

Exhibit No.:  
Issues: Demand-Side Programs  
Witness: Michael L. Stahlman  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: EO-2015-0240 and  
EO-2015-0241  
Date Testimony Prepared: December 11, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**DIRECT TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. EO-2015-0240**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. EO-2015-0241**

*Jefferson City, Missouri  
December 2015*

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

In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism )  
)  
) Case No. EO-2015-0240  
)  
)

**AFFIDAVIT OF MICHAEL L. STAHLMAN**

**STATE OF MISSOURI** )  
) ss  
**COUNTY OF COLE** )

**COMES NOW**, Michael L. Stahlman and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

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

Subscribed and sworn to before me this 10<sup>th</sup> day of December, 2015.

SUSAN L. SUNDERMEYER  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: October 28, 2018  
Commission Number: 14942086

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

1 **DIRECT TESTIMONY**

2 **OF**

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4 **KANSAS CITY POWER & LIGHT COMPANY**

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7 **CASE NO. EO-2015-0241**

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15  
16 Q. Please state your name and business address.

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

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

20 A. I am employed by the Missouri Public Service Commission (Commission) as a  
21 Regulatory Economist III in the Tariff/Rate Design Unit, Operational Analysis Department.

22 Q. Please describe your educational and work background.

23 A. Please see Schedule MLS-D-1.

24 Q. What is the purpose of your testimony?

25 A. I will provide testimony supporting the Demand-Side Programs Investment  
26 Mechanism (“DSIM”) described in the Non-Unanimous Stipulation and Agreement Resolving  
27 MEEIA Filings (“Stipulation”).

28 Q. Please describe the DSIM discussed in the Stipulation.

29 A. The Commission’s MEEIA rules<sup>1</sup> identify three DSIM components: a cost  
30 recovery component, a utility lost revenues component, and a utility incentive component.

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<sup>1</sup> 4 CSR 240-3.163, 3.163, 20.093, and 20.094.

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1 Similarly, the DSIM in the Stipulation is composed of three components: a program cost  
2 recovery component, a throughput disincentive recovery component (“TD”), and an earnings  
3 opportunity component (“EO”).

4 Q. Is the program cost recovery component consistent with the cost recovery  
5 component described in 4 CSR 20.093(2)(F) of the Commission’s rules?

6 A. Yes. The program cost recovery component allows contemporaneous recovery  
7 of prudently incurred program expenditures, including such items as program planning;  
8 program design; administration; delivery; end-use measures and incentive payments;  
9 advertising expense; evaluation, measurement, and verification (“EM&V”); market potential  
10 studies; and work on a statewide technical resource manual.

11 Q. Is the TD consistent with the utility lost revenue component described in  
12 4 CSR 240-20.093(2)(G) of the Commission’s rules?

13 A. Yes, with one exception. The Stipulation requests a variance from the  
14 provision that requires the utility to prove that the “utility demand-side programs approved by  
15 the commission in accordance with 4 CSR 240-20.094 cause a drop in net system retail kWh  
16 delivered to jurisdictional customers below the level used to set the electricity rates.” The  
17 Stipulation allows the Company to be compensated for the kWh not delivered to jurisdictional  
18 customers due to the installation of energy efficiency measures, regardless of whether sales  
19 are above or below the net system retail kWh used to set the electricity rates. Staff  
20 recommends that granting of this variance is reasonable, and the Stipulation TD is otherwise  
21 consistent with the utility lost revenue component described in 4 CSR 240-20.093(2)(G).

22 The TD in the Stipulation also allows for a contemporaneous recovery of  
23 compensation for the companies’ MEEIA-caused reduction to retail kWh sales based on an

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1 estimate of measure savings and an initial net-to-gross factor (“NTG”) of 0.85. This  
2 component includes a process to annualize the savings included in the companies’ billing  
3 determinants and to reset the lost margin calculations due to rate case orders as they occur.  
4 The measure savings estimates will also be updated prospectively as EM&V results are made  
5 available through the MEEIA Cycle. At the end of the Cycle, the EO will be adjusted by the  
6 difference between the estimated TD and the actual TD recalculated using the final full  
7 EM&V results (including ex-post gross measure savings and NTG).<sup>2</sup>

8 Staff supports the variances, described in Appendix H attached to the Stipulation, to  
9 enact this component as part of an interrelated resolution derived in the spirit of compromise  
10 and with the support of many parties with diverse interests. The TD, as described in the  
11 Stipulation, provides the companies with reasonable compensation due to sales not made as a  
12 result of the installation of program measures, and reasonably relies upon retrospective  
13 EM&V to true-up the differences between estimated and actual savings.

14 Q. Is the EO consistent with the utility incentive component described in  
15 4 CSR 20.093(2)(H) of the Commission’s rules?

16 A. Generally yes. The EO is designed to compensate the companies for lost  
17 supply-side investments. The dollar values included in the EO are calculated based on a  
18 comparison of the companies’ adopted referred resource plans in their most recent Triennial  
19 Integrated Resource Plan (“IRP”) filings,<sup>3</sup> which include demand-side programs with energy  
20 and demand savings modeled at a reasonably similar level to the proposed MEEIA portfolio  
21 in the Stipulation, to a similar IRP scenario without demand-side programs. These results  
22 provided the basis to scale the EO for the companies’ proposed MEEIA program, attached as

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<sup>2</sup> Subject to the EO not going below \$0.00 or above \$15,500,000 for KCPL and \$20,000,000 for GMO, and subject to a NTG floor of 0.80 and a ceiling of 1.00.

<sup>3</sup> File Nos. EO-2015-0254 and EO-2015-0252 for KCPL and GMO, respectively, filed on April 1, 2015.

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1 Appendix B to the Stipulation. The EO metrics, included in Appendix B, that are based on  
2 program energy savings or prudent expenditure, were scaled proportionally to match the  
3 relative demand savings contributions of the programs. Therefore, the EO provides the  
4 companies with a portion of the benefits that reasonably compensates the companies on par  
5 with the supply-side alternative identified in the companies' IRPs. As mentioned in the  
6 Stipulation and further discussed by Staff witness John Rogers, it is anticipated that all  
7 customers in a class will benefit from these programs, regardless of participation in them.

8 Q. Please summarize your testimony.

9 A. The DSIM proposed in the Stipulation reasonably provides timely cost  
10 recovery for companies, aligns the companies' incentives to help customers use energy more  
11 efficiently, and provides an earnings opportunity on cost-effective demand-side programs  
12 verified by EM&V equal to a traditional supply-side investments cost-effective measurable  
13 and verifiable efficiency savings.

14 Q. Does the DSIM proposed in the Stipulation include retrospective EM&V and  
15 include an EO that has a component of supply-side investment reduction, consistent with the  
16 Commission's discussion in its September 17, 2015 "Order Directing Filing" for File No.  
17 EO-2015-0055, its September 9, 2015 "Order Directing Filing" for File No. EO-2015-0055,  
18 and the Agenda discussions referenced in those orders?

19 A. Yes. While any TD refunding pursuant to EM&V is constrained by the award  
20 of an EO, mechanisms including real-time TD accrual, use of a NTG factor reasonably related  
21 to anticipated performance of the specific utility portfolio, and updating of specific measure  
22 savings values mid-cycle based on EM&V all work together to reasonably balance the risks of  
23 program success or failure between the utility and its customers for this portfolio at this time.

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1 | The EO is subject to full EM&V, without constraint, and is reasonably related to the impact  
2 | the portfolio has been estimated to have on reducing future supply side investments.

3 |       Q.     Does this conclude your testimony?

4 |       A.     Yes it does.

## 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	
Ameren Transmission Company of Illinois	EA-2015-0146
In the Matter of the Application of Ameren Transmission Company of Illinois for Other Relief or, in the Alternative, a Certificate of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Maintain and Otherwise Control and Manage a 345,000-volt Electric Transmission Line from Palmyra, Missouri to the Iowa Border and an Associated Substation Near Kirksville, Missouri	

**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 5<sup>th</sup> National Small Farm Conference in Springfield, IL in September 2009.

### **Non-Peer-Reviewed Works**

Poole-King, Contessa, Henry Warren, and Michael Stahlman. "Forecasters Predicting Cold, Wet Winter For Most Of Midwest." *PSCConnection* (Fall 2013) 3(7):3-4.

Poole-King, Contessa, Henry Warren, and Michael Stahlman. "Low Income Weatherization Programs Provides Services To Help Consumers." *PSCConnection* (Fall 2013) 3(7):5-6.