Exhibit No.:	_______________
Issue(s)	Cost and Quality of Service/ Reliability Metrics/Asbury Power Plant/Rate Design and Class Cost of Service/Energy Efficiency and Multi-Family Low-Income Programs
Witness/Type of Exhibit:	Marke/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2019-0374

SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

Filed on Behalf of the Office of the Public Counsel

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

March 27, 2020

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric Company's Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area	)))))	Case No. ER-2019-0374

VERIFICATION OF GEOFF MARKE

Geoff Marke, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony in the above-captioned case.

3. My answer to each question in the attached surrebuttal testimony is true and correct to the best of my knowledge, information, and belief.

Geoff Marke
Chief Economist
Office of the Public Counsel

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SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

I. INTRODUCTION

Q. What are your name, title and business address?

A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel ("OPC" or "Public Counsel"), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Geoff Marke that filed direct and rebuttal testimony on behalf of OPC?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. I am responding to the rebuttal testimony of other parties' witnesses on certain topics. Following is a listing of those topics and the witnesses on each to whom I am responding:

- Cost and Quality of Service
    - The Empire District Electric Company and/or Liberty Utilities Company ("Empire," "Liberty," "Empire-Liberty") witness Brent Baker; and
    - Missouri Public Service Commission Staff ("Staff") witness Gary Bangert;
- Reliability Metrics
    - Staff witness Claire M. Eubanks
- Asbury Power Plant
    - Empire witness Aaron J. Doll; and
    - Staff witness J. Luebbert
- Rate Design & Class Cost of Service
    - Empire witness Timothy S. Lyons;
    - Staff witness Robin Kliethermes;
    - Renew Missouri witness Emily Piontek; and
    - Missouri Energy Consumer's Group ("MECG") witness Kavita Maini

- Energy Efficiency and Multi-Family Low-Income Programs
    - Empire witness Nathaniel W. Hackney
    - Staff witness Kory J. Boustead; and
    - National Housing Trust ("NHT") witness Annika Brink

My silence regarding any issue should not be construed as an endorsement of, agreement with, or consent to any other party's filed position.

II. COST AND QUALITY OF SERVICE

Q. Empire witness Baker asserts that APUC's representations to the City of Jacksonville when APUC attempted to purchase Jacksonville's Municipal System are not germane to this proceeding. What is your response?

A. In his defense, I don't know what he could say. APUC's representations were clearly at odds with the facts. For my part, I believe that information is absolutely relevant to the Commission as it paints an unsettling picture of how APUC, and by extension, its affiliates (Empire/Liberty being one of them) are managed at the corporate level.

Q. Mr. Baker also disagreed with your assertion that Empire's costs are out of line and countered that Empire would be better compared to a cooperative utility, like Barton Electric Cooperative, for its cost of service. What is your response?

A. In direct testimony I provided SNL data to substantiate that in 2018, Empire customers were paying the fourth highest average bill in the United States. Since then, I have come to find out that Empire estimated bills of its customers at a level I have never seen for a utility of its size and cost of service. Whether or not the two are connected, I cannot definitively say.

When comparing "Average Price" across utilities there are many things that can skew the comparisons, not least of which is what utilities choose to include or exclude. My comparison looked at all IOUs in the United States. In contrast, Mr. Baker argues that Barton County Electric Cooperative is a better benchmarking stick for Empire. With that in mind, I am now producing a second set of utility bill data, all of which is publically available through the U.S.

Energy Information Administration ("EIA"). Table 1 includes all utilities in Southwest Missouri and each of the regulated IOUs in Missouri. That is, I have included geographically relevant cooperatives, Springfield municipal, Ameren Missouri, Every Metro, and Evergy West.

Table 1: EIA 2018 utility bundled retail sales of "comparable" Missouri utilities[1]

Utility	Ownership	Customers	Sales (MW)	Revenues	Average Price
Barton County	Coop	6,564	159,345	17,763,000	11.15
Sac Osage	Coop	11,121	151,722	19,353,200	12.6
Ozark	Coop	33,324	535,3186	1,925,200	11.57
Barry	Coop	9,667	182,820	20,639,500	11.29
New-Mac	Coop	17,740	413,943	44,041,000	10.64
Southwest	Coop	41,317	611,562	65,113,000	10.65
Webster	Coop	18,520	384,763	31,904,000	8.29
White River Valley	Coop	44,231	787,048	97,635,000	12.41
Laclede	Coop	37,064	685,606	69,410,800	10.12
Se-MA-NO	Coop	6,106	112,216	9,955,800	8.87
Springfield	Muni	115,823	3,142,918	272,379,900	8.67
Empire	IOU	154,042	4,321,595	522,849,900	12.10
Evergy West	IOU	326,627	8,385,396	805,203,200	9.60
Evergy Metro	IOU	289,299	8,675,389	966,953,500	11.15
Ameren Missouri	IOU	1,223,595	33,699,583	3,161,693,900	9.38

Even when controlling for just these utilities, only Sac Osage and White River Valley cooperatives have an average higher price than what Empire's ratepayers experience. The customers/members of eight out of the ten cooperatives, the city of Springfield and all of the Missouri Investor owned utilities ratepayers all pay less for their electricity compared to Empire's ratepayers.

Q. What about Barton County Electric Cooperative, the utility Mr. Baker suggests is a more relevant for comparison to Empire?

A. Yes, even Barton County Electric Cooperative's 6,564 members pay approximately 8% less for their electricity service than Empire's 154,042 customers.

[1] Data from forms EIA-861-schedules 4A & 4D and EIA-861S.

Q. Mr. Baker agrees with your recommendations related to AMI deployment, but asserts that issues regarding AMI deployment are not germane to this case. What is your response?

A. It's relevant insofar as it speaks to Empire's corporate culture. That is, absent any plans to synchronize investments it looks as though Empire's priorities are maximizing shareholder value in the near-term, not maximizing the cost-effectiveness of serving its retail customers.

For example, the Virginia State Corporation Commission just rejected the vast majority of Dominion's grid modernization plan. According to *UtilityDive*:

> Dominion failed to justify that the most expensive part of its plan, the smart meter proposal, would have "overall benefits to customers" without a comprehensive proposal for time of use (TOU) ratesetting. Implementing the 10-year grid modernization plan fully would cost customers nearly $7 billion, with AMI costing $752.5 million total. Of the first $838 million investment required by the plan, of which nearly $304 million was designated for smart meters, regulators approved only $212 million.[2]

The Commission order stated:

> While Dominion wants approval to collect from its customers the substantial costs of full deployment of AMI technology, it has failed to submit a comprehensive proposal to roll out TOU rate design across its entire territory and make such rates available to all its customers.[3]

My testimony on this topic functions both as a placeholder and a warning that OPC will not support staggered AMI deployment that serves to merely increase rate base but provides no benefits to customers. Ameren Missouri finds itself in much the same position as Empire when it comes to AMI deployment. Both utilities have suggested they plan to make large

[2] Cheorghiu, J. (2020) Virigina rejects Dominion's $752M smart meter plan, other grid mod proposals. *UtilityDive*. https://www.utilitydive.com/news/virginia-rejects-dominions-752m-smart-meter-plan-other-grid-mod-proposal/575007/

[3] Case: No. PUR-2019-00154. http://www.scc.virginia.gov/newsrel/r_domgrid_20.pdf

capital investments in this technology. However, the two utilities have not approached this issue in the same manner. As the Commission is well aware, Ameren Missouri's most recent rate case introduced time-of-use rate designs and began a constructive dialogue with regulators and other relevant stakeholders. Empire has provided no plan, no implementation strategy, no customer education, and no TOU options. In short, in my opinion, Empire is already operating behind. Which is saying something, because neither Company has provided a cost-benefit analysis to justify the AMI investments to begin with.

All of that being said, I would strongly recommend that Empire engage with OPC and regulators before they move forward with deploying AMI. Moreover, considering both the medical concerns (self-distancing) and the economic concerns (recession) that have since transpired from the COVID-19 epidemic, I have serious reservations with the Company attempting such an implementation at this time.

Reduction in ROE

Q. Would you summarize your points on the cost of Empire's service and the quality of that service?

A. Empire's customers pay in the upper quartile to receive bottom quartile service when benchmarked against other utilities. Since its last rate case, a non-exhaustive list of the Company's distinctions include the following:

- Lost approximately $100 million in consistent poor hedging bets over a ten-year period with no repercussions;[4]
- The only electric utility to refuse to flow Tax Cuts and Jobs Act of 2017 savings back to customers;
- Scored 116 out of 138 possible utilities in overall customer satisfaction;
- Created over a $100 million in stranded costs where none existed, and want to keep all profits regardless of the investment no longer being used and useful (Asbury);

[4] Peters, B. (2017) OPC alleges Empire lost $100 million due to risky practices. *Missouri Times*. https://themissouritimes.com/opc-alleges-empire-lost-100-million-due-risky-practices/.

- Managed to shift risk on a speculative merchant generation scheme onto its captive ratepayers and increase rate base by more than 50% in the process (assuming the wind investments get built);
- The only Missouri IOU whose shareholders do not contribute a cent to low-income bill assistance (all of these costs are borne by ratepayers) despite having 13 out of the 16 counties it serves with poverty rates higher than Missouri's average;
- Collected over $500 million in revenues the past three years and donated less than $500 thousand in charitable giving to support their community; and
- Did not disclose to regulators or OPC that for multiple years they were estimating tens of thousands of bills (a 654% increase from 2017 to 2018) including more than 25% of all bills estimated as recent as December of 2019, less than 100 days ago.

Q. Do you have any recommendations in light of the quality of the service Empire has provided since APUC acquired it?

A. I recommend that the Commission make an explicit reduction of 60 basis points on top of the Company's allowed return on equity ("ROE").

Q. Why a 60 basis point reduction?

A. In 2012 J.D. Power and Associates produced a white paper titled *How Customer Satisfaction Drives Return On Equity for Regulated Electric Utilities*.[5] The study was done in collaboration with Standard & Poor's and examined the relationship between customer satisfaction and ROE. The paper concluded, that "similar to profitability and credit ratings, customer satisfaction has a notable impact on ROE for regulated electric utilities." The premise of the paper is that customer satisfaction, regulatory outcomes and investments likely reinforce one another (i.e. a virtuous cycle). A follow-up study was produced in 2015 in conjunction with SNL Energy, and found a 60 basis point differential between the

[5] Heath, A. & D. Seldin (2012) How Customer Satisfaction Drives Return on Equity for Regulated Utilities. *J.D. Power and Associates*. https://www.jdpower.com/sites/default/files/How%20Customer%20Satisfaction%20Drives%20Return%20On%20Equity%20for%20Regulated%20Electric%20Utilities%20White%20Paper.pdf.

approved ROE in utilities that scored in the lowest quartile in customer satisfaction compared to those in the highest quartile by aggregating rate case and JD Power score data from 2001 to 2014.[6]

By every metric I have seen, Empire has scored poorly relative to the industry norms when it comes to customer satisfaction. The sheer number of estimated bills over such an extended time has only served to reinforce my position that Empire should be held accountable for its failure in quality of service. I strongly recommend that the Commission hold the Company accountable and make the explicit reduction in ROE tied to their overall failure in providing appropriate quality of service. Empire's customers pay in the upper quartile to receive bottom quartile service when benchmarked against other utilities. The Commission issuing a reduced ROE as a result of poor quality of service should produce better results.

III. RELIABILITY METRICS

Q. What did Staff witness Eubanks say about Empire's reliability?

A. Ms. Eubanks provided several graphs showing reliability trends scores for Empire from 2008 to 2018 and concluded that "Empire's overall system reliability has continued to improve, therefore it is unlikely there are widespread reliability issues."[7]

Q. Do you agree with her conclusion that it is unlikely there are widespread reliability issues at Empire?

A. In part. Staff relied on monthly self-reports submitted by Empire. I looked at annual reports Empire filed with FERC.[8] The range of years examined varied between my analysis and Staff's as well. Finally, I provided additional comparative scores for Missouri's other IOU's

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[6] Federico, L., Heath, A. & D. Seldin (2012) How Customer Satisfaction Drives Return on Equity for Regulated Utilities. *J.D. Power and Associates* and *SNL Energy* https://www.jdpower.com/sites/default/files/12.11.15_how_customer_satisfaction_drives_return_on_equity_for_regulated_utilities.pdf.

[7] Rebuttal Testimony of Claire M. Eubanks. P. 5, 11-12.

[8] Time and lack of access to information prevented me from cross-checking Staff's monthly data with the FERC Form 861 data to see if they were consistent.

as a reference. Context is also important. Empire's reliability scores were very bad for a number of years, not least of which was due to the large power failure from the 2011 Joplin tornado. Ratepayers have paid copious amounts of money to Empire over the past decade for its *Operation Toughen-Up* investments to "harden" its distribution and transmission system over the past decade; the fact that its reliability results have improved should be a given.

In my rebuttal testimony I showed six-years of Empire reliability data from FERC Form 861 reporting. I then concluded two things: 1.) that the data may have been reported incorrectly;[9] and 2.) that, on a whole, Empire customers experience more frequent and longer outage durations (relative to other Missouri investor-owned utilities), but also experience fewer major events (defined as outages that exceed 10% of the customer base at one time).

To conclude, I agree with Staff's opinion only insofar that Empire's reliability data is trending in the right direction when the 2011 Joplin tornado is considered within the range.

Q. Do you have recommendations to the Commission regarding Empire's reliability?

A. Yes. This is Empire's first general electric rate case under new management. The Company now has three years of operational service and data to draw from. At this point, regulators ought to have a good idea how the Company is running. System reliability data is a metric that has long been collected, but only sparingly been discussed in regulatory proceedings. Given the level of customer complaints at the public hearings, and the outstanding questions and uncertainty in this case, I cannot definitively state whether Empire-Liberty's reliability data is good, bad, or something else. With that in mind, I recommend that the Commission order Empire-Liberty to work with OPC and Staff to determine appropriate reliability metrics that would culminate in a 7-year retrospective benchmarking analysis of the Company's reliability scores relative to investor-owned utilities in Missouri, Kansas,

[9] For example, the "with and without major events" inputs for SAIDI and SAIFI were the same for 2013, 2015 and 2016. Meaning, that there was never an outage that encompassed at least 10% of its customers at once during those three years.

Oklahoma, and Arkansas (or additional entities) in its next rate case and to then be filed annually thereafter in the Company's Reliability Report. Benchmarking against other utilities will allow Empire to improve reliability by comparing its performance against other utilities. Given the added increase in capital spend on distribution and transmission service across all utilities, good public policy and accountability would be exercised by publically and transparently having this information available for everyone to easily see. Put simply, the public is not being served if reliability data is being measured, filed, and then forgotten.[10]

IV. ASBURY POWER PLANT

Q. What was Empire's response to your objections to including the costs of and investment in a large, undepreciated coal power plant in Empire's cost of service used to set rates in this case that is not operational?

A. Empire's witness Aaron Doll testified:

> The impact of Asbury's retirement on the Company's revenue requirement is not yet ripe for a ratemaking determination, because all of the facts surrounding Asbury's retirement are not yet known and are very much under development at this time.[11]

Q. What is your response?

A. To design rates based on the assumption that Empire's Asbury coal plant continues to be used and useful after Empire has ceased operating and has retired that plant violates the fundamental goal of ratemaking—for Empire's prospective retail customer revenues to match Empire's net costs, return of investment, and return on investment <u>required for it to provide the electric service</u> for which those retail customers are paying.

[10] OPC recently came to the same conclusion as it pertains to data surrounding customer disconnections, which prompted a Commission-ordered rulemaking workshop. It may very well be that utility reliability data should undergo the same transparent and open process and may necessitate a future workshop.
[11] Rebuttal Testimony of Aaron J. Doll, p. 2, 1-3.

Q. How did Empire respond to your assertion that Asbury was rendered uneconomic because of decisions made by Empire's management?

A. Mr. Doll testifies:

> Asbury was rendered uneconomic due to changing market conditions. The primary contributors to the market changes are historically low natural gas prices and increased access to low cost wind generation in the SPP footprint.[12]

He then cites to Asbury's diminishing net capacity factor as evidence for his argument (70.3% in 2012 to 47.7% in 2019) and concludes with the following:

> The proliferation of solar generation and battery storage will further strain the market economics of Asbury. Below is the SPP Generation Interconnection queue for active requests with 99.7% of the future requests involving additional wind, solar or battery storage.[13]

Active SPP Generation Interconnection Requests							
Year	Battery	Combustion	CT	Gas	Gas Turbine	Solar	Wind
2020	2,790				38	10,853	20,592
2021	577					5,916	10,204
2022	719					2,970	1,127
2023	1,916	40		120		5,803	3,210
2024	600					73	

As of February 28, 2020

Q. Do you have a response to his counter-argument that Asbury was uneconomic because of low natural gas and increased wind proliferation?

A. Yes. Asbury became uneconomic because Liberty management accelerated their plans to increase Empire's rate base (when no increase was needed) by having ratepayers absorb the risk in a speculative merchant generation scheme. Mr. Doll's counter-argument conveniently omits the "Customer Savings Plan," just like the "Customer Savings Plan" conveniently omits

[12] Ibid, p., 3, 1-3.
[13] Ibid, p. 3, 7-11.

that Empire plans for its customers to be charged both the return on and return of a coal plant in which they just invested over a $100 million dollars in 2015.

Q. What is your response to his counter-argument that Asbury only had a 47.7% capacity factor in 2019?

A. What Empire plans on replacing Asbury with will have an even lower capacity factor.

Q. What is your response to his counter-argument that more than 3 GW of battery storage, 10 GW of solar, and 20.5 GW of Wind in the SPP interconnection queue (for 2020 alone) will further strain the economics of running Asbury?

A. Where was this witness in the Empire Customer Savings Plan and CCN wind cases? That is exactly why Empire's wind investments are going to struggle making off-system sales. This was also one of my central arguments throughout both dockets—EO-2018-0092 and EA-2019-0010.

As to his point that this proliferation of generation will make Asbury uneconomic, I point out that the generation coming onto SPP is almost entirely intermittent. Additionally, coal prices have dropped too. The Commission need look no further than the FAC savings procured by Ameren Missouri in its recently settled case—Case No. ER-2019-0335.

Q. Mr. Doll spent a fair amount of his limited testimony responding to your suggestion that Empire consider seasonal dispatch. What is your response?

A. Mr. Doll's seemingly random selection of the unique economic and regulatory conditions surrounding his Xcel Energy's IRP citations has no bearing on Empire's inability to not consider seasonal dispatch. My qualified suggestion for seasonal dispatch of Asbury in rebuttal testimony is called "due diligence," and it is exactly what reasonable management would do when trying to minimize the financial impact of their poor investment decisions.

V. RATE DESIGN & CLASS COST OF SERVICE

Q. Has any party changed their position regarding rate design or the revenue allocation across classes?

A. No party has changed its position, and where each party is on Empire's revenue requirement is no clearer now than it was when they prefiled their rebuttal testimony. Additionally, both Public Counsel and Staff have filed testimony articulating serious reservations about the reliability of any of the class revenues numbers used in to the CCOS studies, given the unprecedented number of bills that Empire has estimated.

Q. What are your recommendations regarding rate design?

A. First, I continue to recommend that the residential customer charge remain as is. Second, the Company's proposed weather normalization rider should be dismissed out-of-hand and not considered again until the Company can demonstrate that it is capable of providing accurate and consistent bills to its customers. Finally, with the information before me today, I strongly maintain that this case should result in a revenue decrease to Empire and, therefore, a rate reduction to all of Empire's customers. Given the uncertainty surrounding the economy I recommend that any rate reduction be applied solely to the residential customer class. Then the rest of the rate classes would not experience a reduction or increase to their rates. Alternatively, I recommend that 75% of the decrease be applied to the residential customer class and the remaining 25% applied to the commercial service/small heating service customer rate class.

To be clear, my recommendation is based primarily on two realities: 1.) the data used to inform the CCOS's are flawed and inaccurate due to the large number of estimated bills; and 2.) we are experiencing a potential economic downturn of historic proportions that will most directly impact residential customers.

I believe residential customers are going to be impacted hardest by COVID-19. If small businesses cannot stay open they will be shut down. Period. They are not going to be accruing a continual debt beyond their fixed charges. Residential customers cannot "shut down." The nature of this epidemic is such, where self-distancing and quarantining is a reality that necessitates continual utility service. The same cannot be said for many businesses.

VI. ENERGY EFFICIENCY AND MULTI-FAMILY LOW-INCOME PROGRAMS

Q. What positions did Empire, Staff and NHT take on energy efficiency program funding in their rebuttal testimonies?

A. They generally testify in favor of maintaining Empire's energy efficiency program expenditure as is until Empire can file a MEEIA case. NHT has taken the position to increase spending on low-income multi-family programs.

Q. Was that OPC's position as well?

A. My rebuttal testimony recommended to keep funding as is until the next rate case.

Q. Is it still OPC's position?

A. No.

Q. Why not?

A. In light of the economic impact taking place as a result of the COVID-19 crisis, I am strongly recommending that costs related to energy efficiency rebates and activities be removed from the revenue requirement to, hopefully, be revisited in the next rate case.

In the past week, the U.S. Department of Labor said 3.283 million people applied for unemployment benefits, up from 282,000 the previous week and more than quadruple the previous single week record set in 1982.[14] The number of claims of unemployment benefits in Missouri was roughly 30% of the total number submitted for all of 2019 according to the

[14] Rugaber, C. (2020) US jobless claims hit 3.3 million, quadruple previous record. *St. Louis Post Dispatch*. https://www.stltoday.com/news/national/govt-and-politics/us-jobless-claims-hit-million-quadruple-previous-record/article_98728413-ccb8-591c-b631-d374f2e4e10d.html#tracking-source=home-top-story-1.

Missouri Department of Labor director Anna Hui.[15] That number is expected to grow considerably.

It is also important to note that unemployment benefits vary considerably from state-to-state. Most states offer up to 26 weeks of unemployment insurance, but some offer far less. Missouri only offers 13 weeks, per statute.[16,17] Under normal conditions, it can take as much as 18 to 22 days for someone to receive their first benefit payment, and the maximum unemployment benefit, which is 4% of their average quarterly wages during the two highest paid quarters over a given base period (today that would be October 2018 thru September 2019), is not to exceed $320. Finally, benefits can only be drawn for a maximum of 20 weeks. That is, the maximum unemployment benefit amount an unemployed resident of Missouri can draw over a five-month period is $6,400 before they are removed from receiving the benefit.[18]

Most recently, The Federal Reserve Bank of St. Louis President James Bullard predicts that the U.S. unemployment rate may hit 30% in the second quarter because of shutdowns to combat COVID-19.[19] For context, the highest unemployment rate during last recession occurred in 2009 at 9.9%. For historical context, The Great Depression's unemployment rate hit 24.9% in 1933 and ushered in FDR's New Deal.[20] To be clear, the FED is publically

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[15] Stewart, T. (2020) Jobless claims spike dramatically in Missouri as officials scramble to get benefits paid faster. *St. Louis Post Dispatch*. https://www.stltoday.com/news/local/govt-and-politics/jobless-claims-spike-dramatically-in-missouri-as-officials-scramble-to/article_7029e90e-e6a6-52c7-a351-3c814f2d5c51.html#tracking-source=home-top-story-1.

[16] Only North Carolina and Florida have fewer weeks with 12; however, those states can increase their payouts with the state's unemployment rate. Missouri does not increase its unemployment payout or numbers with its state's unemployment rate.

[17] Center on Budget and Policy Priorities (20202) Policy Basics: how many weeks of unemployment compensation are available? https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available.

[18] Missouri Department of Labor (2020) Eligibility for unemployment benefits. https://labor.mo.gov/DES/Claims/eligibility_web

[19] Matthews, S. (2020) U.S. jobless rate may soar to 30%, Fed's Bullard Says *Bloomberg News*. https://www.bloomberg.com/news/articles/2020-03-22/fed-s-bullard-says-u-s-jobless-rate-may-soar-to-30-in-2q.

[20] Amadeo, K. (2020) Unemployment rate by year since 1929 compared to inflation and GDP. *The Balance*. https://www.thebalance.com/unemployment-rate-by-year-3305506.

predicting that we may exceed the highest recorded unemployment rate by 5.1% *in the next quarter*.

If the goal is to reduce load, then this coming recession will more than do that. Bullard also predicted an unprecedented 50% drop in gross domestic product.[21]

My expert recommendation is for immediate action, I advise the Commission to place a freeze on all MEEIA and demand-side-management (DSM) spending across all utilities until further notice. The number of customers having to make very difficult decisions about how they spend their money in the near future is rapidly increasing. I am cautiously optimistic that this will not be a prolonged event, but we should be making the necessary steps now to mitigate the damage if my optimism is misplaced. That means in a time of crisis cutting spending.

Q. What about the COVID-19 stimulus package. Does that affect your recommendation?

A. No. I am not sure the stimulus package is going to be enough. The situation is very fluid and we would be best served by erring on the side of caution.

From a practical standpoint, most families are isolating themselves in their homes and apartments and actual work installing energy efficiency measures is swiftly dropping. Few people want contractors in their homes, and many contractors either do not want to work in potentially unsafe conditions or are prohibited from doing so. And, again, most families are going to place a greater importance on their immediate needs not a long-term capital investment that will cover its costs in five years.

The more likely scenario for Empire, is that cost of service is needlessly increased as the budget remains unspent. Remember, Empire rarely spends down its energy efficiency budget in any given year and those were years of economic growth.

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[21] Ibid.

When this recession is over, a cure for COVID-19 found, and business goes back to "normal," Empire can revisit pursuing a MEEIA, and/or request to continue its former default program in its next general rate case.

Q. Do you have any final comments on this topic of program funding?

A. Yes. After more than a decade of expansion, the next recession is here. The coronavirus has sent the economy into a tailspin in the United States and around the globe. The restaurant industry has ground to a halt. So have air travel, auto manufacturing, hotels, gyms, and cruise lines. The stock market has posted enormous losses and wild daily swings, to the point that trading has sometimes been paused altogether, and the price of oil has plummeted. Layoffs across the country are taking place in waves. We're producing less, spending less, and consuming less. And everything is interconnected in a global economy. Missouri's utilities are not immune and neither are their ratepayers. The figures I cited here may very well be worse by the time the Commission reads this as we do not have a good idea how long this will last or at what magnitude. There will also no doubt be long-term changes to the economy the likes of which will no doubt have secondary and tertiary impacts we haven't even considered (and is well beyond the scope of this testimony).

OPC is closely monitoring the number of accounts across utilities that are being placed in "disconnect status," that is, customers who would be involuntarily disconnected, but for the utility-imposed moratoriums in place. On a weekly basis, Missouri utilities are providing data to Staff and OPC with the following information:

- # of customer accounts by class.
- # of customer accounts by class who are in arrearage but have not been placed in "disconnect status." That is, customers who would not be involuntarily disconnected if the COVID-19 moratorium was lifted, but would still have an outstanding debt to pay (e.g., they are one month late on payment).
- # of customer accounts by class who have been placed in "disconnect status." That is, customers who would be involuntarily disconnected if the COVID-19

moratorium was lifted (this should also include customers who were recently reconnected due to the COVID-19 moratorium).

- # of estimated bills by customer account by class each month.[22]

If the FED's predictions prove to be even remotely accurate then these numbers will rise. As it stands, customer on those accounts will continue to use power and will continue to accrue more debt to their utilities. How long that will/can go on is a subject I hope not to have to face, but if this crisis extends as long as some forecasters are predicting, then extremely difficult trade-offs will need to be made.

DSM expenditures are an example of an expense that we do not have the luxury for in time of crisis, but there are no doubt others.,[23] More so than ever, what is essential depends on how much money one has. Right now, utilities, an essential service, are not disconnecting accounts for non-payment. If unemployment figures approach or exceed Great Depression estimates and this economic downturn is prolonged, there will be massive arrearages that will impact every other facet of continued operation, in part, because customers will know they can stop paying their utility bills and prioritize other needs.

It is incumbent upon all parties, to ensure that we are truly following least cost planning, management and implementation at this moment more than ever. As a matter of sound economic and social policy, every potential action should be on the table now to minimize the immediate and long-term stress placed on ratepayers and the economy.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

[22] Moving forward, there may be additional information collected to provide a status on the overall economic health of Missouri's regulated ratepayers.

[23] As of this writing, the United States now also leads the world in confirmed COVID-19 cases with 85,505 (at 3/26/2020, 9:42 pm), or approximately 4,000 more than China. Coronavirus COVID-19 Global Cases by the Center for Systems Science and Engineering (CSSE) at John Hopkins University. https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6.