finally, I read and studied the material contained in the responses to Staff and Public Counsel Data Requests.

Post-Merger Organization

Q. What is the relationship between the WUTC-regulated subsidiaries of Verizon and MCI and their parent companies?

A. All of the WUTC-regulated subsidiaries of Verizon and MCI will be owned by a common parent, Verizon Communications Inc. Verizon Northwest Inc., Bell Atlantic Communications Inc. d/b/a Verizon Long Distance, Verizon Avenue Corp., and Verizon Select Services Inc. are subsidiaries of Verizon authorized to do business in the state of Washington. MCImetro Access Transmission Services LLC, MCI WorldCom Communications, Inc. (to be renamed MCI Communications Services, Inc.), MCI WorldCom Network Services, Inc. (to be renamed MCI Network Services, Inc.), Teleconnect Long Distance Services and Systems Co., and TTI National, Inc. are subsidiaries of MCI authorized to do business in the state of Washington.

Q. Has Verizon provided any information regarding its plans (post-merger) for services to be provided to MCI or MCI's WUTC-regulated subsidiaries?

A. Generally, in response to Staff data requests, Verizon has stated that it has not engaged in planning for post-merger activities. However, in response to Staff Data Request No. 62, Verizon indicated that Verizon Communications Inc. (parent company) would likely be the issuer of any future common stock offerings and that Verizon Global Funding Corp. (affiliate company) would likely be the issuer of any debt offerings for all affiliates of the merged company (including those MCI entities registered in Washington). This is consistent with Verizon's current practice with regard to Verizon NW's capital needs. Verizon NW does not issue debt in its own name; instead its capital needs are met through intra-company transactions with Verizon affiliates.

Q. How is the merger to be effectuated?

A. As described in the Agreement and Plan of Merger (Exhibit A of the Petition), MCI will merge into ELI Acquisition, LLC, which is wholly-owned by Verizon and was created solely to facilitate the transaction. ELI Acquisition, LLC will be the surviving company in the merger, and Verizon will be its parent corporation after the merger. Verizon intends to rename ELI Acquisition, LLC "MCI, LLC."

Q. Did the Companies provide a post-merger corporate organization chart?

A. No. In response to Staff Data Request No. 51, the Companies stated that an organization chart for the post-acquisition company had not yet been finalized. Instead, the current organization chart was provided for both companies. Verizon indicated that "the only change presently anticipated by the transaction is the addition of ELI Acquisition, LLC (which Verizon intends to rename MCI, LLC) as a second-tier subsidiary of Verizon Communications Inc. (like GTE and NYNEX Corporations) and into which MCI, Inc. will be merged."

Q. Did Staff create an organization chart based on the response to Staff Data Request No. 51?

A. Yes. An organization chart depicting the post-merger company is my Exhibit No. ___ (KMF-3).

Q. What evidence does Staff have regarding how the WUTC-regulated subsidiaries of Verizon and MCI will operate in Washington post-merger?

A. In its response to Public Counsel Data Request No. 131, Verizon described savings and synergies created through the utilization of MCI network facilities, through the bundling of Verizon and MCI products and services, and through headcount reductions largely at MCI which will enable the new firm to provide shared services such as finance, legal, and human resources more efficiently.

Verizon intends to move a large share of its long-distance traffic onto under-utilized portions of MCI's existing facilities. Verizon will also avoid the costs that it would have incurred to build out its own long distance and out-of-region network by using the post-merger company's combined network.

Additionally, the post-merger company will be able to sell a bundle of services to all of its customers that include inputs from both companies. For example, Verizon's wireless services may be sold as part of a bundle of services to MCI's existing customer base and MCI's services currently offered to its large enterprise customers may be sold as part of a bundle of services to Verizon's existing smaller business customers.

Q. Is it Staff's understanding that MCI and Verizon will remain completely independent entities post-merger?

A. No. The Applicants' petition states "Until the transaction is completed, both corporations will continue to operate as independent entities." However, it appears that post-merger there will be combined product lines, joint use of networks, and that general administrative functions will be performed on behalf of both companies at the surviving parent company level.

Verizon and MCI Credit Ratings

Q. Why is it important to analyze the credit ratings of the companies in anticipation of the merger?

A. Credit ratings provide an indication of what independent analysts believe will be the effect of the merger on the merged company's general creditworthiness based on risk factors. Credit ratings allow investors to easily differentiate credit quality with respect to a specific financial obligation. A lower credit rating could result in an incrementally higher cost of debt.

Q. What are Verizon and MCI's current ratings from Moody's and S&P?

A. The current Moody's and S&P bond ratings for Verizon and MCI were provided in response to Staff Data Request No. 57 and are shown in my Exhibit No. ___ (KMF-4). Generally, Verizon is rated in the "A" range and MCI in the "B" range.

On February 14, 2005, S&P placed the debt of Verizon Communications Inc. and the debt of Verizon Communications Inc.'s affiliates on "CreditWatch," with "negative implications." The ratings of MCI were placed on CreditWatch with "positive implications." At the same time, Moody's took similar action, placing the ratings of Verizon "on review" for possible downgrade and the ratings of MCI on review for possible upgrade.

Q. Please explain the significance of maintaining "A" ratings from S&P and Moody's.

A. According to S&P's rating definitions, this means Verizon's "capacity to meet its financial commitment on the obligation is very strong." Moody's rating definitions provide that "Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. Obligations rated A are considered upper-medium grade and are subject to low credit risk."

Q. Please describe the conditions for the CreditWatch issued by S&P.

A. S&P cites the potential for weaker financial parameters at Verizon. S&P recognizes that the initial financial impact on Verizon will not be significant given MCI's large cash position and the relative size of the companies. Even if a downgrade occurs, Verizon's long-term credit rating (A+) would not fall lower than "A".

The positive CreditWatch listing for MCI reflects the company's potential acquisition by a much more creditworthy company. S&P further states that "in resolving the CreditWatch listings, Standard & Poor's will examine how the MCI purchase alters Verizon's strategy to expand its enterprise and international segments, as well as the likelihood for and magnitude of operating synergies."

Q. Please describe the conditions for Moody's placing the ratings of Verizon and MCI "on review."

A. The review for possible downgrade of Verizon is largely related to the expected level of investment needed by Verizon to achieve the synergies produced by the merger. Moody's states that if it "determines that the synergies will materialize as expected, there is a high likelihood that Verizon's ratings would be confirmed."

Moody's believes that the proposed merger will benefit MCI from an operational standpoint. Additionally MCI's debt could be improved by Verizon's acquisition of that company, either through a guarantee of the debt or from indirect Verizon support.

Q. Is it inevitable that a bond rating downgrade will occur once a CreditWatch or "rating on review" action has occurred?

A. No. CreditWatch or "rating on review" listings recognize the potential that future performance may differ from initial expectations. Ratings appear on CreditWatch when an event or deviation from an expected trend appears and additional information is necessary to evaluate the current rating. A CreditWatch listing does not mean that a ratings change is inevitable, and often a range of alternative ratings may be shown. Conversely, a rating change may occur without a prior CreditWatch listing. However, it is important to note that a lower bond rating is likely to result in an incrementally higher cost of debt to the issuer.

Q. How are ratepayers impacted by an increase in debt cost?

A. An increase in debt cost could be reflected in any future cost of capital calculation (and, therefore, rates) for Verizon Northwest.

Q. What is Staff's recommendation regarding an increase in debt cost arising as a result of the merger?

A. Post-merger debt costs to Washington ratepayers should not be higher than they otherwise would have been if the merger had not occurred. If the debt rating of Verizon is downgraded specifically as a result of the merger, Staff recommends that an adjustment in the calculation of the cost of debt be made for ratemaking purposes to remove the effect of the downgrade. Imposing this as a condition of the Commission's approval of the merger is a way of assuring that the merger meets the Commission's "no harm" standard.

Cash Flow

Q. Why is it important to analyze the cash flows of the Company?

A. A cash flow analysis provides a picture of the sources and uses of cash utilized by the Companies and offers useful predictive information, which is especially important when analyzing the resources a company has available to it to support its operations in the future.

Investors look to cash flow as key to a company's ability to pay dividends, cover interest and principal payments and so on. Cash flow data informs the investment community and others how much cash can be used for debt service or reveal a need for borrowing.

Q. What does the available information on cash flow indicate?

A. In response to Staff Data Request No. 63, the Companies stated "Verizon and MCI have not engaged in post-transaction planning, and, therefore, cannot provide a forecasted cash flow statement for the merged companies."

However, Staff was able to review the most recent cash flow statements for both Verizon and MCI, as well as information contained in the Form S-4 filed with the SEC, and believes that the net cash provided from operations appears to be sufficient for the merged Company to fund its construction, to repay its debt, and for other operating purposes.

Other Evidence of Financial Impacts of the Merger

Q. Did Staff investigate any significant changes in either Verizon or MCI's stock price since the merger was announced?

A. Yes. Staff was able to determine that there has not been a significant change in stock price for either company since the announcement of the merger. The response to Staff Data Request No. 59 shows that Verizon's stock price has decreased slightly since March 1, 2005, and MCI's stock price has increased slightly over the same time period.

Q. What does the change in stock price indicate?

A. Stock prices move in response to new public information. It appears that the market does not anticipate a negative impact on the value of the merged companies, as it relates to stock price.

Q. Did the Applicants provide testimony regarding the impact of the merger on Verizon's financial ratios and credit quality?

A. No. However, in response to Staff Data Request No. 58, Verizon provided studies that estimate the impact of the merger on various financial ratios assuming various scenarios.

Q. What impacts, if any, will occur as a result of the proposed merger?

A. After reviewing publicly available documents, including bond rating agency announcements, and the response to Staff Data Request No. 58, it appears that most financial ratios will change very little post-merger.

Q. What has Staff concluded regarding the merged company's financial standing?

A. Generally, the merger will not adversely affect Verizon's finances, including its ability to meet debt obligations and pay for operations and capital investments.

V. SAVINGS

Q. What are the benefits of the merger estimated by the Companies on a national level?

A. The Applicants, in documents filed with the FCC, including the Declaration of Stephen E. Smith[1] and the Public Interest Statement[2], have publicly stated that the acquisition will yield a Net Present Value (NPV) of approximately $7.0 billion in additional revenues and operational cost savings. In the revised response to Public Counsel Data Request No. 131, the Applicants updated the projected new revenues and costs savings to a NPV of approximately $7.3 billion.

Q. Please explain the operational cost savings from the merger.

A. The cost reductions will be achieved through the reduction of 7,000 jobs, the reduction of information technology costs, increasing the efficiency of using existing network capacity to migrate long distance business traffic, avoiding costs that Verizon would have incurred in building out its own networks,

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[1] WC Docket No. 05-75, Verizon/MCI FCC Merger Petition, Declaration of Stephen E. Smith, page 1.

[2] WC Docket No. 05-75, Verizon/MCI FCC Merger Petition, Public Interest Statement, page 15.

reducing procurement costs, and rationalizing the companies' real estate assets.

Q. Please describe the revenue enhancements claimed by the Applicants.

A. The Applicants assert that revenue enhancements will arise primarily from the ability to attract new customers at a faster rate and from providing an expanded bundle of products and services to all customers.

Q. Over what time period are the predicted savings and revenue enhancements expected to occur?

A. The savings and revenue enhancements that yield a NPV of $7.3 billion are projected to occur over at least the years [redacted] and [redacted]. The Companies' analysis shows at least [redacted] is predicted to occur during the period [redacted]. The remaining [redacted] is based on [redacted]. The majority of the costs to achieve those savings occur within the [redacted] after the merger. The largest savings occur in the [redacted].

Q. Please generally describe how the Applicants assigned savings and revenue enhancements to Verizon, MCI, or both companies.

A. As a first step, the Applicants reviewed each category of predicted revenue and cost savings to determine how those synergies should be assigned to either company or both. For example, if the cost savings or revenue enhancement category was determined to accrue to MCI operations or to benefit MCI operations exclusively, then 100 per cent of that category was assigned to MCI. As a result, [redacted] of the $7.3 billion NPV was assigned to Verizon. The remaining approximately [redacted] was assigned to MCI.

Q. Did the Companies provide a Washington state specific estimate of savings and revenue enhancements?

A. Yes, in part. In the revised response to Public Counsel Data Request No. 131, the Companies provided an analysis depicting the net synergies resulting from the acquisition of MCI that in their view were attributable to Verizon NW's intrastate regulated operations. The Companies excluded any synergies that they deemed solely to be attributable to MCI operations or to interstate or non-jurisdictional activities.

The Washington analysis estimates net synergies over the four-year period 2006 – 2009. The analysis began with the synergies and costs that were assigned to Verizon for those years, and that were used in calculating the [redacted] NPV assigned to Verizon. Verizon then subtracted transaction costs, such as legal and filing fees, and utilized allocations to assign cost and revenue synergies to Verizon NW – Washington, and then to the Washington intrastate jurisdiction. As a final step, the Verizon NW - Washington intrastate estimated synergies were converted into a NPV of income over four years using Verizon NW - Washington's cost of capital of 8.68 percent as a discount rate (the national model used [redacted] percent). The NPV of the annual synergies attributable to Verizon NW - Washington intrastate was estimated at [redacted] for net revenue synergies and [redacted] for net expense synergies.

Q. Does Staff have any concerns with the Companies' proposed Washington intrastate analysis?

A. Yes. Staff has several concerns.

- The analysis only presents the first four years of savings for Washington. In contrast, the national savings is forecasted to occur based on [redacted], with [redacted] ([redacted] out of $7.3 billion) occurring in the first [redacted] years after the merger. Verizon's failure to identify savings beyond the first four years is troubling because the majority of the costs (such as cost of sales, severance and integration costs, capital expenditures, and other recurring costs) to achieve the projected savings are incurred within the [redacted] years after the merger is completed.

- The Applicants' assignment of synergies between MCI and Verizon fails to recognize that after headcount reductions are achieved, the shifting of MCI work to the remaining employees will result in employee costs being spread over a broader spectrum of operations which should reduce the costs assigned to current Verizon subsidiaries, including Verizon NW.

Q. What has Staff estimated to be the minimum level of savings that should flow through to Washington intrastate operations?

A. The minimum NPV of savings that should flow to Washington intrastate operations is [redacted], attributable to net revenue synergies, and [redacted], attributable to net expense cost savings, for a total of [redacted] as shown on page 1 of my highly confidential Exhibit No. ___ HC (KMF-2HC). This is approximately [redacted] more than the Companies' analysis. This difference is explained by Staff's adjustments to the Companies' estimated savings from headcount reductions, network expense synergies, and merger transaction costs which I discuss below.

Q. Please describe the changes made by Staff to the Applicants' Washington analysis.

A. Staff's analysis began with Verizon's Washington predicted savings amount provided in the revised response to Public Counsel Data Request No. 131. Staff was able to make adjustments that were quantifiable by year in three areas - employee headcount reductions, network synergies, and transaction costs. Staff believes that its analysis is conservative given that the savings predicted on a national level for the years [redacted] were not quantified by the Companies at the Washington intrastate level and are likely to produce even greater savings.

Headcount Reduction

Q. Please describe the effect of employee headcount reduction on Verizon.

A. As part of the merger, the Applicants predict significant headcount reductions in the years 2006, 2007, and 2008. The Applicants assert that the majority of the savings stemming from headcount reductions should go to MCI because the bulk of the employees leaving are MCI employees, and Verizon employees will do the remaining work.

Q. Does Staff agree with this approach?

A. No. Post-merger MCI operations that are continued by the merged company will be performed by the remaining employees of the merged company. Therefore, post-merger MCI operations should be assigned a fair share of the cost of the work that will be picked up by Verizon employees. The reduction of 7,000 employees means that the remaining company's employee costs will be spread over more operations, which should result in less cost being assigned to Verizon NW and other Verizon entities.

The merger of Verizon and MCI will result in functions being shared and duplicative employee functions being eliminated. The savings from the reduction of duplicative employee functions should be spread pro-rata across MCI and Verizon based on existing employee headcounts. The effect of this adjustment results in nominal headcount savings on a Washington intrastate basis of [redacted] and is shown in my highly confidential Exhibit No. ___ HC (KMF-5HC).

Network Cost Savings

Q. Please describe Staff's adjustment in the area of network cost savings.

A. Verizon claims it will avoid network investment costs (avoided plant build-out) by using existing MCI facilities instead of building its own. Some of the costs Verizon predicts it will avoid are incurred under a construction program designed to construct out-of-franchise facilities for existing large Verizon customers. None of these savings were attributed to Verizon's regulated operations. To the extent that these costs are incurred by Verizon NW, they are allocated between the interstate and intrastate jurisdictions using Part 36, which generally assigns three-quarters of construction costs to the intrastate jurisdiction, regardless of how the resulting plant is used. Assigning these cost savings to Washington, and using Part 36 factors results in additional intrastate savings totaling approximately [redacted] over the

2006-2009 period. This adjustment is shown on line 19 of my highly confidential Exhibit No. ___ HC (KMF-5HC).

Q. Please explain Staff's adjustment in the area of network costs.

A. In the "network" synergy category, Verizon states that 100% of the cost of moving Private Line to On-Net (onto MCI's network) is assignable to Verizon LEC operations, but it then allocates all of this cost to the intrastate jurisdiction. This is inappropriate as these costs will again be assigned using Part 36 jurisdictional allocations. Using Verizon's intrastate assignment factors for this cost results in a reduction of the expense assigned to Verizon Washington intrastate of approximately [redacted] over the period 2006 – 2009. This adjustment is shown on line 17 of my highly confidential Exhibit No. ___ HC (KMF-5HC).

Transaction Costs

Q. Will the merger result in certain costs to complete the MCI acquisition?

A. Yes. The Applicants project that the merger will result in certain non-recurring charges and transactional expenses such as legal, accounting, and advisor fees. An estimate of the direct costs to complete the merger was provided in response to Public Counsel Data Request No. 128 and in response to Staff Data Request No. 80.

Q. Should these costs be passed on to ratepayers?

A. No. Transaction costs are one-time, non-recurring charges which traditionally have not been recovered from ratepayers. The ongoing costs incurred to achieve the predicted savings, such as cost of sales, severance and integration costs, capital expenditures, and other recurring costs, are appropriately included in the merger savings analysis. However, non-recurring merger charges should be borne by shareholders as part of the risk they incur when approving the merger of the companies they own stock in. The effect of removing 100% of the transaction costs from the Washington analysis is shown on line 27 of my highly confidential Exhibit No. ___ HC (KMF-5HC).

Unquantifiable Savings

Q. Are there potential savings that have not been quantified at this time?

A. Yes. At this time, the Applicants have not quantified savings attributable to Washington intrastate operations that are predicted on a national level to occur in the years [redacted].

Q. Please describe the potential savings that may occur in later years.

A. The Applicants did not quantify any Washington intrastate savings [redacted]. This is in stark contrast to the national model which quantified nominal cost savings and additional revenues out to the year [redacted], and then [redacted]. Limiting the Washington intrastate savings to the first four years after the merger very likely understates its share of overall synergies, since the [redacted]. It is likely that extending the Verizon NW – Washington synergy allocation process into the years [redacted], as Verizon did with the national synergy analysis, would greatly increase the synergies assigned to it.

Q. Did Staff attempt to estimate the NPV of the potential savings, predicted to occur in the later years, which could be attributable to Washington operations?

A. Yes. I started with the Staff quantified net revenue synergies to intrastate operations and net expense synergies to intrastate operations shown on page 1, lines 10 and 20 of my highly confidential Exhibit No. ___ HC (KMF-2HC), and then [redacted]. Using the Washington intrastate return of 8.68 percent the discount rate yields a total NPV for net revenue and net expense synergies of [redacted] for the years [redacted] which is shown on page 2, line 52 of my highly confidential Exhibit No. ___ HC (KMF-2HC). The NPV would be even larger if the Company predicted synergies continued to be realized over an even greater time period.

VI. CONCLUSIONS

Q. What is your recommendation as to the financial impacts of the proposed merger?

A. While it does not appear likely based on my review of broad financial indictors that the merger will be harmful, it is my recommendation that if the debt rating of Verizon is downgraded specifically as a result of the merger, an adjustment in the calculation of the cost of debt should be made for ratemaking purposes to remove the effect of the downgrade on Verizon NW.

Q. What is your estimation of the appropriate portion of the predicted synergies that should flow to Washington intrastate operations?

A. It is my estimation that the minimum NPV of savings that should flow to Washington intrastate operations is [redacted], attributable to net revenue synergies, and [redacted], attributable to net expense cost savings, for a total of [redacted] as shown on page 1 of my highly confidential Exhibit No. ___HC (KMF-2HC). I have estimated that the NPV of synergies attributable to Washington may be as much as [redacted] if the synergy allocation process is extended into the years [redacted]. *See page 2 of my highly confidential Exhibit No. ___ HC (KMF-2HC).*

Q. Does this conclude your testimony?

A. Yes.