

Utilities' merger tentatively approved

Federal regulators demand plan to mitigate decreased competition

By Jenny Munro

Staff writer

jmunro@greenvillenews.com

Duke Energy and Progress Energy said they expect to have a mitigation plan ready in about two weeks to answer the Federal Energy Regulatory Commission's concerns about decreased competition in the Carolinas if the companies merge.

The agency gave conditional approval to the \$26 billion merger of Charlotte-based Duke and Raleigh-based Progress.

If completed, the merger will create the nation's largest electric utility, as measured by enterprise value, market capitalization, generation assets, customers and other criteria. The combined company is expected to have more than 7.1 million electric customers in six states — North Carolina, South Carolina, Florida, Indiana, Ohio and Kentucky.

Duke Power, a subsidiary of Duke Energy, supplies electricity to about 600,000 customers in the Upstate, and Progress supplies about 200,000 customers in the Pee Dee area of South Carolina.

"We believe our proposed merger will provide significant customer benefits and protections, and we are confident that we will meet the FERC's standards for approval. We are still working toward closing the merger by year's end," Jim Rogers, chair-

man, president and chief executive of Duke Energy, and Bill Johnson, who holds the same offices at Progress Energy, said in a joint statement:

The agency gave the two companies 60 days to come up with a plan to address its concerns. Opponents of the merger then will have 30 days to respond. Then the FERC will make a final determination on whether the mitigation efforts are sufficient.

Mitigation options include membership in a regional transmission organization, ceding control of the transmission system to a third party, selling power plants or building transmission lines.

The deal must also receive approval from state regulators and other federal agencies. States could impose conditions that could push the companies to reconsider the deal.

The North Carolina Utilities Commission's consumer advocate unit agreed to allow the merger as long as the companies passed on to customers \$650 million of their projected savings. South Carolina regulators intervened in the North Carolina hearing although the utilities did not seek South Carolina's approval of the merger, said Dukes Scott, executive director of the Office of Regulatory Staff.

South Carolina's Public Service Commission plans hearings on Oct. 26.