

*Exhibit No.:*  
*Issue(s):* *Weather Adjustment Rider*  
*Witness:* *Michael L. Stahlman*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *GR-2019-0077*  
*Date Testimony Prepared:* *July 10, 2019*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**UNION ELECTRIC COMPANY,  
d/b/a AMEREN MISSOURI**

**CASE NO. GR-2019-0077**

*Jefferson City, Missouri*  
*July 2019*



1           A.     Not exactly. Ameren Missouri’s proposed TRM does not explicitly define  
2 energy efficiency or conservation; instead the proposed TRM provides deemed levels of energy  
3 savings for the installation of efficient natural gas products based on generalized assumptions,  
4 and without regard for the interaction of various measures and weather. The calculations of  
5 energy savings used in Ameren Missouri’s proposed TRM for purposes of its proposed WCAR  
6 are similar to the definitions used in Ameren Missouri’s Missouri Energy Efficiency Investment  
7 Act (“MEEIA”) TRM for purposes of recovery of its electric energy efficiency programs, which  
8 are used in the MEEIA Throughput Disincentive (“TD”) mechanism as a result of stipulations.

9           As stated on pages 2 and 3 of my rebuttal testimony, it is unclear whether energy  
10 efficiency is synonymous with “conservation” in the authorizing statute; “Conservation” is not  
11 defined in RSMo Section 386.266.3. The legislature referred to “energy efficiency” in its  
12 passage of Section 393.1075 (MEEIA) in 2009. Further, the legislature modified RSMo  
13 Section 386.266.3 in 2018 to allow electric utilities to make adjustments due to weather and  
14 conservation. Although these are different statutes there is no reason to assume that the  
15 legislature intended “energy efficiency” and “conservation” to have the same meaning.

16           Q.     Does Ameren Missouri’s proposed WCAR rely on actual values as inputs for  
17 algorithms for calculating savings?

18           A.     No. Ameren Missouri’s proposed WCAR tariff sheets, specifically Tariff Sheet  
19 No. 32.4, only determines “measured energy” through technical manuals. Nowhere in the  
20 proposed WCAR tariff sheets does the mechanism refer to observed increases or decreases in  
21 usage even through the authorizing statute, RSMo Section 386.266.3, requires there be

1 “increases or decreases in...usage due to variations in either weather, conservation, or both”  
2 [Emphasis added].<sup>2</sup> Ameren Missouri is not purporting to show increases or decreases in  
3 usage; indeed Ms. Welikson states that the *actual values are not known*.

4 Q. Does Ameren Missouri’s proposed TRM provide to adjust the savings  
5 associated with heating appliances for variation in weather?

6 A. No. As further discussed in my rebuttal testimony, Ameren Missouri has not  
7 accounted for any interaction between the weather and conservation variables in its proposed  
8 WCAR. For instance, a warm winter would reduce the savings of an energy efficient furnace,  
9 but Ameren Missouri’s TRM does not recognize the change in savings. Additionally,  
10 the adoption of an energy efficient furnace would impact a customer’s weather response;  
11 less natural gas would be used at the same temperature, and thus the regression coefficient  
12 (i.e. the  $\beta$  determined for the change of weather) could also be changed. Because Ameren  
13 Missouri’s weather and conservation variables are determined independently of each other, the  
14 proposed WCAR is inherently biased and inaccurate. Even if the TRM were accurate, the  
15 inclusion of both a weather component and a “conservation” component would result in  
16 weather-related appliance energy savings being overstated to the point of double counting in  
17 warmer-than-average months, and understated in colder-than-average months.<sup>3</sup>

18 Q. Do other Ameren Missouri witnesses attempt to define conservation?

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<sup>2</sup> RSMo Section 386.266.3.

<sup>3</sup> As demonstrated in my rebuttal testimony at pages 4 - 10, by retaining the beta from the test period, the weather-only WNAR actually captures any changes in heating-appliance efficiency to the extent weather in a given period deviates from that experienced in the test period. This has the effect of capturing a substantial level of “conservation”-related changes within the weather component. The inclusion of a separate “conservation” component results in redundant counting of savings, absent an explicit adjustment to remove the portion of conservation embedded in the weather component.

1           A.     Yes. Mr. Harding refers to the definitions of “energy conservation measure”  
2 and “energy conservation project” in RSMo Section 640.651(8) and (9). However, it’s  
3 improper to use those definitions ad hoc, neither of which define “conservation,” which were  
4 written for a Department of Natural Resources loan program.

5           Q.     Is Staff’s proposed Weather Normalization Adjustment Rider (“WNAR”) also  
6 biased by not recognizing any conservation?

7           A.     No. As shown in my rebuttal, Staff’s analysis of Ameren Missouri’s data  
8 showed no significant change to usage by any factor other than weather, so an additional  
9 conservation factor to account for conservation would be statistically insignificant (e.g. not  
10 measurably different from zero). Staff’s own weather normalization regressions indicate that  
11 98% of all variations in usage are explained by weather. The inclusion of any additional factor  
12 in the proposed WNAR tariff other than zero would bias the regression analysis that was  
13 performed to determine the weather coefficient (the  $\beta$ ) and artificially inflate the perceived  
14 losses due to conservation. In other words, it would allow Ameren Missouri to recover more  
15 than just the increases or decreases due to weather and conservation.

16          Q.     Do you agree with Mr. Harding that “Ameren Missouri provided the information  
17 required to accurately quantify the Company's various conservation measures?”<sup>4</sup>

18          A.     No. While Mr. Harding cites Ms. Welikson’s direct and rebuttal testimony, her  
19 testimony admits that the “**actual values are not known**” [Emphasis added].<sup>5</sup>

20          Q.     Do you agree with Ms. Brink that Staff’s WNAR does not account for  
21 conservation?

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<sup>4</sup> Rebuttal Testimony of Michael W. Harding, p. 7, ll. 20-23.

<sup>5</sup> Rebuttal Testimony of Laureen M. Welikson, p. 8, ll. 9-12.

1           A.     Not exactly. As I mentioned above, the installation of energy efficient products  
2 or the change in a customer's behavior to use less energy can impact a customer's response to  
3 weather or the  $\beta$  as it is referred to in Staff's proposed WNAR. The  $\beta$  used in Staff's  
4 recommended WNAR is set in the rate case and does not change until the next rate case.  
5 Therefore, if customers use less energy in response to weather due to energy efficiency or  
6 conservation, Staff's WNAR will account for a portion of those differences.

7           Q.     Does Staff's recommended Volume Indifference Reconciliation to Normal  
8 Mechanism ("VIRN") account for changes in conservation?

9           A.     While the problem of specifically defining conservation persists, generally yes,  
10 the VIRN accounts for changes in sales due to conservation. As detailed in my rebuttal  
11 testimony on page 17 and 25, the VIRN recognizes that some relatively small portion of  
12 residential class consumption is a product of the number of customers served, but that sales  
13 beyond a given point per customer per month are reasonably assumed to relate most closely to  
14 weather, and to a given customer's decisions about how much gas to consume. Those decisions  
15 may be driven by preferences concerning indoor temperatures, economic considerations,  
16 appliance replacements, appliance use decisions, or any number of other considerations.  
17 If those decisions are broadly considered "conservation," the VIRN reasonably reflects the non-  
18 gas revenue effects of increases or decreases in customer usage due to variations in either  
19 weather, conservation, or both, while retaining the revenue effects of changes in usage  
20 associated with customer growth or customer losses.

21           Q.     National Housing Trust's witness Annika Brink also provides rebuttal testimony  
22 on the WNAR. Do you have any response to her concerns?

1           A.     Most of Ms. Brink’s concerns are sufficiently discussed in my rebuttal  
2 testimony, so it would be repetitive to mention them again here. However, it is worth noting  
3 that the term “decoupling,” as used in both Ms. Brinks rebuttal testimony and Office of the  
4 Public Counsel witness Marke’s rebuttal testimony, can have a broad interpretation, including,  
5 but not limited to, fully decoupling company revenues, partially decoupling company revenues,  
6 mitigating the changes in customer consumption patterns, or rate designs based on fixed  
7 monthly charges instead of volumetric charges. Ms. Brink seems to be referring to full revenue  
8 decoupling when she mentions the research focusing on “true decoupling” rather than  
9 “decoupling”.<sup>6</sup>

10           Q.     Mr. Marke also states that “Staff witness Mr. Stahlman makes no  
11 recommendations regarding whether or not the Commission should approve a weather  
12 decoupling mechanism.”<sup>7</sup> Do you agree?

13           A.     Staff’s recommendation is that Ameren Missouri has not established that it is  
14 reasonable to authorize any type of mechanism under RSMo Section 386.266.3. Mr. Marke  
15 is correct that portions of the Direct CCOS Report indicate that Staff’s primary  
16 recommendation is that the Commission not allow any rate adjustment mechanism allowed by  
17 RSMo Section 386.266.3, because Ameren Missouri has not demonstrated a need for such a  
18 mechanism. The primary purpose of my rebuttal testimony was to provide evidence that  
19 Ameren Missouri’s proposed WCAR is detrimental to the public interest and should be rejected.

20           However, if the Commission determines that a rate adjustment mechanism to account  
21 for changes in usage caused by weather is appropriate; Staff recommends that the Commission

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<sup>6</sup> Rebuttal Testimony of Annika Brink, p. 4, l. 13.

<sup>7</sup> Rebuttal Testimony of Geoff Marke, p. 6, ll. 19-20.

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1 order the WNAR, as discussed in the Staff CCOS Report. Alternatively, if the Commission  
2 determines that a rate adjustment mechanism to account for changes in usage caused by  
3 weather or conservation measures is appropriate, Staff recommends that the Commission  
4 order the VIRN, and implementation of a complementary rate design as discussed thoroughly  
5 in the Compiled Rebuttal Testimonies of Robin Kliethermes, Sarah L.K. Lange and Michael L.  
6 Stahlman. Irrespective of these recommendations, Staff maintains that Ameren Missouri's  
7 proposed WCAR is detrimental to the public interest, and should be rejected.

8 Q. Does this conclude your testimony?

9 A. Yes.



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company            )  
d/b/a Ameren Missouri's Tariffs to Increase        )  
its Revenues for Natural Gas Service             )        Case No. GR-2019-0077

**AFFIDAVIT OF MICHAEL L. STAHLMAN**

STATE OF MISSOURI        )  
                                      )  
COUNTY OF COLE         )        ss.

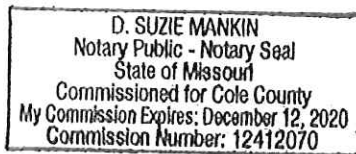
COMES NOW MICHAEL L. STAHLMAN and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
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MICHAEL L. STAHLMAN

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8<sup>th</sup> day of July 2019.



  
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Notary Public