

Exhibit No.:
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Witness: Joel Molina
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

JOEL MOLINA

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2014-0370

Jefferson City, Missouri
May 2015

Staff Exhibit No. 231
Date 6-15-15 Reporter AT
File No. ER-2014-0370

1 educate them regarding payment assistance and options....” KCPL’s proposed adjustment is
2 based on projected costs and, therefore, is not “known and measurable.” Staff recommends the
3 Commission deny KCPL’s proposal to include budgeted advertising costs in its cost of service.

4 Q. Please summarize Staff’s position with regard the Connections Program.

5 A. KCPL seeks to recover additional budgeted advertising costs associated with the
6 Connections Program. For purposes of its direct filing, Staff analyzed KCPL’s advertising
7 expense for the test year period, the 12 months ended March 31, 2014, and included KCPL’s test
8 year safety and general advertising expense, including incurred costs related to the Connections
9 Program, in Staff’s Accounting Schedules filed on April 3, 2014. In addition to these amounts,
10 KCPL proposes to include unknown advertising costs in the form of projections that do not meet
11 the Commission’s traditional known and measurable ratemaking standard in its rate case. For this
12 reason, Staff recommends the Commission deny KCPL’s request to include the projected
13 advertising costs in its cost of service.

14 Q. What does the term "known and measurable" mean?

15 A. To be known and measurable, expenses must meet two requirements. The
16 expense must be “known”, meaning that the amount did or definitely will be an actually incurred
17 cost and the expense must be “measurable”, meaning that the rate impact of the change can be
18 calculated with a high degree of accuracy. Historically, the Commission only allowed recovery
19 in rates for expenses that are “known and measurable” at the time the rate decision was made, a
20 ratemaking standard that has helped protect Missouri energy consumers

21 Q. What is an example of a known and measurable cost?

22 A. In this instance, the advertising costs actually incurred within the test year
23 established for this case would be known and measurable.

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1 Q. What is the Connections Program?

2 A. According to Tim Rush's Direct Testimony, KCPL developed the Connections
3 Program to educate customers of the payment assistance options available, help them manage
4 energy usage and access community resources.¹

5 Q. Was Staff provided with the additional "known and measurable" cost of the
6 Connections Program?

7 A. No. In its Direct filing, KCPL included an arbitrary and unsupported amount for
8 projected advertising related to the Connections Program. The amount included in KCPL's
9 Direct filing for the Connections Programs is significantly higher than the total historical
10 advertising costs incurred:

11

Actual Cost 2010	Actual Cost 2011	Actual Cost 2013	Actual Cost Test Year 2014	Connections Program Projected Budget
\$421,878	\$344,276	\$517,935	\$122,095	\$695,400

12
13 Q. Did Staff request additional information associated with KCPL's proposal to
14 include budgeted costs for the Connections Program?

15 A. Yes. Staff submitted Data Request No. 0129.1 asking for, but not limited to, a
16 detailed description of the Connections Program, a detailed explanation supporting the budgeted
17 amount, and invoices received for the Connection Program. KCPL responded to Staff's Data
18 Request as follows, "The Company has removed CS-90 from the Updated Projected Model as of
19 May 2015." The "Updated Projected Model" is KCPL's version of their revenue requirement

¹ Case No. ER-2014-0370, Tim M. Rush, Direct Testimony, Page 44.

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1 model. KCPL used the "Updated Projected Model" to forecast the projected impact of doing a
2 true up as of May 31, 2015.

3 Q. At the time of this Rebuttal Testimony, has Staff received KCPL's Update
4 Projected Model as of May 2015?

5 A. Yes. Staff is has reviewed and was able to confirm KCPL has eliminated its
6 proposed adjustment to include budgeted advertising costs related to the Connections Program.

7 Q. What is Staff's recommendation regarding this issue?

8 A. Since the additional advertising costs associated with Connections Program
9 proposed by KCPL are not known and measurable, and KCPL's response to Staff Data Request
10 No. 0129.1 indicates KCPL intends to remove the adjustment in the update to its projected case,
11 Staff recommends that the Commission deny KCPL's request to include budgeted advertising
12 costs related to the Connection Program in its cost of service.

13 Q. Does this conclude your rebuttal testimony?

14 A. Yes, it does.

