

*Exhibit No.:*  
*Issue:* *Transmission Expense*  
*Witness:* *Karen Lyons*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *True-Up Rebuttal Testimony*  
*Case No.:* *ER-2016-0285*  
*Date Testimony Prepared:* *March 10, 2017*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**KAREN LYONS**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2016-0285**

*Jefferson City, Missouri*  
*March 2017*

**\*\* Denotes Highly Confidential Information \*\***

**NP**

1 **TRUE-UP REBUTTAL TESTIMONY**

2 **OF**

3 **KAREN LYONS**

4 **KANSAS CITY POWER & LIGHT COMPANY**

5 **CASE NO. ER-2016-0285**

6 Q. Please state your name and business address.

7 A. Karen Lyons, Fletcher Daniels State Office Building, 615 East 13<sup>th</sup> Street,  
8 Kansas City, Missouri 64106.

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

10 A. I am a Utility Regulatory Auditor with the Staff of Missouri Public Service  
11 Commission ("Commission" or "PSC").

12 Q. Are you the same Karen Lyons who contributed to Staff's Cost of Service  
13 Report filed in the Kansas City Power & Light Company ("KCPL" or "Company") rate case  
14 designated as Case No. ER-2016-0285 on November 30, 2016?

15 A. Yes. I also filed rebuttal, surrebuttal, and true-up direct testimony in these  
16 proceedings.

17 Q. What is the purpose of your true-up rebuttal testimony in this proceeding?

18 A. The purpose of this testimony is to address KCPL's proposal to annualize  
19 transmission expense as identified in KCPL witness Ronald A. Klote's true-up  
20 direct testimony.

21 **EXECUTIVE SUMMARY**

22 Q. Please summarize your true-up rebuttal testimony.

1           A.     Both KCPL and Staff included updates for transmission expense in their  
2 true-up revenue requirement. However, KCPL and Staff used different methods and time  
3 periods to develop transmission expense. KCPL annualized transmission expense by using  
4 actual transmission expense incurred during the period of October 2016 – December 2016,  
5 suggesting that using the last three months of 2016 captures the changes occurring with  
6 Independence Power & Light (“IPL”) and Southwest Power Pool (“SPP”) Z2 charges and  
7 credits. Staff utilized the 12 month period ending December 2016 to annualize transmission  
8 expense and added an annualized level of IPL and SPP Z2 charges and credits. The changes  
9 with these costs are known and measurable and can be easily calculated to determine an  
10 annualized level.

11     **TRANSMISSION EXPENSE**

12           Q.     How did Staff true-up transmission expense for KCPL?

13           A.     As discussed in my true-up direct testimony, there are several changes that  
14 occurred to the level of transmission expense incurred by KCPL during the 12-month period  
15 ending December 31, 2016.<sup>1</sup> Staff’s recommended level of transmission expense includes an  
16 annualized amount of SPP Z2 charges and credits and an annualized amount of IPL  
17 transmission expense based on the reduced settlement<sup>2</sup> and applies these amounts to a base  
18 level of transmission expense incurred by KCPL for the 12-month period ending  
19 December 31, 2016. Staff’s annualized level of transmission expense on a total company  
20 basis<sup>3</sup> is \*\* \_\_\_\_\_ \*\*.

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<sup>1</sup> Lyons True-Up Direct page 2.

<sup>2</sup> The IPL reduced settlement is discussed in detail in Lyons Rebuttal Testimony, Page 9-10.

<sup>3</sup> The Missouri jurisdictional amount is stated toward the conclusion of this true-up rebuttal testimony on this issue.

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Karen Lyons

1 Q. What is KCPL proposing in its true-up adjustments for transmission expense?

2 A. Mr. Klote states on page 6 of his True-Up Direct Testimony:

3 The last three months of 2016 were utilized for the  
4 annualization, because only those months reflect all of  
5 the components of the ongoing Z2-related charges and  
6 credits as well as the proper level of monthly charges  
7 related to the 2016 Independence Power & Light  
8 (“IPL”) Annual Transmission Revenue Requirement  
9 (“ATRR”) that resulted from the stipulation and  
10 agreement in FERC Docket No. ER15-1499.

11 KCPL’s proposed annualized transmission expense on a total company basis is

12 \*\* \_\_\_\_\_ \*\*. The difference between Staff and KCPL on a total company basis is

13 \*\* \_\_\_\_\_ \*\* and \*\* \_\_\_\_\_ \*\* on a Missouri jurisdictional basis.

14 Q. Does Staff agree with KCPL’s proposed level of transmission expense and  
15 transmission revenue and, if no, why not?

16 A. No. As stated by Mr. Klote, the last three months of 2016 are the only months  
17 that reflect all the components of the ongoing Z2 charges and credits and the IPL settlement.  
18 Z2 charges and credits and the IPL settlement can be annualized without using the last three  
19 months of 2016 actual transmission expense. The FERC settlement for IPL provides a known  
20 and measurable annual amount for 2017, and the Z2 charges and credits can be annualized  
21 using the amounts that were booked during the last three months. Staff’s annualized  
22 transmission expense for the true-up period includes the 2017 IPL settlement amount and an  
23 annualized level of Z2 charges and credits.

24 Q. Does Staff expect KCPL’s transmission expense to continue to increase at the  
25 same level as it has historically?

26 A. No. In KCPL’s previous rate cases, Staff recognized a significant upward  
27 trend in transmission expense. Based on Staff’s analysis and review of KCPL and SPP’s

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1 budgets, this trend is beginning to level off. For example, for the period of 2010-2015,  
2 KCPL's transmission expense has increased on average 30% from the previous year.  
3 The increase in KCPL's transmission expense in 2016 compared to 2015 was significantly  
4 lower, 1.2%. Staff Highly Confidential Schedule KL-tr1 reflects KCPL's historical  
5 transmission expense, including SPP Administrative fees, Federal Energy Regulatory  
6 Commission ("FERC") fees, and North American Electric Reliability Corporation ("NERC")  
7 fees and the year to year percentage change.

8 Q. Is Staff's recommended level of transmission expense for the true-up period  
9 higher than what KCPL incurred in 2016?

10 A. Yes. As previously discussed, Staff is recommending approximately  
11 \*\* \_\_\_\_\_ \*\* for an annualized level of transmission expense. This is approximately  
12 a 7% increase over the level KCPL experienced in 2016.

13 Q. You stated above that the upward trend in transmission expense is beginning to  
14 level off. Is there additional evidence that supports this claim?

15 A. Yes. \*\* \_\_\_\_\_

16 \_\_\_\_\_  
17 \_\_\_\_\_ \*\* KCPL's revision was based SPP's August 2016 Cost  
18 Allocation Forecast.<sup>4</sup>

19 Q. Are you saying the budgets and forecasts are an accurate depiction of the level  
20 of transmission expense KCPL will incur going forward?

21 A. No. Staff utilizes historical transmission expense incurred by KCPL and  
22 makes adjustments for known and measurable changes to develop an annualized level of

<sup>4</sup> Staff Data Request No. 0157.

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1 costs. KCPL's forecasts and budgets are reviewed as a resource and can be useful to  
2 determine what is expected to occur in the future; for instance, a decrease in point-to-point  
3 rates discussed earlier. However, forecasts and budgets do not typically reflect an accurate  
4 representation of the level of costs that will actually be incurred in the future. For example,

5 \*\* \_\_\_\_\_  
6 \_\_\_\_\_  
7 \_\_\_\_\_  
8 \_\_\_\_\_  
9 \_\_\_\_\_<sup>5</sup> \*\*

10 Q. Is Staff aware of other changes in transmission that will impact the level of  
11 transmission costs KCPL will incur in the future?

12 A. Yes. For the period of June 2015-April 2016, KCPL incurred a higher level of  
13 transmission expense related to IPL becoming an SPP transmission owner in KCPL's SPP  
14 zone. This issue is addressed in greater detail in my Rebuttal Testimony.<sup>6</sup> As part of the  
15 FERC settlement agreement in FERC Docket ER15-1499-000, KCPL will be reimbursed for  
16 the difference of actual transmission costs incurred for the period of June 2015-April 2016  
17 and the reduced settlement amount as described in the settlement agreement. Although the  
18 total amount of the reimbursement is not yet known, using the amounts actually incurred by  
19 KCPL and the amounts identified in the FERC settlement, a reasonable estimate of the  
20 reimbursement is approximately \*\* \_\_\_\_\_ \*\* on a total company basis.

21 Q. Please summarize Staff's position regarding KCPL's transmission expense and  
22 revenues.

<sup>5</sup> Response to Staff Data Request No. 0157.

<sup>6</sup> Lyons Rebuttal, pages 7-11.

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1           A.     Staff's methodology to annualize KCPL's transmission expense includes  
2 known and measurable changes that will impact transmission expense in 2017. There is no  
3 justification to use the last three months of 2016 to annualize transmission expense, as  
4 proposed by KCPL, when the very costs that KCPL is using as a reason, IPL and Z2 costs,  
5 can be annualized using known and measurable data. KCPL's actual transmission expense  
6 incurred for the 12 month period ending 2016 was just slightly higher (1.2%) than what it  
7 incurred in 2015. This fact, along with SPP and KCPL's forecast and budgets that reflect  
8 lower base plan costs and point-to-point rates in the future, support that transmission expense  
9 is beginning to level off.

10           Staff recommends an annualized level of transmission expense on a total company  
11 basis of \*\* \_\_\_\_\_ . \*\* Staff recommends the Commission deny KCPL's proposal to  
12 utilize the last three months of 2016 to annualize transmission expense.

13           Q.     Does this conclude your true-up rebuttal testimony?

14           A.     Yes, it does.

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

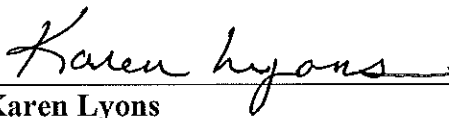
In the Matter of Kansas City Power & Light    )  
Company's Request for Authority to            )  
Implement A General Rate Increase for        )  
Electric Service                                    )  
Case No. ER-2016-0285

**AFFIDAVIT OF KAREN LYONS**

STATE OF MISSOURI    )  
  )  
  )    ss.  
COUNTY OF JACKSON    )

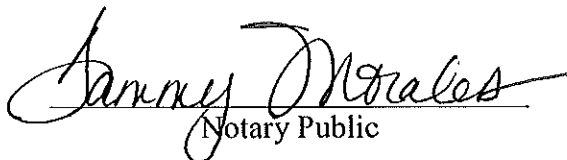
**COMES NOW** Karen Lyons and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing True-Up Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
Karen Lyons

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 9th day of March, 2017.

  
Tammy Morales  
Notary Public



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



**SCHEDULE KL-tr1**

**HAS BEEN DEEMED**

**HIGHLY CONFIDENTIAL**

**IN ITS ENTIRETY**