Exhibit No.:	______________
Issue(s):	Policy/ Capital Structure/ Affiliate Transactions
Witness/Type of Exhibit:	Schallenberg/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2018-0145 and ER-2018-0146

REBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENBERG

Submitted on Behalf of
the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY
and
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Case No. ER-2018-0145 and ER-2018-0146

** **

Denotes Information that has been redacted

July 27, 2018

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2018-0145 Tracking Nos. YE-2018-0095 & YE-2018-0096
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2018-0146 Tracking No. YE-2018-0097

AFFIDAVIT OF ROBERT E. SCHALLENBERG

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Robert E. Schallenberg, of lawful age and being first duly sworn, deposes and states:

1. My name is Robert E. Schallenberg. I am a Director of Policy for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Robert E. Schallenberg
Robert E. Schallenberg
Director of Policy

Subscribed and sworn to me this 27th day of July 2018.

NOTARY PUBLIC
NOTARY SEAL
STATE OF MISSOURI
JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

REBUTTAL TESTIMONY

OF

ROBERT E. SCHALLENBERG

KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2018-0145

KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2018-0146

INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert E. Schallenberg. My business address is P.O. Box 2230, Jefferson City, Missouri 65102. I am the Director of Policy for the Office of the Public Counsel ("OPC").

Q. Are you the same Robert E. Schallenberg that filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I address the following issues in response to direct testimony related to the issue. The issues and witnesses who prefiled related direct testimony that I address are:

1. OPC's position that short-term debt should be included in GMO's capital structure in response to the direct testimony of Robert B. Hevert for GMO, Jeffrey Smith for Staff, and Michael P. Gorman for the Midwest Energy Consumers Group who did not include short-term debt in their GMO capital structure..
2. The KCPL & GMO receivables adjustments in KCPL's, GMO's, and Staff's direct cases sponsored by witnesses Ronald A. Klote and Linda J. Nunn

3. Affiliate Transactions with KCPL and GMO addressed by KCPL and GMO witness Ronald A. Klote, including Westar and Great Plains merger transition costs, and information given by KCPL to Great Plains shareholders.

Q. What portions of KCPL's and GMO's rate requests are you addressing in your rebuttal testimony?

A. I address matters related to the non-fuel portion of KCPL's rate increase and GMO's rate decrease requests. I use the following descriptions of the rate increase or decrease cases as the basis for this response. : KCPL, Great Plains, GMO's owner, have described these rate cases in their 2017 filing with the Security and Exchange Commission as:

"6. REGULATORY MATTERS

> **KCP&L Missouri 2018 Rate Case Proceedings**
> In January 2018, KCP&L filed an application with the MPSC to request an increase to its retail revenues of $8.9 million before rebasing fuel and purchased power expense, with a return on equity of 9.85% and a rate-making equity ratio of 50.03%. The request reflects the impact of the Tax Cut and Jobs Act and increases in infrastructure investment costs, transmission related costs and property tax costs. KCP&L also requested an additional $7.5 million increase associated with rebasing fuel and purchased power expense.
>
> **GMO Missouri 2018 Rate Case Proceedings**
> In January 2018, GMO filed an application with the MPSC to request a decrease to its retail revenues of $2.4 million before rebasing fuel and purchased power expense, with a return on equity of 9.85% and a rate-making equity ratio of 54.4%. The request reflects the impact of the Tax Cut and Jobs Act and increases in infrastructure investment costs and transmission related costs. GMO also requested a $21.7 million increase associated with rebasing fuel and purchased power expense.

Great Plains/KCPL/GMO 2017 10 K, page 83

All the matters I raise in this rebuttal testimony are related to KCPL's request to increase its non-fuel base rates by $8.9 million and GMO's request to reduce its non- fuel base rates by $2.4 million. Note that KCPL's and GMO's direct cases, including the direct testimony of their witnesses, reflect a position regarding recovery of Merger transition costs that does not reflect the terms of a Stipulation & Agreement made after they filed their direct cases. OPC assumes KCPL and GMO will later formally adopt the Stipulation terms into their cases. The agreed-upon-terms, when introduced into KCPL's and GMO's rate requests, will reduce KCPL's non-fuel base rate increase and increase GMO's non-fuel base rate reduction.

Q. Would you please summarize your rebuttal testimony?

A. I address the criteria for whether to include short-term debt in the capital structure of GMO espoused by Midwest Energy Consumers Group witness Michael P. Gorman in his direct testimony and by Staff witness Jeffrey Smith during his deposition, and I identify information which shows that approximately $125 million of short-term debt should be included in GMO's capital structure used for establishing the non-fuel base rate reduction that the Commission should adopt in GMO's case.

I address the affiliate transaction system discussed by KCPL and GMO witness Mr. Klote in his direct testimony and the issues that OPC currently has with the system.

SHORT-TERM DEBT IN CAPITAL STRUCTURE

Q. Does any witness expressly address whether GMO's capital should include short-term debt?

A. Michael P. Gorman, rate of return witness on behalf of the Midwest Energy Consumers Group, does in his direct testimony.

Q. What does he say?

A. Mr. Gorman, on page 66 lines 6 through 9 of his direct testimony, states:

> "However, I did consider approximately $210 million of notes payable at a stated interest rate of around 1.5% as additional interest expense. I assume that this interest expense supports construction work in progress and will be recorded as capitalized interest."

Based on information contained in Great Plains/KCPL/GMO Security and Exchange Commission filings, and KCPL & GMO Annual Report filings with this Commission I have reviewed, Mr. Gorman's assumption is correct for approximately half of the notes payable that he examined. The other half of the notes payable are supporting GMO's other assets, excluding goodwill and construction work in progress. A majority of these assets make-up GMO's rate base.

Q. Did any rate of return witness who filed direct testimony include any short-term debt in GMO's capital structure?

A. No.

Q. Is excluding short-term debt from KCPL's capital structure a concern?

A. No.

Q. Why not?

A. KCPL's note payable balance is less than its construction work in progress (CWIP) balance. Thus, all the interest related to its notes payable is assigned as a capital cost of its construction expenditures.

Q. Why is all the notes payable interest assigned to construction work in progress?

A. The Uniform System of Accounts specifies the how costs are to be assigned to its various accounts. In its instruction for costs to be included in Plant, an item is identified as Allowance for Funds Used during Construction. RES Schedule R-1 pages 1 thru 7 contains a formula that shows on page 4 and 5 how the two components of AFUDC are to be determined. When looking at the formula one can see that when short-term debt exceeds construction expenditures all other factors are given a zero consideration.

Q. Did OPC inquire of any of the rate of return witnesses as to their rationale for excluding short-term debt from GMO's capital structure?

A. Yes. OPC deposed Staff witness Jeffrey Smith. During his deposition he testified:

"Q. What do you mean by leverage?
A. Leverage – so if a company uses more financial leverage or less financial leverage, depending on how much debt they use to run their operations.
Q. So do you mean by financial leverage, the level of debt?
A. Yes.
Q. Is that short-term, long term debt or both?
A. Both.
Q. And for KCP&L and GMO, you said you – I believe you said you considered short-term debt whenever you were looking at capital structure?
A. It's – it's not in the capital structure, no.
Q. Why not?
A. Because the amount of short-term debt that the company's used is less than their outstanding balance of construction work in progress."
[Page 9, line 19 thru page 10, line 13]

Q. Is it important to include short-term debt in the capital structure when short-term debt exceeds CWIP balances?

A. Yes.

Q. Why?

A. Short-term debt for an investment grade utility is one of lowest cost of capital sources after cost-free capital sources are considered. Short-term debt offers greater flexibility to satisfy cash flow fluctuations. As Mr. Gorman in his direct testimony and Mr. Smith in his deposition note, short term debt interest is not included in the capital structure when it is assigned to the capital costs charged to construction, more commonly called Allowance for Funds Used in Construction (AFDC or AFUDC). Normally, as in KCPL's case, all short-term debt is assigned to the AFUDC rate charged to construction. When the short-term debt has been fully used, the excess construction expenditures receive a rate of return consideration.

Q. What if the CWIP balances exceed short-term debt?

A. If short-term debt is not included in the capital structure then rate base that is actually supported by lower capital cost short-term debt will be treated as if it is supported by higher cost capital, which will cause retail customers to be overcharged for the costs the utility actually incurs to serve them.

Q. Can you illustrate?

A. Yes, with actual examples of this process being applied to KCPL and GMO. Great Plains and KCPL's annual 10K filing with the SEC, on page 70, has the following statement:

> "As prescribed by The Federal Energy Regulatory Commission (FERC), Allowance for Funds Used During Construction (AFUDC) is charged to the cost of the plant during construction. AFUDC equity funds are included as a non-cash item in non-operating income and AFUDC borrowed funds are a reduction of interest charges. The rates used to compute gross AFUDC are compounded semi-annually. The rates used to compute gross AFUDC for KCP&L averaged 4.9% in 2017, 5.7% in 2016

and 3.0% in 2015. The rates used to compute gross AFUDC for GMO averaged 1.9% in 2017, 1.6% in 2016 and 4.2% in 2015."

The above rates used to compute gross AFUDC (AFUDC rates) show the influence of short-term debt. Referring the AFUDC previously discussed, when GMO's AFUDC rate drops in 2016 to be lower than KCPL's AFUDC rate, the reason this occurs is that GMO's short-term debt exceeds its construction work in progress balances. When this occurs then the AFDUC rate is the short-term debt rate, For KCPL's AFUDC rate to be greater than GMO's AFUDC rate, then KCPL's construction work in progress must exceed KCPL's short term debt, thus giving more weight to higher cost debt and equity capital. Schedule RES –R1, page 8 is page 96 from the GPE/KCPL 10 K for 2017. This schedule shows that GMO had more short-term debt than KCPL causing GMO to have the lower AFUDC rate. At this time, GMO now has short-term debt supporting its rate base with low capital cost.

Q. Since GMO's CWIP balances exceed its short-term debt, what needs to be done to prevent GMO's retail customers from being overcharged?

A. GMO's capital structure used to determine GMO's cost of service should include approximately $125 million of short-term debt with a rate of 2.38%. This represents the amount of short-term supporting GMO rate base as of March 31, 2018, based on data Great Plains and KCPL reported in their Form 10Q filing with the SEC for the first quarter of 2018. The interest rate associated with GMO's short-term debt reported in this filing is 2.38%. RES Schedule R-1 pages 9 thru 17 are pages from the Great Plains/KCPL 10 Q for 1st Quarter of 2018. This information shows GMO is increasing its reliance on short-term debt while having stable CWIP balances. This data shows that GMO is increasing the short-term debt support of its rate base.

AFFILIATE TRANSACTIONS

Q. What direct testimony are you addressing regarding the affiliate transactions revenue requirement impact on the KCPL and GMO rate increase requests?

A. Mr. Klote addresses affiliate transactions on page 5 of his direct testimony in the following Questions and Answers for KCP&L and GMO;

> Q. Does test year expense reflect an appropriate allocation of KCP&L overhead to KCP&L Greater Missouri Operations Company ("GMO") and other affiliated companies?
>
> A. Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs among the various affiliated companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate. [Direct Testimony in ER-2018-0145]
>
> Q. Does GMO's test year expense reflect appropriate allocation of KCP&L overhead to GMO and other affiliated companies?
>
> A. Yes, KCP&L incurs costs for the benefit of GMO and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs among the various affiliated companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate. [Direct Testimony in ER-2018-0146]

Q. The Commission has rules specifying requirements for KCP&L and GMO to participate in affiliate transactions. Do you agree that KCP&L has appropriately set up a system that allocates its costs among various affiliated companies based on appropriate cost drivers while assigning costs directly to the benefiting affiliate?

A. No, not at this time.

Q. Why do you qualify your answer?

A. I have not had the Company's input regarding the current list of affiliate transaction concerns. I plan to get their input on August 2nd. The Company preferred to discuss these concerns after a discussion of affiliate transactions regarding post-merger affiliate transactions.

Q. Is it important that KCP&L have such a system?

A. Yes.

Q. Why?

A. A KCP&L cost of service study used to establish customer rates will be overstated if KCP&L does not appropriately charge: 1) all the costs required under the Commission affiliate transaction rules to its affiliates as these extra costs will remain as KCP&L costs or 2) fair market price when transacting with an affiliate outside its commission approved waiver. The Commission affiliate transaction rule prohibits KCP&L from participating in a non-compliant affiliate transaction. The presumption is that there is are no inappropriate affiliate transactions on a Missouri regulated utility books and records. Thus the discovery of inappropriate affiliate transactions creates internal control issues as to how could such an event occur.

Q. What evidence do you have at this time that KCPL does not have a system that appropriately assigns and allocates costs to its affiliates?

A. First, it was discovered that affiliate transactions were occurring without the Company keeping any record of charges or and no activity was being reported. In one case, an affiliate was reporting it was inactive to a regulatory body, when OPC had documentation that affiliate had been active in that reporting period.

Second, OPC reviewed the Company's Response to a Staff Data Request showing virtually no indirect cost assignment to affiliates, other than GMO costs. This concern was accentuated by the response to affiliate charges to an affiliate in (need case number if you are going to use this another case) before the Commission.

Third, affiliate transactions were occurring but not being reported or identified in the Company's annual Affiliate Transaction Report filed with the Commission.

Fourth, a significant cost was shown on KCP&L and GMO's accounts in their Commission Annual Report filing that appeared to be caused by GPE.

Fifth, the statement by GPE in its SEC filing indicated that GPE was in charge of the costs KCP&L incurred on GPE's behalf.

Sixth, KCP&L and GMO were using this case to transfer expenses back to KCP&L and GMO regulated accounts after those expenses had been recorded as affiliate expenses. These adjustments are counter to the financial reporting of the affiliate operations (income and expenses) as below-the- line non-regulated income to KCP&L and GMO.

Seventh, the capture of Merger transition costs in order to satisfy the condition that actual transition costs are not doubled recovered in the post-merger period.

Q. What is the detail supporting your first item?

A. In its 2017, FERC Form 60 GPES states page 204.1 "GPES did not services to GPE or its subsidiaries during 2017". RES Schedule R-1 pages 18 thru 29 are pages from Great Plains Energy Services FERC Form 60 filing for 2017. Page 28 contains the aforementioned statement. These pages do indicate that KCPL did provide services to GPES during 2017 and in 2018. The remaining portion of this answer will be supplied as a work paper.

Q. What is the detail supporting your second item?

A. OPC reviewed the Companies' responses to Staff Data Request 14. RES Schedule -R-1 page 30 is copy of a page from KCP&L's response to Staff Data Request 17 . This page provides an overview of KCP&L's cost assignment system for the goods and services KCP&L provides to all its affiliates. KCP&L operates GPE and all its affiliates. The concern is that column 2 shows only $42,333 of the $101,259,120 non-direct expenses charged to any affiliate other than KCP&L and GMO. While KCP&L has a waiver to do transactions with GMO at fully distributed costs, there is no waiver allowing KCPL to provide goods and services to non-regulated entities below fair market price, when fully distributed costs is less.

Q. What is the detail supporting your third item?

A. There were three active affiliates OPC found, which were not mentioned in the KCPL affiliate transactions with affiliates in 2017 Affiliate Transaction Report. These affiliates were Wolf Creek Nuclear Operating Corporation, Great Plains Energy Services Corporation, and Grid Assurance. The Report did not list or address any goods and services provided to these entities. OPC did not conduct a full examination to determine whether other affiliate activity was not reported.

Q. What is the detail supporting your fourth item?

A. GMO's 2017 Annual Report filed with the Commission is mainly the Company's FERC Form No. 1. On page 335, the Report lists details of GMO charges to account 930.2, Miscellaneous General Expenses. One charge is described as "Pub & Dist Info to Stkhldrs…expn servicing outstanding Securities" for $969,111. GPE is the only shareholder of GMO.

Similarly KCP&L's 2017 Annual Report filed with the Commission also mainly consists of the FERC Form No. 1. Page 335 of KCPL's Report identifies details of GMO charges to account 930.2, Miscellaneous General Expenses. The charge on line 5 is described as "Pub & Dist Info to Stkhldrs …expn servicing outstanding Securities" for $1,664,086 GPE is the only shareholder of KCP&L.

Currently it appears that these amounts are included in the Company's and Staff's

Case. OPC asserts these costs should have been directly assigned to GPE due to the fact it is the affiliated entity with outside shareholders, so GPE is the cost causer. The GPE/KCPL 2017 10K shows on page 31 that "At February 16, 2018, Great Plains Energy's common stock was held by 13,952 shareholders of record. RES Schedule R-1 pages 31 thru 35 contain the Annual Report page showing the costs in question were charged and recorded in account 930.2 Miscellaneous Expenses, a regulated account for KCPL and GMO. Page 35 is the page from the SEC filing that identifies the number of shareholders Great Plains has on February 16, 2018 and the fact KCPL has one share outstanding held by Great Plains.

Q. What is the detail supporting your fifth item?

A. GPE reports in its recent on page 43 of its 10Q filed with the SEC that:

> "Great Plains Energy's corporate and other activities not included in the sole reportable business segment includes GMO activity other than its regulated utility operations, GPETHC and **unallocated corporate charges** including certain costs to achieve the anticipated merger with Westar." (Emphasis added)

Since GPE is operated completely by KCP&L employees, GPE has no corporate costs to allocate. Thus, KCP&L is the only entity that can allocate a portion of GPE's corporate costs to other non-GPE entities. Item 4 coupled with the statement above could indicate that KCP&L and GMO regulated utility operations are the entities that are allocated a share of GPE's corporate costs in addition to their own corporate costs. RES Schedule R-1 pages 36 and 37 are the pages of the SEC filing that describes Great Plains business and contained the quoted material above.

Q. What is the detail supporting your sixth item?

A. KCP&L and Staff have included adjustments in their respective cases to transfer expenses from KCP&L and GMO's receivable affiliates to be included in the cost of KCP&L's and GMO's regulated operations. Specifically, Mr. Klote's Direct Testimony Schedule RAK-4 GMO shows adjustment CS-4 adding $2,648,179 of Bad Debt Expense; CS-9 adding $1,097,419 of GREC Bank Fees; and adjustment CS-78 adding $70,119 of GREC Bank fees to GMO's cost of service. These adjustments are sponsored by Linda J. Nunn.

Ms. Nunn's Direct Testimony states adjustment CS-4 "is necessary to reflect the test year provision for bad debt expense recorded on the books of GMO Receivables Company ("GRec")". Adjustment CS-9 and CS-78 are interrelated. The testimony states that "Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by GRec are reflected." The testimony explains that CS-78 annualized the amount transferred in CS-9 from GRec to GMO.

Specifically, Mr. Klote's Direct Testimony in Schedule RAK-4 KCPL-MO shows adjustment CS-4 adding $5,826,173 of Bad Debt Expense; CS-9 adding a portion of $1,755,812 of KCREC Bank Fees; and adjustment CS-78 adding $70,119 of KCREC Bank fees to KCP&L's cost of service. These adjustments are also sponsored by Ms. Nunn.

Ms. Nunn's Direct KCP&L Testimony states adjustment CS-4 "is necessary to reflect the test year provision for bad debt expense recorded on the books of Kansas City Power & Light Receivables Company ("KCRec")". Adjustment CS-9 and CS-78 are again interrelated in the KCP&L case. The testimony states that "Bank fees are first included in cost of service through adjustment CS-9, wherein fees incurred during the test year by KCRec are reflected". The testimony explains that CS-78 annualized the amount transferred in CS-9 from KCRec to KCP&L.

Q. What is OPC's position regarding these adjustments?

A. OPC opposes these adjustments.

Q. What is the basis for OPC's opposition?

A. The Companies' Direct Testimony lacked any explanation or justification for the transfer of a non-regulated affiliate's expenses to the books of a regulated utility for inclusion in its customer rates. These adjustments are very unique in the sense that KCP&L is reversing selected expense portions of KCRec and GRec operations to increase the regulated expenses. KCP&L and GMO. KCRec and GRec are subsidiaries of KCP&L and GMO respectively. KCRec and GRec are profitable on a regular basis meaning they produce income that exceeds their expenses. In 2017, KCRec provided KCP&L $4,959,150 of income covering all its booked expenses. In the same year, GRec provided GMO $2,385,593 of income covering all its booked expenses including taxes.

KCRec and GRec are profitable entities and their income is consolidated into KCP&L and GMO's profitability. The following table show the net income produced by KCRec and GRec from 2014 thru 2017"

Subsidiary/Net Income	2014	2015	2016	2017
KCRec	** **	** **	** **	** **
GRec	** **	** **	** **	** **

Source: Response to OPC Data Request 1324

The above table shows the KCRec and GRec have covered the expenses KCP&L is adding to KCP&L and GMO's costs for recovery again from their Missouri ratepayers. If any adjustment was proper it would be to transfer above-the-line the net income of KCRec and GRec.

Q. Are the KCRec and GRec compliant with the Commission affiliate transaction rules?

A. No. KCP&L and GMO's provide a financial advantage to their receivable companies. The Missouri utilities sell their receivables to their affiliates at below fair market price. The fair market price is the amount their affiliates receive from non-affiliate third party when the accounts receivables are resold. KCP&L services their sold receivable as they collect the amount due for a fee percentage of the receivable amount independent of the cost KCP&L incurs to provide the collection services. Thus KCP&L's is not charging the higher of cost or market when serving its affiliate sale of receivables.

Financial Statements provided by KCPL for KCPL, KCRec, GMO, and GRec for years 2014 thru 2017 show the costs for KCRec and GRec are more than offset by their income and their net income shows up as non-operating income (subsidiary income) on KCPL and GMO books. The transfer of a portion of KCRec and GRec expenses to KCPL and GMO Missouri ratepayers only leads to double recovery and the adjustments should be denied.

Q. What is the detail supporting your seventh item?

A. An agreement related to the Commission's approval of the GPE/Westar merger contains a condition that impacts KCP&L and GMO. This agreement contains the following condition:

> 9. Transition Costs: Signatories shall support in KCP&L and GMO's 2018 rate cases filed on January 30, 2018, deferral of Merger transition costs of $7,209,208 for GMO and $9,725,592 for KCP&L's Missouri operations. Signatories will recommend recovery in the respective 2018 rate cases through amortization of such Merger transition costs for approval by the Commission over a 10-year period beginning when such costs have been included in Missouri base rates, with no carrying costs or rate base inclusion allowed for the unamortized portion of such costs at any time. Signatories agree that no other Merger transition costs shall be requested for recovery from Missouri customers in the 2018 rate cases or thereafter. This agreement regarding transition cost recovery is an additional limitation to Condition 19 in Exhibit A to the Stipulation and Agreement filed on January 12, 2018.

To comply with this condition, KCP&L and GMO may not have any Merger transition costs included in their rate cases other than the ten (10) year amortization of the total agreed to amounts in condition 9 above. Mr. Klote's Direct Testimony was filed before the Agreement containing the above condition was reached. Thus his Direct Testimony is inconsistent with the above condition. My rebuttal testimony assumes Mr. Klote will modify the Companies' position to be compliant with the above condition.

The seventh item is a concern caused by the lack of identification of the costs included in this case currently that will be Merger transition costs now that the transition will be in full swing. Some of the costs included in these cases will be now be performing Merger transition activities. The previous discussed S&A condition does not allow for these costs to be collected from Missouri customers. The difficulty in these cases is the merger is a true-up item. Thus we will have less than a month of transition activity while knowing a certain amount of employee costs included in this case will be devoted to merger transition activity. With the inclusion of the Merger transition amortizations in this case, no other Merger transition costs are to be collected from Missouri customers. Regardless of historical activity, the real transition cost recovery will begin at the time transition cost amortization have been included in rates, At that time no other transition costs are to be in customer rates. Transition costs will occur in June, 2018 which is scheduled to be included in the cases when they are modified to reflect true-up data thru June 30, 2018.

Q. Does this conclude your rebuttal testimony?

A. Yes.