

*Exhibit No.:*

*Issue(s): Injuries and Damages  
Sibley and Montrose O&M*

*Witness: Karen Lyons*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Rebuttal Testimony*

*Case No.: ER-2018-0145 and*

*ER-2018-0146*

*Date Testimony Prepared: July 27, 2018*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**KAREN LYONS**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2018-0145**

**AND**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. ER-2018-0146**

*Jefferson City, Missouri  
July 2018*

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**OF**

**KAREN LYONS**

**KANSAS CITY POWER & LIGHT COMPANY  
CASE NO. ER-2018-0145**

**AND**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY  
CASE NO. ER-2018-0146**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **KAREN LYONS**

4 **KANSAS CITY POWER & LIGHT COMPANY**

5 **CASE NO. ER-2018-0145**

6 **AND**

7 **KCP&L GREATER MISSOURI OPERATIONS COMPANY**

8 **CASE NO. ER-2018-0146**

9 Q. Please state your name, employment position, and business address.

10 A. Karen Lyons, Utility Regulatory Auditor with the Missouri Public Service  
11 Commission (“Commission” or “PSC”), Fletcher Daniels State Office Building, 615 East 13<sup>th</sup>  
12 Street, Kansas City, Missouri 64106.

13 Q. Are you the same Karen Lyons who has previously provided testimony in  
14 this case?

15 A. Yes. I contributed to Staff’s Cost of Service Report (“COS Report”) filed in  
16 the Kansas City Power & Light Company (“KCPL”) and KCP&L Greater Missouri  
17 Operations Company (“GMO”) rate cases designated as Case No. ER-2018-0145 and  
18 ER-2018-0146, respectively, on June 19, 2018.

19 Q. What is the purpose of your rebuttal testimony?

20 A. The purpose of my rebuttal testimony is to respond to KCPL’s proposal to  
21 normalize actual cash payments for injuries and damages expense using a three year average,  
22 2015-2017, to represent the level of these payments KCPL will incur in the foreseeable future.  
23 In 2017, the actual cash payments made by KCPL were approximately three times higher than  
24 actual payments made by KCPL each year since 2009 and at least two and a half times higher

1 than actual cash payments made prior to 2009. My rebuttal testimony focuses on the actual  
2 payments in 2017 and how these payments should be treated for ratemaking purposes.

3 I will also respond to The Office of the Public Counsel's ("OPC") witness John A.  
4 Robinett's recommendation to eliminate from rate recovery certain expenses that will no  
5 longer be incurred if the retirements of KCPL's Montrose units 2 and 3, and GMO's  
6 Sibley units 1, 2, and 3 occur in the near future. Staff witness Steven Moilanen will address  
7 Mr. Robinett's similar proposal to set the depreciation rate for these particular units to zero at  
8 this time.

9 **EXECUTIVE SUMMARY**

10 Q. Please summarize Staff's position with regard to KCPL's proposal to use a  
11 three year average, 2015-2017, to normalize injuries and damages actual payments.

12 A. Staff advocates use of historical costs that are known and measurable, and  
13 ratemaking principles such as annualizations and normalizations, to develop an ongoing level  
14 of cost and revenue to include in a utility's cost of service. Historically, Staff has  
15 recommended a three year average of injuries and damages actual payments to represent an  
16 ongoing normalized level of these costs. The payments incurred by KCPL in 2017 were  
17 unusually high when compared to historical injuries and damages paid by KCPL. The  
18 increase in 2017 was directly related to two significant claims.

19 After further review of the large claims paid by KCPL in 2017, Staff recommends a  
20 normalized level of KCPL's injuries and damages based on a two year average. Staff's  
21 recommended level excludes one large payment as a result of the Henry County Circuit Court  
22 decision stating KCPL was negligent by failing to provide a safe workplace for its employees.  
23 This claim will be discussed in further detail later in this testimony.

1 **INJURIES AND DAMAGES**

2 Q. Please explain how Staff treated KCPL's injuries and damages expense in its  
3 direct filing.

4 A. Staff normalized actual injuries and damages payments incurred by KCPL  
5 using a three year average of 2015-2017, excluding two significantly high payments made in  
6 2017. At the time Staff filed its Cost of Service Report ("COS"), Staff had concerns about the  
7 level of expense incurred by KCPL for injuries and damages in 2017 and whether KCPL  
8 customers should bear the cost for these payments, in part or at all. Staff further explained  
9 that if it determined that KCPL customers should be responsible for the significant increase in  
10 2017, Staff would recommend a normalized level using a four year average (2014-2017).<sup>1</sup>

11 Q. Why did Staff exclude the 2017 payments from its recommended normalized  
12 level of KCPL injuries and damages at the time it filed its COS report?

13 A. The level of payments made by KCPL in 2017 was significantly higher than  
14 KCPL has experienced in several years. Because of this significant increase in injuries and  
15 damages payments, Staff requested additional information regarding the payments made by  
16 KCPL that was not available at the time Staff filed its COS Report. Staff's recommended  
17 level of injuries and damages expense in its direct filing was intended to be a place holder  
18 until additional information was received and reviewed.

19 Q. Did Staff exclude all injuries and damages payments made by KCPL in 2017?

20 A. No. Staff excluded two payments, one for \*\* \_\_\_\_\_ \*\* and one for  
21 \*\* \_\_\_\_\_ , \*\* made by KCPL in 2017. The payment for \*\* \_\_\_\_\_  
22 \_\_\_\_\_

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<sup>1</sup> Staff's Cost of Service Report, page 116

1 \_\_\_\_\_ . \*\* A brief  
2 description of the claims excluded in Staff's normalized level of injuries and damages in its  
3 direct case is provided in confidential Schedule KL-r1.<sup>2</sup>

4 Q. You state that the payments made by KCPL in 2017 are significantly higher  
5 than what KCPL has experienced in the past. What level of payments has KCPL incurred in  
6 the past?

7 A. As can be seen in the table below, the level of payments made in 2017 are  
8 extremely high compared to KCPL's historical levels:

KCPL Historical Injuries and Damages Payments 2005-2017	
Year	Actual Payments
2017	\$9,856,523 <sup>3</sup>
2016	\$188,945
2015	\$336,030
2014	\$1,878,228
2013	\$984,097
2012	\$2,912,085
2011	\$1,469,953
2010	\$2,960,147
2009	\$1,297,080
2008	\$3,711,095
2007	\$3,786,277
2006	\$2,356,084
2005	\$1,963,070

<sup>2</sup> Case No. ER-2018-0145 Staff Data Request 99.1.

<sup>3</sup> The amounts included in the table are actual amounts paid by KCPL for injuries and damages claims. The 2017 balance does not include insurance proceeds received by KCPL for one of the large claims paid in 2017.

1 Q. How did KCPL normalize injuries and damages through the update period,  
2 December 31, 2017?

3 A. KCPL used a three year average of 2015-2017 that included the two large  
4 settlements previously discussed. KCPL's proposed normalized level of injuries and damages  
5 through the update period, December 31, 2017, is \$3,460,500. As seen in the table above,  
6 KCPL has not incurred this level of injuries and damages since 2008, with the exception of  
7 the unusually high level of expense in 2017. If the large claims paid in 2017 were included in  
8 a normalization using a three year average of 2015-2017, as proposed by KCPL, it is Staff's  
9 opinion that the three year average would not be representative of what KCPL will incur for  
10 these costs in the foreseeable future.

11 Q. Did Staff receive additional information regarding the two payments excluded  
12 from Staff's recommended normalized level of injuries and damages?

13 A. Yes. Staff received and reviewed responses to data requests that included  
14 settlement agreements, court decisions, and other supporting documentation and met with  
15 KCPL personnel to discuss the individual claims paid by KCPL in 2017.

16 Q. Since filing its direct case, does Staff still have concerns about the payments  
17 made by KCPL in 2017?

18 A. Upon reviewing the responses to the data requests and meeting with KCPL  
19 personnel, Staff no longer has concerns with the payment for \*\* \_\_\_\_\_ \*\* made by  
20 KCPL in 2017. As a result, Staff has included this payment in its recommended normalized  
21 level of injuries and damages expense. During Staff's review of this claim, Staff learned that  
22 KCPL also received insurance proceeds in the amount of \*\* \_\_\_\_\_ <sup>4</sup> \*\* related to this

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<sup>4</sup> Case No. ER-2018-0145, Staff Data Request 99.2.

Rebuttal Testimony of  
Karen Lyons

1 event. Staff offset this claim by the insurance recoveries received for this claim in its  
2 normalized level of injuries and damages. Staff continues to have concerns with the  
3 largest payment for \*\* \_\_\_\_\_ \*\* made by KCPL in 2017. Consequently, Staff's  
4 recommendation to exclude this payment from the normalized level of injuries and damages  
5 has not changed.

6 Q. Describe the issue leading up to the payment for \*\* \_\_\_\_\_ . \*\*

7 A. On December 20, 2013, \*\* \_\_\_\_\_

8 \_\_\_\_\_  
9 \_\_\_\_\_ . \*\* The claim was filed with the Henry County Circuit Court, Case No.  
10 13HE-CC00099.<sup>5</sup> \*\* \_\_\_\_\_

11 \_\_\_\_\_  
12 \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_ .<sup>6</sup> \*\* The Petition  
15 for the KCPL employee and KCPL's response to the Petition are attached as confidential  
16 Schedule KL-r2 and confidential Schedule KL-r3, respectively.

17 \*\* \_\_\_\_\_

<sup>5</sup> Case No. ER-2018-0145 Staff Data Request 99.1.

<sup>6</sup> Henry County Circuit Court, Case No. 13HE-CC00099, Plaintiff Petition.



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Karen Lyons

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\_\_\_\_.<sup>7</sup> \*\* The judgment issued in January 2017 is attached as confidential Schedule KL-r4.

\*\* \_\_\_\_\_

\_\_\_\_.<sup>8</sup> \*\*

The judgment issued in April 2017 is attached as confidential Schedule KL-r5.

\*\* \_\_\_\_\_

\_\_\_\_\_<sup>9</sup> \*\* The confidential settlement agreement is attached as confidential Schedule KL-r6.

Q. What is Staff's rationale for excluding the settlement amount agreed to on December 1, 2017?

A. The Court found that, \*\* \_\_\_\_\_

\_\_\_\_\_<sup>10</sup> \*\*

The Court further stated the following in its Finding of Facts and Conclusion, attached as Confidential Schedule KL-r7:

\*\* \_\_\_\_\_

<sup>7</sup> Henry County Circuit Court, Case No. 13HE-CC00099, Judgement, January 26, 2017.

<sup>8</sup> Henry County Circuit Court, Case No. 13HE-CC00099, Judgement, April 5, 2017.

<sup>9</sup> Case No. ER-2018-0145, Staff Data Request 99.3.

<sup>10</sup> Henry County Circuit Court, Case No. 13HE-CC00099, *Court's Findings of Fact and Conclusions of Law*, January 26, 2017, 250, 252, 253, and 254.

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Karen Lyons

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6 \_\_\_\_\_ .<sup>11</sup> \*\*

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10 \_\_\_\_\_ . \*\*

11 Q. What level of normalized injuries and damages does Staff recommend after  
12 excluding this claim?

13 A. Staff recommends using a two year average of 2016-2017 claims. Staff  
14 recommended level includes the settlement for \*\* \_\_\_\_\_ \*\*  
15 previously discussed. Staff's recommended normalized level is \$1,644,378 and will be  
16 reflected in Staff's true-up accounting schedules.

17 Q. Are there any other costs related to this claim that should be excluded from  
18 KCPL's cost of service?

19 A. Yes. \*\* \_\_\_\_\_  
20 \_\_\_\_\_  
21 \_\_\_\_\_  
22 \_\_\_\_\_  
23 \_\_\_\_\_

24 \_\_\_\_\_ . \*\*  
\_\_\_\_\_

<sup>11</sup> Henry County Circuit Court, Case No. 13HE-CC00099, *Court's Findings of Fact and Conclusions of Law*, January 26, 2017, 279.

1 **OPERATION AND MAINTENANCE EXPENSE FOR GENERATING STATIONS**  
2 **RETIRED IN THE FUTURE**

3 Q. Beginning on page 15 of his rebuttal testimony, OPC witness John A. Robinett  
4 recommends to eliminate operations and maintenance expense related to the future  
5 retirements of KCPL's Montrose generating station and GMO's Sibley generating station.  
6 Does Staff agree with Mr. Robinett's proposal?

7 A. No. The actual retirement dates for KCPL's Montrose units and GMO's  
8 Sibley units are not yet known. Mr. Robinett refers to several dates in his rebuttal testimony  
9 all of which are beyond the true-up period in this case, June 30, 2018. As part of the true-up  
10 in this case, Staff will include KCPL's and GMO's investment and normalized and annualized  
11 revenue and expenses through June 30, 2018. Because KCPL's Montrose units and GMO's  
12 Sibley units will still be in service as of the end of the true-up period, Staff will include all  
13 operation and maintenance expenses associated with these units in KCPL's and GMO's cost  
14 of service.

15 Q. Does this conclude your rebuttal testimony?

16 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-2018-0145  
) )  
) )  
) ) and

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service ) ) Case No. ER-2018-0146  
) )  
) )

**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 *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 25<sup>th</sup> day of July, 2018.

  
Notary Public



TAMMY MORALES  
My Commission Expires  
January 7, 2022  
Clay County  
Commission #14461088

**SCHEDULES KL-r1 thru KL-r7**

**HAVE BEEN DEEMED**

**CONFIDENTIAL**

**IN THERE ENTIRETY**