

Exhibit No.:  
Issues: Low-Income Weatherization  
Witness: Michael L. Stahlman  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: ER-2014-0351  
Date Testimony Prepared: March 9, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

*Jefferson City, Missouri*  
*March 2015*

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

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. )

Case No. ER-2014-0351

**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 5 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 March, 2015.

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

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**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

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12 Q. Please state your name and business address.

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

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

16 A. I am employed by the Missouri Public Service Commission ("Commission")  
17 as a Regulatory Economist III in the Energy Rate Design & Tariffs Unit, Economic Analysis  
18 Section, of the Tariff, Safety, Economic and Engineering Analysis Department in the  
19 Regulatory Review Division.

20 Q. Are you the same Michael L. Stahlman that supported sections in Staff's  
21 Revenue Requirement Cost of Service Report?

22 A. Yes.

23 Q. What is the purpose of your testimony?

24 A. The purpose of my rebuttal testimony is to address The Empire District  
25 Electric Company's ("Empire") proposal to terminate its support of the Low-Income  
26 Weatherization program and to address the Direct Testimony of John Buchanan regarding  
27 Empire's Low-Income Weatherization program.

28 Q. Where does Empire discuss the Low-Income Weatherization program?

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1           A.     Empire includes the program as one of its pre-MEEIA energy efficiency  
2 programs discussed on pages 20 through 22, of the Direct Testimony of W. Scott Keith.

3           Q.     Is the Low-Income Weatherization program administered by Empire?

4           A.     No.    Empire provides supplemental funding to local Community Action  
5 Agencies (“CAAs”) who receive primary funding and administration through the Division of  
6 Energy.  As discussed in the Direct Testimony of John Buchanan, the Division of Energy has  
7 administered the program since its inception in 1977, with funding from U.S. Department of  
8 Energy's Weatherization Assistance Program, in accordance with the federal guidelines.

9           Q.     Do other utilities provide supplemental funding for the low-income  
10 weatherization programs?

11          A.     Yes.  All electric and natural gas utilities provide supplemental funding for  
12 low-income weatherization.  As discussed in the Direct Testimony of John Buchanan, four  
13 utilities - Laclede Natural Gas, Ameren Missouri (Electric and Natural Gas), and Liberty  
14 Utilities – provide funds to the Environmental Improvement and Energy Resources Authority  
15 (“EIERA”) which are administered to the CAAs similar to the U.S. Department of Energy's  
16 funds.

17          Q.     Did Mr. Buchanan correctly identify all utilities that provide supplemental  
18 funding for low-income weatherization independently of EIERA?

19          A.     No.  Mr. Buchanan left out Summit Natural Gas of Missouri, which began  
20 funding low income weatherization in its service territory in accordance with the a partial  
21 stipulation and agreement approved by the Commission in its most recent rate case, File No.  
22 GR-2014-0086.  It should also be noted that Empire’s regulated natural gas utility, Empire

1 District Gas Company, currently provides funding for the low income weatherization  
2 program.

3 Q. When did Empire begin providing supplemental funds to the CAAs?

4 A. Empire began providing supplemental funding as part of the Stipulation and  
5 Agreement in File No. ER-2004-0570. Staff supported the funding of the Low-Income  
6 Weatherization program in that case due to programs of this nature having shown an impact  
7 on the ability of low-income customer's to pay their energy bills which would in turn reduce  
8 Empire's amount of arrearages.<sup>1</sup> Additionally, Staff recognized that the Low-Income  
9 Weatherization program can also improve the safety and comfort level of the home while  
10 reducing energy usage.<sup>2</sup> Therefore, Staff recognized and continues to recognize that low-  
11 income weatherization programs promote public policies beyond a demand-side resource  
12 program.

13 Q. What is Empire's stated reason for its request to terminate the Low-Income  
14 Weatherization program?

15 A. Empire witness W. Scott Keith states that, "Under current Commission rules,  
16 all electric energy efficiency programs should be approved under the Commission's MEEIA  
17 rules"<sup>3</sup>

18 Q. Does Staff agree with Empire's analysis?

19 A. No. Upon advice from counsel, Staff is of the opinion that the program can be  
20 approved under the Commission's Utility Promotional Practices rule, 4 CSR 240-14.

21 Q. Do other utilities have approved low-income weatherization programs outside  
22 of the Commission's MEEIA rules?

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<sup>1</sup> Rebuttal Testimony of Lena M. Mantel, File No. ER-2004-0570, November 4, 2004 (p. 4 ll. 21-23).

<sup>2</sup> Rebuttal Testimony of Lena M. Mantel, File No. ER-2004-0570, November 4, 2004 (p. 5, ll. 1-3).

<sup>3</sup> Direct Testimony of W. Scott Keith, Page 22, lines 4-5

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1           A.     Yes. As noted in the Direct Testimony of John Buchanan, all utilities, with the  
2 exception of Kansas City Power & Light (“KCPL”) and KCP&L Greater Missouri Operations  
3 (“GMO”), recover low-income weatherization funding through base rates.

4           Q.     Could this issue be resolved through Empire’s MEEIA application in File No.  
5 EO-2014-0030?

6           A.     Potentially, but not without significant revisions<sup>4</sup>. Even if the Low-Income  
7 Weatherization program is approved in Empire’s MEEIA application, Staff is concerned that  
8 there could be an interruption of the program due to a difference in timing between the  
9 conclusion of this case and the beginning of the program under MEEIA.

10          Q.     What is Staff’s overall recommendation?

11          A.     Staff recommends that Empire continue its Low-Income Weatherization  
12 program as described in the Company’s tariff and record expenditures in a regulatory asset  
13 account. Staff continues to recommend, as stated in the Staff’s Revenue Requirement Cost of  
14 Service Report, that an evaluation of the program be performed and that Empire invite MGE  
15 to one or more of the collaborative meetings to discuss the evaluation and the potential of  
16 providing the evaluator with a customer’s natural gas information.

17          Q.     Would Empire double collect on the Low Income Weatherization program if it  
18 is also approved in Empire’s MEEIA filing?

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<sup>4</sup> Empire’s MEEIA application has not been revised since their initial filing. In that filing, the portfolio was designed with a July 2014 start date. The application is inconsistent with MEEIA rules and would require numerous variances and, as filed, Empire would receive over 100% of the net benefits. Empire’s MEEIA application also lacks any information on previously completed evaluation, measurement and verification (“EM&V”) reports for the cost effectiveness of Empire’s current programs; however the Low-Income Weatherization program does not have to be cost effective to be prudent.

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1           A.     No. Due to the manner in which costs are recovered, continuing to fund this  
2 program will not cause the company to fund two comparable weatherization programs after  
3 the MEEIA plans are adopted.

4           Q.     Does this conclude your rebuttal testimony?

5           A.     Yes it does.