

*Exhibit No.:*

*Issue(s):* *Property Tax Expense & Tracker,  
Transmission Congestion Rights*

*Witness:* *Karen Lyons*

*Sponsoring Party:* *MoPSC Staff*

*Type of Exhibit:* *True-Up Rebuttal Testimony*

*Case No.:* *ER-2024-0189*

*Date Testimony Prepared:* *September 18, 2024*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**KAREN LYONS**

**EVERGY MISSOURI WEST, INC.,**

**d/b/a Evergy Missouri West**

**CASE NO. ER-2024-0189**

*Jefferson City, Missouri*

*September 18, 2024*

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

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**TABLE OF CONTENTS OF  
TRUE-UP REBUTTAL TESTIMONY OF  
KAREN LYONS  
EVERGY MISSOURI WEST, INC.,  
d/b/a Evergy Missouri West  
CASE NO. ER-2024-0189**

PROPERTY TAX EXPENSE AND TRACKER.....1  
TRANSMISSION CONGESTION RIGHTS (“TCR”).....3  
REVENUE REQUIREMENT.....7

1 **TRUE-UP REBUTTAL TESTIMONY**

2 **OF**

3 **KAREN LYONS**

4 **EVERGY MISSOURI WEST, INC.,**  
5 **d/b/a Evergy Missouri West**

6 **CASE NO. ER-2024-0189**

7 Q. Please state your name and business address.

8 A. Karen Lyons, Fletcher Daniels State Office Building, 615 East 13th Street, Kansas  
9 City, Missouri 64106.

10 Q. Are you the same Karen Lyons that wrote direct, rebuttal, and surrebuttal/true-up  
11 direct testimony in this case that was filed in this case?

12 A. Yes, I am.

13 Q. What is the purpose of your true-up rebuttal testimony?

14 A. The purpose of my true-up rebuttal testimony is to respond to statements and  
15 positions that Evergy Missouri West (“EMW”) witness Ronald A. Klote addressed in his true-up  
16 direct testimony regarding property taxes. I will also respond to EMW witness Hsin Foo’s  
17 true-up proposal for transmission congestion rights (“TCR”). Additionally, I will provide an  
18 update to Staff’s overall revenue requirement.

19 **PROPERTY TAX EXPENSE AND TRACKER**

20 Q. How did EMW update property tax expense and the deferred balance in its  
21 true-up filing?

22 A. Beginning on page 20 of Mr. Klote’s true-up direct testimony, he explains that  
23 EMW updated its proposed property tax ratio and plant balance to actual amounts for 2024.

1 Mr. Klote states the updates were necessary since estimates were used to support the proposed  
2 revenue requirement at the time EMW filed its direct case. In addition, the property tax deferral  
3 was updated.<sup>1</sup>

4 Q. Does Staff agree with Mr. Klote's proposed level of property taxes expense,  
5 specifically using the ratio method to develop an annualized level?

6 A. No. For reasons discussed in my rebuttal and surrebuttal testimony, Staff is  
7 opposed to EMW's ratio method for determining an annualized level of property tax expense.<sup>2</sup>

8 Q. Does Staff agree with EMW's proposed deferral balance, as of June 30, 2024,  
9 associated with the property tax tracker?

10 A. No. EMW projects 2024 property taxes that it will pay in December and includes  
11 six months of the 2024 projection (January 2024-June 2024) in its proposed property tax  
12 deferral balance.

13 Q. Is the property tax tracker intended to track projected costs?

14 A. No. Trackers are intended to track actual costs incurred by a utility. Any over  
15 recovery or under recovery of the item in rates compared to the actual expenditures made by the  
16 utility is then recorded in a regulatory asset or regulatory liability account and would be eligible  
17 to be included in the utility's rates set in its next general rate proceeding through an amortization  
18 to expense.

19 Q. Is EMW's 2024 property taxes known as of the true-up period in this case,  
20 June 30, 2024?

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<sup>1</sup> Case No. ER-2024-0189, Ronald A. Klote, True-Up Direct testimony, pages 20-21.

<sup>2</sup> Case No. ER-2024-0189, Karen Lyons Rebuttal testimony, page 19 and Surrebuttal/True-Up Direct testimony page 2.

1 A. No. EMW is projecting 2024 property taxes that will not be paid until  
2 December 2024. EMW has not incurred any actual property tax cash expense through June 2024.

3 Q. Did Staff include projections in its recommended property tax deferral balance as  
4 of June 30, 2024?

5 A. No.

6 Q. Since Staff is excluding 2024 property tax estimated payments, does that mean  
7 EMW will not recover these costs at some point in the future?

8 A. No. The under-recovery or over-recovery of 2024 property taxes incurred by  
9 EMW will be addressed in a future rate case.

10 **TRANSMISSION CONGESTION RIGHTS (“TCR”)**

11 Q. How did EMW update TCR’s in its true-up filing?

12 A. On page 10 of EMW witness Hsin Foo’s True-up Direct testimony, she states,  
13 The Company used an annualized cost recovery ratio by taking an average  
14 of actual congestion costs recovered through TCR activity between January  
15 2022 and June 2024. The average cost recovery ratio for that period was  
16 \*\* [REDACTED] \*\* and was applied to the congestion cost from the production  
17 cost model to normalize an amount for TCR revenue. The annual TCR  
18 revenue for True Up based on this method is \*\* [REDACTED] \*\*<sup>3</sup>.

19 Q. How did Staff true up TCRs?

20 A. Staff updated TCRs based on actual revenue and expense incurred for the true-up  
21 period, 12 months ending June 30, 2024. Staff’s methodology used to calculate an annualized  
22 level of TCRs in the true-up is consistent with the methodology used for its recommended level  
23 of TCRs in its direct filing on June 27, 2024.

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<sup>3</sup> Case No. ER-2024-0189, Hsin Foo, True-Up Direct Testimony, page10, lines 2-7.

1 Q. Did EMW change its methodology for calculating TCRs in its true up filing?

2 A. Yes. For its direct filing, EMW proposed an annualized level of TCRs based on  
3 the period of January through June 2023.

4 Q. Why did EMW provide for changing its methodology for TCRs in the true-up?

5 A. According to Ms. Foo, EMW changed methodology as a result of the Office of  
6 the Public Counsel's ("OPC") recommendation. Specifically, she states, "OPC recommends  
7 including a revenue amount for TCRs instead of a TCR net margin."<sup>4</sup> The net margin is TCR  
8 revenues less transmission congestion costs.

9 Q. Ms. Foo proposes an annualized level of TCR revenues of \*\* [REDACTED] \*\*.

10 What is EMW's proposed level of congestion costs and how was it determined?

11 A. Ms. Foo explains EMW's proposed level of congestion costs as follows;

12 The production cost model that the Company uses to calculate fuel and  
13 purchased power expense, and wholesale sales revenues, produces  
14 Locational Marginal Prices ("LMP") at the nodal level; this means the  
15 model produces price differentials across the different generator nodes and  
16 load nodes. These different prices at different locations are used to  
17 calculate purchased power costs and wholesale sales revenue. Therefore,  
18 congestion costs are accounted for in those amounts. The 12-month  
19 congestion cost for True-Up is \*\* [REDACTED] \*\*.

20 Q. How does Staff respond to Ms. Foo's proposed level of TCR revenues addressed  
21 above?

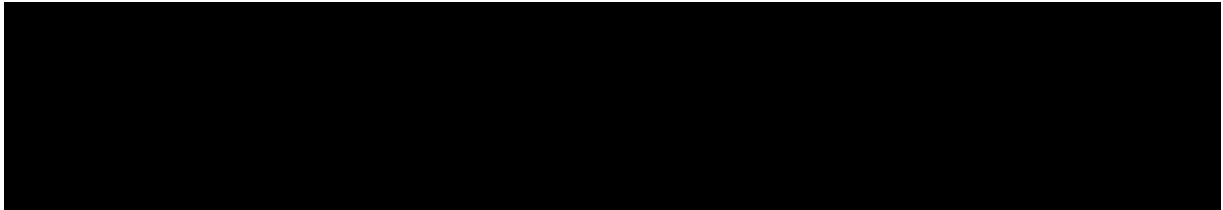
22 A. As described above, Ms. Foo, recommends developing a ratio using an average  
23 of actual congestion costs between January 2022 and June 2024 and applying the ratio to

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<sup>4</sup> Case No. ER-2024-0189, Hsin Foo, True-Up Direct Testimony, page 9, lines 10-11.

1 congestion costs in EMW's production cost model to normalize TCR revenues. The following  
2 table reflects how EMW developed the ratio.

3 \*\*



4  
5 \*\*

6 The ratio method utilized by EMW clearly reflects an upward trend in TCR margins for  
7 the period of 2022-2024. Consequently, EMW's use of an average to develop annualized level  
8 of TCR revenues is not appropriate and their recommended level is severely understated.

9 Q. Does Staff agree with the ratio method proposed by EMW in the true-up?

10 A. No. EMW's ratio method ignores other costs that Staff and EMW have utilized  
11 to develop a net margin of TCRs in the past. Specifically, in the current case, Staff requested  
12 historical TCR revenues and expenses in Staff Data Request No. 0346 and used the data provided  
13 by EMW to develop a net margin (revenues less expenses). A summary of historical annual net  
14 margin costs is included in the Confidential Schedule KL-tr1 attached to this testimony. In its  
15 true-up proposal for TCRs, EMW accounts for TCR revenues and congestion but ignores other  
16 expense and revenues, such as the "cost of purchases". EMW's ratio method ignores other  
17 revenues and expenses that EMW and Staff have included in its recommended level of TCRs in  
18 the past. In addition, the revenues included in EMW witness Foo's workpapers supporting the  
19 ratio method do not tie to the revenues provided in response to Staff Data Request No. 0346.

20 Q. Does Staff agree with EMW's proposed annualized level of TCR revenue of

21 \*\* [redacted] \*\*?

1 A. No. Staff developed an annualized level of TCR revenues of \*\* [REDACTED] \*\*  
2 based on the 12 months ending June 30, 2024 using the data provided by EMW in Staff Data  
3 Request No. 0346. To be clear, Staff's recommendation is net of costs, also referred to as the net  
4 margin. Since the net margin has trended up, during the same period of 2022-2024 utilized by  
5 EMW to develop the ratio, Staff used the 12 months ending June 2024.

6 Q. How does EMW's proposed level of TCR revenues compare to the levels EMW  
7 has experienced during the first 6 months of 2024?

8 A. In the first 6 months of 2024, TCR revenues, net of costs, totaled  
9 \*\* [REDACTED] \*\*. EMW is proposing an annual level of revenues of \*\* [REDACTED] \*\*  
10 (this level is revenue only) which is less than its experienced level in the first six months of 2024.  
11 Accounting for EMW's proposed costs of \*\* [REDACTED] \*\*, the net margin proposed by  
12 EMW is \*\* [REDACTED] \*\*<sup>5</sup> Staff's recommended annualized level of TCR margins is  
13 \*\* [REDACTED] \*\* and is based on recent historical data while EMW is proposing  
14 \*\* [REDACTED] \*\* using a ratio method. EMW's proposal to use a ratio method to develop an  
15 annualized level of is simply not representative of what EMW is experiencing with TCRs.

16 Q. Please summarize Staff's position on the TCR net margin.

17 A. Based on historical data, EMW's proposed level of TCRs is significantly  
18 understated based on historical data provided by EMW. The data provided by EMW is data that  
19 has been used to develop an annual level of TCRs in several past rate cases. In addition, EMW  
20 proposed a significant change in methodology during the true-up phase of this case which  
21 allows limited time for Staff and other parties to fully vet its proposal in one week, the time  
22 between true-up direct and true-up rebuttal testimony. Therefore, Staff continues to recommend

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<sup>5</sup> Total revenue of \*\* [REDACTED] \*\* less congestion costs of \*\* [REDACTED] \*\*, equals \*\* [REDACTED] \*\*. \*\*



1 an annual level of TCR margins, based on the 12-month period ending June 30, 2024 of  
2 \*\* [REDACTED] \*\*.

3 **REVENUE REQUIREMENT**

4 Q. Has Staff's revenue requirement changed since its True-Up direct filing?

5 A. Yes. Subsequent to its true-up direct filing, Staff's revenue requirement model  
6 decreased to \$74,915,384, \$79,802,669, and \$84,729,369 million at Staff's respective low, mid,  
7 and high range for rate of return. The decrease in revenue requirement was due to corrections in  
8 Staff's adjustments for Nucor revenue and expense, pension and other post-retirement benefits,  
9 as well as other, less material corrections.

10 Q. Does this conclude your True-up Rebuttal testimony?

11 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc.     )  
d/b/a Evergy Missouri West's Request for     )  
Authority to Implement A General Rate         )  
Increase for Electric Service                    )

Case No. ER-2024-0189

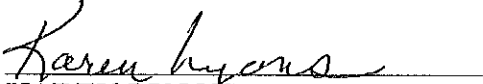
**AFFIDAVIT OF KAREN LYONS**

STATE OF MISSOURI                             )  
  )  
COUNTY OF Jackson                         )

ss.

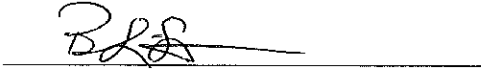
COMES NOW KAREN LYONS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *True-Up Rebuttal Testimony of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.

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 16<sup>th</sup> day of September 2024.

  
Notary Public

B. L. STIGGER NOTARY PUBLIC - NOTARY SEAL STATE OF MISSOURI MY COMMISSION EXPIRES JANUARY 2, 2028 JACKSON COUNTY COMMISSION #24332661
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**Case No. ER-2024-0189**

**SCHEDULE KL-tr1**

**HAS BEEN DEEMED**

**CONFIDENTIAL**

**IN ITS ENTIRETY**