Exhibit No. 163

Staff – Exhibit 163
Testimony of Karen Lyons
Surrebuttal
File No. ER-2024-0261

Exhibit No.:
Issue(s): *Cyber Security*
Witness: *Karen Lyons*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *ER-2024-0261*
Date Testimony Prepared: *September 17, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KAREN LYONS

THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty

CASE NO. ER-2024-0261

Jefferson City, Missouri
September 2025

SURREBUTTAL TESTIMONY

OF

KAREN LYONS

THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty

CASE NO. ER-2024-0261

Q. Please state your name and business address.

A. My name is Karen Lyons. My business address is 615 E. 13th Street, Kansas City, Missouri 64106.

Q. Are you the same Karen Lyons that filed rebuttal testimony in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal, I will respond to Empire witness Charlotte T. Emery regarding cyber security costs.

Q. Please summarize this issue.

A. Ms. Emery states in her rebuttal testimony that no party responded to the Company proposed adjustment to annualize non-labor O&M costs associated with the Cyber Security Program and additional ongoing costs expected through 2027.[1]

Q. Was Staff aware of Empire's proposed cyber security expense adjustment in its direct filing?

A. No. The first time Staff learned of a cyber security expense adjustment is in Ms. Emery's rebuttal testimony and workpapers supporting Empire's rebuttal revenue

[1] Charlotte T. Emery rebuttal testimony, page 47, lines 5-11.

requirement. Consequently, Staff did not make a specific adjustment for cyber security expense.

Q. Did another Empire witness address cyber security costs in their direct testimony in this case?

A. Yes. Empire witness Shawn Eck addresses Empire's Cyber Security Program and beginning on page 13 of his direct testimony, he discusses cyber security capital, labor, and non-labor costs. Specifically, he refers to Ms. Emery with regard to the proposed capital additions and states that Empire proposes a forecasted level of cyber security expense through 2027 that includes 20 additional full-time employees ("FTE") through 2027. Again, no adjustment was made by Empire for non-labor costs. It should also be noted that the proposed cyber security capital costs addressed by Mr. Eck is forecasted in Empire's revenue requirement. Projecting plant additions is common when major utilities file a general rate case to anticipate its cost of service through the true-up date. Staff and the utility will update to actual costs during the true-up phase of the case. Staff viewed the cyber security capital forecast as a typical plant addition that Empire forecasted through the true-up period in this rate case and that the forecast would be replaced with actual plant investments through the true up period.

Q. Does Empire's proposal to use forecasted levels of cyber security costs violate the matching principle? Please explain.

A. Yes. A utility's rates are developed based on use of ratemaking adjustments known as annualizations and normalizations to establish an ongoing investment, revenue, and expense relationship. The amounts determined through the ratemaking adjustments are intended to match the relationship with a utility investment, revenue and expense at a point in time, and anticipates that the same relationship will continue in the foreseeable future, allowing

the utility the opportunity to earn its authorized return. Empire's proposal to isolate cyber security costs by using forecasted levels beyond the true-up date without considering changes that will occur with other areas of its cost of service disrupts the relationship that occurs between its investment, revenue and expense.

Q. Does Staff support Empire's proposal to include forecasted cyber security capital, labor, and non-labor costs through 2027?

A. Staff does not support Empires proposal for the following reasons.

- Forecasted costs are not known and measurable and are developed by making assumptions that may or may not occur.
- The use of forecasted costs disrupts the matching relationship among investment, revenue and expense. Empire's proposal for use of forecasted levels only applies to increasing cost items: it does not account for costs that may decrease and offset the cost increases in part or in whole.

In addition, 1) Empire failed to include a cyber security non-labor expense adjustment in its direct filing. 2) Staff considers Empire's proposal for additional FTE's and additional capital as discrete adjustments. Staff Witness Matthew R. Young addresses discrete adjustments in his rebuttal testimony.[2] Although Mr. Young did not specifically address cyber security in his rebuttal testimony, Staff's position on discrete adjustments still applies.

Q. Did Staff request actual cyber security costs from Empire?

A. Yes. After learning about Empire's proposal for cyber security costs in rebuttal testimony, Staff requested actual costs for the calendar years 2020-2024. Staff requested this information to review trends in these costs. Unfortunately, in response to Staff's Data Request, Empire provided Staff with actual costs for the 12 months ending March 2025. Staff was unable

[2] Case No. ER-2024-0261, Matthew R. Young, page 4-7.

to determine if a trend exists with these costs since only one year of actual costs was provided by Empire.

Q. Did Staff include cyber security costs in its recommended revenue requirement?

A. Staff did not make a specific adjustment for capital, labor and, non-labor cyber security costs, however, to the extent Empire incurred actual capital, labor and non-labor costs through the true up period, March 31, 2025, Staff reflected these costs in its recommended revenue requirement. This is accomplished by including actual capital costs and calculating payroll using the actual employee headcount as of the true up period, March 31, 2025. Staff also included non-labor cyber security expense based on the test year.

Q. Does this conclude your surrebuttal testimony?

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of The Empire District Electric Company d/b/a Liberty for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in Its Missouri Service Area	)))))	Case No. ER-2024-0261

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 *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
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 8th day of September 2025.

CHERYL LEVERETTE
MY COMMISSION EXPIRES
9-7-2027
NOTARY SEAL
#01404338
JACKSON COUNTY
NOTARY PUBLIC, STATE OF MISSOURI

Cheryl Leverette
Notary Public