REBUTTAL TESTIMONY

of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Application for Authority to Engage in a Reorganization and to Enter Into Various Agreements in Connection Therewith

WPS Resources Corporation, Peoples Energy Corporation, The Peoples Gas Light and Coke Company and North Shore Gas Company

Docket No. 06-0540

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ATTACHMENT A – Applicants' Response to Staff Data Request BAP 2.06

Witness Identification

Q. Please state your name and business address.

A. My name is Bonita A. Pearce. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Have you previously filed testimony in this proceeding?

A. Yes, my direct testimony was filed on October 31, 2006 as ICC Staff Exhibit 2.0.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the rebuttal testimony of James F. Schott (Applicants' Ex. JFS-2.0) filed on behalf of WPS Resources Corporation ("WPS"), Peoples Energy Corporation ("PEC"), The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company ("North Shore")(collectively, the "Applicants") with respect to the recovery of reorganization costs and the estimated $47 million regulatory asset. I am also responding to the rebuttal testimony of Linda M. Kallas (Applicants' Exhibit LK-2.0) regarding my recommendation that Applicants file with the Commission copies of the final accounting entries to record the merger. Finally, I will address certain issues that are no longer contested that were raised in my direct testimony.

<u>Uncontested Issues</u>

Q. Please identify the issues you addressed in your direct testimony that you understand to be uncontested at this time and the basis for your understanding?

A. Based on my review of Applicants' rebuttal testimony, I understand the following issues to be uncontested:

(a) Applicant's commitment to allocate all the savings to ratepayers pursuant to the respective affiliated interest agreements in place and approved by the ICC (Section 7-204(c)(i) of the Public Utilities Act ("Act")) ;

(b) Applicants' request that any adjustments to Peoples Gas' and North Shore's (collectively, the "Gas Companies") books for financial reporting purposes resulting from application of purchase or pushdown accounting for the reorganization will be disregarded for regulatory reporting purposes and for ratemaking purposes in future rate proceedings (Section 7-204(f) of the Act); and,

(c) Compliance with Section 7-204(b)(5) of the Act that the Gas Companies will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities.

I concluded that all of the above listed issues are uncontested since I raised them in my direct testimony and Applicants' rebuttal witnesses do not mention or take issue with my recommendations in their rebuttal testimony. Additionally, Applicants' witness Ms. Kallas addressed my recommendation that the Commission in its Order in this proceeding should require the Gas Companies to file with the Chief Clerk of the Commission and provide a copy to the Manager of Accounting copies of the final accounting entries to be recorded on the regulatory books, including the actual amounts, recorded by the Gas Companies within six months following the closing of the merger (ICC Staff Exhibit 2.0, page 38, lines 903-908). According to Ms. Kallas, Applicants would agree to accept this recommendation with one modification. Because Generally Accepted Accounting Principles ("GAAP") allows the new company 12 months in which to finalize the purchase accounting valuations and entries after the merger closes, Applicants will not have final accounting entries available within the six month time period I recommended. Therefore, Applicants propose to file copies of the accounting entries and preliminary amounts within six months after closing and will provide the final entries and amounts no later than 12 months after closing, according to Ms. Kallas (Applicants' Ex. LK-2.0, pp. 4 to 5, lines 83-95.

Q. Do you accept this modification to your recommendation?

A. Yes. I agree with Applicants' proposal to file preliminary accounting entries within six months and to file the final accounting entries within 12 months after the merger closes.

<u>Staff Issues Contested by the Applicants</u>

Q. Please identify the issues raised in your direct testimony that you consider to be contested at this time.

A. Based on my review of the rebuttal testimony prepared by James F. Schott (Applicants' Ex. JFS-2.0), Linda M. Kallas (Applicants' Ex. LK-2.0) and Lawrence T. Borgard (Applicants' Ex. LTB-2.0), Applicants contest the following proposals I included with my direct testimony (ICC Staff Exhibit 2.0):

(a) The proposed disallowance of one-half of the estimated Regulatory Process costs and all of the estimated Internal/External Communications costs included in the requested $47 million regulatory asset that Applicants estimate will be allocated to the Gas Companies;

(b) The amount of the regulatory asset requested to be established on the books of the Gas Companies to reflect their allocated share of costs to achieve the proposed reorganization should be capped at $43,255,500;

(c) The individual cost categories that make up the requested regulatory asset should be capped;

(d) The recovery of carrying charges on the deferred costs to achieve the proposed reorganization during the period 2007 through 2009; and,

(e) The treatment of the unamortized balance of the regulatory asset beginning in 2010.

<u>Disallowance of Reorganization Costs</u>

Q. Did Applicants agree with your proposal that the Commission find that only half of the $2.661 million estimated Regulatory Process Costs and none of the $2.004 million estimated Internal and External Communications Costs are eligible for recovery from ratepayers?

A. No, they did not. Applicants' opposition to my proposal that the Commission find that only half of estimated Regulatory Process Costs and none of Internal and External Communications Costs are eligible for recovery from ratepayers is set forth in the rebuttal testimony of Applicant witness Mr. Schott. (Applicants' Ex. JFS-2.0, pp. 16-19)

Q. On what basis does Mr. Schott oppose your proposals?

A. Mr. Schott makes the following assertions:

1. The Regulatory Process Costs must be incurred to achieve the Merger and its benefits, and that the long term synergy savings exceed the total costs-to-achieve that Applicants' seek to recover. (*Id*., p. 16-17)

2. That ratepayers are only being asked to pay their fair share of Regulatory Process Costs; and that it would be inappropriate for ratepayers to pay less than the Gas Companies' allocated share of these costs, which he contends would include only 30% of the costs of the instant proceeding. (*Id*., p. 17)
3. That the Security Exchange Commission ("SEC"), Federal Energy Regulatory Commission ("FERC"), Department Of Justice ("DOJ") and shareholder approval process costs provide more than a shareholder benefit because "[t]he savings that will accrue to customers are created only in the event of obtaining the requisite shareholder approvals." (*Id*., p. 17)
4. That the foregoing assertions and responses are equally applicable to Internal and External Communication Costs. (*Id*., p. 18) and
5. That my recommendations with respect to these cost items have a greater impact on shareholders than the Gas Companies' customers, and that the revenue requirement impact of these costs is "quite negligible" and has no impact on Staff's adverse rate impact analysis. (*Id*.)

Q. How do you respond to these assertions?

A. With respect to Mr. Schott's comments regarding benefits or savings (Items 1 and 3), he either misunderstands or misapplies the relevant criteria. I do not dispute that there is an indirect link between the costs at

issue and the ability to achieve the projected savings. That is, the savings or synergies are contingent on having the merger take place. If there is no merger, there can be no merger savings. But the relevant inquiry with respect to benefit to ratepayers is not simply whether there is such a benefit, but whether there is a direct link or nexus between the costs to be recovered and the benefit or savings to ratepayers. For example, certain savings from employee reductions cannot be accomplished in a reasonable manner without incurring certain costs in connection with reducing the merged entities' workforce. Such costs are directly linked with the ability to achieve certain operational savings. Mr. Schott's rebuttal testimony contains no information establishing or asserting a direct link between the specific cost categories at issue and the achievement of synergies or savings.

With regard to Mr. Schott's assertion that my proposed disallowance has a greater impact on shareholders than on ratepayers (Item 5), I first want to clarify the impact of my proposal in the context of the proposed reorganization. I have proposed a total disallowance of $3,334,500 of costs. This amounts to less than two percent of the estimated total cost to achieve the transaction, approximately $178 million out-of-pocket, according to the direct testimony of Thomas J. Flaherty (Applicants' Ex. TJF-1.0, page 6). Second, Mr. Schott has improperly compared the actual dollar value of my proposed disallowance, $3.3 million, to the

effect on the adverse rate impact analysis performed by Staff witness Dianna L. Hathhorn, attached to her direct testimony (ICC Staff Exhibit 1.0). This comparison is meaningless, as my adjustment is in no way dependent upon or related to the adverse rate impact analysis. Finally, I do not see how the relative impact of my proposed adjustment on ratepayers versus shareholders is a valid basis for accepting or rejecting my proposal in this instance, and Mr. Schott has provided no such rationale. As explained above, it is the underlying nature of the specific cost categories I have identified that renders them eligible or ineligible for recovery. Whether such costs are high or low in amount, or impact ratepayers and shareholders in a non-linear fashion, is not relevant to whether such costs should be recoverable.

Q. Do you have any further response to Mr. Schott's opposition to the exclusion of certain costs from the amount of estimated reorganization costs eligible for recovery from ratepayers?

A. Yes. With regard to Regulatory Process Costs, Mr. Schott asserts that ratepayers are only being asked to pay their fair share of Regulatory Process Costs and that it would be inappropriate for ratepayers to pay less than the Gas Companies' allocated share of these costs. Aside from the result produced by the application of the allocation methodology, the conceptual issue is how much of this merger cost

category should be considered for allocation to ratepayers, if any. As I indicated in my direct testimony (ICC Staff Exhibit 2.0, page 18), the underlying costs include preparation and pursuit of regulatory filings with the FERC, DOJ, SEC and various state regulatory jurisdictions. Additional costs were incurred to satisfy expanded compliance and fiduciary requirements such as due diligence, including legal, accounting and other consulting fees related to negotiation of the Merger Agreement and other filing costs. The reason I propose to exclude half of this cost category is that it includes the aforementioned costs that are transactional in nature or that were incurred for the direct benefit of shareholders, such as the costs incurred to satisfy Applicants' fiduciary requirements to its shareholders. Accordingly, it is not appropriate to include those costs in the total allocation to ratepayers. Absent any detailed cost information to support the estimated $2.661 million that makes up this category, I propose to exclude half of these costs from consideration as a regulatory asset.

With regard to Internal and External Communication costs estimated at $2.004 million, I propose to exclude all of this cost category from consideration as a regulatory asset because it includes certain costs that were incurred for the direct benefit of shareholders and other stakeholders, and because it contains transactional costs such as

informational brochures to explain the specifics of the proposed reorganization.

Additionally, the costs at issue in both of these categories are necessary to achieve the merger, but they do not directly generate synergy savings. Absent any direct benefit to ratepayers, they are more in the nature of transaction costs and should not be considered as the basis for a regulatory asset.

Q. Why do you assert that transaction costs should not be considered as the basis for a regulatory asset?

A. It is well-established that the Commission does not allow recovery of transaction costs from ratepayers; accordingly, it would not be proper to include such costs in any amount for the purposes of establishing a regulatory asset.

<u>Proposal That Regulatory Asset Be Capped at $43,255,500</u>

Q. What types of merger costs has the Commission approved for recovery in the form of a regulatory asset in prior proceedings?

A. The Commission has denied recovery of merger costs in many proceedings. To my knowledge, the only proceeding in which the Commission has approved recovery of merger costs in the form of a regulatory asset is the Ameren Corporation and Illinois Power Company

Reorganization, Docket No. 04-0294. **There, the Commission allowed Illinois Power Company to amortize up to $39.8 million for integration, severance, and relocation expenses, and up to $ 27.2 million of debt redemption premium costs.**

Q. In view of the foregoing, please summarize your position on whether the Commission should approve the creation of a regulatory asset and if so, in what amount.

A. Based on the information provided by Applicants and my evaluation of that information as detailed herein and in my direct testimony (ICC Staff Exhibit 2.0), the Commission should consider no more than $43,255,500 as the amount of costs eligible for inclusion in the requested regulatory asset based on the cost-to-achieve estimates submitted by the Applicants' witness Mr. Flaherty.

<u>Proposed Caps on Individual Categories</u>

Q. Have you read Mr. Schott's response to your proposal to limit overall recovery of the regulatory asset to the amounts estimated by Applicants for each category?

A. Yes. Mr. Schott pointed out that although Applicants did not propose an overall cap on total costs to achieve the merger, they would accept a cap

of $47 million on the total requested regulatory asset if caps were not imposed on the individual cost categories that make up the estimated $47 million. (Applicants' Ex. JFS-2.0, p. 20))

Q. Did Applicants provide a rationale to support this proposal?

A. Yes. Mr. Schott explained that overall, Applicants believe individual cost category caps would not be advantageous to customers because they might limit flexibility necessary to maximize synergy savings. For example, Applicants assert that if a preferred approach to the deployment of funds is identified in the transition stages, such as increased investment in Systems Integration that could better maximize merger-related savings and benefits, in lieu of using those funds in another cost category, it would be more efficient to allow Applicants to utilize the funds in the manner that maximizes customer benefits. Applicants assert that a category-by-category cap could limit the level of synergy savings that might be achievable through the merger. (Applicants' Ex. JFS-2.0, pp. 19-20)

Q. What is your opinion and response to Mr. Schott's argument?

A. Although Mr. Schott raises a legitimate point in terms of preserving some flexibility to maximize savings in the most efficient and beneficial manner, his remedy of a single cap is too broad, would run counter to using the individual cost components to determine the amount of eligible costs,

and would introduce the potential for gaming the system. I agree with Mr. Schott that opportunities to increase or maximize the synergies and savings to be achieved may present themselves during the transition phase of the merger that may only be achievable if the Applicants expend funds in a manner different from the current estimate. Thus, I am not opposed to providing some flexibility to Applicants in this regard. On the other hand, Section 7-204(c)(ii) of the Act requires the Commission to "determine the amount of costs eligible for recovery." (220 ILCS 5/7-204(c)(ii)) The Commission traditionally accomplishes this requirement by analyzing the individual components of the costs to implement the merger, and the instant proceeding is no exception. To totally disregard the individual cost categories would undermine the basis or rationale for making the required determination of the amount of costs eligible from recovery from ratepayers.

Finally, while it seems reasonable to group similar types of costs together (e.g., costs directly related to the achievement of synergies or savings, such as employee reductions on one hand and system integration on the other), it does not appear fair to combine different types of costs. The combination of different types of costs for purposes of determining eligible costs would essentially detach the estimates used to determine eligible costs from the amount a utility is actually allowed to recover. This could enable gaming in that if a utility discovers that it has

overestimated costs in one cost category, it could elect to incur costs in another category simply to maximize the costs recoverable for shareholders. I am not suggesting Applicants would engage in such conduct, but merely pointing out that such conduct would be possible.

Thus, in order to provide the Applicants with flexibility to maximize savings but at the same time to not disregard the cost categories which formed the basis for determining costs eligible for recovery from rate payers, I propose that the individual cost categories be put into one of three groups of cost categories.

Q. Would you please identify the individual cost categories to which you refer?

A. Yes. The individual cost categories that make up the requested regulatory asset of approximately $47 million are identified in the Applicants' response to Staff Data Request BAP 2.04, attached to my direct testimony (ICC Staff Exhibit 2.0, Attachment A). These categories and the estimated costs to achieve the merger for each one are reflected in the table below.

Estimated Costs to Achieve Merger	**In Millions**
Separation Costs	$ 6,920
Retention Costs	1,752
Relocation Costs	1,027

System Integration Costs	28,038
D & O Liability Tail Coverage	1,052
Regulatory Process Costs	2,661
Facilities Integration	926
Internal/External Communications	2,004
Integration Costs	2,210
Total Requested	$ 46,589

In accordance with the foregoing analysis, I propose to establish three groups of cost categories for purposes of setting eligible costs. I would note that a similar approach was utilized in the Illinois Power Company reorganization with the Ameren Corporation. The first group would include separation, retention and relocation costs not to exceed $9.699 million. The second group would include system integration costs not to exceed $28.038 million. The final group would include remaining cost categories, except Internal and External Communications costs and one half of the Regulatory Process costs, not to exceed $5.519 million. This amounts to $43.256 million of total costs to achieve the merger that the Commission should consider, based upon estimates submitted by the Applicants' witness Mr. Flaherty, for the creation of a regulatory asset. By defining eligible costs in accordance the three groups I identify above (as opposed to the nine specific cost categories), Applicants are provided additional flexibility to spend and recover costs in the most

efficient and beneficial manner for individual cost categories that vary from current estimates. At the same time, determining eligible costs for the three groups (instead of using a single amount for all nine cost categories) provides a reasonable relationship between the individual cost category estimates used to determine the amounts eligible for recovery and the amounts Applicants are allowed to seek recovery of in the future.

<u>Recovery of Carrying Charges on Regulatory Asset</u>

Q. Have you read Mr. Schott's response to your proposal to disallow the recovery of carrying charges on the regulatory asset?

A. Yes. Mr. Schott asserts (Applicants' Ex. No. JFS-2.0, pp. 15-16) that Applicants strongly disagree with this position because recovery of carrying charges is necessary to finance the costs that are incurred to achieve the merger-related synergy savings. He further asserts that without recovery of carrying costs, shareholders will not recover the real economic value of the merger costs. As an alternative to the combined recovery of carrying charges on merger costs as they are incurred, *and* recovery of carrying charges on the unamortized balance of the regulatory asset, he states that the Gas Companies should at a minimum be allowed to recover carrying charges on the unamortized balance of the regulatory asset. Finally, he notes that disallowance of carrying charges on deferred merger costs and carrying charges on the

unamortized regulatory asset is not necessary to make a finding that there is "no adverse rate impact", as demonstrated by ICC Staff Exhibit 1.0, Schedule 1.1 and Schedule 1.2.

Q. Do you accept Mr. Schott's proposal to disallow only the portion of carrying charges related to merger costs accumulated during the period 2007 through 2009?

A. No. No part of the carrying charges should be recovered in rates. There are two components of the recovery of carrying charges requested by Applicants. The first component relates to the accrual of carrying charges on the costs-to-achieve the proposed reorganization as they are incurred during the period from 2007 through 2009, as calculated in the Applicants' response to data request BAP 2.06, attached hereto as Attachment A. The second component of carrying charges results from the inclusion of the regulatory asset (including the carrying charges accrued during the period 2007 through 2009) in rate base during the expected rate proceeding to set rates effective in 2010, according to the rate plan advanced by Applicants.

Q. What is the dollar impact of disallowing carrying charges on deferred costs to achieve the merger through 2009, as proposed by Mr. Schott?

A. Mr. Schott did not provide a calculation to support this alternative scenario in his rebuttal testimony, so I have estimated the impact based on the calculations prepared by Applicants in their response to Staff data request BAP 2.06 (Attachment A, hereto) and reflected in the Applicants' supplemental response to Staff data request DLH 4.02. According to my analysis, the amount of carrying charges to be accrued during the period 2007 through 2009 would be $5.297 million for Peoples Gas and $.732 million for North Shore.

I also note that Staff's adverse rate impact analysis reflects the estimated combined effect of both categories of carrying charges. That is, both amounts are included in the amount of the regulatory asset that is reflected in rate base at September 30, 2009 in Staff's analysis, $37.689 million for Peoples Gas and $5.105 million for North Shore. In addition, both of these amounts are averaged with the projected balance of the regulatory asset at September 30, 2010 to obtain the projected average balance for fiscal year 2010 that was removed from the adverse rate impact schedule, $19.871 for Peoples Gas and $2.691 for North Shore (ICC Staff Exhibit 1.0, Schedules 1.1 and 1.2, respectively).

Q. Has the Commission allowed recovery of carrying charges on deferred merger costs in past dockets?

A. No. As stated earlier, I am not aware that the Commission has ever allowed recovery of merger costs, exclusive of carrying charges, except in the Ameren Corporation and Illinois Power Company merger, Docket No. 04-0294. In that proceeding, the Commission allowed recovery of certain costs to achieve the merger, but Applicants did not seek to recover carrying charges by including the unamortized balance of merger costs in rate base to earn a rate of return.

Q. Do you accept Mr. Schott's assertion that Applicants must recover carrying charges on the unamortized balance of the regulatory asset in order to recover the full costs to achieve the synergy savings?

A. No. Mr. Schott ignores that under Applicants' proposed rate plan, Applicants do not reflect merger savings or costs to achieve in rates until 2010, and thus Applicants retain the net merger savings (i.e., net of actual costs to achieve) that actually occur during the first three years after the merger closes. Thus, another reason I do not accept Applicants' proposal to disallow only the portion of carrying charges related to merger costs accumulated during the period 2007 through 2009 is that shareholders will be fully reimbursed for the merger costs they incur absent carrying charges, according to the estimate prepared by Mr. Flaherty in Table 1: Total Merger Cost Savings and Costs-to-

Achieve (Applicants' Ex. TJF-1.0, page 7 of 75). I have summarized information from Mr. Flaherty's Table 1 below, to illustrate my analysis.

		- In Millions -		
Description	**2007**	**2008**	**2009**	**Totals for the period 2007 - 2009**
Gross Corporate and Regulated Savings	$48.869	$69.416	$78.574	$196.859
Estimated Costs to Achieve Merger	$-108.787	$-29.893	$-10.325	$-149.005
Estimated Net Savings	$-59.918	$39.523	$68.249	$47.854

As reflected above, the total costs of $149.005 million offset against the total projected savings of $196.859 million result in a total estimated net savings of $47.854 million that will be retained by shareholders for the period 2007 through 2009, absent any recovery from ratepayers for costs to achieve the proposed reorganization or related carrying charges.

Mr. Schott asserts that Applicants must at least recover carrying charges on the unamortized balance of the requested regulatory asset, beginning with the rates that will take effect in 2010, as a minimum recovery to shareholders for their funding of the costs to achieve the merger synergy savings. One reason I disagree with his proposal is that shareholders will retain 100 percent of the net synergy savings achieved during the period 2007 through 2009, which means shareholders will have already received reimbursement in an amount that exceeds the funds actually

expended on costs to achieve. For example, Applicants have agreed that they will not seek to recover any merger costs unless they result in savings equal to or greater than the costs to achieve the savings. Again referring to Table 1 prepared by Mr. Flaherty (Applicants' Ex. TJF-1.0, page 7 of 75), net corporate and regulated savings for the five-year period from 2007 through 2011 are estimated at $183.874 million and savings exceed costs in each respective year after 2007.

Accordingly, the costs that are paid by shareholders in any given year are more than offset by corresponding savings after 2007. Thus, there is no "net" cost to shareholders after 2007. Rather, ratepayers will pay their allocated share of costs for the entire period post-merger, 2007 through 2009, contemporaneously with their being allocated their respective share of synergy savings beginning in 2010, according to the rate plan advanced by Applicants. Notably, Applicants have not proposed to share the savings achieved prior to 2010 with ratepayers, nor have they offered to reimburse ratepayers for carrying charges on their respective share of such savings achieved prior to 2010. As such, there is no need to further reimburse shareholders for carrying charges of any type on the costs to achieve the merger. Indeed, since shareholders will have already been reimbursed for any costs to achieve the merger through retention of net merger savings, any additional recovery would constitute double recovery.

Q. Did you consider the fact that disallowance of carrying charges on deferred merger costs and the unamortized regulatory asset is not necessary to make a finding that there is "no adverse rate impact"?

A. No, because it is irrelevant. That the Applicants' proposed recovery of carrying charges would not result in an adverse rate impact has no bearing on whether such proposed treatment is just or reasonable for ratemaking purposes.

<u>Additional Recommendations</u>

Q. Did you have any additional recommendations in your direct testimony that the Commission should consider?

A. Yes, as stated in my direct testimony (ICC Staff Exhibit 2.0), if the Commission determines that the creation of a regulatory asset would be appropriate, and regardless of the amount of costs determined to be eligible for recovery, I recommend that the Commission impose the following requirements:

1) Applicants would record all actual costs related to the reorganization as the costs were incurred;
2) Applicants would submit an annual report to the Commission with a copy to the Manager of Accounting by March 15th for the years 2006 - 2009 that would set forth:

   i) A cost summary of the actual costs incurred to date and
   ii) A listing of each cost incurred in the calendar year that includes a description of the cost, the amount allocated to each utility by ICC account number, and a reference to a supporting document;

3) Applicants shall support the requested regulatory asset during the anticipated proceeding to set rates for the post-2009 period by
   1) Providing for the record the following:
      i) A cost summary of the actual costs incurred and
      ii) A listing of the actual costs incurred that includes a description of each cost, the amount, and a reference to a supporting document; and
   b) Making the supporting documents available for review by the parties in the proceeding; and

4) Applicants shall have the burden of proof to demonstrate that the Applicants have incurred actual costs underlying the requested regulatory asset in accordance with the recoverable cost categories and maximum amounts approved by the Commission; and

5) Remaining costs outside of the recoverable cost categories or in excess of the maximum cost category amounts approved by the Commission in this proceeding, if any, shall be excluded from rate recovery in any other rate proceeding.

I note that in addition to the foregoing special conditions or requirements, Applicants will be subject to the normal rate case requirements of demonstrating that the actual costs are just and reasonable as well as prudently incurred.

<u>Conclusion</u>

Q. Does this question end your prepared rebuttal testimony?

A. Yes.