

Schedule RES-D-1

Schedule RES-D-1

Q. Please describe your educational background, professional credentials, and work experience.

A. I am have worked in Missouri utility regulation both at the state and federal for forty-two years. I worked in Kansas utility regulation for eight months. My educational background, professional credentials, and work experience are contained in Schedule RES-D-1. a 1976 graduate of the University of Missouri at Kansas City with a Bachelor of Science degree and major emphasis in Accounting. In November 1976, I successfully completed the Uniform Certified Public Accountant ("CPA") examination and subsequently received the CPA certificate. In 1989, I received my CPA license in Missouri. I began my employment with the Missouri Public Service Commission (MoPSC) as a Public Utility Accountant in November 1976. I remained on the Staff of the MoPSC until May 1978, when I accepted the position of Senior Regulatory Auditor with the Kansas State Corporation Commission (KCC). In October 1978, I returned to the Staff of the MoPSC. I held auditor and management positions with the Staff of the MoPSC for the period of October 2018 through May 15, 2018, when I accepted my current position with OPC.

Q. What specific work experiences assisted you most in the preparation of this testimony?

A. My auditing experience with the MoPSC as an Audit Supervisor/Regulatory Auditor V and my management experience with the MoPSC's auditing, financial analysis, and management services. Throughout my career I have interacted with legal groups representing the full range of parties in the utility industry. During my career as an auditor,

I was involved in a direct role in processing the cases listed in my Schedule RES-D-1. In October 1997, I was named Division Director of the Utility Services Division of the MoPSC placing me in a management role with the auditing, financial, and management analysis groups. In November 2011, my group became the Auditing, Accounting and Financial Analysis Department. During my term in senior management, I was involved in the strategic aspects of cases listed in Schedule RES-D-2 during this period as well as performing management activities for the MoPSC. My work activities as a Regulatory Auditor V is the primary background that I rely upon to create this testimony as well as my involvement in the preceding Kansas City Power and Light Greater Missouri Operations (GMO) rate case.

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

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

1. To conduct the timely and efficient examination of the accounts, books, records and reports of jurisdictional utilities;
2. To aid in the planning of audits and investigations, including staffing decisions, and in the development of Staff positions in cases to which the Accounting Department of the MoPSC was assigned, in cooperation with Staff management as well as other Staff;
3. To serve as lead auditor, as assigned on a case-by-case basis, and to report to the Assistant Manager-Accounting at the conclusion of the case on

the performance of less experienced auditors assigned to the case, for use in completion of annual written performance evaluations;

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

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

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

The Regulatory Auditor V position was utilized to present and defend positions both in filed testimony and orally at hearing. I have on many occasions presented testimony before the MoPSC on issues ranging from the development of a lead-lag study to determine the cash working capital component for rate base to the appropriate method of calculating the interest deduction related to the determination of the amount of income taxes to be used for ratemaking purposes. I have worked in the area of telephone, electric and gas utilities. I have taken depositions on behalf of the MoPSC in FERC dockets. Attached as Schedule RES-R-2, is a listing of cases and issues on which I have worked at the MoPSC. At times, my responsibilities were expanded to assist in federal cases involving the MoPSC as assigned. These assignments consisted of my serving as the primary person assigned to certain FERC cases working with DC or Staff counsel. My assignments encompassed special and unique work responsibilities. Examples of these special assignments include Staff's investigation of organized crime involvement in two Missouri telephone companies, Cass County Telephone and New Florence Telephone companies. I was

assigned to help prepare a MoPSC's commissioner's presentation to Judge Greene in the oversight of the American Telephone and Telegraph (AT&T) divestiture consent decree. I was involved in the development of the utilization of totally budgeted rate cases to address post-divestiture rates for Southwestern Bell Telephone. I was involved in the evolution of Staff filed complaint cases for previous federal income rate reductions in the mid to late 80's as well as the introduction of data requests into rate case audits and review of external auditor work papers.

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

A. Yes. I submitted testimony in Docket Nos. RP94-365-000, RP95-136-000, RP96-173-000, et al. These dockets were cases involving Williams Natural Gas Company ("WNG"). WNG provided gas transportation and storage services for local distribution companies serving the western portion of Missouri. WNG provides service to Missouri Gas Energy which served the Kansas City area. My testimony in Docket No. RP94-365-000 involved a prudence challenge of the costs that WNG sought to recover in that case. I also filed testimony regarding certain cost of service issues in Docket No. RP95-136-000, WNG's rate case before the FERC. These issues included affiliated transactions between WNG and its parent. I also conducted depositions on this Commission's behalf regarding affiliated transactions between WNG and its parent company consistent with provisions in FERC rules. I filed testimony in Docket No. RP96-173-000, et al., on the issue of whether the costs in question met FERC's eligibility criteria for recovery under FERC Order No. 636.

I submitted testimony in Docket No. RP96-199-000. That case was a Mississippi River Transmission Corporation ("MRT") rate case. MRT provided gas transportation and

storage services for local gas distribution companies serving the eastern portion of Missouri. MRT provided service to Laclede Gas Company ("Laclede") which serves the St. Louis area. My testimony in Docket No. RP96-199-000 involved cost of service issues. These issues included affiliated transactions between MRT and its parent company.

Q. Have you had other experiences with federal regulatory entities as a representative if the MoPSC?

A. Yes. I participated in joint audits with FERC regarding compliance with the Uniform System of Accounts (USOA) involving FERC audits of Missouri utilities. I also participated in joint audits with the Federal Communication Commission regarding compliance with affiliate transactions and property records requirements. I also participated in joint state regulatory body, utility, and the FCC (3-way) meetings to establish depreciation rates for the utility in question.

Q. What expertise do you have relative to Missouri's affiliate transactions rules as applied to electric and gas utilities, 4 CSR 240-20.015 and 4 CSR 240-40.015 (Rules)?

A. I helped draft the affiliate transactions rules which were to be applied to the Missouri electric and natural gas corporate utilities. Steam utilities were impacted by some statutory or rule connection to the electric utilities. At the time the federal rules for their Uniform System of Accounts (USOA) (PART 32) addressed how the accounting for transactions with affiliates and nonregulated activities for the telecommunications industry. The telephone utilities operation contained a significant portion of both state and federal jurisdictional activities.

The Missouri affiliate rules were developed based on Commission initiative and commitment. The Commission wanted greater administrative efficiency for its rate cases

Commented [HC1]: How are the affiliate transaction rules relevant to this case?

as affiliate transactions were playing a greater role in Southwestern Bell Telephone Company ("SWBT") rate cases. The number of affiliate transaction issues were increasing in SWBT rate cases and lack of documentation of key information (e.g., time reporting of executive and non-executive personnel, determination and charging of costs, determination of and charging at market value, etc.) made the affiliate issues increasingly more difficult to address and resolve. The Commission's affiliate transactions rules were influenced by the affiliate transactions rules developed and applied by the Federal Communications Commission (FCC). Joint Audits staffed with the employees of FCC and impacted state agencies were conducted as a component of the enforcement of the FCC rules and regulations. FERC would also conducted compliance audits inviting impacted state staff. I participated in several of these joint audits of SWBT and General Telephone as well as A FERC audit at Saint Joseph Power and Light Company.

As competition increased in the telephone industry, utility competitors raised concerns that the telephone utilities were subsidizing their competitive services with cost assignment to services needed by competitors needed from the utilities to provide their competing services. I was familiar with the SWBT implementation of its affiliate transactions protections as well as those of General Telephone Company.

Q. Was it thought that affiliate transactions rules were needed only for the telephone/telecommunications industry?

A. No. Among other things, at the time of the divestiture of the Bell System there was increased deregulation of the state telephone/telecommunications industry in Missouri, electric and gas utilities were increasing their involvement with holding companies, non-regulated activities and affiliates causing increased attention being devoted to affiliate

transactions in rate cases. Affiliate transactions rules that were needed for the telephone/telecommunications industry were used as the starting point basis for development of affiliate transaction rules for the state regulated electric, gas and steam heat industries.

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CASE PROCEEDING PARTICIPATION

ROBERT E. SCHALLENBERG

| <u>COMPANY</u> | <u>CASE NO.</u> |
|--|-----------------|
| Spire-Missouri Inc. | GO-2019-0115 |
| | GO-2019-0116 |
| Kansas City Power & Light Co. | ER-2018-0145 |
| Kansas City Power & Light Co.-Greater Missouri Operations | ER-2018-0146 |
| Laclede Gas Company | GO-2016-0332 |
| | GO-2016-0333 |
| | GO 2017-0201 |
| | GO-2017-0202 |
| | GO-2018-0309 |
| | GO-2018-0310 |
| Grain Belt Express Clean Line, LLC | EA-2016-0358 |
| Spire, Inc. | GM-2016-0342 |
| EnergySouth, Inc. | |
| Great Plains Energy, Inc. | EM-2016-0324 |
| Westar Energy, Inc. | |
| Kansas City Power & Light Company | ER-2016-0285 |
| The Empire District Electric Company, Liberty Utilities (Central) Co. and Liberty Sub Corp. | EM-2016-0213 |
| Laclede Gas Company | GF-2015-0181 |
| The Empire District Electric Company | AO-2012-0062 |
| 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 |

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CASE PROCEEDING PARTICIPATION

ROBERT E. SCHALLENBERG

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|--|------------------------|
| 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 | RP96-173-000 |
| 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 |
| <u>COMPANY</u> | <u>CASE NO.</u> |
| 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 |

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CASE PROCEEDING PARTICIPATION

ROBERT E. SCHALLENBERG

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|--------------------------------------|------------------------|
| Southwestern Bell Telephone Company | TC-89-14 |
| 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 |
| <u>COMPANY</u> | <u>CASE NO.</u> |
| 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 |

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CASE PROCEEDING PARTICIPATION
ROBERT E. SCHALLENBERG

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|-----------------------------------|-----------|
| 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**

Spire Missouri Inc.

Case No. GO-2019-0115 and GO-2019-0116

Date: March 29, 2019

Areas: Cost Recovery Mechanism

Kansas City Power & Light Co. and Kansas City Power & Light Co.-Greater Missouri
Operations

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

Date: June 19, 2018 (Direct); July 27, 2018 (Rebuttal); and September 4, 2018 (Surrebuttal)

Areas: Policy, Productivity, Affiliate Transactions, Capital Structure

Laclede Gas Company

Case Nos. GO-2016-0332; GO-2016-0333; GO-2017-0201; GO-2017-0202; GO-2018-0309;
GO-2018-0310

Date August 22, 2018

Areas: Cost Recovery Mechanism, Infrastructure System Replacement Surcharge (ISRS)

Grain Belt Express Clean Line, LLC

Case No. EA-2016-0358

Date: January 24, 2017 (Rebuttal Report)

Areas: Public Comments

Spire, Incorporated

EnergySouth, Inc.

Case No. GM-2016-0342

Date: September 1, 2016 (Investigation Report)

Areas: Affiliated Transactions

Great Plains Energy Incorporated

Westar Energy, Inc.

Case No. EM-2016-0324

Date: July 25, 2016 (Investigation Report)

Areas: Affiliated Transactions

Kansas City Power & Light Company

Case No. ER-2016-0285

Date: January 27, 2017 (Surrebuttal)

Areas: Affiliate Transactions

The Empire District Electric Company,

Liberty Utilities (Central) Co. and Liberty Sub Corp.

Case No. EM-2016-0213

Date: July 20, 2016 (Rebuttal)

Areas: Affiliated Transactions

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

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

The Empire District Electric Company
Case No. AO-2012-0062
Date: September 9, 2016 (Direct)
Areas: Affiliated Transactions; Cost Allocation Manual

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.

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

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

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 (Surrebuttal)

Area: Overview, 4 CSR 240-10.020, Alternative Regulation Plan

Laclede Gas Company

Case No. GR-94-220

Date: July 1, 1994 (Direct)

Areas: Property Taxes, Manufactured Gas Accruals, Deregulated Cost Assignments

Western Resources, Inc.,

dba Gas Service, a Western Resources Company

Case No. GM-94-40

Date: November 29, 1993 (Rebuttal)

Areas: Jurisdictional Consequences of the Sale of Missouri Gas Properties

Kansas Power & Light Company

Case No. EM-91-213

Date: April 15, 1991 (Rebuttal)

Areas: Purchase of Kansas Gas & Electric Company

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

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.

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: September 9, 1987 (Surrebuttal)

Date: April 24, 1987 (Direct)

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,

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

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

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

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

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return

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.