

Exhibit No.:
Issues: Service Agreements
Witness: Michael L. Stahlman
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
File Nos.: EA-2013-0098
EO-2012-0367
Date Testimony Prepared: January 30, 2013

MISSOURI PUBLIC SERVICE COMMISSION
REGULATORY REVIEW DIVISION
REBUTTAL TESTIMONY
OF
MICHAEL L. STAHLMAN
TRANSOURCE MISSOURI, LLC
KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY
FILE NOS. EA-2013-0098 and EO-2012-0367

Jefferson City, Missouri
January 2013

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

In the Matter of the Application of)
Transource Missouri, LLC for a)
Certificate of Convenience and Necessity)
Authorizing it to Construct, Finance, Own,) File No. EA-2013-0098
Operate, and Maintain the Iatan-Nashua)
and Sibley-Nebraska City Electric)
Transmission Projects)

In the Matter of the Application of Kansas)
City Power & Light Company and)
KCP&L Greater Missouri Operations) File No. EO-2012-0367
Company Regarding Arrangements for the)
Construction of Certain Transmission)
Projects)

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 6 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

Michael L. Stahlman

Subscribed and sworn to before me this 30th day of January, 2013.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L. Sundermeyer

Notary Public

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REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

TRANSOURCE MISSOURI, LLC

KANSAS CITY POWER & LIGHT COMPANY

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. EA-2013-0098 and EO-2012-0367

17

Q. Please state your name and business address.

18

A. My name is Michael L. Stahlman, and my business address is Missouri Public 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 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.

21

Q. Please describe your educational and work background.

22

A. Please see Schedule MLS-1.

23

Q. What is the purpose of your testimony?

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Rebuttal Testimony of
Michael L. Stahlman

1 A. The purpose of my testimony is to address portions of the Direct Testimony of
2 Darrin R. Ives in File No. EO-2012-0367, focusing on the Service Agreements from Missouri
3 Public Service Commission (“MoPSC”) Case Nos. EO-2006-0142¹ and EO-2009-0179².

4 Q. Do you agree with Kansas City Power & Light Company’s (“KCPL”) and
5 KCP&L Greater Missouri Operations Company’s (“GMO”) Application in File No.
6 EO-2012-0367 “that no approval is required under Missouri law to novate the Projects?”³

7 A. No. Staff witness Charles R. Hyneman addresses this matter in his Rebuttal
8 Testimony, but I would note the Direct Testimony of Darrin R. Ives at page 13, line 12 to
9 page 14, line 2, where Mr. Ives states that “Transource and Transource Missouri will focus on
10 regional transmission projects” and “KCP&L and GMO will continue to be responsible for
11 local transmission reliability projects, which include the construction and maintenance of
12 projects that are designed to ensure reliable transmission necessary to serve local needs”.
13 Additionally, in support of Staff’s position, Mr. Ives states that the Southwest Power Pool
14 (“SPP”) requires “obtaining all state regulatory authority necessary to construct, own, and
15 operate transmission facilities within the state where the project is located.”⁴ This includes
16 obtaining a “CCN authorizing Transource Missouri to construct, finance, own, operate, and
17 maintain the Projects.”⁵ In other words, it appears that even Mr. Ives agrees that Missouri
18 Commission approval is required.

19 Q. Mr. Ives discusses the Federal Energy Regulatory Commission (“FERC”)
20 incentive rates on page 15, line 3 through page 16, line 5. Can KCPL and GMO receive

¹ In the Matter of the Application of Kansas City Power & Light Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

² In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

³ Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 9, lines 16 through 19.

⁴ Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 22, lines 7 through 8.

⁵ Direct Testimony of Darrin R. Ives in File No. EO-2012-0367, page 10, lines 3 through 5.

1 similar FERC incentive rates similar to those requested by Transource Missouri for its
2 proposed Missouri Bundled Retail Load and authorized by FERC in FERC Docket No.
3 ER12-2554-000?

4 A. Not necessarily, until at least September 30, 2013. KCPL has a Stipulation and
5 Agreement in Missouri Commission Case No. EO-2006-0142⁶ and GMO has a Stipulation
6 and Agreement in Missouri Commission Case No. EO-2009-00179⁷ by which the parties
7 acknowledge that the Service Agreements KCPL & GMO have with SPP function primarily
8 to ensure the Missouri Commission's authority to set the transmission component of KCPL's
9 and GMO's rates for its Missouri Bundled Retail Load. Section II.B.(2) Purpose of Service
10 Agreement, page 9 of the Stipulation And Agreement filed February 24, 2006, in Case No.
11 EO-2006-0142 states, in part, as follows:

12 Relationship Between the Service Agreement and FERC Determined
13 Incentives

14 For example, in response to Section 1241 of the Energy Policy Act of 2005
15 ("EPAct of 2005"), the FERC has issued a Notice of Proposed Rulemaking
16 ("NOPR") in Docket No. RM06-4-000, in which it is proposing certain
17 incentives for investment in new transmission, investment in new transmission
18 technologies, improvements in the operation of transmission facilities, and
19 participation in a *Transco* or a *Transmission Organization*. Consistent with
20 Section 3.1 of the Service Agreement and its primary function and as
21 acknowledged by the aforementioned FERC NOPR, KCPL recognizes that the
22 MoPSC has the sole regulatory authority to determine whether or not such
23 incentives related to KCPL's transmission facilities should be included in rates
24 for Missouri Bundled Retail Load. [Footnotes omitted.]

25 Section II.B.(2) Purpose of Service Agreement, page 7 of the Stipulation And
26 Agreement filed February 27, 2009 in Case No. EO-2009-0179 states, in part, as follows:

⁶ In the Matter of the Application of Kansas City Power & Light Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

⁷ In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

1 Relationship Between the Service Agreement and FERC Determined
2 Incentives

3 For example, in response to Section 1241 of the Energy Policy Act of 2005
4 (“EPAct of 2005”), the FERC has conducted a rulemaking process (Docket
5 No. RM06-4) that culminated in Order No. 679 and subsequent orders on
6 rehearing, in which it identified financial incentives that the FERC may allow.
7 These incentives include, among other things, certain incentives for investment
8 in new transmission, investment in new transmission technologies,
9 improvements in the operation of transmission facilities, and participation in a
10 *Transco* or a *Transmission Organization*. Consistent with Section 3.1 of the
11 Service Agreement and its primary function, KCP&L-GMO recognizes that
12 the MoPSC has the sole regulatory authority to determine whether or not such
13 incentives related to KCP&L-GMO’s transmission facilities should be
14 included in rates for Missouri Bundled Retail Load. [Footnotes omitted.]

15 There are two separate Service Agreements: one between KCPL and SPP and the
16 other between GMO and SPP. By a filing on October 11, 2006, in Case No. EO-2006-0142,
17 KCPL notified the Missouri Commission that the FERC, by letter order dated
18 September 27, 2006, in Docket No. ER06-1318-000, accepted the *Agreement for the*
19 *Provision of Transmission Service to Missouri Bundled Retail Load* (“Service Agreement”).
20 By a filing on June 24, 2009, in Case No. EO-2009-0179, GMO notified the Commission that
21 the FERC, by letter order dated June 18, 2009, in Docket No. ER09-1004-000, accepted the
22 *Agreement for the Provision of Transmission Service to Missouri Bundled Retail Load* and the
23 *Network Operating Agreement and Network Integration Transmission Service Agreement*
24 (“Service Agreements”).

25 For KCPL, as part of the Stipulation and Agreement in Case No. EO-2006-0142,
26 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section
27 3.1 of the Service Agreement between KCPL and SPP, accepted by the FERC, states as
28 follows:

29 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a
30 zonal transmission rate applicable to load within the KCPL pricing zone that is
31 taking Network Integration Transmission Service from SPP. Notwithstanding

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1 Schedule 9 and the rates therein, KCPL does not concede that FERC has
2 jurisdiction over the transmission component of Bundled Electric Service
3 provided to Missouri Bundled Retail Load using its own facilities, and does
4 not voluntarily submit to such jurisdiction. KCPL shall not pay the rate set
5 forth in Schedule 9 of the SPP OATT for using its own facilities to serve its
6 Missouri Bundled Retail Load, but will include Missouri Bundled Retail Load
7 in the total load used to calculate the zonal rate for the KCPL zone. However,
8 this provision shall not eliminate any obligation that KCPL may have to pay
9 applicable charges related to facilities owned by other entities in KCPL's zone.

10 For GMO, as part of the Stipulation and Agreement in Case No. EO-2009-0179,
11 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section
12 3.1 of the Service Agreement between GMO and SPP, accepted by the FERC, is the same as
13 in Case No. EO-2006-0142, except the reference is to KCP&L-GMO rather than to KCPL and
14 an additional phrase is at the end of the last sentence:

15 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a
16 zonal transmission rate applicable to load within the KCP&L-GMO pricing
17 zone that is taking Network Integration Transmission Service from SPP.
18 Notwithstanding Schedule 9 and the rates therein, KCP&L-GMO does not
19 concede that FERC has jurisdiction over the transmission component of
20 Bundled Electric Service provided to Missouri Bundled Retail Load using its
21 own facilities, and does not voluntarily submit to such jurisdiction. KCP&L-
22 GMO shall not pay the rate set forth in Schedule 9 of the SPP OATT for using
23 its own facilities to serve its Missouri Bundled Retail Load, but will include
24 Missouri Bundled Retail Load in the total load used to calculate the zonal rate
25 for the KCP&L-GMO zone. However, this provision shall not eliminate any
26 obligation that KCP&L-GMO may have to pay applicable charges related to
27 facilities owned by other entities in KCP&L-GMO's zone **that are**
28 **unaffiliated with KCP&L-GMO.**

29 Both KCPL and GMO operate under Service Agreements that prevent the transfer of
30 transmission rate setting for both companies to FERC determined SPP rates. In particular,
31 this is accomplished in Article III Section 3.1 of each of the Service Agreements, which state
32 that KCPL and GMO "shall not pay the rate set forth in Schedule 9 of the SPP [Open Access
33 Transmission Service Tariff ("OATT")] for using its facilities to serve their Missouri Bundled
34 Retail Load." Schedule 9 is the SPP OATT schedule that sets the rate for network service for

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1 | each of the various transmission zones. Section II.B(2) of the Stipulation and Agreements for
2 | Case Nos. EO-2006-0142 and EO-2009-0179 contain a good example of the purpose of the
3 | Service Agreements. In brief, the examples illustrate that while FERC incentives may be
4 | included in SPP rates for Schedule 9 OATT, they would not apply to KCPL's and GMO's
5 | transmission investments used to serve Missouri Bundled Retail Load, unless the Missouri
6 | Commission makes the decision to include such incentives.

7 | Q. Will the Service Agreements discussed above continue beyond
8 | September 30, 2013?

9 | A. This issue will be addressed in File Nos. EO-2012-0135 and EO-2012-0136.
10 | However, in paragraph 5, pages 4-5 of their September 30, 2011 filing entitled, *Submission Of*
11 | *Interim Report Regarding Participation In Southwest Power Pool*, in Case Nos.
12 | EO-2006-0142 and EO-2009-0179, KCPL and GMO state that a service agreement between
13 | KCPL and SPP, and a service agreement between GMO and SPP are no longer required for
14 | six specific reasons set out on those pages. It is not clear whether KCPL and GMO are
15 | making an argument that the Missouri Commission does not have the jurisdiction to set the
16 | transmission component of KCPL's and GMO's rates to serve their Missouri Bundled Retail
17 | Load.

18 | Q. Does this conclude your rebuttal testimony?

19 | 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