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Witness: Michael L. Stahlman  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**TRANSOURCE MISSOURI, LLC**

**KANSAS CITY POWER & LIGHT COMPANY**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**FILE NOS. EA-2013-0098 and EO-2012-0367**

*Jefferson City, Missouri  
January 2013*





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Michael L. Stahlman

1           A.     The purpose of my testimony is to address portions of the Direct Testimony of  
2 Darrin R. Ives in File No. EO-2012-0367, focusing on the Service Agreements from Missouri  
3 Public Service Commission (“MoPSC”) Case Nos. EO-2006-0142<sup>1</sup> and EO-2009-0179<sup>2</sup>.

4           Q.     Do you agree with Kansas City Power & Light Company’s (“KCPL”) and  
5 KCP&L Greater Missouri Operations Company’s (“GMO”) Application in File No.  
6 EO-2012-0367 “that no approval is required under Missouri law to novate the Projects?”<sup>3</sup>

7           A.     No. Staff witness Charles R. Hyneman addresses this matter in his Rebuttal  
8 Testimony, but I would note the Direct Testimony of Darrin R. Ives at page 13, line 12 to  
9 page 14, line 2, where Mr. Ives states that “Transource and Transource Missouri will focus on  
10 regional transmission projects” and “KCP&L and GMO will continue to be responsible for  
11 local transmission reliability projects, which include the construction and maintenance of  
12 projects that are designed to ensure reliable transmission necessary to serve local needs”.  
13 Additionally, in support of Staff’s position, Mr. Ives states that the Southwest Power Pool  
14 (“SPP”) requires “obtaining all state regulatory authority necessary to construct, own, and  
15 operate transmission facilities within the state where the project is located.”<sup>4</sup> This includes  
16 obtaining a “CCN authorizing Transource Missouri to construct, finance, own, operate, and  
17 maintain the Projects.”<sup>5</sup> In other words, it appears that even Mr. Ives agrees that Missouri  
18 Commission approval is required.

19           Q.     Mr. Ives discusses the Federal Energy Regulatory Commission (“FERC”)  
20 incentive rates on page 15, line 3 through page 16, line 5. Can KCPL and GMO receive

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<sup>1</sup> In the Matter of the Application of Kansas City Power & Light Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

<sup>2</sup> In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

<sup>3</sup> Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 9, lines 16 through 19.

<sup>4</sup> Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 22, lines 7 through 8.

<sup>5</sup> Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 10, lines 3 through 5.

1 similar FERC incentive rates similar to those requested by Transource Missouri for its  
2 proposed Missouri Bundled Retail Load and authorized by FERC in FERC Docket No.  
3 ER12-2554-000?

4 A. Not necessarily, until at least September 30, 2013. KCPL has a Stipulation and  
5 Agreement in Missouri Commission Case No. EO-2006-0142<sup>6</sup> and GMO has a Stipulation  
6 and Agreement in Missouri Commission Case No. EO-2009-00179<sup>7</sup> by which the parties  
7 acknowledge that the Service Agreements KCPL & GMO have with SPP function primarily  
8 to ensure the Missouri Commission's authority to set the transmission component of KCPL's  
9 and GMO's rates for its Missouri Bundled Retail Load. Section II.B.(2) Purpose of Service  
10 Agreement, page 9 of the Stipulation And Agreement filed February 24, 2006, in Case No.  
11 EO-2006-0142 states, in part, as follows:

12 Relationship Between the Service Agreement and FERC Determined  
13 Incentives

14 For example, in response to Section 1241 of the Energy Policy Act of 2005  
15 ("EPAct of 2005"), the FERC has issued a Notice of Proposed Rulemaking  
16 ("NOPR") in Docket No. RM06-4-000, in which it is proposing certain  
17 incentives for investment in new transmission, investment in new transmission  
18 technologies, improvements in the operation of transmission facilities, and  
19 participation in a *Transco* or a *Transmission Organization*. Consistent with  
20 Section 3.1 of the Service Agreement and its primary function and as  
21 acknowledged by the aforementioned FERC NOPR, KCPL recognizes that the  
22 MoPSC has the sole regulatory authority to determine whether or not such  
23 incentives related to KCPL's transmission facilities should be included in rates  
24 for Missouri Bundled Retail Load. [Footnotes omitted.]

25 Section II.B.(2) Purpose of Service Agreement, page 7 of the Stipulation And  
26 Agreement filed February 27, 2009 in Case No. EO-2009-0179 states, in part, as follows:

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<sup>6</sup> In the Matter of the Application of Kansas City Power & Light Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

<sup>7</sup> In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

1 Relationship Between the Service Agreement and FERC Determined  
2 Incentives

3 For example, in response to Section 1241 of the Energy Policy Act of 2005  
4 (“EPAct of 2005”), the FERC has conducted a rulemaking process (Docket  
5 No. RM06-4) that culminated in Order No. 679 and subsequent orders on  
6 rehearing, in which it identified financial incentives that the FERC may allow.  
7 These incentives include, among other things, certain incentives for investment  
8 in new transmission, investment in new transmission technologies,  
9 improvements in the operation of transmission facilities, and participation in a  
10 *Transco* or a *Transmission Organization*. Consistent with Section 3.1 of the  
11 Service Agreement and its primary function, KCP&L-GMO recognizes that  
12 the MoPSC has the sole regulatory authority to determine whether or not such  
13 incentives related to KCP&L-GMO’s transmission facilities should be  
14 included in rates for Missouri Bundled Retail Load. [Footnotes omitted.]

15 There are two separate Service Agreements: one between KCPL and SPP and the  
16 other between GMO and SPP. By a filing on October 11, 2006, in Case No. EO-2006-0142,  
17 KCPL notified the Missouri Commission that the FERC, by letter order dated  
18 September 27, 2006, in Docket No. ER06-1318-000, accepted the *Agreement for the*  
19 *Provision of Transmission Service to Missouri Bundled Retail Load* (“Service Agreement”).  
20 By a filing on June 24, 2009, in Case No. EO-2009-0179, GMO notified the Commission that  
21 the FERC, by letter order dated June 18, 2009, in Docket No. ER09-1004-000, accepted the  
22 *Agreement for the Provision of Transmission Service to Missouri Bundled Retail Load* and the  
23 *Network Operating Agreement and Network Integration Transmission Service Agreement*  
24 (“Service Agreements”).

25 For KCPL, as part of the Stipulation and Agreement in Case No. EO-2006-0142,  
26 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section  
27 3.1 of the Service Agreement between KCPL and SPP, accepted by the FERC, states as  
28 follows:

29 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a  
30 zonal transmission rate applicable to load within the KCPL pricing zone that is  
31 taking Network Integration Transmission Service from SPP. Notwithstanding

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1 Schedule 9 and the rates therein, KCPL does not concede that FERC has  
2 jurisdiction over the transmission component of Bundled Electric Service  
3 provided to Missouri Bundled Retail Load using its own facilities, and does  
4 not voluntarily submit to such jurisdiction. KCPL shall not pay the rate set  
5 forth in Schedule 9 of the SPP OATT for using its own facilities to serve its  
6 Missouri Bundled Retail Load, but will include Missouri Bundled Retail Load  
7 in the total load used to calculate the zonal rate for the KCPL zone. However,  
8 this provision shall not eliminate any obligation that KCPL may have to pay  
9 applicable charges related to facilities owned by other entities in KCPL's zone.

10 For GMO, as part of the Stipulation and Agreement in Case No. EO-2009-0179,  
11 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section  
12 3.1 of the Service Agreement between GMO and SPP, accepted by the FERC, is the same as  
13 in Case No. EO-2006-0142, except the reference is to KCP&L-GMO rather than to KCPL and  
14 an additional phrase is at the end of the last sentence:

15 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a  
16 zonal transmission rate applicable to load within the KCP&L-GMO pricing  
17 zone that is taking Network Integration Transmission Service from SPP.  
18 Notwithstanding Schedule 9 and the rates therein, KCP&L-GMO does not  
19 concede that FERC has jurisdiction over the transmission component of  
20 Bundled Electric Service provided to Missouri Bundled Retail Load using its  
21 own facilities, and does not voluntarily submit to such jurisdiction. KCP&L-  
22 GMO shall not pay the rate set forth in Schedule 9 of the SPP OATT for using  
23 its own facilities to serve its Missouri Bundled Retail Load, but will include  
24 Missouri Bundled Retail Load in the total load used to calculate the zonal rate  
25 for the KCP&L-GMO zone. However, this provision shall not eliminate any  
26 obligation that KCP&L-GMO may have to pay applicable charges related to  
27 facilities owned by other entities in KCP&L-GMO's zone **that are**  
28 **unaffiliated with KCP&L-GMO.**

29 Both KCPL and GMO operate under Service Agreements that prevent the transfer of  
30 transmission rate setting for both companies to FERC determined SPP rates. In particular,  
31 this is accomplished in Article III Section 3.1 of each of the Service Agreements, which state  
32 that KCPL and GMO "shall not pay the rate set forth in Schedule 9 of the SPP [Open Access  
33 Transmission Service Tariff ("OATT")] for using its facilities to serve their Missouri Bundled  
34 Retail Load." Schedule 9 is the SPP OATT schedule that sets the rate for network service for

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1 each of the various transmission zones. Section II.B(2) of the Stipulation and Agreements for  
2 Case Nos. EO-2006-0142 and EO-2009-0179 contain a good example of the purpose of the  
3 Service Agreements. In brief, the examples illustrate that while FERC incentives may be  
4 included in SPP rates for Schedule 9 OATT, they would not apply to KCPL's and GMO's  
5 transmission investments used to serve Missouri Bundled Retail Load, unless the Missouri  
6 Commission makes the decision to include such incentives.

7 Q. Will the Service Agreements discussed above continue beyond  
8 September 30, 2013?

9 A. This issue will be addressed in File Nos. EO-2012-0135 and EO-2012-0136.  
10 However, in paragraph 5, pages 4-5 of their September 30, 2011 filing entitled, *Submission Of*  
11 *Interim Report Regarding Participation In Southwest Power Pool*, in Case Nos.  
12 EO-2006-0142 and EO-2009-0179, KCPL and GMO state that a service agreement between  
13 KCPL and SPP, and a service agreement between GMO and SPP are no longer required for  
14 six specific reasons set out on those pages. It is not clear whether KCPL and GMO are  
15 making an argument that the Missouri Commission does not have the jurisdiction to set the  
16 transmission component of KCPL's and GMO's rates to serve their Missouri Bundled Retail  
17 Load.

18 Q. Does this conclude your rebuttal testimony?

19 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