



ENERGY MERGERS & ACQUISITIONS

ABOUT BATES WHITE

BATES WHITE IS A CONSULTING FIRM OFFERING SERVICES IN ECONOMICS, FINANCE, AND BUSINESS STRATEGY TO LEADING LAW FIRMS, FORTUNE 500 COMPANIES, AND GOVERNMENT AGENCIES.

BATES WHITE HAS OFFICES IN WASHINGTON, DC AND SAN DIEGO, CA

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Bates White advises clients on the economic, financial, and regulatory implications of mergers and acquisitions related to energy markets. Our experience in merger proceedings before the Department of Justice, Federal Trade Commission, Federal Energy Regulatory Commission, and state public utility commissions provides our clients with a thorough and in-depth understanding of the review process. We provide the support and expert testimony necessary to defend our clients' interests. We can provide the following services:

- Review proposed mergers to anticipate regulators' potential concerns and propose reasonable mitigation measures
- Analyze whether affiliate transactions between merging entities will harm consumers and competitors
- Estimate anticipated merger synergies based on financial model analysis and accepted accounting standards
- Evaluate the overall costs and benefits of proposed mergers from the perspective of firms and consumers
- Evaluate financial risks posed to captive customers of merging firms and the appropriate structure of ring-fencing arrangements

HIGHLY SKILLED AND EXPERIENCED TEAM

Over the past two decades, we have applied our combination of industry experience, rigorous economic training, and state-of-the-art analytical capabilities in numerous high-profile merger cases on behalf of both merging firms and government regulators. We focus on key issues and provide crucial insights that support our clients' positions.

HORIZONTAL AND VERTICAL MARKET POWER

Both FERC and the Department of Justice intend to ensure that mergers and acquisitions in the energy industry are consistent with the public interest. Applicants must demonstrate that the transaction would not raise market power concerns or harm customers. Our professionals provide expertise on market power issues, rigorous quantitative analysis, and industry knowledge to assess the impact of proposed transactions.

DUE DILIGENCE

Both federal and state regulators scrutinize mergers and acquisitions in the energy industry. To anticipate potential regulators' concerns, companies review mergers and propose mitigation measures. Bates White assists by assessing the economic and financial implications of proposed mergers and acquisitions. We also perform detailed analysis and evaluations, including cost-benefit analysis, asset valuation and fairness opinions, analysis of merger-related synergies affecting corporate structure

and operations costs, transmission system modeling, and market power and rate impacts.

COST-BENEFIT ANALYSIS

Mergers and acquisitions in the energy industry can have wide-ranging, and often unexpected, impacts on firms and consumers. We provide in-depth analysis of merger-related costs and synergy benefits. We provide detailed analysis of the direct impacts of mergers and acquisitions and their overall impacts on local and state economies. We also identify and evaluate critical market and regulatory uncertainties and ascertain the impacts of those uncertainties on overall costs and benefits.

AFFILIATE TRANSACTIONS

Regulated utilities' transactions with their unregulated affiliates may raise concerns related to affiliate abuse, self-dealing, and cross-subsidization. Apart from harming captive ratepayers, these practices can impose significant economic damages on independent competitors and prevent the emergence of truly competitive markets. These types of abuses may occur through market- and cost-based transactions, as well as in competitive solicitations. We examine industry transactions to determine if proposed mergers and acquisitions will create affiliate transactions that can cause economic harm to consumers and competitors.

RING-FENCING

To protect utility credit ratings, it is important for utility holding companies engaged in risky activities—such as energy trading or the acquisition of unregulated generating plants—to shield, or “ring fence,” the parent company from the additional financial risk. Mergers and acquisitions can raise concerns because the merging companies may create significant new financial risks for captive ratepayers, for example, at the local distribution level. A lack of ring-fencing can also lead to competitive market abuses if unregulated subsidiaries can use a corporate parent or regulated subsidiary to off-load financial risk. We advise clients on appropriate ring-fencing measures to protect firms' financial integrity and prevent competitive abuses.