

Exhibit No.:
Issues: Low-Income Weatherization
Witness: Michael L. Stahlman
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2014-0351
Date Testimony Prepared: March 24, 2015

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

Jefferson City, Missouri
March 2015

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13 Q. Please state your name and business address.

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

16 Q. Are you the same Michael L. Stahlman that supported sections in Staff's
17 Revenue Requirement Cost of Service Report and rebuttal testimony in this case?

18 A. Yes.

19 Q. What is the purpose of your surrebuttal testimony?

20 A. I will respond to the Rebuttal Testimony of John Buchanan and Scott Keith.
21 Staff continues to recommend that Empire continue to provide funding for the Low-Income
22 Weatherization program and evaluate the program.

23 Q. Do you agree with Mr. Buchanan that the Department of Economic
24 Development – Division of Energy (“DED-DE”) does not administer Empire’s Low-Income
25 Weatherization Program?

26 A. No. Empire does not have its own distinct and separate low-income
27 weatherization program. The purpose of Empire’s low-income weatherization funds has
28 always been to supplement the federal funds received by the sub-contractor weatherization
29 agencies selected, funded, and directed by the DED-DE. Although Empire distributes the
supplemental funding for low-income weatherization, per Empire’s tariff sheet 8c., to the

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1 weatherization agencies in its service area, the allocation of Empire's low-income
2 weatherization funds are determined by a formula that was developed by the Missouri
3 Department of Natural Resources, Division of Energy (now DED-DE) and adopted by the
4 EDE Energy Efficiency Collaborative. In addition, the DED-DE selected the three sub-
5 contractor agencies in Empire's service area that are eligible to receive federal funds for low-
6 income weatherization in accordance with federal and DED-DE guidelines. Empire's
7 supplemental funding was also tied to match the same federal eligibility and grant guidelines
8 in Empire's last rate case (File No. ER-2012-0345).

9 Q. Do you agree with Mr. Buchanan that Empire's current program has been
10 evaluated?

11 A. No. Mr. Buchanan mentions two evaluations, one in 2009 and the other in
12 2013. As discussed in Staff's Revenue Requirement Cost of Service Report there have been
13 large changes to the program since the American Recovery and Reinvestment Act took effect.
14 These changes include raising the low income eligibility limit to 200% of the federal poverty
15 level from 150% and increasing and indexing the amount of money that can be spent on a
16 given household from \$2966 to \$7105. The changes, which occurred after the period
17 evaluated in the 2009 evaluation, have allowed additional weatherization measures to be
18 installed and may have changed the stock of housing that was available to be weatherized. In
19 other words, the program that was evaluated in 2009 is quite different from the program today
20 and should be evaluated.

21 Additionally, the 2013 evaluation mentioned by Mr. Buchanan, was for Empire
22 District Gas Company, not Empire District Electric Company. The two companies use

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1 different fuels and have different service territories that do not overlap; the 2013 evaluation is
2 not relevant to Empire District Electric Company.

3 Q. What is the basis for Empire witness Mr. Scott Keith's opposition to
4 evaluating the Low-Income Weatherization Program?

5 A. Mr. Keith is concerned about the cost recovery mechanism used for energy
6 efficiency programs.¹

7 Q. Did Mr. Keith propose a different cost recovery mechanism?

8 A. Yes. Mr. Keith proposes that an energy efficiency rider be implemented to
9 recover program costs as a direct surcharge on customer bills outside of the normal rate case
10 process.²

11 Q. Can the Commission grant an energy efficiency rider in this filing?

12 A. On advice from counsel, no. An energy efficiency rider can be implemented in
13 a MEEIA filing. Empire did not fulfill the MEEIA filing requirements in this rate case. Staff
14 notes that Empire has a MEEIA filing in case EO-2014-0030 before the Commission and is
15 the appropriate forum for Empire to address the matter of an energy efficiency rider.

16 Q. Is there another way to mitigate the impact of the evaluation costs on the
17 program?

18 A. Yes. According to the Direct Testimony of John Buchanan, Empire is
19 currently allowed to expend \$226,430 on the program. Five percent (5%) of the program
20 expenditures for the next six (6) years could be dedicated to the evaluation. This corresponds
21 to the usual amount spent on a program evaluation, the length of time since the previous

¹ Rebuttal Testimony of Scott Keith, p. 15 ll. 6-9

² Rebuttal Testimony of Scott Keith, p. 16 ll. 13-15.

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1 | evaluation, and provides an amount of money in line with the cost of other similar
2 | evaluations.

3 | Q. Please summarize Staff's position.

4 | A. Staff supports the continuation of the Low-Income Weatherization Program
5 | due to the promotion of public policies discussed in Staff's rebuttal testimony. However, an
6 | evaluation of the program is warranted due to the large changes in the program with the
7 | American Recovery and Reinvestment Act. Staff also continues to recommend that Missouri
8 | Gas Energy (MGE), a division of Laclede Gas Company, be invited to participate in this
9 | evaluation. MGE is the jurisdictional natural gas provider in most of the EDE service area
10 | and many of Empire's customers are also MGE customers. The weatherization of an Empire
11 | customer that is also an MGE customer will affect both the use of electricity and natural gas.

12 | Q. Does this conclude your surrebuttal testimony?

13 | A. Yes it does.