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

** **Denotes Confidential Information** **

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

A. Karen Lyons, Utility Regulatory Auditor with the Missouri Public Service Commission ("Commission" or "PSC"), Fletcher Daniels State Office Building, 615 East 13th Street, Kansas City, Missouri 64106.

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

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

Q. What is the purpose of your rebuttal testimony?

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

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

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

EXECUTIVE SUMMARY

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

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

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

INJURIES AND DAMAGES

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

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

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

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

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

A. No. Staff excluded two payments, one for ** _____ ** and one for ** _____ , ** made by KCPL in 2017. The payment for ** _____ _____

[1] 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.[2]
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[3]
2016	$188,945
2015	$336,030
2014	$1,878228
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

[2] Case No. ER-2018-0145 Staff Data Request 99.1.
[3] 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.

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

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

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

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

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

A. Upon reviewing the responses to the data requests and meeting with KCPL personnel, Staff no longer has concerns with the payment for ** _____ ** made by KCPL in 2017. As a result, Staff has included this payment in its recommended normalized level of injuries and damages expense. During Staff's review of this claim, Staff learned that KCPL also received insurance proceeds in the amount of ** _____ [4] ** related to this

[4] Case No. ER-2018-0145, Staff Data Request 99.2.

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

Q. Describe the issue leading up to the payment for ** _____ . **

A. On December 20, 2013, ** _____ _____. ** The claim was filed with the Henry County Circuit Court, Case No. 13HE-CC00099.[5] ** _____ _____.[6] ** The Petition for the KCPL employee and KCPL's response to the Petition are attached as confidential Schedule KL-r2 and confidential Schedule KL-r3, respectively.

** _____ _____

[5] Case No. ER-2018-0145 Staff Data Request 99.1.
[6] Henry County Circuit Court, Case No. 13HE-CC00099, Plaintiff Petition.

1 _____
2 ___.[7] ** The judgment issued in January 2017 is attached as confidential Schedule KL-r4.
3 ** _____
4 _____.[8] **
5 The judgment issued in April 2017 is attached as confidential Schedule KL-r5.
6 ** _____
7 _____
8 _____
9 _____.[9] ** The confidential
10 settlement agreement is attached as confidential Schedule KL-r6.
11 Q. What is Staff's rationale for excluding the settlement amount agreed to on
12 December 1, 2017?
13 A. The Court found that, ** _____
14 _____
15 _____
16 _____.[10] **
17 The Court further stated the following in its Finding of Facts and Conclusion, attached
18 as Confidential Schedule KL-r7:
19 ** _____
20 _____
21 _____

[7] Henry County Circuit Court, Case No. 13HE-CC00099, Judgement, January 26, 2017.
[8] Henry County Circuit Court, Case No. 13HE-CC00099, Judgement, April 5, 2017.
[9] Case No. ER-2018-0145, Staff Data Request 99.3.
[10] 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.

[redacted][11] **

** [redacted]

[redacted]. **

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

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

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

A. Yes. ** [redacted]

[redacted]. **

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

OPERATION AND MAINTENANCE EXPENSE FOR GENERATING STATIONS RETIRED IN THE FUTURE

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

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

Q. Does this conclude your rebuttal testimony?

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
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 25th day of July, 2018.

Tammy Morales
Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

TAMMY MORALES
My Commission Expires
January 7, 2022
Clay County
Commission #14451086

SCHEDULES KL-r1 thru KL-r7

HAVE BEEN DEEMED

CONFIDENTIAL

IN THERE ENTIRETY