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**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**OPERATIONAL ANALYSIS DEPARTMENT**

**TARIFF/RATE DESIGN UNIT**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. ER-2016-0156**

*Jefferson City, Missouri  
August 2016*

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**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**KCP&L GREATER MISSOURI OPERATIONS**

**CASE NO. ER-2016-0156**

Q. Please state your name and business address.

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

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

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

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

A. Yes.

Q. What is the purpose of your testimony?

A. I am providing testimony on the history that led to Entergy's decision to join Midcontinent Independent System Operator, Inc. ("MISO") in response to Scott H. Heidtbrink's direct testimony in this matter discussing the Crossroads Power Plant. I also discuss pre-MEEIA opt-out customers and time-based special rates in response to Bradley D. Lutz's direct testimony.

1 **Entergy's Transition to MISO**

2 Q. Before the FERC began promoting regional transmission planning through  
3 Independent System Operators ("ISOs") and Regional Transmission Operators ("RTOs") how  
4 did Entergy participate in regional transmission planning?

5 A. Entergy was a member of the Southwest Power Pool, Inc. ("SPP") until it  
6 withdrew its membership on October 31, 1997.<sup>1</sup>

7 Q. What actions did Entergy take to pursue regional transmission planning after it  
8 withdrew from SPP in 1997?

9 A. In October 2000 Entergy sought to form an independent, for-profit  
10 transmission company that would be operated under SPP oversight as a regional transmission  
11 organization ("RTO") in a companion filing<sup>2</sup> to SPP's second application seeking RTO  
12 status.<sup>3</sup> The FERC rejected those applications in July 2001, and in its order asked Entergy to  
13 explore joining a RTO in the southeastern states. Thus, Entergy began to work with other  
14 companies to establish the SeTrans RTO.<sup>4</sup> However, those efforts were suspended in  
15 December 2003 when Entergy became aware that some members would not be able to obtain  
16 the necessary state and federal agency approvals. After this, Entergy proposed that it would  
17 contract with a third party to act as an independent coordinator of transmission ("ICT").<sup>5</sup>  
18 Entergy contracted with SPP, which had become an RTO, to act as the ICT. As an ICT, SPP  
19 would, among other things, grant or deny requests for transmission service, calculate available  
20 flowgate capability, administer Entergy's Open Access Same Time Information System

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<sup>1</sup> A large number of utilities withdrew their membership from SPP, including St. Joseph Power & Light Company on September 15, 1997, and the Entergy utilities, along with the Associated Electric Cooperatives, on October 31, 1997 during SPP's deliberation on forming itself into an ISO.

<sup>2</sup> FERC Docket No. RT01-75.

<sup>3</sup> FERC Docket No. RT01-34.

<sup>4</sup> FERC Docket No. EL02-101.

<sup>5</sup> FERC Docket Nos. ER04-699 and ER05-1065.

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1 ("OASIS"), and perform an enhanced planning function. Under the proposed arrangement,  
2 Entergy would continue to set its own transmission rates and construction plans. The FERC  
3 conditionally approved Entergy's proposal on April 24, 2006, on an experimental four-year  
4 basis, i.e., until 2010. Entergy filed compliance tariffs in November 17, 2006, to effectuate  
5 its plan.

6 Q. When did GMO enter into a twenty-year transmission agreement with Entergy,  
7 to move power from Crossroads to GMO's service territory in Missouri?

8 A. In 2009.

9 Q. Do you agree with Mr. Heidtbrink that that Entergy was likely to join SPP  
10 when GMO entered into the twenty-year transmission agreement with Entergy<sup>6</sup>?

11 A. No. That transmission agreement was signed on February 20, 2009—one year  
12 before the completion of SPP's experimental four-year term as Entergy's ICT.<sup>7</sup> In addition,  
13 that transmission agreement was signed prior to any studies examining the benefits and cost  
14 of Entergy joining SPP. On May 29, 2009, the Arkansas Public Service Commission  
15 prompted Entergy to study the benefits of joining SPP companies as compared to participation  
16 under the existing ICT services arrangement; and to explore full SPP membership by Entergy  
17 Arkansas, Inc. as a standalone entity, compared to continuing under the existing ICT services  
18 arrangement.<sup>8</sup> FERC also agreed to fund a separate study to examine the costs and benefits of  
19 Entergy joining SPP during a committee meeting of FERC and Entergy's state regulators on  
20 July 24, 2009, in Charleston, South Carolina.

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<sup>6</sup> Direct Testimony of Scott H. Heidtbrink, p. 12, ll. 1-5.

<sup>7</sup> "Comments of KCP&L Greater Missouri Operations Company" in FERC Docket No. EC12-145.

<sup>8</sup> APSC Docket No. 08-136-U, Order No. 10, May 29.

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1           The FERC-sponsored study examining the costs and benefits of Entergy joining SPP  
2 was not completed until September 30, 2010.<sup>9</sup> The study found large benefits to joining SPP  
3 that were relatively robust across the different scenarios, although the net benefits  
4 to individual regions were highly dependent on the allocation of regional high  
5 voltage transmission expansion expenditures. On October 27, 2010, the Arkansas  
6 Commission-directed study,<sup>10</sup> examining the costs and benefits of Entergy joining SPP was  
7 completed. This study found no significant economic benefits to Entergy Arkansas or SPP  
8 from Entergy Arkansas joining the SPP, relative to operating on a standalone basis. Entergy  
9 engaged Charles River Associates to perform two additional addendum studies; one study,  
10 completed on December 8, 2010, to analyze additional sensitivity cases using the models and  
11 input assumptions developed under the FERC-sponsored study<sup>11</sup> and an additional study,  
12 completed March 10, 2011, to assess the costs and benefits of Entergy and/or Cleco Power  
13 joining the Midwest ISO k/n/a Midcontinent Independent System Operator, Inc.<sup>12</sup> These  
14 studies continued to find significant benefits for the Entergy region to join a RTO; however,  
15 they also found that the benefits of Entergy Arkansas joining a RTO were more limited.  
16 These studies continued to qualify their findings with significant concerns over the  
17 uncertainty of transmission expansion expenditures, RTO size, seams agreements, and the

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<sup>9</sup> Charles River Associates and Resero Consulting (2010). "Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO" <https://www.ferc.gov/industries/electric/indus-act/rto/spp/spp-entergy-cba-report.pdf>. (13JUN2016).

<sup>10</sup> Charles River Associates (2010). "Cost-Benefit Analysis of Entergy Arkansas, Inc. Joining the SPP RTO" <https://www.spp.org/documents/13366/spp%20cai%20cba%20report%20final%2010-27-10.pdf>. (13JUN2016).

<sup>11</sup> Charles River Associates (2010). "Cost-Benefit Analysis of Entergy and Cleco Power Joining the SPP RTO: Addendum Study" <https://www.spp.org/documents/13685/spp%20entergy%20cba%20addendum%20report%20final%2012-8-10.pdf>. (13JUN2016).

<sup>12</sup> Charles River Associates (2011). "Cost-Benefit Analysis of Entergy/Cleco Power or Entergy Arkansas Joining the Midwest ISO: Addendum Study" <https://www.spp.org/documents/14225/miso%20spp%20entergy%20cba%20addendum%20report%20final%203-10-11.pdf>. (13JUN2016).

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1 transition of SPP to a Day 2 market. However, in April of 2011, Entergy utilities proposed  
2 joining the MISO, citing its superior benefits over SPP membership. MISO became  
3 Entergy's ICT on December 1, 2012, and Entergy fully integrated grid operations into  
4 MISO<sup>13</sup> on December 19, 2013.

5 Q. Do you agree with Mr. Heidtbrink that there was a "change with regard to  
6 Crossroads after the Commission's rate order in GMO's last rate case (ER-2012-0175)?"<sup>14</sup>

7 A. I do not agree that Entergy joining MISO was a change relevant to the  
8 Commission's order. As discussed in the Direct Testimony of John R. Carlson,  
9 "Crossroads [was] located in the service territory of one of the operating utilities of Entergy  
10 Corp., which was not a member of any RTO at that time." If Crossroads was initially located  
11 in SPP, then, as Mr. Heidtbrink notes, "the transmission cost paid by GMO to move  
12 Crossroads power to GMO's market area would [be] \$0 per year."<sup>15</sup> In its *Report and Order*  
13 for File No. ER-2010-0356, this Commission found, "In addition to the valuation, the  
14 Commission concludes that but for the location of Crossroads customers would not have to  
15 pay the excessive cost of transmission...The Commission further determines that it is not just  
16 and reasonable for GMO customers to pay the excessive cost of transmission from Mississippi  
17 and it shall be excluded."<sup>16</sup> In its *Report and Order* for File No. ER-2012-0175,  
18 the Commission incorporated those findings of fact and conclusions of law from

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<sup>13</sup> MISO changed its name to the Midcontinent Independent System Operator, Inc. from the Midwest Independent Transmission System Operator, Inc. on April 26, 2013.

<sup>14</sup> Direct Testimony of Scott H. Heidtbrink, p. 11, ll. 15-16 and ll. 16-23.

<sup>15</sup> Direct Testimony of Scott H. Heidtbrink, p. 12 ll. 4-5. Staff presumes that he is referring to SPP Schedules 7,8, and 9 which are zonal charges based on load location and, result in a no charges since GMO owns most of the transmission in its load zone.

<sup>16</sup> Report and Order, File No. ER-2010-0356, p. 99, 100.

1 ER-2010-0356.<sup>17</sup> Today, Crossroads continues to be in the service territory of one of the  
2 operating utilities of Entergy Corp., which is not a member of SPP.

3 **Pre-MEEIA Opt-Outs**

4 Q. Did Staff include an increase in revenue requirement to compensate GMO for  
5 customers who opted out of demand-side programs in the test year?

6 A. No. Mr. Lutz included an adjustment, based on, in part, an interpretation of a  
7 Stipulation in Case No. EO-2014-0029. As noted by Mr. Lutz, that Stipulation was entered  
8 into by KCPL—not GMO.

9 **Time of Day, Time of Use, and Real-Time Pricing**

10 Q. Does Staff agree with GMO's proposal to freeze the General Service Time  
11 of Day and Real-Time Pricing special rates and remove the optional Time of Use  
12 Adjustment Rider?

13 A. Consistent with Staff's Rate Design Report, Staff recommends the  
14 Commission order GMO to file a rate design case upon the completion of one year's worth of  
15 load research data. GMO should include in its filing its proposal to make Time of Use  
16 ("ToU") rates available to all customers including a study of applicable ToU determinants.<sup>18</sup>  
17 With this condition, Staff will not oppose GMO's proposal to freeze the General Service Time  
18 of Day and Real-Time Pricing special rates and remove the optional Time of Use Adjustment  
19 Rider in this case.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes it does.

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<sup>17</sup> Report and Order, File No. ER-2012-0175, p. 52.

<sup>18</sup> Staff Report—Rate Design, ER-2016-0156, p. 5, ll. 17-23.



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri )  
Operations Company's Request for Authority ) Case No. ER-2016-0156  
to Implement A General Rate Increase for )  
Electric Service )

**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 foregoing Rebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

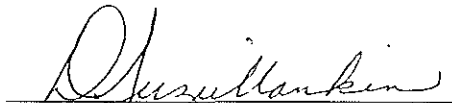
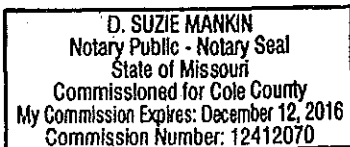
Further the Affiant sayeth not.



\_\_\_\_\_  
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 12<sup>th</sup> day of August, 2016.

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