

Exhibit No.:  
Issues: Low-Income Weatherization  
Witness: Michael L. Stahlman  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2014-0351  
Date Testimony Prepared: March 24, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

*Jefferson City, Missouri  
March 2015*

*Staff* Exhibit No. 226  
Date 4-14-15 Reporter KF  
File No. ER-2014-0351

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

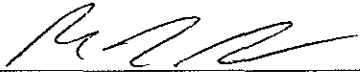
In the Matter of The Empire District )  
Electric Company for Authority to File )  
Tariffs Increasing Rates for Electric )  
Service Provided to Customers in the )  
Company's Missouri Service Area. )

Case No. ER-2014-0351

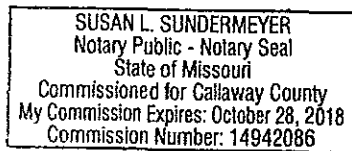
**AFFIDAVIT OF MICHAEL L. STAHLMAN**

STATE OF MISSOURI     )  
  ) ss  
COUNTY OF COLE     )

Michael L. Stahlman, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 4 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Michael L. Stahlman

Subscribed and sworn to before me this 24<sup>th</sup> day of March, 2015.



  
\_\_\_\_\_  
Notary Public

**SURREBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

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12 Q. Please state your name and business address.

13 A. My name is Michael L. Stahlman, and my business address is Missouri Public  
14 Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

15 Q. Are you the same Michael L. Stahlman that supported sections in Staff's  
16 Revenue Requirement Cost of Service Report and rebuttal testimony in this case?

17 A. Yes.

18 Q. What is the purpose of your surrebuttal testimony?

19 A. I will respond to the Rebuttal Testimony of John Buchanan and Scott Keith.  
20 Staff continues to recommend that Empire continue to provide funding for the Low-Income  
21 Weatherization program and evaluate the program.

22 Q. Do you agree with Mr. Buchanan that the Department of Economic  
23 Development – Division of Energy (“DED-DE”) does not administer Empire’s Low-Income  
24 Weatherization Program?

25 A. No. Empire does not have its own distinct and separate low-income  
26 weatherization program. The purpose of Empire’s low-income weatherization funds has  
27 always been to supplement the federal funds received by the sub-contractor weatherization  
28 agencies selected, funded, and directed by the DED-DE. Although Empire distributes the  
29 supplemental funding for low-income weatherization, per Empire’s tariff sheet 8c., to the

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1 weatherization agencies in its service area, the allocation of Empire's low-income  
2 weatherization funds are determined by a formula that was developed by the Missouri  
3 Department of Natural Resources, Division of Energy (now DED-DE) and adopted by the  
4 EDE Energy Efficiency Collaborative. In addition, the DED-DE selected the three sub-  
5 contractor agencies in Empire's service area that are eligible to receive federal funds for low-  
6 income weatherization in accordance with federal and DED-DE guidelines. Empire's  
7 supplemental funding was also tied to match the same federal eligibility and grant guidelines  
8 in Empire's last rate case (File No. ER-2012-0345).

9 Q. Do you agree with Mr. Buchanan that Empire's current program has been  
10 evaluated?

11 A. No. Mr. Buchanan mentions two evaluations, one in 2009 and the other in  
12 2013. As discussed in Staff's Revenue Requirement Cost of Service Report there have been  
13 large changes to the program since the American Recovery and Reinvestment Act took effect.  
14 These changes include raising the low income eligibility limit to 200% of the federal poverty  
15 level from 150% and increasing and indexing the amount of money that can be spent on a  
16 given household from \$2966 to \$7105. The changes, which occurred after the period  
17 evaluated in the 2009 evaluation, have allowed additional weatherization measures to be  
18 installed and may have changed the stock of housing that was available to be weatherized. In  
19 other words, the program that was evaluated in 2009 is quite different from the program today  
20 and should be evaluated.

21 Additionally, the 2013 evaluation mentioned by Mr. Buchanan, was for Empire  
22 District Gas Company, not Empire District Electric Company. The two companies use

1 different fuels and have different service territories that do not overlap; the 2013 evaluation is  
2 not relevant to Empire District Electric Company.

3 Q. What is the basis for Empire witness Mr. Scott Keith's opposition to  
4 evaluating the Low-Income Weatherization Program?

5 A. Mr. Keith is concerned about the cost recovery mechanism used for energy  
6 efficiency programs.<sup>1</sup>

7 Q. Did Mr. Keith propose a different cost recovery mechanism?

8 A. Yes. Mr. Keith proposes that an energy efficiency rider be implemented to  
9 recover program costs as a direct surcharge on customer bills outside of the normal rate case  
10 process.<sup>2</sup>

11 Q. Can the Commission grant an energy efficiency rider in this filing?

12 A. On advice from counsel, no. An energy efficiency rider can be implemented in  
13 a MEEIA filing. Empire did not fulfill the MEEIA filing requirements in this rate case. Staff  
14 notes that Empire has a MEEIA filing in case EO-2014-0030 before the Commission and is  
15 the appropriate forum for Empire to address the matter of an energy efficiency rider.

16 Q. Is there another way to mitigate the impact of the evaluation costs on the  
17 program?

18 A. Yes. According to the Direct Testimony of John Buchanan, Empire is  
19 currently allowed to expend \$226,430 on the program. Five percent (5%) of the program  
20 expenditures for the next six (6) years could be dedicated to the evaluation. This corresponds  
21 to the usual amount spent on a program evaluation, the length of time since the previous

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<sup>1</sup> Rebuttal Testimony of Scott Keith, p. 15 ll. 6-9

<sup>2</sup> Rebuttal Testimony of Scott Keith, p. 16 ll. 13-15.

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Michael L. Stahlman

1 evaluation, and provides an amount of money in line with the cost of other similar  
2 evaluations.

3 Q. Please summarize Staff's position.

4 A. Staff supports the continuation of the Low-Income Weatherization Program  
5 due to the promotion of public policies discussed in Staff's rebuttal testimony. However, an  
6 evaluation of the program is warranted due to the large changes in the program with the  
7 American Recovery and Reinvestment Act. Staff also continues to recommend that Missouri  
8 Gas Energy (MGE), a division of Laclede Gas Company, be invited to participate in this  
9 evaluation. MGE is the jurisdictional natural gas provider in most of the EDE service area  
10 and many of Empire's customers are also MGE customers. The weatherization of an Empire  
11 customer that is also an MGE customer will affect both the use of electricity and natural gas.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes it does.