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Issues: Economic Feasibility and  
Public Interest  
Witness: Michael L. Stahlman  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: EA-2015-0146  
Date Testimony Prepared: October 21, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**AMEREN TRANSMISSION COMPANY OF ILLINOIS**

**CASE NO. EA-2015-0146**

*Jefferson City, Missouri  
October 2015*

*Staff* Exhibit No. 32  
Date 1/25/16 Reporter ll  
File No. EA-2015-0146



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Q. Please state your name and business address.

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

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as a Regulatory Economist III in the Economic Analysis Unit, of the Operational Analysis Department in the Commission Staff Division.

Q. Please describe your educational and work background.

A. Please see Schedule MLS-R-1.

Q. Does Staff recommend the Commission approve the Application?

A. Yes. Staff's analysis indicates that, with the imposition of appropriate conditions, the Application is sufficient to address the Commission's Tartan criteria. This testimony is summarized by Staff witness Daniel I. Beck, who also addresses applicant qualification and certain environmental regulations. Additionally, Shawn E. Lange addresses need, David Murray addresses financial ability, and Sarah L. Kliethermes addresses the promotion of the public interest.

Q. What is the purpose of your testimony?





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1 benefit ratio to be less than one, Staff would still find the project economically feasible as  
2 long as ATXI would receive payments for the construction and operation of the proposed line  
3 through MISO tariffs. Staff witness Sarah L. Kliethermes further discusses the public interest  
4 of the project.

5 Q. Does the MTEP14 MVP Triennial Review isolate the cost-benefit ratio of this  
6 Project?

7 A. No. Staff's review of the MTEP14 MVP Triennial Review was unable to  
8 locate the cost-benefit ratio of specific projects; it appears that the study was performed on the  
9 entire portfolio.

10 Q. Does the MTEP14 MVP Triennial Review's cost-benefit ratio include public  
11 policy and other social benefits?

12 A. No. The cost-benefit ratio appears to be based on economic analysis alone,  
13 although the MTEP14 MVP Triennial Review did review the MTEP11 assumptions regarding  
14 public policy other qualitative and social benefits. Some of these assumptions are further  
15 discussed by Staff witness Shawn E. Lange.

16 Q. Does the economic analysis include any offsets due to restrictions in land use  
17 (e.g., loss of agricultural land)?

18 A. No. The model, PROMOD IV, focuses on electric markets. Figure E-1 of the  
19 MTEP14 MVP Triennial Review identifies the categories of economic benefit as increased  
20 market efficiency, deferred generation investment, and wind turbine and future transmission  
21 investment capital benefits.

1 Q. Do your answers to the last three questions change your opinion that the  
2 MTEP14 MVP Triennial Review provides supporting evidence of the project being in the  
3 public interest?

4 A. No. Although the cost-benefit ratio is limited in its scope, Staff has not seen  
5 any evidence to suggest the overall portfolio of projects is not in the public interest.

6 Q. Does Staff anticipate that upgrades will be necessary due to the connection at  
7 the Maywood-Montgomery 345 kV transmission line?

8 A. Yes. In response to Staff Data Requests Nos. 0021 and 0022, ATXI has  
9 identified substation modifications that Ameren Missouri will need to make as part of the  
10 project. ATXI has indicated that it must compensate Ameren Missouri 100% of the cost of  
11 the upgrades. ATXI is not aware of any upgrades that rural electric co-operatives will need to  
12 make as part of this project.

13 **Economic Development Benefits to Missouri**

14 Q. Did ATXI provide an analysis of economic development benefits for  
15 Missouri?

16 A. Yes. ATXI provided an analysis as Schedule GH-02 in the Direct Testimony  
17 of Geoffrey J. D. Hewings, Ph.D.

18 Q. Does that study estimate the number of jobs expected to be created in  
19 Missouri?

20 A. Yes. Tables 3 and 4 of Schedule GH-02 provide a summary of impacts by  
21 year for Missouri and for the Missouri counties where the transmission line is proposed to be  
22 physically located.

23 Q. Is the estimate of construction jobs in Dr. Hewings' study reasonable?



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1           A.     Yes. In addition, his study also reasonably estimates that there will be no  
2 additional jobs created by the project in Missouri after the proposed project is completed.

3           Q.     Are there limitations to the estimates provided in this type of study?

4           A.     Yes. Dr. Hewings' testimony does not discuss the limitations of input-output  
5 models. Input-output models, like IMPLAN (Impact analysis for PLANning), assume linear,  
6 fixed proportion production and consumption functions, i.e., constant returns to scale, with  
7 constant technology, market shares, and consumer behavior, and no capacity or labor  
8 constraints.<sup>5</sup> In other words, if it currently takes one person with one grill to make 100  
9 hamburgers a day, an input-output model assumes that it would take two persons with two  
10 grills to make 200 hamburgers a day. These and other limitations are why the results should  
11 be treated as rough estimates rather than precise forecasts.

12          Q.     Does Staff recommend reliance on this information as a basis to recommend  
13 approval or rejection of ATXI's application?

14          A.     No. Staff understands that job creation can make it easier to "sell" a project  
15 from a public policy perspective, but fundamentally, job creation is a function of the costs of  
16 the project rather than its benefits. For example, ATXI could increase its expenditures by  
17 hiring additional workers to dig holes and fill them in again. This increase in expenditures  
18 increases the direct effect, increasing direct jobs; increases the indirect effect as ATXI  
19 procures capital materials for the additional workers to dig and fill in the holes; and induces  
20 effects as the workers spend money in the local economy. In this instance, the hiring of  
21 additional workers would appear as a benefit from the input-output model, but would either be

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<sup>5</sup> "Limitations of JEDI Models" <http://www.nrel.gov/analysis/jedi/limitations.html> (01SEP15) and "IMPLAN Methodology" <http://reic.uwcc.wisc.edu/implan/> (01SEP15).

1 a cost in the MISO MVP studies or a cost overrun and would have an impact of reducing the  
2 cost-benefit ratio identified in the MTEP14 MVP Triennial Review.

3 Q. Is this analysis related to the analysis of economic feasibility?

4 A. No. Input-output models assume that the project is economically feasible.

5 **Conclusion**

6 Q. Please summarize your testimony.

7 A. Staff concludes that this project is economically feasible since it will receive  
8 RTO cost allocation through MISO tariff schedules. While Staff disagrees with ATXI that the  
9 MTEP14 MVP Triennial Review should be viewed as evidence of the project's economic  
10 feasibility, Staff does find that the MTEP14 MVP Triennial Review is consistent with the  
11 Project as promoting the public interest. Finally, my testimony also recommends that the  
12 Commission not use the information contained in the Direct Testimony of Geoffrey J. D.  
13 Hewings, Ph.D. as a basis for approval or rejection of ATXI's application.

14 Q. Does this conclude your testimony?

15 A. Yes.

## Michael Stahlman

### Education

- 2009 M. S., Agricultural Economics, University of Missouri, Columbia.  
2007 B.A., Economics, Summa Cum Laude, Westminster College, Fulton, MO.

### Professional Experience

- 2010 - Regulatory Economist, Missouri Public Service Commission  
2007 – 2009 Graduate Research Assistant, University of Missouri  
2008 Graduate Teaching Assistant, University of Missouri  
2007 American Institute for Economic Research (AIER) Summer  
Fellowship Program  
2006 Price Analysis Intern, Food and Agricultural Policy Research Institute  
(FAPRI), Columbia, MO  
2006 Legislative Intern for State Representative Munzlinger  
2005 – 2006 Certified Tutor in Macroeconomics, Westminster College, Fulton, MO  
1998 – 2004 Engineering Watch Supervisor, United States Navy

### Expert Witness Testimony

- Union Electric Company d/b/a AmerenUE GR-2010-0363  
In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File  
Tariffs Increasing Rates for Natural Gas Service Provided to Customers in the  
Company's Missouri Service Area
- Union Electric Company d/b/a Ameren Missouri GT-2011-0410  
In the Matter of the Union Electric Company's (d/b/a Ameren Missouri) Gas  
Service Tariffs Removing Certain Provisions for Rebates from Its Missouri Energy  
Efficient Natural Gas Equipment and Building Shell Measure Rebate Program
- KCP&L Great Missouri Operations Company EO-2012-0009  
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent  
to File an Application for Authority to Establish a Demand-Side Programs  
Investment Mechanism
- Union Electric Company d/b/a Ameren Missouri EO-2012-0142  
In the Matter of Union Electric Company d/b/a Ameren Missouri's Filing to  
Implement Regulatory Changes Furtherance of Energy Efficiency as Allowed by  
MEEIA
- Kansas City Power & Light Company EO-2012-0323  
In the Matter of the Resource Plan of Kansas City Power & Light Company
- KCP&L Great Missouri Operations Company EO-2012-0324  
In the Matter of the Resource Plan of KCP&L Greater Missouri Operations  
Company
- Kansas City Power & Light Company, KCP&L Great Missouri  
Operations Company, and Transource Missouri EA-2013-0098  
EO-2012-0367  
In the Matter of the Application of Transource Missouri, LLC for a Certificate of  
Convenience and Necessity Authorizing it to Construct, Finance, Own, Operate,

and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects

- Kansas City Power & Light Company EO-2012-0135  
KCP&L Great Missouri Operations Company EO-2012-0136  
In the Matter of the Application of Kansas City Power & Light Company [KCP&L Great Missouri Operations Company] for Authority to Extend the Transfer of Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.
- Kansas City Power & Light Company EU-2014-0077  
KCP&L Great Missouri Operations Company  
In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for the Issuance of an Accounting Authority Order relating to their Electrical Operations and for a Contingent Waiver of the Notice Requirement of 4 CSR 240-4.020(2)
- Kansas City Power & Light Company EO-2014-0095  
In the Matter of Kansas City Power & Light Company's Notice of Intent to File an Application for Authority To Establish a Demand-Side Programs Investment Mechanism
- Veolia Energy Kansas City, Inc HR-2014-0066  
In the Matter of Veolia Energy Kansas City, Inc for Authority to File Tariffs to Increase Rates
- Grain Belt Express Clean Line, LLC EA-2014-0207  
In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line
- Union Electric Company d/b/a Ameren Missouri ER-2014-0258  
In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service
- Empire District Electric Company ER-2014-0351  
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
- Kansas City Power & Light Company ER-2014-0370  
In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service

**Selected Manuscripts and Posters**

- Stahlman, Michael and Laura M.J. McCann. "Technology Characteristics, Choice Architecture and Farmer Knowledge: The Case of Phytase." Agriculture and Human Values (2012) 29:371-379.

Stahlman, Michael, Laura M.J. McCann, and Haluk Gedikoglou. "Adoption of Phytase by Livestock Farmers." Selected poster at the American Agricultural Economics Association Annual Meeting, Orlando, FL, July 27-29, 2008. Also presented at the USDA/CSREES Annual Meeting in St. Louis, MO in February 2009.

McCann, Laura, Haluk Gedikoglu, Bob Broz, John Lory, Ray Massey, and Michael Stahlman. "Farm Size and Adoption of BMPs by AFOs." Selected poster at the 5<sup>th</sup> National Small Farm Conference in Springfield, IL in September 2009.