

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

DATE PREPARED: May 21, 2009

DOCKET: UT-082119

REQUESTER: Bench

WITNESS: William Weinman and
Stefanie Johnson

RESPONDER: Jonathan Thompson and
Sarah Shifley

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206-464-6595

REQUEST NO. 3: Considering the Commission's authority under RCW 80.04.090, what information, in what format, would Commission Staff and Public Counsel need to initiate a complaint to set rates or establish appropriate earnings levels pursuant to RCW 80.04.110 or paragraph 12 of the Settlement Agreement?

RESPONSE: Public Counsel and Staff agree that they would need a report in the following form to determine when it might be appropriate to initiate a complaint to set rates or establish appropriate earnings levels pursuant to RCW 80.04.110:

- 1) Beginning August 15, 2009, and continuing until August 15, 2014, or until the end of the integration period, whichever is later, provide a semi-annual report of the merger-related synergies and savings the Merged Company has achieved during the preceding half of the calendar year ("reporting period") in each division and category listed in Joint Applicants' Highly Confidential response to Public Counsel Data Request No. 48 (attached). The filing date for the reporting period of January 1 through June 30 shall be August 15, and the filing date for July 1 through December 31 shall be February 15. Specifically, provide:
 - a) the synergies and savings achieved in each division and category during the reporting period on a company-wide basis as actual (i.e., during the reporting period) and annualized (i.e., projected over 12 months) amounts, and
 - b) the allocation of those synergies and savings on a Washington intrastate, regulated jurisdictional level for each of the Washington public service companies as actual and annualized amounts.
- 2) As part of each semi-annual report required by part (1), also report all merger, branding or transaction costs (as further defined by condition number five of the Settlement Agreement) incurred during the reporting period on a company-wide basis and provide the allocation of those costs to the Washington operating companies on an intrastate, regulated jurisdictional basis.

Docket No. UT-082119

Response to Public Counsel Data Request No. 48

Date 1/23/2009

Preparer: Clay Bailey

PC-48

Paragraph 17 of the Application states that “[t]he Transaction will result in a combined enterprise that can achieve greater economies of scale and scope than the two companies operating independently.” Please explain the source(s) of these greater economies of scale and scope, what this conclusion was based on, and how it was reached.

RESPONSE:

Economies of scale and scope are associated with the annual synergy savings the combined company expects to realize. These synergy savings have been estimated at \$400 million annually after conversions are completed and synergies are completely realized. The financial changes associated with the proposed transaction are primarily limited to operating cost savings, increased purchasing power, increased penetration of existing products and introduction of new products. Of the \$400 million annual synergy savings, \$300 million are annual expense synergies and \$30 million are capital expense synergies. The estimated synergy savings were calculated on a total company level and not for Washington specifically. Also, please see **HIGHLY CONFIDENTIAL** Attachment PC-48.

REDACTED

**Attachment PC-48 is Redacted
in its Entirety**