

Exhibit No.:
Issues: Accounting Authority Order
Witness: Michael L. Stahlman
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EU-2014-0077
Date Testimony Prepared: December 9, 2013

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

KANSAS CITY POWER & LIGHT COMPANY

and

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EU-2014-0077

*Jefferson City, Missouri
December 2013*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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))

Case No. EU-2014-0077

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 Rebuttal Testimony in question and answer form, consisting of 7 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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 9th day of December, 2013.



Notary Public

REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

KANSAS CITY POWER & LIGHT COMPANY
and
KCP&L GRATER MISSOURI OPERATIONS COMPANY

CASE NO. EU-2014-0077

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 Energy Rate Design & Tariffs Unit, Economic Analysis Section, of the Tariff, Safety, Economic and Engineering Analysis Department in the Regulatory Review Division.

Q. Please describe your educational and work background.

A. Please see Schedule MLS-1.

Q. What is the purpose of your testimony?

A. I will discuss the scope of the requested deferral of transmission costs that is the subject of this Application, and provide the Commission with information about Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“OATT”) Schedules associated with the Kansas City Power & Light Company (“KCPL”) and KCP&L Greater Missouri Operations Company (“GMO”, KCPL and GMO collectively “Companies”) Accounting Authority Order (“AAO”) application.

1 Q. Is the Staff continuing its investigation as to what transmission costs the
2 Companies propose deferring into a regulatory asset account?

3 A. Yes. In response to Staff Data Request No. 4, transmission costs to be deferred
4 will be “All KCP&L and GMO transmission expenses, excluding costs already recovered
5 through the GMO Fuel Adjustment Clause (“FAC”) and transmission expenses associated
6 with the Crossroads generating station... .” In response to Staff Data Request No. 2, the
7 Companies noted that the proposed AAO also incorporates the impact of any future changes
8 to SPP transmission cost allocation procedures, as well as the addition or deletion of
9 schedules to the SPP or other RTO’s OATT, and all expenses related to other RTO and non-
10 RTO transmission service. At this time, Staff is not certain whether or not KCPL and GMO
11 would include certain charges associated with the Integrated Marketplace, such as the
12 transmission congestion component of the locational marginal price, within its proposed
13 transmission cost deferral. A Staff Data Request regarding this issue is still pending.

14 Q. Since the filing of direct testimony in this case, have the Companies noted any
15 clarifications to their proposed definition of “transmission costs” for deferral purposes?

16 A. Yes. On page 4, of the Direct Testimony of Darrin R. Ives, he includes “SPP
17 Schedule 1-A fees charged to accounts 560, 561, and 575, and FERC Schedule 12 fees
18 charged to account 928” (ll. 14-15) in the transmission costs for which the Companies seek
19 deferral treatment. In response to Staff Data Request No. 4, the Companies clarified its
20 earlier position and stated that account 560 “primarily includes internally incurred costs and
21 would thus be excluded from both the base as well as the deferral process.” It should be noted
22 that the definition of “transmission costs” can be dependent on the context. For example,
23 Mr. Carlson refers to SPP administration charges separately from SPP transmission charges

Rebuttal Testimony of
Michael L. Stahlman

(p. 2, ll. 20-22) while Mr. Ives includes the SPP administration charges (SPP Schedule 1-A) in his definition of “transmission costs” (p. 4, ll. 10-15).

Q. What is the SPP OATT?

A. The SPP OATT is a Federal Energy Regulatory Commission (“FERC”) approved governing document that sets forth the general rates for electric transmission service in SPP. Currently, the SPP OATT contains 13 schedules; Schedules 1 through 12 and Schedule 1-A. They are as follows:

SCHEDULE 1 - Scheduling, System Control and Dispatch Service

SCHEDULE 1-A - Tariff Administration Service

SCHEDULE 2 - Reactive Supply and Voltage Control from Generation or Other Sources Service

SCHEDULE 3 - Regulation and Frequency Response Service

SCHEDULE 4 - Energy Imbalance Service

SCHEDULE 5 - Operating Reserve - Spinning Reserve Service

SCHEDULE 6 - Operating Reserve - Supplemental Reserve Service

SCHEDULE 7 - Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service

SCHEDULE 8 - Non-Firm Point-To-Point Transmission Service

SCHEDULE 9 - Network Integration Transmission Service

SCHEDULE 10 - Wholesale Distribution Service

SCHEDULE 11 - Base Plan Zonal Charge and Region-wide Charge

SCHEDULE 12 - FERC Assessment Charge

Q. Please describe which Schedules are applicable to the Companies.

A. Both Companies are subject to the charges of all schedules. Both Companies are also able to receive revenues from all schedules except Schedule 1-A and Schedule 12. Staff witness Oligschlaeger discusses the relevance of SPP transmission revenues to this proceeding in his Rebuttal Testimony.

Q. What is SPP Schedule 1-A?

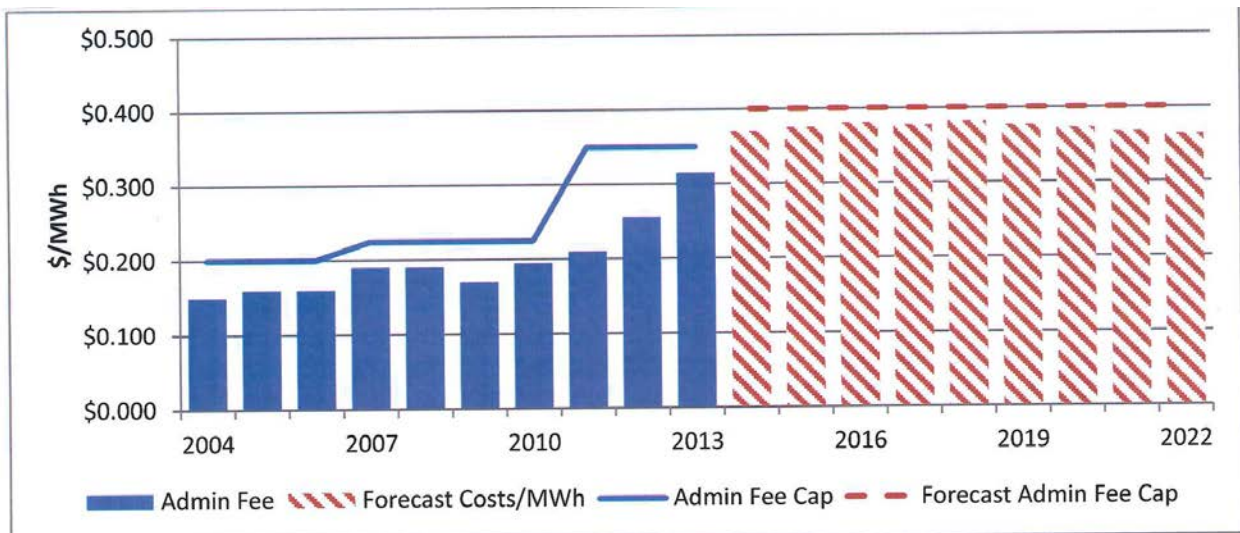
A. SPP Schedule 1-A charges SPP members for SPP’s Tariff Administrative Service costs. This schedule is designed to allow the SPP recovery of all its expenses related to the administration of its OATT.

Q. How often do the SPP Schedule 1-A rates change?

A. Per the tariff, the Administration Charge is a megawatt (“MW”) per hour for all capacity reserved charge established once a year per calendar year, with any bad debt and over or under recovery to be reconciled in the following year. There is also a \$100 or \$200 charge for each new firm point-to-point transmission service request, but this fee is rebated if the request is denied or when the customer becomes legally obligated to pay the applicable Firm Point-To-Point Transmission Service charges. These fees would only change with a revision to SPP’s OATT.

Q. Does SPP have a long-term view of Schedule 1-A administration fees?

A. Yes. A Finance Committee Report to the Board of Directors on July 30, 2013 (<http://www.spp.org/publications/FC071113.pdf>) projected Schedule 1-A rates out to 2022. The chart below from that report illustrates SPP’s historical administrative fee, administrative fee cap, and forecast costs/MWh.:



Q. Why is the administrative fee in SPP Schedule 1-A currently increasing?

A. This fee is increasing due to the rollout of the Integrated Marketplace. As can be seen in the chart above, SPP expects this fee to level off after the increase to 2014 rates.

Q. What is SPP Schedule 12?

1 A. Each month SPP charges Transmission Customers and Owners amounts under
2 Schedule 12 of the Tariff, which funds SPP's annual assessment to the FERC.

3 Q. How often does the SPP Schedule 12 rate change?

4 A. The SPP Schedule 12 rate is a megawatt-hours ("MWh") rate, established once
5 a year based on the expected assessment from FERC, plus or minus under/over recoveries
6 from prior years, and the actual megawatt-hours of transmission of electric energy in
7 interstate commerce during the previous calendar year.

8 Q. Has KCPL or GMO previously stated that there should not be much future
9 variability in the amount of Schedule 12 charges incurred?

10 A. Yes. In File Nos. ER-2012-0174 and ER-2012-0175, KCPL's and GMO's
11 most recent general rate increase cases, Company witness John R. Carlson stated in his Direct
12 Testimony:

13 The Company does not expect to see much variability in Schedule 12 fees in
14 the near term because the Schedule 12 rate has remained somewhat constant
15 over the last couple of years and the Company expects that to continue.
16 Further, the Company does not expect its load requirements to substantially
17 change the Schedule 12 fees (p.10, ll.14-17).

18 Q. What appears to be the main driver for the Companies' AAO request for
19 transmission costs?

20 A. According to the Direct Testimony of Darrin R. Ives, the main driver appears
21 to be Schedule 11 charges:

22 But what makes the current environment of transmission costs extraordinary
23 in nature is that currently the Southwest Power Pool's ("SPP") regional
24 transmission upgrade projects are being planned, constructed and billed to
25 SPP members in order to expand and enhance the ability of the SPP
26 transmission footprint (p. 3, ll. 21 – p. 4, ll. 1).

27
28 Additionally, the SPP Transmission Cost section of the Direct Testimony of John R. Carlson
29 refers only to SPP Schedule 11.

1 Q. What is SPP Schedule 11?

2 A. SPP Schedule 11, Base Plan Zonal Charge and Region-wide Charge, consists
3 of the point-to-point and network charges that compensate transmission owners for
4 construction of Base Plan, Balanced Portfolio, Priority, or Integrated Transmission Planning
5 (“ITP”) projects.

6 Q. Has SPP provided projections of these charges?

7 A. Yes. These projections are included as Schedules JRC-1 and JRC-2 in the
8 Direct Testimony of John R. Carlson.

9 Q. How often do the SPP Schedule 11 rates change?

10 A. Each Transmission Owner updates its approved Formula Rate Templates once
11 a year on a prescribed schedule in accordance with its protocols included in the SPP Tariff.
12 The scheduled changes for Schedule 11 rates occur in January, July, August and September
13 when the Transmission Owners update their formula rate templates annually. The protocols
14 also define when the Transmission Owners shall notify interested parties and customers of the
15 availability of the proposed updates that contain the Transmission Owners project costs which
16 are used in the determination of the Schedule 11 rates. For example, the 1/1 (January 1)
17 Transmission Owner updates and customer notices (as applicable) are posted between 9/1
18 (September 1) and 10/15 (October 15). The rates will also change in October as a result of
19 updating Balanced Portfolio Transfers.

20 There can also be unscheduled changes due to factors such as a FERC regulatory
21 order, identification of an error or omission in the Transmission Owner Formula Rate
22 Template, or Revenue Requirements and Rates File (RRR File), change in load factors or any
23 other unforeseen event. SPP will update the affected RRR File(s), repost the RRR File(s) on

Rebuttal Testimony of
Michael L. Stahlman

1 the SPP website and send notice to the Regional Tariff Working Group exploder of the
2 changes and availability of a revised RRR File(s). For example, if an error is discovered
3 subsequent to the effective date of a given RRR file or should an order be retroactive, SPP
4 will update the affected RRR File(s) and resettle all prior billing periods to correct the error.

5 Q. Which FERC accounts include charges from SPP Schedule 11?

6 A. SPP Schedule 11 expenses are booked into FERC account 565, which also
7 includes SPP Schedules 7, 8, and 9 expenses. SPP Schedule 11 revenues are booked into
8 FERC account 456.1.

9 Q. Do you have any recommendations?

10 A. Staff's recommendations in this proceeding are discussed in the Rebuttal
11 Testimony of Mark L. Oligschlaeger.

12 Q. Does this conclude your Rebuttal Testimony?

13 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.

Selected Manuscripts

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. "The Amoralism of Signals." Awarded in top 50 authors for SEVEN Fund essay competition, "The Morality of Profit."

Selected Posters

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 5th National Small Farm Conference in Springfield, IL in September 2009.