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Karen Lyons
Surrebuttal & True-up Direct
File No. ER-2024-0189

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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

KAREN LYONS

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
September 10, 2024

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1 **SURREBUTTAL / TRUE-UP DIRECT 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. My name is Karen Lyons. My business address is 615 E. 13th Street,
9 Kansas City, MO 64106.

10 Q. Are you the same Karen Lyons that wrote direct and rebuttal testimony in this
11 case that was filed on June 27, 2024, and August 6, 2024, respectively?

12 A. Yes, I am.

13 Q. What is the purpose of your surrebuttal / true-up direct testimony?

14 A. The purpose of my surrebuttal and true-up direct testimony is to respond to
15 statements and positions taken by Evergy Missouri West (“EMW”) witness Ronald Klote on
16 EMW’s proposal for a Critical Infrastructure Program (“CIP”) and Cyber Security tracker, the
17 property tax tracker, and the proposals for a storm and injuries and damages (“I&D”) reserve.
18 I will also respond to EMW witness Melissa Hardesty on Staff’s recommended methodology
19 for an annualized level of property tax expense, and EMW witness Darrin Ives addressing
20 regulatory trackers. Finally, I will identify the adjustments I will be sponsoring in Staff’s
21 true-up direct accounting schedules.

1 **PROPERTY TAX EXPENSE AND TRACKER**

2 *A. Property Tax Expense*

3 Q. Do Mr. Klote and Ms. Hardesty agree with the methodology that Staff utilized
4 to determine an annualized level of Missouri property tax expense for EMW?

5 A. No. Mr. Klote and Ms. Hardesty disagree with Staff using actual property taxes
6 paid by EMW in December 2023 as an annualized level as opposed to using the ratio method
7 that Staff has used in prior EMW general rate cases.¹

8 Q. Please explain the ratio method.

9 A. The ratio method uses the property taxes paid in a given year compared to the
10 gross plant balances as of January 1 of the same year to develop a property tax rate.
11 The property tax rate is then applied to the gross January 1 plant balance of the following year.
12 In this case, EMW developed a property tax rate using property taxes paid in December 2023
13 and the January 1, 2023, plant balance and applied the ratio to the January 1, 2024, plant balance
14 to develop an annualized property tax level. EMW proposes an annualized level of property
15 taxes, using the ratio method, of \$55,803,326 at the time of its direct filing. Staff anticipates
16 this recommended level will change for the true-up since the actual plant balance as of
17 January 1, 2024, was not known at the time of EMW's direct filing.

18 Q. What is Staff's recommendation for an annualized level of property taxes in
19 this case?

20 A. Staff recommends an annualized level of \$50,114,183² based on the actual
21 property taxes paid by EMW in 2023. This annualized amount is included in Staff's

¹ Case No. ER-2024-0189, Melissa Hardesty Rebuttal Testimony, page 8 and Ronald A. Klote Rebuttal Testimony, pages 28-32

² Staff's recommended level of \$50,623,915 described in the direct testimony of Karen Lyons was corrected to account for a jurisdictional allocation.

1 recommended true-up revenue requirement and will be used as the base amount to track future
2 property taxes consistent with the property tax tracker.

3 Q. Has Staff used the ratio method utilized by EMW to develop an annualized level
4 of property taxes in EMW's past general rate cases?

5 A. Yes. Although Staff has used different methodologies to calculate an annualized
6 level of property tax expense for Missouri utilities in the past that includes using the latest
7 expense incurred by the utility, Staff has consistently used the ratio method for EMW.

8 Q. Did Staff utilize the ratio method in EMW's last rate case, Case No.
9 ER-2022-0130, and if so why?

10 A. Yes, Staff utilized the ratio method to determine an annualized level of property
11 taxes in EMW's last rate case. Staff filed its recommended revenue requirement concurrent
12 with its Direct Testimony on June 8, 2022. Staff continued with the historical ratio
13 methodology since the law³ was not effective at the time of its direct filing in EMW's 2022
14 rate case.

15 Q. Is it appropriate in this case to use the ratio method that Mr. Klote and
16 Ms. Hardesty advocate in their rebuttal testimony?

17 A. EMW has argued in multiple past rate cases that cost increases specifically
18 related to property taxes contributed to regulatory lag and EMW's ability to earn its authorized
19 Return on Equity ("ROE"). The ratio method that was used in the past was utilized to mitigate,
20 in part, regulatory lag with property taxes incurred the year following the effective date of rates.
21 The passage of the property tax tracker legislation eliminated the regulatory lag for property
22 taxes by allowing the utility to track these costs and also receive rate base treatment for any

³ Section 393.400

1 unamortized balances. This means that regulated utilities will recover any under recovery of
2 property taxes and earn a return on the unamortized balance. Conversely, any over recovery of
3 property taxes will be returned to customers. Since all the utilities now receive dollar for dollar
4 recovery of these costs, the ratio method is no longer needed to address regulatory lag and is
5 not appropriate to use in this case.

6 Q. Mr. Klote accuses Staff of taking advantage of the legislation by inappropriately
7 reducing the level of property taxes in base rates.⁴ What is Staff's response to the accusation?

8 A. There is absolutely no merit to Mr. Klote's accusation. First, Staff did not reduce
9 actual property taxes incurred by EMW but instead recommends an annual level of actual
10 expense incurred by EMW. Second, as described above, Staff has utilized two methodologies
11 to annualize property taxes for Missouri utilities that include the ratio method and using the last
12 known expense incurred. After the passage of the property tax tracker by the Missouri General
13 Assembly, Staff has been consistent, using the last known expense incurred, with every
14 Missouri utility that has filed a rate case after the passage of the property tax tracker legislation.
15 This approach does not reduce the level of property taxes that a Missouri utility will recover,
16 as the property tax tracker allows the utility to recover dollar for dollar of the property taxes
17 incurred and allows for a return on the unamortized balance in rate base.

18 B. Property Tax Tracker Deferred Balance

19 Q. What is EMW's position regarding the deferred amount of property tax
20 associated with the property tax legislation established by the Missouri General Assembly?

⁴ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page, 30, lines 2-4.

1 A. EMW proposes to defer property tax expense beginning August 28, 2022, the
2 effective date of the property tax legislation, using a property tax level from EMW's 2018
3 general rate case, Case No. ER-2018-0146.

4 Q. What is Staff's position regarding the deferred amount of property taxes?

5 A. As explained in my rebuttal testimony, Staff included the unamortized balance
6 of property taxes based on the base level of property taxes approved by the Commission within
7 the *Stipulation and Agreement* in Case No. ER-2022-0130. The 2022 rate case was EMW's
8 first general rate case following the implementation of the property tax tracker. Staff calculated
9 the unamortized balance beginning with the effective date of rates in the 2022 rate case,
10 January 9, 2023, through December 31, 2023, for its direct filing and through June 30, 2024,
11 for the true-up filing.

12 Q. Beginning on page 31, line 15, Mr. Klote suggests that Staff failed to calculate
13 the correct amount for the deferred property taxes for the period of August 28, 2022, through
14 January 8, 2023, the effective date of rates in Case No. ER-2018-0146. He states:

15 The amount of the deferral that occurred from August 28, 2022 to
16 January 8, 2023, was \$2,882,201. This amount should follow what was
17 provided and allowed for in the law which is to be included in rate base and
18 provide an amortization over a four-year period.

19 Did Staff fail to calculate deferred property taxes for the period of August 28, 2022, through
20 January 8, 2023?

21 A. No. It is Staff's opinion that the 2018 rate cases are not consistent with the
22 legislation language of "recently completed rate cases". In Case No. ER-2022-0130, EMW's
23 first rate case following the passage of the property tax legislation, a base level of property taxes
24 was established to track future property taxes paid by EMW. A base level of property taxes did
25 not exist in the 2018 rate case. Staff's position in the 2022 rate case included the establishment

1 of a base level of property taxes and any deferral of property taxes will begin with the effective
2 date of rates in that case, January 9, 2023. The Missouri jurisdictional base level of \$50,495,598
3 is included in the *Stipulation and Agreement* approved by the Commission on
4 September 22, 2022, one month after the effective date of the property tax legislation.
5 This amount is used to track any over and under recovery of property taxes following the
6 effective date of rates in the 2022 rate case, January 9, 2023.

7 Q. Is EMW suggesting that a base level of property taxes existed in the 2018 rate
8 case, four years prior to the passage of the property tax legislation?

9 A. Yes. Mr. Klote claims that the property taxes included in the revenue
10 requirement in the EMW 2018 rate case should be used to begin tracking property taxes
11 beginning with the effective date of the legislation, August 22, 2022, through the effective date
12 of rates in Case No. ER-2022-0130, January 9, 2023. He claims that EMW and Staff agreed to
13 the same level of property tax expense in the 2018 case.⁵

14 Q. Were Staff and EMW in agreement with the annualized property taxes in the
15 2018 rate case?

16 A. No. There was a difference of \$1,873 between the EMW and Staff
17 recommended annual level of property taxes in the 2018 rate case. Although this difference is
18 small, it is irrelevant to this issue. Specifically, there would be no reason for the parties to agree
19 to a base level of property taxes, four years prior to the passage of the property tax legislation.

20 Q. Did EMW propose the same treatment for the property tax base level in their
21 last rate case, Case No. ER-2022-0130?

⁵ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 30, lines, 1-11.

1 A. Yes. EMW proposed to use a property tax base level from the 2018 rate case,
2 of which there was no agreement and was four years prior to the passage of the legislation.
3 Staff opposed EMW's proposal in the 2022 rate case.

4 Q. Mr. Klote states in his rebuttal testimony that the difference between Staff and
5 EMW in the 2018 rate case was due to a Staff error in its property tax calculation in that case.⁶
6 Do you agree?

7 A. Based on Mr. Klote's description of the error and reviewing the calculation,
8 I agree there was an error with the property tax calculation in 2018. However, this error was
9 not addressed by any party in the 2018 rate case or the 2022 rate case. Regardless of the error,
10 EMW is proposing to track property taxes using a level that was not agreed to by the parties.
11 A global settlement for the revenue requirement was agreed to by the parties in the 2018 case.⁷
12 A base level for property taxes was not contemplated in the 2018 rate case because the law did
13 not exist until four years later.

14 Q. Does the new legislation support establishing a base level using the amounts
15 included in Staff's true-up accounting schedules in the EMW 2018 rate case?

16 A. No. Although I agree that the property tax tracker legislation was effective in
17 August 2022, a base level of property taxes did not exist to track deferred property taxes for
18 EMW that occurred prior to the effective date of the property tax legislation. The effective date
19 of rates in EMW's 2018 rate case was December 6, 2018, nearly four years before the effective
20 date of the property tax legislation. It is impossible for the parties to consider or the

⁶ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 31, lines 12-14.

⁷ Case No. ER-2018-0146, Non-Unanimous Partial Stipulation and Agreement, filed on September 19, 2018, and approved by the Commission on October 31, 2018.

1 Commission to order a base level of property taxes for legislation that did not exist during
2 EMW's 2018 rate case.

3 Q. Does Staff have additional concerns with EMW's request to track property taxes
4 using a property tax amount that was not agreed to by any party in the 2018 rate case?

5 A. Yes. EMW is asking the Commission to track property taxes based on their
6 2018 rate case, four years prior to the passage of the legislation. The law states that the utilities,
7 ...shall defer to a regulatory asset or liability account any difference in
8 state or local property tax expenses actually incurred, and those on which
9 the revenue requirement used to set rates in the corporations most
10 recently completed general rate proceeding was based.

11 There are several utilities that are regulated by the Commission that have not requested
12 a rate increase for several years. In some cases, much longer than the four years for EMW.
13 Staff's interpretation of a *most recently completed general rate case* and subsequent
14 recommendations for the property tax deferral and expense levels is consistent with every
15 Missouri utility since the passage of the property tax legislation. If the Commission agrees with
16 EMW to track property taxes based on a level that was not agreed to by all parties,
17 customers will be paying for the difference in property taxes that were incurred five, six, and
18 possibly ten years ago. For example, Summit Natural Gas has not filed a general rate case
19 since 2014, Case No. GR-2014-0086.

20 Q. How has Staff treated the deferral of property taxes for other Missouri
21 regulated utilities?

22 A. Staff is consistent with the treatment of the deferral balance and the method used
23 to determine an annualized level of property taxes for all the regulated Missouri utilities that
24 have filed a general rate case following the passage of the property tax tracker legislation.
25 This includes, but is not limited to, utilities that Staff has used the ratio method to determine an

1 annualized level of property taxes in the past. Staff has recommended a base level of property
2 taxes for every regulated Missouri utility that has filed a general rate case after the effective
3 date of the property tax legislation, August 28, 2022. The base level for all the utilities was
4 based on the last known annual amount, not the ratio method, of property taxes incurred by the
5 utility. The ratio method previously discussed has not been used by Staff to determine an
6 annualized level of property taxes for any Missouri regulated utility since the passage of
7 the legislation.

8 Q. What base level of property tax expense does Staff recommend the Commission
9 explicitly identify and approve in this proceeding to be used to track property taxes incurred
10 following the effective date of rates in this case?

11 A. Staff recommends a base level be set in this present case and explicitly identified
12 in the Commission's Order for EMW of \$50,114,183.

13 Q. What is Staff's recommendation for the unamortized balance of property taxes
14 through the true up period, June 30, 2024, based on the base level that was established in
15 EMW's Case No. ER-2022-0130?

16 A. Staff's recommended unamortized balance as of the true up period,
17 June 30, 2024, is \$(562,196) and an annual amortization expense based on the four-year period
18 of \$(140,549).

19 Q. What is Staff's recommendation for the unamortized balance if the Commission
20 determines that EMW can track property taxes beginning August 28, 2022, through
21 January 9, 2023 using a base level of property taxes from the 2018 case?

22 A. If the Commission determines that EMW is eligible to take advantage of the
23 property tax tracker as of August 28, 2022, and agrees that EMW's property tax expense from

1 Case No. ER-2022-0130 can be used to calculate the under or over recovery of property taxes
2 for the period of August 28, 2022, through January 9, 2023 (effective date of rates in Case No.
3 ER-2022-0146), Staff recommends a unamortized balance of \$1,942,507 and an annual
4 amortization of \$485,627 based on four years.

5 **RESERVES**

6 a. Storm Reserve

7 Q. Please explain EMW's proposed storm reserve.

8 A. As addressed in my rebuttal testimony and described in EMW witness
9 Mr. Klote's direct testimony in this proceeding, EMW "is proposing to set a reserve level and
10 annualized level based upon a three-year average of storm costs (12-months ending
11 September 2021, September 2022, and September 2023), where the costs related to individual
12 storms were greater than \$200,000. An annual amount equal to the three-year average has been
13 included in the revenue requirement on an on-going basis. This is needed to continue to cover
14 expenses paid out of the reserve over time."⁸ In its direct filing EMW's proposal for a storm
15 reserve results in an additional \$948,859 for storm costs on an annual basis. This amount is in
16 addition to the normalized level of \$12,718,998 EMW proposes for non-labor distribution
17 maintenance expense recorded in the Federal Energy Regulatory Commission ("FERC")
18 Uniform System of Accounts ("USOA") account 593, which is where a bulk of its storm costs
19 are recorded.

20 Q. What was Staff's recommendation for the storm reserve and non-labor
21 distribution maintenance expense, specifically FERC USOA account 593, at the time of its
22 direct filing?

⁸ Case No. ER-2024-0189, Karen Lyons Rebuttal Testimony, page 12, lines 5-14.

1 A. As explained in my rebuttal testimony, Staff is opposed to the additional storm
2 reserve proposed by EMW and supported an annual level of \$13,898,374 for FERC
3 USOA account 593.

4 Q. Why does Mr. Klote think that the establishment of a storm reserve is a good
5 idea for EMW customers?

6 A. Beginning on page 19 of his rebuttal testimony, Mr. Klote provides examples of
7 why he believes EMW customers will benefit from a storm reserve. The recovery of the storm
8 costs helps to reduce earnings volatility for investors and, since Kansas currently has a storm
9 reserve in place, the proposed storm reserve establishes an efficient accounting process for
10 Missouri and Kansas. Mr. Klote also cites increasing frequency of storms as a reason for the
11 storm reserve.⁹

12 Q. Do you agree that the storm reserve benefits EMW's customers?

13 A. No. Clearly the reasons provided by Mr. Klote benefit EMW and its investors
14 by potentially reducing earnings volatility and establishing more efficient accounting treatment
15 for the Missouri and Kansas jurisdictions. With regard to the accounting treatment in two
16 jurisdictions, Missouri ratepayers, specifically EMW ratepayers, should not have to bear the
17 additional revenue requirement simply because a special regulatory mechanism exists in
18 another jurisdiction in which Evergy provides service. Mr. Klote's argument for similar
19 accounting treatment makes it easier for EMW but comes at a cost for Missouri ratepayers.
20 To be clear, EMW's proposal for a storm reserve accumulates year after year, regardless of
21 storm activity, with absolutely no opportunity of these funds being returned to EMW ratepayers.

⁹ Case Nos. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 19.

1 Q. Do you agree with Mr. Klote that storms are increasing and if so, isn't it
2 reasonable to establish a storm reserve?

3 A. I agree with Mr. Klote that the frequency of storms has increased,
4 but establishing a reserve that collects \$948,859, as proposed by EMW in its direct filing, from
5 its customers in advance of storms occurring is simply not appropriate. Potential future storm
6 costs are not known and measurable and regulatory methodologies such as normalizations and
7 annualizations can be used to determine an appropriate level of costs to include in EMW's cost
8 of service. To the extent a significant event occurs, EMW may request an Accounting Authority
9 Order ("AAO").

10 Q. Mr. Klote states that an AAO can be costly to the ratepayers due to the regulatory
11 process and a storm reserve could have the potential to reduce an AAO request. Do you agree?

12 A. I agree there are possible costs associated with processing an AAO, such as
13 additional legal costs; however, EMW's proposal is asking customers to pay for storms that
14 have not occurred. EMW is essentially establishing a savings account using the ratepayer's
15 money for storms that may occur in the future.

16 Q. Mr. Klote states this is the right time to establish a storm reserve for consistency
17 between two jurisdictions and address the difficulty predicting the accuracy of storm costs.¹⁰
18 Do you agree?

19 A. No. When describing why it is the right time to establish a storm reserve,
20 Mr. Klote states:

21 Working with our operations division, it is apparent that storms in recent
22 years have been occurring more frequently. This is the time to establish
23 a storm reserve consistent with the storm reserve process that are
24 maintained in our Kansas jurisdiction. This request over the long term

¹⁰ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 19.

1 is not asking customers to pay more for storm costs. The request is
2 simply requesting that the reserves be established for a known cost in the
3 Company cost structure that is impossible to predict with any degree of
4 accuracy but is a cost that is essential to providing customers reliable
5 electricity service.¹¹

6 As previously discussed, simply because Evergy Kansas has an established storm
7 reserve, Missouri ratepayers should not be forced to pay in advance of storms occurring so the
8 accounting treatment is easier on EMW. With regard to Mr. Klote's statement that it is
9 impossible to predict these costs with any degree of accuracy, he ignores the fact that regulatory
10 methodologies, such as normalizations and annualizations, are used in the development of a
11 utility's cost of service. The intent of these methodologies is to maintain the relationship of a
12 utility's investment, revenues and expenses. This concept is known as the matching principle.

13 Q. Would use of projected values, such as the use of a storm reserve, as EMW is
14 proposing, on an isolated basis in setting rates, conflict with the matching principle?

15 A. Yes. EMW's request to essentially include a forecasted level of storm costs,
16 in addition to the normalized level of non-labor distribution maintenance expense, violates the
17 matching principle. This also applies to EMW's I&D reserve and CIP and Cyber Security
18 tracker (discussed later in testimony). A utility's cost of service, at any point in time, is a
19 product of its current revenue, expense, rate base, and rate of return variables ("all relevant
20 factors"), all inter-related and acting in tandem. The matching principle holds that the major
21 components of a utility's cost of service should be measured at a consistent point in time in
22 order to ensure that a utility's revenue requirement is accurately calculated as of the end of the
23 test year, update period, or true-up period applicable in the rate proceeding.

24 Q. Please explain why the matching principle should be followed.

¹¹ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 19, lines 21-23 and page 20, lines 1-4

1 A. EMW structurally premised its rate increase request in this case on the
2 underlying assumption that future increases in storm expenses, I&D expenses, and CIP and
3 Cyber Security costs will occur in the future and therefore a reserve or tracker is necessary,
4 while all other cost of service components should be fixed at 2024 levels. In reality, all of the
5 elements of a utility’s revenue requirement will undergo fluctuations over time. It is very likely
6 that changes in other discreet elements of EMW’s revenue requirement may result in increased
7 earnings, with these changes potentially offsetting all or a portion of the negative earnings
8 impact of any increases incurred for storm expenses, I&D expenses, and CIP and Cyber
9 Security costs in the same period.

10 Q. Did Staff update its recommended level of storm costs through the true up
11 period, June 30, 2024?

12 A. Yes. As previously discussed, a majority of storm costs are recorded in FERC
13 USOA account 593. Staff has included an annual level of expense for FERC USOA
14 account 593 based on the 12 months ending June 30, 2024. This results in an annual level
15 of \$14,751,811

16 ***b. I & D Reserve***

17 Q. Please explain EMW’s proposed I&D reserve.

18 A. As addressed in my rebuttal testimony and described in EMW witness
19 Mr. Klote’s direct testimony in this proceeding, EMW “is proposing to set a I&D reserve level
20 by increasing the operating expense equal to the annual amount calculated from a five-year
21 average of claims experience incurred over a three-year period.”¹² EMW’s proposed annual

¹² Case No. ER-2024-0189, Karen Lyons Rebuttal Testimony, page 17, lines 5-8.

1 amount of I&D reserve is \$56,589 and is in addition to their normalized level of I&D expense
2 of \$169,738 on an annual basis.

3 Q. How does Staff's recommendation for I&D expense compare to
4 EMW's proposal?

5 A. As discussed in my rebuttal testimony, Staff is opposed to EMW's request for
6 the I&D reserve. Staff normalized I&D expense using a five-year average of costs for the
7 calendar years of 2019-2023. The normalized level is \$168,259. The only difference between
8 EMW and Staff for their respective normalized level is the time period utilized to calculate a
9 five-year average. EMW calculated a five-year average using the 12 months ending June for
10 the period of 2019-2023 at the time of its direct filing.

11 Q. Are the reasons EMW proposed an I&D reserve similar to its proposal for the
12 storm reserve?

13 A. Yes. Mr. Klote states that the I&D reserve provides financial stability for a
14 highly variable expense and establishing the reserve will provide more consistency and
15 efficiency in accounting in the Missouri and Kansas jurisdictions. For the same reasons
16 described for EMW's proposed storm reserve, Staff also opposes EMW's proposal for
17 the I&D reserve

18 Q. Please summarize Staff's position regarding EMW's proposal for a storm
19 and I&D reserve.

20 A. The Commission should not be swayed by EMW's justification for a storm and
21 I&D reserve. The proposals are based on possible future events that have not occurred and are
22 not known and measurable. Asking customers to pay in advance of these potential future events
23 is simply not appropriate. Based on the historical costs incurred by EMW for storms and I&D

1 expense, regulatory concepts such as annualizations and normalizations can be used to
2 determine an appropriate level of these costs and these methodologies are intended to match
3 the relationship with a utility's investments, revenues, and expenses and is anticipated that the
4 same relationship will continue in the foreseeable future. The relationship is not intended to
5 occur indefinitely. Once that relationship no longer exists (revenues are no longer covering the
6 expenses) and costs can no longer be contained, a rate case is warranted.

7 **CIP AND CYBER SECURITY TRACKER**

8 Q. Please explain EMW's proposal for a CIP and Cyber Security Tracker.

9 A. As addressed in my rebuttal testimony¹³ EMW proposed a CIP and Cyber
10 Security Tracker because it anticipates the costs to increase in the future. In addition, EMW
11 claims these costs have proven to be unpredictable in the past and vary from the amounts
12 established in base rates.

13 Q. Does Staff agree with EMW's proposal for a CIP and Cyber Security tracker?

14 A. No. Staff disagrees with EMW's proposal for a CIP and Cyber Security tracker
15 for the following reasons that are described in greater detail in my rebuttal testimony:

- 16 • EMW's proposal to isolate certain expenses by tracking these costs
17 is "single issue" ratemaking.
- 18 • The use of a tracker, as advocated by EMW, disrupts the matching
19 relationship among investment, revenue, and expense. EMW's
20 proposal for use of a tracker only applies to potential increasing cost
21 items; it does not account for costs that may decrease and offset the
22 cost increases in part or in whole.
- 23 • Trackers should be used in highly unique or unusual situations, such
24 as when costs demonstrate high volatility over a period of time,
25 when there are new costs for which there is no historical data to
26 develop an ongoing level of costs, or when uncertain levels of new
27 costs are imposed on utilities by new Commission rules.

¹³ Case No. ER-2024-0189, Karen Lyons Rebuttal Testimony, page 9, lines 18-26.

1 Q. Does Mr. Klote agree that EMW’s proposal for a CIP and Cyber Security tracker
2 violates the matching principle?

3 A. Yes. He states: “While they do create a difference between the timing of costs
4 and their collection, in opposition to the matching principle, that is just a consequence of
5 appropriately addressing large and potentially volatile swings in costs and revenues.”¹⁴

6 Q. Have these costs had volatile swings in the past?

7 A. No. The fluctuation in these costs have been insignificant in the last six years.
8 I provide a historical analysis of these costs on page 10, lines 18-19 of my rebuttal testimony.

9 Q. Are there similarities with EMW’s proposed reserves discussed above and its
10 proposed CIP and Cyber Security tracker?

11 A. Yes. The common theme of these proposals is that they are based on future
12 events and possible increases. It is possible that these costs could increase in the future and if
13 that occurs, and it has a negative impact on EMW’s earnings that is not offset by another
14 positive earnings event, a rate case can be filed.

15 **TRUE-UP**

16 Q. What cost of service items, other than those previously addressed are you
17 recommending to update through June 30, 2024?

18 A. I am sponsoring Staff’s true-up adjustments. using the same methodology
19 described in my direct testimony, for Transmission Congestion Rights (“TCR”), Ancillary
20 Services, Revenue Neutral Uplift and Mint line revenues and expenses.

21 Q. Does this conclude your Surrebuttal / True-up Direct testimony?

22 A. Yes it does.

¹⁴ Case No. ER-2024-0189, Ronald A. Klote Rebuttal Testimony, page 32, lines 16-19.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

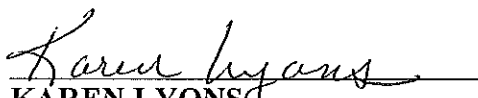
In the Matter of Evergy Missouri West, Inc.)
d/b/a Evergy Missouri West's Request for) Case No. ER-2024-0189
Authority to Implement A General Rate)
Increase for Electric Service)

AFFIDAVIT OF KAREN LYONS

STATE OF MISSOURI)
)
COUNTY OF Jackson) ss.

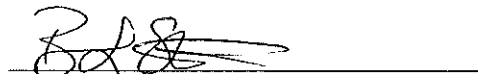
COMES NOW KAREN LYONS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.

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 3rd 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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