PSC REF#:229754

Public Service Commission of Wisconsin
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Ex.-PSC-O'Donnell-4
Docket 9400-YO-100
Witness: Kevin O'Donnell
January 14, 2015
Cover Page

Ex. – PSC - O'Donnell – 4

Duke EnergyCinergy Merger
5 Year Estimated Net Savings over First 5 years

Potential Areas ($ in 000s)	Year 1	Year 2	Year 3	Year 4	Year 5	5-year Total	Duke Power	NC Retail
	Regulated and Corporate							
Staffing	$59,415	$96,154	$110,311	$116,904	$123,788	$ 506,572	$224,821	$155,126
Corporate & Administrative Programs								
Administrative & General Overhead	$5,466	$7,916	$8,975	$9,183	$9,396	$40,937	$16,272	$11,228
Association Dues	$746	$763	$781	$799	$817	$3,906	$2,377	$1,640
Benefits	$0	$8,128	$8,862	$9,662	$10,534	$37,186	$15,895	$10,968
Directors' Fees	$795	$813	$832	$851	$871	$4,163	$1,540	$1,062
Facilities	$3,113	$4,508	$5,112	$5,230	$5,351	$23,315	$8,906	$6,145
Insurance	$5,548	$5,676	$5,808	$5,943	$6,081	$29,055	$10,747	$7,416
Inventory	$2,145	$1,090	$1,090	$1,090	$1,090	$6,505	$5,323	$3,673
Professional Services	$40,238	$42,009	$43,857	$45,787	$47,801	$219,692	$81,263	$56,072
Shareholder Services	$1,805	$1,847	$1,890	$1,934	$1,979	$9,456	$3,498	$2,413
Transportation	$738	$755	$772	$790	$808	$3,863	$1,429	$986
Total	$60,594	$73,506	$77,979	$81,269	$84,730	$378,077	$147,250	$101,603
Information Technology	$16,011	$28,889	$44,084	$58,937	$72,396	$220,318	$84,164	$58,073
Supply Chain	$26,888	$31,824	$36,875	$42,043	$47,330	$184,960	$115,865	$79,947
Fuel (Coal)	$6,992	$7,642	$8,296	$8,489	$8,686	$40,106	$40,106	$27,673
Gross Savings	$169,901	$238,016	$277,546	$307,642	$336,929	$1,330,034	$612,205	$422,421
Costs-to-Achieve								
Separation Costs	$67,552	$31,761	$8,945	$0	$0	$108,259	$48,815	$33,683
Retention Costs	$12,500	$12,500	$0	$0	$0	$25,000	$9,247	$6,381
Relocation Costs	$5,063	$5,063	$0	$0	$0	$10,125	$3,745	$2,584
System Integration Costs	$39,755	$66,577	$49,383	$34,723	$34,744	$225,182	$97,201	$67,068
Directors & Officers Liability Tail Coverage	$11,400	$0	$0	$0	$0	$11,400	$4,217	$2,910
Regulatory Process Costs	$36,578	$0	$0	$0	$0	$36,578	$13,530	$9,336
Facilities Integration	$5,000	$5,000	$0	$0	$0	$10,000	$3,820	$2,636
Internal / External Communications	$22,850	$0	$0	$0	$0	$22,850	$8,452	$5,832
Transition Costs	$18,862	$3,329	$0	$0	$0	$22,191	$8,208	$5,664
Transaction Cost	$41,100	$0	$0	$0	$0	$41,100	$15,203	$10,490
Total	($260,660)	$ (124,229)	($58,328)	($34,723)	($34,744)	($512,684)	($212,439)	($146,583)
Pro-Merger Initiatives								
Total	($1,912)	($1,956)	($2,002)	($2,048)	($2,096)	($10,014)	($3,704)	($2,556)
Net Savings	($92,671)	$111,830	$217,216	$270,871	$300,089	$807,335	$396,062	$273,283

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Sharon Exhibit 4
Attachment

APPENDIX 2

line	TABLE 1 System Millions & $'s	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-yr Total
	Components (System)											
1	West Valley	5.00	5.00	2.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.10
2	Corporate Overheads	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
3	Insurance Captive	4.29	4.29	4.29	4.29	4.29	0.00	0.00	0.00	0.00	0.00	21.45
4	Services Provided to Affiliate - Fixed	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
5	Services Provided to Affiliate - Non Fixed	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	64.00
6	A&G reductions	6.00	6.00	6.00	6.00	6.00	0.00	0.00	0.00	0.00	0.00	30.00
7	Gross Total System Rate Credit	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
	Potential Offsets: (System)											
8	West Valley	5.00	5.00	2.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.10
9	Corporate Overheads	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
10	Insurance Captive	4.29	4.29	4.29	4.29	4.29	0.00	0.00	0.00	0.00	0.00	21.45
11	Services Provided to Affiliate - Fixed	1.50	1.50	1.50	1.50	1.50	0.00	0.00	0.00	0.00	0.00	7.50
12	Services Provided to Affiliate - Non Fixed	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40	64.00
13	A&G reductions	6.00	6.00	6.00	6.00	6.00	0.00	0.00	0.00	0.00	0.00	30.00
14	Total Offsets	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
15	Guaranteed Rate Credit (Gross - Total Offsets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The first year's rate credit will be prorated based on the closing date of the transaction

line	TABLE 2 Washington Allocated Millions & $'s	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-yr Total
	Gross Rate Credit* - Total Company	24.69	24.69	21.79	19.69	19.69	6.40	6.40	6.40	6.40	6.40	142.55
	Guaranteed Gross Rate Credit* - Total Comp	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	* Assumes all states adopt the Rate Credit											
	Gross Washington-Allocated Rate Credit	1.98	1.98	1.74	1.58	1.58	0.51	0.51	0.51	0.51	0.51	11.40
	Guaranteed Washington-Allocated Rate Cred	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Components (Washington Allocated)											
O1	West Valley	0.40	0.40	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
O2	Corporate Overheads	0.12	0.12	0.12	0.12	0.12	0.00	0.00	0.00	0.00	0.00	0.60
O3	Insurance Captive	0.34	0.34	0.34	0.34	0.34	0.00	0.00	0.00	0.00	0.00	1.72
O4	Services Provided to Affiliate - Fixed	0.12	0.12	0.12	0.12	0.12	0.00	0.00	0.00	0.00	0.00	0.60
O5	Services Provided to Affiliate - Non Fixed	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	5.12
O6	A&G reductions	0.48	0.48	0.48	0.48	0.48	0.00	0.00	0.00	0.00	0.00	2.40
O7	Gross Washington-Allocated Rate Credit	1.98	1.98	1.74	1.58	1.58	0.51	0.51	0.51	0.51	0.51	11.40
	Potential Offsets: (Washington Allocated)											
O8	West Valley	0.40	0.40	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.97
O9	Corporate Overheads	0.12	0.12	0.12	0.12	0.12	0.00	0.00	0.00	0.00	0.00	0.60
O10	Insurance Captive	0.34	0.34	0.34	0.34	0.34	0.00	0.00	0.00	0.00	0.00	1.72
O11	Services Provided to Affiliate - Fixed	0.12	0.12	0.12	0.12	0.12	0.00	0.00	0.00	0.00	0.00	0.60
O12	Services Provided to Affiliate - Non Fixed	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	5.12
O13	A&G reductions	0.48	0.48	0.48	0.48	0.48	0.00	0.00	0.00	0.00	0.00	2.40
O14	Total Offsets	1.98	1.98	1.74	1.58	1.58	0.51	0.51	0.51	0.51	0.51	11.40
O15	Guaranteed Rate Credit (Gross - Total Offsets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The first year's rate credit will be prorated based on the closing date of the transaction

Note: The Washington allocated share of the rate credits has been estimated using a 8% allocation factor.
The actual Washington allocated share will be determined using the relevant then-applicable test period allocation factors.