

*Exhibit No.:*  
*Issues:* *Affiliated Transactions*  
*Witness:* *Robert E. Schallenberg*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *EM-2016-0213*  
*Date Testimony Prepared:* *July 20, 2016*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**OPERATIONAL ANALYSIS**

**REBUTTAL TESTIMONY**

**OF**

**ROBERT E. SCHALLENBERG**

**THE EMPIRE DISTRICT ELECTRIC COMPANY,  
LIBERTY UTILITES (CENTRAL) CO., AND LIBERTY SUB CORP.**

**CASE NO. EM-2016-0213**

*Jefferson City, Missouri*  
*July 2016*



1 term in senior management, I was involved in the strategic aspects of cases listed in  
2 Schedule RES-r1 during this period as well as performing management activities.

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

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

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

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

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

19 4. To assist in the technical training of other auditors in the  
20 Accounting Department;

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

25 6. To review and aid in the development of audit findings and prepared  
26 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 area of telephone, electric and gas utilities. I have taken depositions on behalf  
6 of the MoPSC in FERC dockets. Attached as Schedule RES-r1, is a listing of cases and  
7 issues on which I have worked at the MoPSC. My responsibilities were expanded to assist in  
8 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 was a Mississippi River  
21 Transmission (MRT) Corporation's 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 Q. What expertise do you have relative to Missouri's affiliate transaction rules as  
4 applied to electric utilities?

5 A. I helped draft the Missouri Affiliate Transaction Rules. The Rules were  
6 developed based on a Commission initiative. The Commission wanted greater administrative  
7 efficiency as affiliate transaction were playing a greater role in Southwestern Bell rate cases.  
8 The number of issues was increasing in their rate cases and lack of documentation of key  
9 information (e.g. time reporting, cost, market value) made the affiliate issues more difficult  
10 to resolve. The Commission's affiliate rules were influenced by the affiliate transaction rules  
11 applied by the Federal Communications Commission (FCC). Initially, some Missouri  
12 utilities would not implement the rules. These utilities sought injunctions as the companies  
13 challenged the rules in Missouri appellate courts until the matter was decided by the  
14 Missouri Supreme Court. I had experience in examination of the telephone implementation  
15 of safeguards against affiliate transaction abuse and participated on joint audits with other  
16 states and the FCC. I was familiar with the Southwestern Bell implementation of its affiliate  
17 transaction protections as well as those of General Telephone.

18 Q. What is the purpose of your testimony in this case?

19 A. The purpose of my testimony is to address any potential concerns related to  
20 The Empire District Electric Company's ("EDE") merger with Liberty Sub Corp. resulting in  
21 Liberty Utilities (Central) Company ("LU Central") being the sole owner of EDE and its  
22 subsidiaries. After EDE is directly owned by LU Central and ultimately becomes a subsidiary  
23 of Algonquin Power & Utilities Corp., ("Algonquin") and its subsidiaries, EDE will become

1 involved with a number of new affiliates to the level that EDE cannot operate independently  
2 without affiliate support. In the Direct Testimony of Peter Eichler, he describes the  
3 “implications of the transaction as they may bear on affiliate transactions and corporate cost  
4 allocations” (page 3, lines 11 and 12). My testimony will address the implications of the  
5 proposed transactions from an EDE post transaction perspective.

6 Q. Does the Missouri Public Service Commission Staff’s (“Staff”) have previous  
7 experience with Algonquin?

8 A. Yes. Algonquin has acquired other Missouri natural gas, water and sewer  
9 assets.

10 Q. How do you value Algonquin’s experience in operating the former Atmos  
11 properties?

12 A. Algonquin acquired assets that were supported by Atmos. The Atmos support  
13 was being withdrawn as Atmos sold the properties to Algonquin. Algonquin with its  
14 affiliates had to develop the support to operate the Atmos natural gas properties. The  
15 proposed transaction in this case involves changing the processes used by a fully functioning  
16 entity that requires no Algonquin or affiliate functions to operate the Missouri electric,  
17 natural gas, and water utility operations. Under the proposed, transaction, Empire will not  
18 continue to operate as is; as the Empire employees and management will be offered new jobs  
19 with Liberty Utilities Service Corp., the legal employer of all U.S. utility employees under  
20 the Algonquin corporate structure. In Atmos, Algonquin and its affiliates were needed to  
21 operate the utility function in question. In this case, EDE has a long history of being capable  
22 of performing EDE’s utility functions and Algonquin and its affiliates are extraneous to the  
23 operation of EDE’s Missouri utility operations.

1           In the Public Interest Consideration section beginning on page 6 of the Merger  
2 Application filed by the applicants in this case, Section 17. C states that Empire’s employees  
3 and management team “will remain in place.” In response to Office of Public Counsel’s  
4 (“OPC”) Data Request 5001, the applicants clarified that “Remain in place” is defined as  
5 current employees will be offered a role within the new combined company and that the  
6 employee accepts that role. As with any other Empire employee, the employee will ‘remain  
7 in place’ until they leave the company.”

8           Q.     With this new affiliate structure, can Staff reasonably identify certain  
9 detriments that will likely occur without a Commission approved cost allocation manual  
10 (CAM)?

11           A.     Yes. EDE is prohibited from participating in any affiliate transaction which is  
12 not in compliance with the MoPSC’s affiliate transaction rules 4 CSR 240-20.015(2)(D) and  
13 4 CSR 240-40.015(2)(D). The proposed transaction poses several detriments to the public  
14 interest. This transaction exposes EDE to affiliate transactions that would not be in  
15 compliance with the Commission’s Affiliate Transaction Rule. The applicant’s request will  
16 result in a Missouri affiliate becoming the primary provider of goods and services to EDE.  
17 This Missouri affiliate will purchase these goods and services from a number of  
18 non-regulated affiliates located outside of the state of Missouri, and in some cases, outside of  
19 the United States.

20           Q.     Please describe the proposed transaction as it relates to affiliate transactions?

21           A.     The proposed transaction has two distinct components. One component is to  
22 effectuate Algonquin’s ultimate purchase of all EDE’s outstanding stock shares and causing  
23 EDE to be owned by to one of its subsidiaries, LU Central. There are several layers of

1 affiliates between Algonquin, the ultimate parent company, and LU Central, EDE's  
2 immediate parent company. The corporate structure of Algonquin and its affiliates is  
3 contained on Schedule DP-1 attached to Mr. Pasieka's testimony. The second component  
4 under the proposed transaction includes Algonquin and its subsidiaries operating EDE,  
5 including its Missouri electric, natural gas, and water utility businesses.

6 Q. What are the potential effects of this proposed transaction as they relate to  
7 affiliate transactions?

8 A. Liberty Utilities Service Corp. is the legal employer of all U.S. based utility  
9 employees. (See Mr. Eichler testimony, page 11, lines 5 and 6.) Thus, EDE and its  
10 subsidiaries will need for Liberty Utilities Service Corp. to provide many of the services  
11 currently provided by EDE's employees. There is no service agreement between EDE  
12 and Liberty Utilities Service Corp. regarding these labor services, let alone a showing that  
13 Liberty Utilities Service Corp. is charging EDE the lower of its fully distributed cost or the  
14 fair market value as required under the Commission's affiliate transaction rules. Staff would  
15 assert that the fair market value for duplicate positions or unneeded services is zero. The  
16 applicant's direct testimony indicates that Algonquin, Liberty Utilities Co., and  
17 Liberty Utilities Service Corp. will be charging EDE for services and/or capital. Algonquin,  
18 Liberty Utilities Co., and Liberty Utilities Service Corp. are not parties to this case and do  
19 not appear to be regulated by any state or federal regulatory body. EDE and LU Central have  
20 control over or a contractual arrangement with Algonquin, Liberty Utilities Co, and  
21 Liberty Utilities Service Corp. EDE and LU Central lack authority or rights to ensure that  
22 the expenses being charged by these entities are appropriate, reasonable, and prudent.



1           Source information in the area of affiliate transactions is documentation concerning  
2 the initial transaction and is vital to effective enforcement of the Commission's affiliate rules.

3           Q.     Please define "source information" and "initial transaction" as they are used in  
4 this testimony.

5           A.     Requests for approval, approval, billing, and payment process documentation  
6 related to acquiring an initial good or service is the type of information being referred to as  
7 initial transaction documentation in this testimony. Additional examples of initial transaction  
8 documentation are time sheets, requests for bids, approval information, invoices, and  
9 vouchers. This type of information can help identify the exact nature of a charge regarding  
10 the goods received or services rendered. EDE and LU Central will need knowledge of the  
11 initial transaction to verify that the charges are proper and are accurately recorded.  
12 Knowledge of the initial transaction is critical in the determination of what costs should be  
13 included in the determination of EDE's future rates.

14          Q.     Can you further explain why knowledge of the initial transaction is critical in  
15 determining what costs should be included in the determination of EDE's future rates?

16          A.     As one affiliate incurs costs, it charges the costs combined with other costs to  
17 another affiliate, which are then charged a third affiliate. The initial transaction  
18 documentation does not follow the charges and is replaced only by the bill from the first  
19 affiliate to the second affiliate. As these bills move from affiliate to affiliate to affiliate, the  
20 initial transaction information is replaced by affiliate bills being the sole support for the  
21 second affiliate charge to the third affiliate.

22                 For example, if Algonquin purchases a good from two vendors for \$100 from each  
23 vendor, Algonquin will have the initial transaction documentation related to the process to

1 request, approve, purchase, receive, and pay for this good. As Algonquin charges it affiliates  
2 the only documentation these affiliates receive is that Algonquin charged its affiliates for  
3 \$200 of costs. Algonquin affiliates will not have documentation related to the process to  
4 request, approve, purchase, receive and pay for these goods. Further as these charges filter  
5 through an affiliate maze, the ability to audit and question is hampered by the fact that the  
6 bills are coming from affiliates with more influence than the so-called purchasing affiliate.  
7 These second and third tier affiliates do not have the clout in dealing with an owner affiliate  
8 that would exist if the affiliate was purchasing from an independent third party vendor. The  
9 example omitted the complicating factor of the original transaction occurring in a foreign  
10 currency that needs to be converted to US dollars.

11 Q. How is your description of source information and the tracking of initial  
12 transactions different than EDE's processes today?

13 A. Today all books and records regarding all initial transactions related to EDE  
14 and its subsidiaries reside in Joplin, Missouri, under the control of EDE, a Missouri regulated  
15 electric utility. The proposed transaction will have this initial transaction material located  
16 outside Missouri and in some cases outside the country under the control of non-regulated  
17 affiliates who are not parties to this case or under a legal contract to EDE to support EDE  
18 operations or provide initial transaction documentation to determine the validity of its  
19 affiliates' charges.

20 Commission Rules 4CSR 240-20.015(5), 4CSR 240-20.015(6), 4CSR 240-40.015(5),  
21 and 4CSR 240-40.015(6), specify that EDE Missouri jurisdictional electric and gas  
22 operations have affiliate record and record access requirements. Mr. Eichler's direct  
23 testimony on page 13, lines 17 through 22 indicates that, "LU Central will commit to comply

1 with the Commission's Affiliated Transaction, Marketing Affiliate Transaction and HVAC  
2 Services Affiliate Transactions rules, 4CSR 240-40.015-40.017 and 4 CSR-20.015-20.017,  
3 by keeping such reports as required by those rules. Moreover, LU Central shall make records  
4 of its affiliated entities available to the Commission's staff and the Office of the Public  
5 Counsel as required by those rules." The problem is that LU Central, the affiliate that is a  
6 party to this case, is not the affiliate originally incurring the costs. LU Central is the second,  
7 or lower tiered utility receiving bills for costs from entities higher up the Algonquin  
8 corporate ladder of affiliates. While it is unclear what tier EDE will be on the Algonquin  
9 corporate ladder, it is clear that LU Central will be one tier higher than EDE.

10 Q. Does Mr. Eichler's commitment provide reasonable assurance of compliance  
11 with 4 CSR 240-20.015(5)(A)(1) and 4 CSR 240-40.015(5)(A)(1) of the Commission rules  
12 regarding source transaction documentation that you discussed previously in this testimony?

13 A. No. LU Central will not be the affiliate initially incurring the cost that will be  
14 charged to EDE. Mr. Eichler's Schedule PE-2 indicates that Empire is expected to be  
15 charged and pay approximately \$11 million dollars for goods and services provided from  
16 Canada. To the extent Algonquin, Liberty Utilities Co, and Liberty Utilities Service Corp.  
17 incurred these costs initially, LU Central would not have the records required by 4 CSR 240-  
18 20.015(5)(A)(1) and 4 CSR 240-40.015(5)(A)(1). The Commission's affiliate transaction rule  
19 does not limit itself to the LU Central pass-through affiliate costs received from another  
20 affiliate such as Liberty Utilities Service Corp. LU Central will not have the source  
21 transaction documentation incurred by Liberty Utilities Service Corp. In addition,  
22 LU Central will not have the source transaction documentation of Algonquin and Liberty  
23 Utilities Co. costs that are shown on Mr. Eichler's Schedule PE-2 as Canadian dollar charges

1 to EDE. EDE is exposed to the costs of maintaining a significant number of affiliates.  
2 Mr. Pasioka's Schedule DP-1 provides seven (7) pages of affiliates to EDE under the  
3 proposed transaction. EDE will have six (6) holding companies between itself and  
4 Algonquin. Access to source information documentation in the event that an affiliate charges  
5 another affiliate before these charges are passed to EDE will be difficult to obtain and  
6 beyond the control of EDE and LU Central to grant.

7 Q. Is it your opinion that the proposed transaction will provide adequate access  
8 to affiliate information for Staff to effectively enforce the Commission's affiliate  
9 transaction rules?

10 A. No. For example, the information needed to justify the allocation of  
11 \$11 million of Canadian goods and services shown on Mr. Eichler's Schedule PE-2 will not  
12 be located in Missouri, nor under the control of an entity regulated by the MoPSC or a party  
13 to this case. Mr. Eichler's Schedule PE-2 shows Canadian activity of approximately  
14 \$11 million of charges being derived by the conversion of Canadian costs to US dollars. It is  
15 difficult to understand how services presently provided by EDE in its service territory can be  
16 more efficiently replaced by services provided from Canada. There is no party to this case  
17 that has control of the initial transaction documentation occurring in Canada.

18 Q. Does Mr. Eichler's Schedule PE-2 provide reasonable assurance that the  
19 proposed transaction will not be detrimental to EDE's quality and cost service?

20 A. No. Schedule PE-2 results provide little comfort that Algonquin and its  
21 affiliates will operate EDE more efficiently than EDE is operated today. Mr. Eichler's  
22 Schedule PE-2 shows a net benefit in 2017 of \$704,103 solely because he inputs a  
23 \$4.5 million savings from attrition and decreased "Public Company & Other Cost Savings."

1 These savings are questionable because these savings are based on a \$1 million reduction of  
2 Board of Director costs at a time that EDE Board members are being offered positions on the  
3 LU Central Board of Directors. To the extent these Directors are retained, the costs  
4 previously incurred by EDE will be incurred by LU Central and then charged to EDE.

5 The \$4.5 million savings adjustment raises concerns regarding quality of service or  
6 rates charged for service. The probability that these savings will not be realized is elevated by  
7 the fact EDE is not decreasing its officer and board of directors positions related to  
8 shareholders eliminated by the proposed transaction. The failure to remove the board  
9 members that represented shareholders that will no longer exist, calls into question a  
10 \$1 million savings related to these board members. This adjustment alone would change  
11 Schedule 2 from its net benefit conclusion to a net cost result.

12 Q. What are your concerns regarding a \$1 million savings element related to  
13 Board of Directors being a component of the \$4.5 million savings used in Mr. Eichler's  
14 Schedule PE-2?

15 A. There is no indication that EDE board members will be eliminated from  
16 affiliate charges to EDE under the proposed transaction. Both Mr. Beecher on page 6, lines  
17 13 through 15, and Mr. Pasioka on page 15, lines 19 through 22, testify that EDE's current  
18 Board of Directors will be offered positions to continue serving the LU Central region  
19 through a regional board of directors. While the costs of Empire current board members  
20 charged to EDE might decrease, EDE is exposed to affiliate cost assignment from the other  
21 members of the regional board as well as the board costs of the several holding companies  
22 that exist between EDE and Algonquin.

1 Q. Does the attrition cost savings factor contained in Mr. Eichler's  
2 Schedule PE-2 raise concerns regarding EDE's cost of service and quality of service?

3 A. Yes. The attrition savings raise concerns regarding the true impact on EDE's  
4 cost and quality of service. As EDE reduces the qualified positions providing service to its  
5 Missouri electric, natural gas, and water utility operations by not filling vacancies caused by  
6 attrition, the number of positions providing quality of service functions will decrease; overall  
7 productivity will be challenged to offset cost increases or service problems. In addition, as  
8 more individuals unfamiliar with EDE's operations, requirements, and practices are involved  
9 in EDE's Missouri electric, gas, and water utility business, the probability that adverse  
10 service or costs would be incurred increases significantly.

11 Q. Does Mr. Eichler's Schedule PE-2 provide reasonable assurance that the  
12 proposed transaction will not increase EDE's cost of service?

13 A. No. Mr. Eichler omits from his Schedule PE-2 the increased cost that results  
14 from the capital structure that Liberty Utilities and LU Central plan to impose on EDE under  
15 the proposed transaction. This greater equity ratio planned is discussed on page 7, line 14  
16 through page 8, line 6 of Mr. Eichler's testimony. In addition, debt to be issued at the  
17 Liberty Utilities level as unsecured debt not subject to Commission approval can be more  
18 costly than the secured debt that can be issued at EDE with Commission approval. The debt  
19 interest rate can be impacted by the level, or lack thereof, of collateral supporting the loan.

20 Mr. Eichler's Schedule PE-2 shows a declining level of net benefits in years 2017  
21 through 2019 from \$704,103 to \$193,124. The work paper supporting this schedule shows  
22 further declines in 2019 and 2020 to net benefit totals of \$30,826 and \$82,749 respectively.  
23 The net/benefit amounts provide no reasonable comfort zone that a net cost will not be the

1 result of the proposed transaction as actual results replace the estimates contained on his  
2 Schedule PE-2. A net cost result would indicate that EDE is being operated with higher costs  
3 than if the proposed transaction were not implemented. With the omitted cost increases from  
4 a higher cost of capital and possible cost of debt increases mixed with the probability that the  
5 full amount of \$4.5 million of savings will not and possibly should not materialize for quality  
6 of service reasons, the proposed transaction has a greater probability that it will be  
7 detrimental to the public interest. In addition, Schedule PE-2 does not appear to reflect any  
8 transition costs to be incurred to achieve the \$4.5 million savings in the early post acquisition  
9 years.

10 Q. Is compliance with the Commission's affiliate transaction rules essential in  
11 addressing the probable detriments contained in the proposed transaction?

12 A. Yes. The Commission's affiliate transactions rules are intended to prevent  
13 regulated utilities from subsidizing their non-regulated operations. (See 4 CSR 240-20.025  
14 purpose section). The proposed transaction relies heavily, if not entirely, on affiliate  
15 transactions being provided by non-regulated affiliates. Compliance with the Commission's  
16 affiliate transaction rules is needed to prevent EDE from subsidizing Algonquin or its  
17 affiliates.

18 Q. Does the commitment that the "Company will provide the revised CAM  
19 within six months of closing the Empire transaction" contained in Mr. Eichler's testimony on  
20 page 13, lines 11 through 13, provide adequate assurance that the proposed transaction will  
21 be in compliance with the MoPSC's affiliate transaction rules?

22 A. No. In fact this statement indicates that non-compliance will likely occur for  
23 at least six months after closing the Empire transaction. The CAM's purpose is to include

1 the criteria, guidelines, and procedures that will be followed to be in compliance with the  
2 affiliate transaction rule. If this information does not exist, the probability that the proposed  
3 transaction will be in compliance with MoPSC affiliate transaction rules is small. The  
4 MoPSC affiliate transaction rule purpose section notes that “the rule and its effective  
5 enforcement will provide the public assurance that their rates are not adversely impacted by  
6 the utilities’ nonregulated activities.” 4 CSR 240-20.015(9) and 4 CSR 240-40.015(9) note  
7 that the utility “shall train and advise its personnel as to the requirements and provisions of  
8 this rule as appropriate to ensure compliance.” This training and advice is dependent on the  
9 development of the criteria, guidelines, and procedures that will be followed to be in  
10 compliance with the affiliate transaction rule.

11 Q. Do you have other concerns regarding the proposed transaction?

12 A. The proposed transaction will eliminate EDE’s direct access to capital markets  
13 and replace this activity with debt and equity functions being performed by non-regulated  
14 affiliates outside Missouri. In addition the operation of EDE will be changed in the  
15 following ways:

- 16 • MoPSC will have no oversight over goods and services being charged from  
17 Canadian non-regulated affiliates;
- 18 • EDE will effectively no longer have access to the capital markets (debt &  
19 equity) with capital being provided by a nonregulated affiliate;
- 20 • EDE will enter into affiliate transactions that will not consider the relationship  
21 between cost and market value, as required by the Commission’s affiliate  
22 transaction rules;
- 23 • EDE will be financed without analysis of benefits/costs/risks in a different  
24 manner and by a non-regulated affiliate who is not a party to this case;
- 25 • EDE will be engaging in affiliate transactions that will not comply with  
26 MoPSC’s affiliate transaction rules until a CAM can be approved,  
27 successfully implemented, and effectively enforced.



1           The proposed transaction notes that EDE will be charged "...for its fair share of the  
2 costs incurred by Algonquin, Liberty Utilities, and LU Central. The structure of where  
3 services are performed (Algonquin, Liberty Utilities, or regional entities such as LU Central)  
4 is still being determined but there will be no duplication of efforts." (Mr. Eichler, page 11,  
5 lines 19-22). The "no duplication of efforts" is not an adequate standard to protect those who  
6 will be trying to construct cost of service under the proposed transaction. The criterion that  
7 must be met is whether the costs were needed for EDE to provide safe and adequate service  
8 at just and reasonable rates.

9           Q.     Do you have any conditions that would alleviate the affiliate transaction rule  
10 compliance or CAM concerns?

11          A.     Yes. The purchase of EDE shares and the merger of EDE with Liberty Sub  
12 can be approved conditioned that:

- 13           1)     EDE is to be operated after the purchase compliant with the affiliate  
14 transaction rule, or, in the alternative, EDE obtains any necessary  
15 variances from the MoPSC's affiliate transaction rule as defined in 4  
16 CSR 240-20-015(10) and 4 CSR 240-40-015(10),
- 17           2)     Algonquin and its subsidiaries will commit that all information related  
18 to an affiliate transaction consistent with 4 CSR 240-20.015(5)(A)(1) -  
19 (2) and 4 CSR 240-40.015(5)(A)(1) - (2) charged to EDE will be  
20 treated in the same manner as if that information is under the control  
21 of EDE, and
- 22           3)     EDE will provide no preferential service, information, or treatment to  
23 an affiliated entity over another party at any other time consistent with  
24 4 CSR 240-20.015(2)(1)(B) and 4 CSR 240-40.015(2)(1)(B).

25          Q.     Does this conclude your rebuttal testimony?

26          A.     Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric )  
Company, Liberty Utilities (Central) Co. ) Case No. EM-2016-0213  
And Liberty Sub Corp. Concerning an )  
Agreement and Plan of Merger and Certain )  
Related Transactions )

**AFFIDAVIT OF ROBERT E. SCHALLENBERG**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW** Robert E. Schallenberg on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

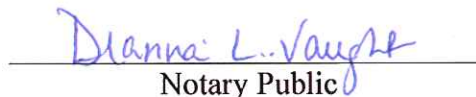
Further the Affiant sayeth not.

  
ROBERT E. SCHALLENBERG

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 20th day of July, 2016.



  
Notary Public

## RATE CASE PROCEEDING PARTICIPATION

### ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Laclede Gas Company	GF-2015-0181
KCP&L Greater Missouri Operations Company	ER-2010-0356
Kansas City Power & Light Company	ER-2010-0355
Great Plains Energy Incorporated, Kansas City Power & Light Company	ER-2009-0090
Great Plains Energy Incorporated, Kansas City Power & Light Company	ER-2009-0089
Great Plains Energy Incorporated, Kansas City Power & Light Company, Aquila, Inc.	EM-2007-0374
Union Electric Company, d/b/a AmerenUE	ER-2007-0002
Missouri Pipeline Company	GC-2006-0491
Aquila, Inc.	ER-2005-0436
Union Electric Company, d/b/a AmerenUE	EA-2005-0180
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
Laclede Gas Company	GR-94-220
Western Resources	GM-94-40
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	EM-91-213
Arkansas Power & Light Company	EM-91-29
Missouri Public Service Company	ER-90-101
Southwestern Bell Telephone Company	TR-90-98
General Telephone	TR-89-182
Southwestern Bell Telephone Company	TO-89-56
Southwestern Bell Telephone Company	TC-89-14

**RATE CASE PROCEEDING PARTICIPATION**

**ROBERT E. SCHALLENBERG**

<b><u>COMPANY</u></b>	<b><u>CASE NO.</u></b>
Union Electric Company	EC-87-114
General Telephone	TC-87-57
General Telephone	TM-87-19
General Telephone	TR-86-148
Southwestern Bell Telephone Company	TR-86-84
Kansas City Power & Light Company	EO-85-185
Kansas City Power & Light Company	ER-85-128
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power & Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-82-199
Kansas City Power & Light Company	HR-82-67
Kansas City Power & Light Company	ER-82-66
Southwestern Bell Telephone Company	TO-82-3
Southwestern Bell Telephone Company	TR-81-208
Kansas City Power & Light Company	ER-81-42
Southwestern Bell Telephone Company	TR-80-256
United Telephone Company of Missouri	TR-80-235
Kansas City Power & Light Company	ER-80-204
Kansas City Power & Light Company	ER-80-48
Kansas City Power & Light Company	ER-80-48
Southwestern Bell Telephone Company	TR-79-213
Gas Service Company	GR-79-114
Missouri Public Service Company	ER-79-60
Missouri Public Service Company	ER-79-61
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**

Laclede Gas Company  
Case No. GF-2015-0181  
Date: June 18, 2015  
Areas: Finance Authority

KCP&L Greater Missouri Operations Company  
Case No. ER-2010-0356  
Date: November 4, 2010 (Report)  
Areas: Construction Audit and Prudence Review

Kansas City Power & Light Company  
Case No. ER-2010-0355  
Date: November 4, 2010 (Report)  
Areas: Construction Audit and Prudence Review

Great Plains Energy Incorporated,  
Kansas City Power & Light Company  
Case No. ER-2009-0090  
Date: April 9, 2009 (Surrebuttal)  
Areas: Iatan Prudence Review

Great Plains Energy Incorporated,  
Kansas City Power & Light Company  
Case No. ER-2009-0089  
Date: April 7, 2009 (Surrebuttal)  
Areas: Iatan Prudence Review

Great Plains Energy Incorporated,  
Kansas City Power & Light Company, Aquila, Inc.  
Case No. EM-2007-0374  
Date: October 12, 2007 (Rebuttal and  
Staff Report of Evaluation and Recommendations)  
Areas: GPE Acquisition of Aquila

Union Electric Company, d/b/a AmerenUE  
Case No. ER-2007-0002  
Date: February 28, 2007 (Surrebuttal)  
Areas: EEInc.  
  
Date: January 31, 2007 (Rebuttal)  
Areas: EEInc. and 4 CSR 240-10.020

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

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

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. EA-2005-0180

Date: October 15, 2005 (Rebuttal)

Areas: East Transfer

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

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

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

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

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.

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

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

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

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

Generic Telecommunications

Straight Line Equal Life Group and Remaining Life Depreciation Methods

Case No. TO-82-3

Date: December 23, 1981

Areas: Depreciation

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

Southwestern Bell Telephone Company

Case No. TR-80-256

Date: October 23, 1980

Areas: Flow-Through vs. Normalization

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return



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

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

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-79-60 and GR-79-61

Date: April 9, 1979

Areas: Depreciation Reserve, Cash Working Capital

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.