Exhibit No.:

Advertising Issue:

Joel Molina Witness: MoPSC Staff Sponsoring Party:

Rebuttal Testimony Type of Exhibit:

Case No.: ER-2014-0370

May 7, 2015 Filed Date Testimony Prepared:

June 29, 2015 Data Center Missouri Public Service Commission

## 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

1	REBUTTAL TESTIMONY						
2	OF						
3		JOEL MOLINA					
4	KANSAS CITY POWER & LIGHT COMPANY						
5		CASE NO. ER-2014-0370					
6	Q.	Please state your name and business address.					
7	A.	Joel Molina, Fletcher Daniels State Office Building, 615 East 13 <sup>th</sup> Street, Kansas					
8	City, Missouri 64106.						
9	Q.	By whom are you employed and in what capacity?					
10	A.	I am a Utility Regulatory Auditor with the Missouri Public Service Commission					
11	("Commission" or "PSC").						
12	Q.	Are you the same Joel Molina who previously provided testimony in this case?					
13	A.	Yes. I contributed to Staff's Cost of Service Report filed in the Kansas City					
14	Power & Light Company ("KCPL" or "Company") rate case designated as Case No. ER-2014						
15	0370 on April 3, 2015.						
16	EXECUTIV	VE SUMMARY					
17	Q.	What is the purpose of your rebuttal testimony in this proceeding?					
18	A.	The purpose of my rebuttal testimony is to respond to KCPL witnesses Tim M.					
19	Rush and Ronald A. Klote's Direct Testimonies which support a recommendation to includ						
20	budgeted advertising costs for KCPL's Connections Program in its cost of service calculated for						
21	this case. Mr. Rush states at page 44 of his direct testimony that "The Company is requesting						
22	funding for a communications program, (i.e. "Connections"), intended to help customers and						

- educate them regarding payment assistance and options...." KCPL's proposed adjustment is based on projected costs and, therefore, is not "known and measurable." Staff recommends the Commission deny KCPL's proposal to include budgeted advertising costs in its cost of service.
  - Q. Please summarize Staff's position with regard the Connections Program.
  - A. KCPL seeks to recover additional budgeted advertising costs associated with the Connections Program. For purposes of its direct filing, Staff analyzed KCPL's advertising expense for the test year period, the 12 months ended March 31, 2014, and included KCPL's test year safety and general advertising expense, including incurred costs related to the Connections Program, in Staff's Accounting Schedules filed on April 3, 2014. In addition to these amounts, KCPL proposes to include unknown advertising costs in the form of projections that do not meet the Commission's traditional known and measurable ratemaking standard in its rate case. For this reason, Staff recommends the Commission deny KCPL's request to include the projected advertising costs in its cost of service.
    - Q. What does the term "known and measurable" mean?
  - A. To be known and measurable, expenses must meet two requirements. The expense must be "known", meaning that the amount did or definitely will be an actually incurred cost and the expense must be "measurable", meaning that the rate impact of the change can be calculated with a high degree of accuracy. Historically, the Commission only allowed recovery in rates for expenses that are "known and measurable" at the time the rate decision was made, a ratemaking standard that has helped protect Missouri energy consumers
    - Q. What is an example of a known and measurable cost?
  - A. In this instance, the advertising costs actually incurred within the test year established for this case would be known and measurable.

- 1 Q. What is the Connections Program?
  - A. According to Tim Rush's Direct Testimony, KCPL developed the Connections

    Program to educate customers of the payment assistance options available, help them manage
    energy usage and access community resources.<sup>1</sup>
  - Q. Was Staff provided with the additional "known and measurable" cost of the Connections Program?
  - A. No. In its Direct filing, KCPL included an arbitrary and unsupported amount for projected advertising related to the Connections Program. The amount included in KCPL's Direct filing for the Connections Programs is significantly higher than the total historical advertising costs incurred:

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

- Q. Did Staff request additional information associated with KCPL's proposal to include budgeted costs for the Connections Program?
- A. Yes. Staff submitted Data Request No. 0129.1 asking for, but not limited to, a detailed description of the Connections Program, a detailed explanation supporting the budgeted amount, and invoices received for the Connection Program. KCPL responded to Staff's Data Request as follows, "The Company has removed CS-90 from the Updated Projected Model as of May 2015." The "Updated Projected Model" is KCPL's version of their revenue requirement

<sup>&</sup>lt;sup>1</sup> Case No. ER-2014-0370, Tim M. Rush, Direct Testimony, Page 44.

- model. KCPL used the "Updated Projected Model" to forecast the projected impact of doing a 1 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 Yes. Staff is has reviewed and was able to confirm KCPL has eliminated its A. 6 proposed adjustment to include budgeted advertising costs related to the Connections Program. What is Staff's recommendation regarding this issue? 7 Q. 8 Since the additional advertising costs associated with Connections Program A. 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.
  - Q. Does this conclude your rebuttal testimony?
  - A. Yes, it does.

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## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In the Matter of Kansas Cancella Company's Request for Implement a General Rate In Service	r Aut	hority to	) ) )	Case No. ER-2014-0370					
AFFIDAVIT OF JOEL A. MOLINA									
STATE OF MISSOURI COUNTY OF JACKSON	)	SS.							

Joel A. Molina, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of \_\_\_\_\_\_ pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Joel A. Molina

Subscribed and sworn to before me this 6th

\_ day of May, 2015.

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TAMMY MORALES My Commission Expires January 7, 2018 Clay County Commission #14451086