

1 there any questions for him?

2 JUDGE DIPPELL: Did -- do the parties  
3 have any questions for Mr. Buck?

4 MS. SHEMWELL: OPC does not. Thank you.

5 MR. THOMPSON: Staff does not.

6 JUDGE DIPPELL: Does the Commission have  
7 any questions for Mr. Buck?

8 CHAIRMAN HALL: No.

9 COMMISSIONER KENNEY: No.

10 JUDGE DIPPELL: Okay. I believe  
11 Mr. Buck doesn't have to reappear at this time.

12 So, the next witness is Staff's, Staff's  
13 witness.

14 MR. THOMPSON: Staff would call Michael  
15 Stahlman.

16 MICHAEL STAHLMAN,  
17 having been called as a witness herein, having been  
18 first duly sworn, was examined and testified as  
19 follows:

20 DIRECT EXAMINATION

21 BY MR. THOMPSON:

22 Q. Good afternoon, Mr. Stahlman.

23 State your name and spell your last name  
24 for the reporter, if you would.

25 A. Michael L. Stahlman, S-T-A-H-L-M-A-N.

1 Q. And how are you employed, Mr. Stahlman?

2 A. The regulatory economist with the Public  
3 Service Commission.

4 Q. And are you the same Michael Stahlman  
5 that prepared or caused to be prepared rebuttal  
6 testimony marked as Exhibit 238 and surrebuttal  
7 testimony marked as Exhibit 260?

8 A. Yes.

9 Q. Did you happen to contribute to the  
10 Staff cost of service revenue requirement report?

11 A. Yes.

12 Q. And did you happen to contribute to the  
13 Staff cost of service rate design report?

14 A. Yes.

15 Q. Okay. With respect to all of those  
16 testimonies, if I were to -- first of all, do you  
17 have any corrections?

18 A. I have two corrections.

19 Q. Okay. To which?

20 A. First is the rebuttal testimony.

21 Q. All right.

22 A. Page 7.

23 Q. Yes.

24 A. Line 23.

25 Q. Yes.

1           A.    And I would like to add "assumes it"  
2    between "and" and "would" so that the line reads "on  
3    the outcome of a rate case and assumes it would only  
4    change as a result of weather and conservation."

5           Q.    Very good.

6                    Do you have any other corrections?

7           A.    Yes.  Surrebuttal page 9, line 8.

8           Q.    Go ahead.

9           A.    The end of that sentence should be a  
10   period instead of a question mark.

11          Q.    And with those corrections --

12                   MS. SHEMWELL:  Would you repeat that,  
13   please?

14          Q.    (By Mr. Thompson)  Could you repeat that  
15   for Ms. Shemwell?

16          A.    On surrebuttal page 9, line 8, the  
17   sentence ends in a question mark and should be a  
18   period.

19                   MS. SHEMWELL:  Thank you.  Thank you,  
20   Mr. Stahlman.

21                   THE WITNESS:  You're welcome.

22          Q.    (By Mr. Thompson)  With those corrections  
23   in mind, Mr. Stahlman, if I were to ask you those  
24   questions today, would your answers be the same?

25          A.    Yes.

1 Q. And would those answers be true and  
2 correct to the best of your knowledge and belief?

3 A. Yes.

4 MR. THOMPSON: At this time, I will  
5 offer Exhibits 238 and 260.

6 JUDGE DIPPELL: Would there be any  
7 objection to Exhibit 238 or Exhibit 260?

8 Seeing none. Then I will admit those  
9 into evidence.

10 (Staff's Exhibits 238 and 260 were  
11 admitted into evidence.)

12 MR. THOMPSON: And I will tender  
13 Mr. Stahlman for cross-examination.

14 JUDGE DIPPELL: Is there  
15 cross-examination by Public Counsel?

16 MS. SHEMWELL: Very briefly.

17 CROSS-EXAMINATION

18 BY MS. SHEMWELL

19 Q. Good afternoon, Mr. Stahlman.

20 A. Good afternoon.

21 Q. On page 6 of your rebuttal, line 12 and  
22 13, you state that Laclede's revenue stabilization  
23 mechanism would adjust for all changes in average  
24 customer use?

25 A. Correct.

1 Q. What's Staff's concern with that?

2 A. There are other things that can change  
3 that cause an average use change in overall  
4 customers. I mentioned specifically rate switching.  
5 One of the larger concerns that's in the testimony  
6 of Ms. Kliethermes is that the -- there's a lot of  
7 SGS customers currently that should be in a  
8 different rate category, and that moving -- these  
9 customers, they're generally higher than average  
10 usage customers. So, if they just switched to their  
11 proper rate, that would cause the average of the  
12 current SGS class to go down, and that would lead to  
13 an adjustment that Laclede would be able to recover  
14 extra money without any change in usage.

15 Q. Under their proposed RSM?

16 A. Correct.

17 Q. Okay. Thank you.

18 I don't want to misstate this, but I  
19 thought I heard Mr. Weitzel say that no one has  
20 really tied down what conservation includes, but  
21 anyway, on page 7 of your rebuttal, you do attempt  
22 to do that?

23 A. To be fair, on page 7, I think, I left  
24 it an open question in general what conservation  
25 actually meant. That was not very clear when I

1 looked in the statute to try and find any language  
2 on how they defined it in the statute, but I pointed  
3 to that when I would deal in energy efficiency  
4 collaboratives, there was generally a  
5 distinguishment between energy efficiency and  
6 conservation.

7 Q. So there, lines 13 through 19, you have  
8 drawn a distinction between the two?

9 A. Yes.

10 MS. SHEMWELL: That's all I have for  
11 this witness. Thank you.

12 JUDGE DIPPELL: Thank you.

13 Is there any cross-examination by  
14 Midwest Energy Consumers?

15 MR. WOODSMALL: Very briefly, Your  
16 Honor.

17 CROSS-EXAMINATION

18 BY MR. WOODSMALL

19 Q. A question that I've had going through  
20 all this, do you distinguish between conservation  
21 and just simple efficiency gains in furnaces and  
22 water heaters and things like that?

23 A. I think it depends in the context.  
24 Generally, as when I deal with energy efficiency  
25 collaboratives, we generally do make that

1 distinguishment, and that's where I leave it an open  
2 question. When we're dealing with a statute,  
3 though, it's not really clear and, you know, if  
4 I'm -- if -- from what I have discussed with people  
5 on the street, they may not make a clear  
6 distinguishment.

7 Q. So, if I have a house that has a  
8 30-year-old furnace and I need to replace it, and  
9 even if I go out and buy the least efficient furnace  
10 there is out there, it still may be more efficient  
11 than the furnace I'm replacing; is that correct?

12 A. Correct.

13 Q. And that's not through any conservation  
14 effort on my part, is it?

15 A. No. That would be considered an  
16 efficiency improvement.

17 Q. Okay. And that goes beyond simply  
18 weather and conservation in the statute in your  
19 mind?

20 A. I think that could be a legal question.

21 Q. Okay. Well, in your laymen's expert  
22 terms, not in a legal term, would you distinguish  
23 between efficiency and conservation?

24 A. Yes. As I -- in most collaboratives, we  
25 do distinguish between those two terms.

1 MR. WOODSMALL: Okay. Thank you. No  
2 further questions.

3 JUDGE DIPPELL: Are there questions from  
4 Spire?

5 MR. ZUCKER: Yes. Thank you, Your  
6 Honor.

7 CROSS-EXAMINATION

8 BY MR. ZUCKER

9 Q. Assume with me that the word  
10 "conservation" means to use less.

11 A. Okay.

12 Q. Okay. If you went out and bought a  
13 highly-efficient furnace, would it cause you to  
14 conserve?

15 A. With a definition of conservation being  
16 to use less and ceteris paribus on the, you know,  
17 the temperature settings of your house and leaving  
18 windows shut and things like that, you would  
19 generally use less energy. So, it would be  
20 conservation.

21 Q. I'm going to admit that I don't know the  
22 Latin term you just used.

23 A. Ceteris paribus is "and the rest  
24 remaining equal."

25 Q. Okay. Thank you.



1                   Did you see Mr. Weitzel's testimony that  
2 any growth that Laclede tends to have is single  
3 family housing that has above average use?

4                   A.    Yes.

5                   Q.    And do you have any reason to dispute  
6 that?

7                   A.    No.

8                   Q.    Would you say it's accurate to say that  
9 budget billing, which you bring up on page 8 of your  
10 rebuttal testimony, allows customers to spread  
11 costs, but not avoid them in, let's take for  
12 example, a cold winter?

13                  A.    I would almost say, it's spreading the  
14 expenditure of a cold winter over the summer months.

15                  Q.    Okay. Now, did you go to any of the  
16 local public hearings or read the transcripts?

17                  A.    I've looked through some transcripts. I  
18 did not go to local public hearings.

19                  Q.    Did you see any comments by customers  
20 that they did not like budget billing?

21                  A.    I don't recall any comment.

22                         MR. ZUCKER: I think that's all I have.  
23 Thank you, Mr. Stahlman.

24                         JUDGE DIPPELL: Are there questions from  
25 the bench? Mr. Chairman?

1 CHAIRMAN HALL: Yeah, just a few.

2 Good afternoon. Could, could you  
3 explain to me what the rationale was for Laclede's  
4 current rate design with the no charge in the winter  
5 above 30 therms? What's the -- what's the -- what's  
6 the policy basis for that rate design?

7 THE WITNESS: For -- and I'll direct  
8 that Ms. Kliethermes is the rate design witness.

9 CHAIRMAN HALL: I thought it was you as  
10 well.

11 Would you prefer to defer to her on  
12 that? That's fine.

13 THE WITNESS: I can, depending on how  
14 much you want to go into rate design.

15 CHAIRMAN HALL: If she's the one, I'll  
16 take that out. I'll raise that with her. I  
17 apologize.

18 THE WITNESS: All right.

19 CHAIRMAN HALL: Do you believe that  
20 there is a correlation between income and  
21 consumption?

22 THE WITNESS: I -- when I graph that on  
23 just based on the residential energy consumption  
24 survey, it wasn't quite as clear. There, there may  
25 be a slight one, but it did not show, based on the

1 residential energy consumption survey data, that  
2 there's, if any, a strong one.

3 CHAIRMAN HALL: Not a strong one, but  
4 there was some correlation?

5 THE WITNESS: Let me direct you to the  
6 page. I have it on figure 1 on page 12 of rebuttal.  
7 That was comparing income, and this is specifically  
8 with natural gas consumption. I can't recall if  
9 your question was with energy or not.

10 CHAIRMAN HALL: It was -- well, with  
11 gas.

12 THE WITNESS: And there was -- it was --  
13 it had a -- it went with, with the trend analysis I  
14 put in there. There was initial downturn and  
15 turning slightly up, but it was very insignificant  
16 overall. I mean, the R score of that regression was  
17 3 percent.

18 CHAIRMAN HALL: The concern that you  
19 raised that I guess it was -- it was raised by  
20 Ms. Kliethermes specifically, but you, you echoed  
21 it, concerning rate switching as, as being a factor  
22 that could cause an upward adjustment in the RSM  
23 without an actual decrease in consumption; is that  
24 correct?

25 THE WITNESS: Correct.

1           CHAIRMAN HALL: Is that something that  
2 could be -- if -- could a properly structured RSM  
3 address that concern?

4           THE WITNESS: I think what you would  
5 have to do is go back through the class and there  
6 would have to be some mechanism that ensures that  
7 even in the future, you don't get additional  
8 customers switching the rate classes in and out of  
9 the RSM. I don't know that you could really -- if  
10 you excluded the SGS class, I think that becomes  
11 less of an issue with residential because your  
12 residential, you don't switch classes on that.  
13 There would be other concerns about the addition of  
14 new customers or leaving of new customers to the  
15 extent they aren't average, but...

16           CHAIRMAN HALL: Okay. I have no further  
17 questions.

18           COMMISSIONER KENNEY: No questions.  
19 Thank you.

20           JUDGE DIPPELL: Is there any further  
21 cross-examination based on the Chairman's questions  
22 from Public Counsel?

23           MS. SHEMWELL: No. Thank you.

24           JUDGE DIPPELL: Midwest Energy  
25 Consumers?

1 MR. WOODSMALL: No questions.

2 JUDGE DIPPELL: Spire?

3 MR. ZUCKER: Real briefly, Your Honor.

4 RECROSS-EXAMINATION

5 BY MR. ZUCKER

6 Q. Could you look at that chart on page 12?  
7 If that -- if that chart on the left side went up to  
8 only --

9 JUDGE DIPPELL: I'm sorry, Mr. Zucker.

10 Q. (By Mr. Zucker) Page 12 of your  
11 rebuttal.

12 A. You're talking figure 1?

13 Q. Yes, figure 1.

14 A. Okay.

15 Q. So, if that chart was spread out more so  
16 that it went from zero just to 1,500, would that  
17 line look a little more -- would it be increasing  
18 more?

19 A. From zero to --

20 Q. Yeah, just 1,500.

21 A. 1,500. So, that's less than the 20,000?

22 Q. No. On the, the left side of the chart,  
23 the Y axis.

24 A. Okay. I think it would look a little  
25 less flat. I don't know that it would look a lot

1 more curved, though.

2 MR. ZUCKER: Okay. Okay. Thank you.

3 JUDGE DIPPELL: Is there redirect by  
4 Staff?

5 MR. THOMPSON: Yes, there is. Thank  
6 you, Judge.

7 REDIRECT EXAMINATION

8 BY MR. THOMPSON

9 Q. Mr. Stahlman, it's your testimony, isn't  
10 it -- or I'm sorry. Maybe I shouldn't lead.

11 JUDGE DIPPELL: Thank you.

12 Q. (By Mr. Thompson) Mr. Stahlman, do you  
13 believe that conservation and weather account for  
14 all of the variability in residential and small  
15 commercial customer gas usage?

16 A. No. However, if you did assume that  
17 weather and conservation accounted for all usage, I  
18 still would not recommend their, their design. I  
19 would actually recommend that you would just fully  
20 decouple the volumetric rate billing determinant and  
21 then -- so that any future billing determinant would  
22 go back to the one set in rate case.

23 So, if it was a January and it got real  
24 cold, you would look at what the billing  
25 determinants were set for the month of January in a

1 rate case and capture that difference in a rate  
2 adjustment mechanism.

3 Q. Okay. For those of us who are slow, you  
4 said decouple the billing determinants?

5 A. The volumetric rate billing  
6 determinants.

7 Q. What does that mean, to decouple the  
8 volumetric rate billing determinants?

9 A. Essentially, what you're doing, when we  
10 set rates, you have the -- there's the customer  
11 accounts and then there's the amount of usage that  
12 is normalized and determined through all the changes  
13 in a rate case. You have the revenue requirement  
14 and you take out the change due to the customer.  
15 So, you're left with just a volumetric portion of  
16 revenue requirement left to recover.

17 With a flat rate basis, you just take  
18 that divided by the total usage in that given -- for  
19 that time period, and that would be your rate. So,  
20 that is a volumetric rate billing determinant.

21 Q. And what would that improve?

22 A. It would -- again, if we have a finding  
23 that there is no change other than weather and  
24 conservation and gas volumes, you would exclude a  
25 number of concerns you would have on rate switching

1 and the -- or no, not necessarily resolve. It would  
2 be a lot simpler design and be less likely to have  
3 issues with, like, which customers' accounts would  
4 be used. It would just be a straight decoupling  
5 mechanism on the volumetric portion only.

6 Q. Okay. Has Staff proposed anything like  
7 that in this case?

8 A. No, we have not. And in part there --  
9 we're almost looking for interesting guidance from  
10 the Commission to, to an extent. We thought that  
11 the statute was pretty clear limiting to weather and  
12 conservation and that these other factors, such as  
13 rate switchers and the increase of non-average use  
14 customers, that that was outside of weather and  
15 conservation.

16 Now, I left conservation undefined in my  
17 testimony. I left it more open, but I thought those  
18 changes were things that were definitely not  
19 conservation.

20 And I lost my train of thought.

21 Q. It's okay. I have another question and  
22 that will start a new one.

23 Mr. Zucker asked you to assume  
24 conservation means to use less. Do you recall that?

25 A. Yes.



1           **Q.    Is that how you would define**  
2 **conservation?**

3           A.    No.  And it would be -- and even with  
4 that definition of using less, it would still have  
5 some problems of, what if average use increases.  So  
6 if, you know, there's an -- my income goes up, so I  
7 raise the temperature higher, then I would be using  
8 more gas on my conservation and that would be like  
9 an anticonservation.  It would be using more, but  
10 that would still be captured through the RSM.

11           **Q.    Do you consider conservation and energy**  
12 **efficiency to be equivalent?**

13           A.    On -- it depends on the context, but  
14 generally, when I use the terms, they're distinct  
15 difference between the two terms.

16           **Q.    I thought I heard a witness earlier**  
17 **today suggest that Staff had proposed an alternative**  
18 **RSM mechanism based only on weather; is that**  
19 **correct?**

20           A.    Yes.

21           MR. THOMPSON:  I wonder if I might  
22 approach, Judge?

23                    And could I get a number?  Could I get a  
24 witness?

25           JUDGE DIPPELL:  Do you want just any

1 number or would you like the next one on your list?

2 MR. THOMPSON: Preferably, the number  
3 that the lotto is going to come out.

4 JUDGE DIPPELL: 281 is your next  
5 exhibit.

6 MR. THOMPSON: Thank you, Judge.

7 I'm going to show something to  
8 Mr. Stahlman.

9 Q. (By Mr. Thompson) Mr. Stahlman, I'm  
10 showing a document that's been marked as Staff  
11 Exhibit 281. Do you recognize that document?

12 A. Yes.

13 Q. Could you tell me what it is?

14 A. This is a specimen tariff sheet for  
15 Laclede on trying to capture a weather normalize --  
16 the normalization adjustment rider. So, it would be  
17 like the revenue stabilization mechanism, but only  
18 for weather as Staff has discussed in rebuttal and  
19 surrebuttal.

20 Q. So, if I understand correctly, it would  
21 be essentially an RSM for weather variability?

22 A. Only, yes.

23 Q. And could you explain how it would work  
24 or is that something that's not possible here?

25 A. I can try to give a brief rundown.

1     Essentially, what we would use is -- this would be  
2     very similar to the weather normalization adjustment  
3     we make in a rate case. So, we use -- we've done  
4     this calculation already. We used Staff's weather  
5     method. And the concept is, you would take the --  
6     using Staff weather method, you would compute the  
7     normal heating degree days and subtract the actual  
8     heating degree days of the applicable weather  
9     station.

10            **Q.     Let me break in just a moment.**

11                    **What is a "heating degree day"?**

12            **A.     A heating degree day is a concept --**  
13     it's trying to capture how hot or cold the weather  
14     is and it is used to try and determine -- weather is  
15     very -- as I have in testimony, weather is very  
16     correlated to usage of energy, be it electricity or  
17     natural gas. Heating degree day is basically a way  
18     to measure how hot or cold it is.

19            **Q.     So, if it were 70 degrees outside, would**  
20     **there be a heating degree day number associated with**  
21     **that?**

22            **A.     Not when you're using a 65 heating**  
23     **degree day.**

24            **Q.     So, does that mean the weather has to be**  
25     **65 or below?**

1           A.    The average temperature for the day  
2 would have to be below 65.

3           Q.    I interrupted your explanation of how  
4 this would work. Do you have more to say on those  
5 lines?

6           A.    Yes. You would basically take the  
7 difference between the normal heating degree day and  
8 the actual heating degree day and you would multiply  
9 that by the coefficient we came up with on our --  
10 during our weather normalization process in the rate  
11 case and multiply that by the number of customer  
12 charge accounts in the billing cycle. And that  
13 difference would then be calculized by whatever the  
14 residential volumetric rate is at the end of this  
15 rate case and that should be the whole monthly  
16 difference of what is -- how much they were impacted  
17 by the weather.

18          Q.    Okay. Now, you're not an attorney, are  
19 you?

20          A.    No.

21          Q.    But does this proposal conform to what  
22 you believe the statute authorizes?

23          A.    Yes.

24          Q.    And why does this not include a  
25 correction for conservation-based variability?

1           A.    There is a couple of reasons.  One of  
2   them was that when I did the regression, just  
3   comparing weather with consumption, there was very  
4   little difference.  I mean, it was 95 to 98 percent.  
5   So, there's very little difference between that and  
6   100 percent additionally there.  It's very difficult  
7   to define exactly what conservation is.  I think  
8   there could be a latitude in allowing some things,  
9   but not other things and so, having experience with  
10  the Missouri Energy Efficiency Investment Acts, for  
11  example, that could be highly litigious and cause a  
12  lot of heartache and gnashing of teeth of trying to  
13  determine what the exact values are.

14           **Q.    Would I be correct in summarizing your**  
15 **answer as that energy efficiency variability is**  
16 **difficult to capture?**

17           A.    Yes.

18           MR. THOMPSON:  I have no further  
19  questions, Judge.  I would like to offer Exhibit  
20  281.

21           JUDGE DIPPELL:  Would there be objection  
22  to Exhibit 281?

23           MR. ZUCKER:  Your Honor, ceteris  
24  paribus, we have no objection.

25           JUDGE DIPPELL:  I'm glad that we could

1 all learn something new today.

2 All right. Seeing no objection. I will  
3 admit Exhibit 281.

4 (Staff's Exhibit 281 was admitted into  
5 evidence.)

6 MR. THOMPSON: Thank you, Mr. Stahlman.

7 CHAIRMAN HALL: I do have a question.  
8 This, this was prepared by Laclede?

9 MR. THOMPSON: This was prepared by  
10 Staff, I believe.

11 THE WITNESS: Yes. I prepared it with  
12 some other Staff members.

13 CHAIRMAN HALL: The bottom says "issued  
14 by C. Eric Lobser VV."

15 THE WITNESS: That was because I just  
16 copied the header and footer trying to make it easy  
17 to see what it would look like on an actual tariff  
18 sheet.

19 MR. THOMPSON: It was not your intention  
20 to forge a tariff sheet.

21 CHAIRMAN HALL: All right. Thank you.

22 JUDGE DIPPELL: And I will say that  
23 Exhibit 281 is a specimen tariff sheet for weather  
24 normalization adjustment rider.

25 THE WITNESS: And for Laclede only. I

1 do not have MGE on this tariff sheet.

2 JUDGE DIPPELL: Thank you, Mr. Stahlman.  
3 I believe that concludes your testimony and you may  
4 step down. And this was your only issue?

5 THE WITNESS: Yes.

6 JUDGE DIPPELL: And you may be excused.  
7 Would Staff like to go ahead and call  
8 its next witness?

9 MR. KEEVIL: Yeah. Staff would call  
10 Ms. Robin Kliethermes, Judge.

11 JUDGE DIPPELL: Ms. Kliethermes, have  
12 you actually testified before in this proceeding?

13 THE WITNESS: Yes.

14 JUDGE DIPPELL: I thought you had, but I  
15 was getting myself confused with your statement this  
16 morning.

17 So, you have previously been sworn and  
18 you will remain under oath for these proceedings.

19 THE WITNESS: Okay.

20 JUDGE DIPPELL: Thank you.

21 Do you have anything, Mr. Keevil?

22 MR. KEEVIL: I do, as a matter of fact.

23

24

25

