

Exhibit No.:
Issues:
Witness: Robert E. Schallenberg
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EM-2007-0374
Date Testimony Prepared: October 12, 2007

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY
OF
ROBERT E. SCHALLENBERG

GREAT PLAINS ENERGY INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY
AQUILA, INC.

CASE NO. EM-2007-0374

Jefferson City, Missouri
October 2007

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1 Q. Please describe your responsibilities and experience while employed at the
2 MoPSC as a Regulatory Auditor V?

3 A. As a Regulatory Auditor V for the MoPSC, I had several areas of
4 responsibility. I was required to have and maintain a high degree of technical and
5 substantive knowledge in utility regulation and regulatory auditing. Among my various
6 responsibilities as a Regulatory Auditor V were:

7 1. To conduct the timely and efficient examination of the accounts,
8 books, records and reports of jurisdictional utilities;

9 2. To aid in the planning of audits and investigations, including staffing
10 decisions, and in the development of Staff positions in cases to which the
11 Accounting Department of the MoPSC was assigned, in cooperation with
12 Staff management as well as other Staff;

13 3. To serve as lead auditor, as assigned on a case-by-case basis, and to
14 report to the Assistant Manager-Accounting at the conclusion of the case on
15 the performance of less experienced auditors assigned to the case, for use in
16 completion of annual written performance evaluations;

17 4. To assist in the technical training of other auditors in the Accounting
18 Department;

19 5. To prepare and present testimony in proceedings before the MoPSC
20 and the Federal Energy Regulatory Commission (FERC), and aid MoPSC
21 Staff attorneys and the MoPSC's Washington, D.C. counsel in the preparation
22 of pleadings and for hearings and arguments, as requested; and

23 6. To review and aid in the development of audit findings and prepared
24 testimony to be filed by other auditors in the Accounting Department.

1 The MoPSC relies on the Regulatory Auditor V position to be able to present and
2 defend positions both in filed testimony and orally at hearing. I have had many occasions to
3 present testimony before the MoPSC on issues ranging from the prudence of building power
4 plants to the appropriate method of calculating income taxes for ratemaking purposes. I have
5 worked in the areas of regulation of telephone, electric and gas utilities. I have taken
6 depositions on behalf of the MoPSC in FERC dockets. Attached as Schedule 1, is a listing of
7 cases and issues on which I have worked at the MoPSC. My responsibilities were expanded
8 to assist in federal cases involving the MoPSC as assigned.

9 Q. Have you previously submitted testimony in proceedings before the FERC?

10 A. Yes. I submitted testimony in Docket Nos. RP94-365, RP95-136, RP96-173,
11 et. al. These dockets were cases involving Williams Natural Gas Company (WNG). WNG
12 provides gas transportation and storage services for local distribution companies serving the
13 western portion of Missouri. WNG provides service to Missouri Gas Energy which serves
14 the Kansas City area. My testimony in Docket No. RP94-365 involved a prudence challenge
15 of the costs that WNG sought to recover in that case. I also filed testimony regarding certain
16 cost of service issues in Docket No. RP95-136, WNG's rate case before the FERC. These
17 issues included affiliated transactions between WNG and its parent. I filed testimony in
18 Docket No. RP96-173, et. al., on the issue of whether the costs in question met FERC's
19 eligibility criteria for recovery under FERC Order No. 636.

20 I submitted testimony in Docket No. RP96-199. This case is a Mississippi River
21 Transmission (MRT) Corporation rate case. MRT provides gas transportation and storage
22 services for local distribution companies serving the eastern portion of Missouri. MRT
23 provides service to Laclede Gas Company which serves the St. Louis area. My testimony in

1 Docket No. RP96-199 involved cost of service issues. These issues included affiliated
2 transactions between MRT and its parent.

3 **EXECUTIVE SUMMARY**

4 Q. What is the purpose of your rebuttal testimony in Case No. EM-2007-0374?

5 A. The purpose of my rebuttal testimony is to sponsor Staff's Report which is
6 being filed as Staff's response to the direct and supplemental direct testimony and schedules
7 of GPE/KCPL and Aquila and to provide Staff's recommendation that the Commission deny
8 the Joint Application in this case because the proposed transaction is detrimental to the public
9 interest. Staff's conclusion is based upon its review and analysis of the direct and
10 supplemental direct testimony filed by the Joint Applicants and the material received as a
11 result of Staff discovery in this case. The Joint Applicants in this case are Great Plans
12 Energy Company (GPE), Kansas City Power & Light Company (KCPL), and Aquila, Inc.
13 (Aquila). GPE is the owner of KCPL and plans to own Aquila if the proposed transaction is
14 completed. The proposed transaction is detrimental to the public interest because the
15 transaction is predicated on Missouri ratepayers having to pay increased costs that they
16 would not have to pay but for the proposed transaction. The proposed transaction is
17 conditioned on an unprecedented regulatory plan requiring Missouri ratepayers to pay higher
18 rates, including costs which they were previously insulated from having to pay. The Staff
19 finds the proposed transaction to be uneconomical from a consumer perspective even when
20 comparing the cost and benefits sponsored by the Joint Applicants. Staff also finds that the
21 proposed transaction does not include an application for a merger or consolidation of the
22 systems of KCPL and Aquila which the operational merger or consolidation of which
23 accounts for practically all the benefits discussed in the Joint Applicants' direct and

1 supplemental direct testimony. The actual impact of the proposed transaction on the overall
2 financial condition of the Joint Applicants and Missouri ratepayers is significantly more
3 negative, and even the Joint Applicants' picture is actually negative, than the picture created
4 from the information contained in the Joint Applicant's testimony. The picture depicted by
5 the Joint Applicants is ameliorated by the assertion by the Joint Applicants of savings that are
6 outside the scope of the proposed transaction.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes, which is intended to introduce the Staff Report that I am sponsoring.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

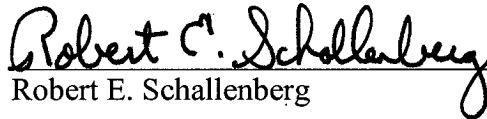
In the Matter of the Joint Application of)
Great Plains Energy Incorporated,)
Kansas City Power & Light Company, and)
Aquila, Inc. for Approval of the Merger of)
Aquila, Inc. with a Subsidiary of Great)
Plains Energy Incorporated and for Other)
Related Relief)

Case No. EM-2007-0374

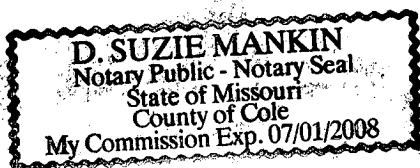
AFFIDAVIT OF ROBERT E. SCHALLENGER

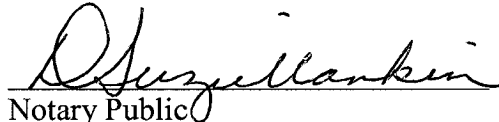
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Robert E. Schallenberg, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Robert E. Schallenberg

Subscribed and sworn to before me this 12th day of October 2007.




Notary Public

RATE CASE PROCEEDING PARTICIPATION
ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Missouri Pipeline Company	GC-2006-0491
Aquila, Inc.	ER-2005-0436
Union Electric Company, d/b/a AmerenUE	EC-2002-1
Mississippi River Transmission	RP96-199-000
Williams Natural Gas Company	RP95-136-000
Williams Natural Gas Company	RP94-365-000
Western Resources	GM-94-40
Laclede Gas Company	GR-94-220
Western Resources	GR-93-240
St. Joseph Light & Power Company	ER-93-41
Southwestern Bell Telephone Company	TC-93-224
St. Joseph Light & Power Company	EC-92-214
Kansas Power & Light Company	GR-91-291
Kansas Power & Light Company	EC-91-213
Kansas Power & Light Company	EM-91-213
Arkansas Power & Light Company	EM-91-29
Missouri Public Service Company	ER-90-101
Southwestern Bell Telephone Company	TR-90-98
Southwestern Bell Telephone Company	TC-89-14
Southwestern Bell Telephone Company	TO-89-56
General Telephone	TR-89-182
General Telephone	TM-87-19
General Telephone	TC-87-57
Union Electric Company	EC-87-114
General Telephone	TR-86-148
Southwestern Bell Telephone Company	TR-86-84
Kansas City Power & Light Company	EO-85-185

RATE CASE PROCEEDING PARTICIPATION
ROBERT E. SCHALLENBERG

Kansas City Power & Light Company	ER-85-128
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power & Light Company	ER-83-49
Kansas City Power & Light Company	ER-82-66
Kansas City Power & Light Company	HR-82-67
Southwestern Bell Telephone Company	TO-82-3
Southwestern Bell Telephone Company	TR-82-199
Southwestern Bell Telephone Company	TR-81-208
Kansas City Power & Light Company	ER-81-42
Kansas City Power & Light Company	ER-80-48
Southwestern Bell Telephone Company	TR-80-256
United Telephone Company of Missouri	TR-80-235
Gas Service Company	GR-79-114
Southwestern Bell Telephone Company	TR-79-213
Kansas City Power & Light Company	ER-78-252
Missouri Public Service Company	GR-78-30
Missouri Public Service Company	ER-78-29
Gas Service Company	GR-78-70
Kansas City Power & Light Company	ER-77-118

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG**

Union Electric Company, d/b/a AmerenUE
Case No. ER-2007-0002
Date: February 28, 2007 (Surrebuttal)
Areas: EEInc.

Union Electric Company, d/b/a AmerenUE
Case No. ER-2007-0002
Date: January 31, 2007 (Rebuttal)
Areas: EEInc. and 4 CSR 240-10.020

Missouri Pipeline Company
Case No. GC-2006-0491
Date: September 6, 2006 (Direct); November 17, 2006 (Surrebuttal)
Areas: Affiliate Transactions, Tariff Violations and Associated Penalties;
Transportation Tariffs

Union Electric Company, d/b/a AmerenUE
Case No. EA-2005-0180
Date: October 15, 2005 (Rebuttal)
Areas: East Transfer

Aquila, Inc.
Case No. ER-2005-0436
Date: October, 14 2005 (Direct) December 13, 2005 (Surrebuttal)
Areas: Unit Ownership Costs

Union Electric Company d/b/a AmerenUE
Case No.: EC-2002-1
Date: June 24, 2002
Area: Overview, 4 CSR 240-10.020, Alternative Regulation Plan

Laclede Gas Company
Case No. GR-94-220
Date: July 1, 1994
Areas: Property Taxes, Manufactured Gas Accruals, Deregulated Cost Assignments

Western Resources
Case No. GM-94-40
Date: November 29, 1993
Areas: Jurisdictional Consequences of the Sale of Missouri Gas Properties

CASE SUMMARY OF INVOLVEMENT

OF ROBERT E. SCHALLENGER

Kansas Power & Light Company

Case No. EM-91-213

Date: April 15, 1991

Areas: Purchase of Kansas Gas & Electric Company

Arkansas Power & Light Company and Union Electric Company

Case No. EM-91-29

Date: 1990-1991

No pre-filed rebuttal testimony by Staff before non-unanimous stipulation and agreement reached.

General Telephone Company of the Midwest

Case No. TM-87-19

Date: December 17, 1986

Areas: Merger

Union Electric Company

Case No. EC-87-114

Date: April 27, 1987

Areas: Elimination of Further Company Phase-In Increases, Write-Off of Callaway I to Company's Capital Structure

General Telephone Company of the Midwest

Case No. TC-87-57

Date: December 22, 1986

Areas: Background and Overview, GTE Service Corporation, Merger Adjustment, Adjustments to Income Statement

Southwestern Bell Telephone Company

Case No. TR-86-84

Date: 1986

No prefiled direct testimony by Staff - case settled before Staff direct testimony filed.

CASE SUMMARY OF INVOLVEMENT

OF ROBERT E. SCHALLENGER

Kansas City Power & Light Company

Case Nos. EO-85-185 and ER-85-128

Date: April 11, 1985

Areas: Phase I - Electric Jurisdictional Allocations

Date: June 21, 1985

Areas: Phase III - Deferred Taxes Offset to Rate Base

Date: July 3, 1985

Areas: Phase IV - 47% vs. 41.5% Ownership, Interest, Phase-In, Test Year/True-Up, Decision to Build Wolf Creek, Non-Wolf Creek Depreciation Rates, Depreciation Reserve

Southwestern Bell Telephone Company

Case No. TR-83-253

Date: September 23, 1983

Areas: Cost of Divestiture Relating to AT&T Communications, Test Year, True-Up, Management Efficiency and Economy

Kansas City Power & Light Company

Case No. ER-83-49

Date: February 11, 1983

Areas: Test Year, Fuel Inventories, Other O&M Expense Adjustment, Attrition Adjustment, Fuel Expense-Forecasted Fuel Prices, Deferred Taxes Offset to Rate Base

Generic Telecommunications

Straight Line Equal Life Group and Remaining Life Depreciation Methods

Case No. TO-82-3

Date: December 23, 1981

Areas: Depreciation

Kansas City Power & Light Company

Case Nos. ER-82-66 and HR-82-67

Date: March 26, 1982

Areas: Indexing/Attrition, Normalization vs. Flow-Through, Deferred Taxes as an Offset to Rate Base, Annualization of Amortization of Deferred Income Taxes, Cost of Money/Rate of Return, Allocations, Fuel Inventories, Iatan AFDC Associated with AEC Sale, Forecasted Coal and Natural Gas Prices, Allowance for Known and Measurable Changes

CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENBERG

Southwestern Bell Telephone Company

Case No. TR-82-199

Date: August 27, 1982

Areas: License Contract, Capitalized Property Taxes, Normalization vs. Flow-Through,
Interest Expense, Separations, Consent Decree, Capital Structure Relationship

Southwestern Bell Telephone Company

Case No. TR-81-208

Date: August 6, 1981

Areas: License Contract, Flow-Through vs. Normalization

Kansas City Power & Light Company

Case No. ER-81-42

Date: March 13, 1981

Areas: Iatan (AEC Sale), Normalization vs. Flow-Through, Allocations, Allowance for
Known and Measurable Changes

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return

Southwestern Bell Telephone Company

Case No. TR-80-256

Date: October 23, 1980

Areas: Flow-Through vs. Normalization

Kansas City Power & Light Company

Case Nos. ER-80-48 and ER-80-204

Date: March 11, 1980

Areas: Iatan Station Excess Capacity, Interest Synchronization, Allocations

Missouri Public Service Company

Case Nos. ER-79-60 and GR-79-61

Date: April 9, 1979

Areas: Depreciation Reserve, Cash Working Capital

**CASE SUMMARY OF INVOLVEMENT
OF
ROBERT E. SCHALLENGER**

Southwestern Bell Telephone Company

Case No. TR-79-213

Date: October 19, 1979

Areas: Income Taxes, Deferred Taxes

Gas Service Company

Case No. GR-79-114

Date: June 15, 1979

Areas: Deferred Taxes as an Offset to Rate Base

Missouri Public Service Company

Case Nos. ER-78-29 and GR-78-30

Date: August 10, 1978

Areas: Fuel Expense, Electric Materials and Supplies, Electric and Gas Prepayments,
Electric and Gas Cash Working Capital, Electric Revenues

While in the employ of the Kansas State Corporation Commission in 1978, Mr. Schallenberg worked on a Gas Service Company rate case and rate cases of various electric cooperatives.