Issue:	Covid-19 Accounting Authority Order
Witness:	Greg R. Meyer
Type of Exhibit:	Rebuttal Testimony
Sponsoring Parties:	Midwest Energy Consumers Group and Missouri Industrial Energy Consumers
Case No.:	EU-2020-0350
Date Testimony Prepared:	August 17, 2020

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Every Missouri West, Inc. d/b/a Evergy Missouri West for an Accounting Authority Order Allowing the Companies to Record and Preserve Costs Related to COVID-19 Expenses	**)**	**Case No. EU-2020-0350**

Rebuttal Testimony of

Greg R. Meyer

On behalf of

Midwest Energy Consumers Group

and

Missouri Industrial Energy Consumers

August 17, 2020

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Project 10975

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STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Midwest Energy Consumers Group and the Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony which was prepared in written form for introduction into evidence in the Missouri Public Service Commission, Case No. EU-2020-0350.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

Greg R Meyer
Greg R. Meyer

Subscribed and sworn to before me this 17th day of August, 2020.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2021
Commission # 13706793

Maria E. Decker
Notary Public

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Rebuttal Testimony of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Principal at Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of Midwest Energy Consumers Group ("MECG") and the Missouri Industrial Energy Consumers ("MIEC").

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I will respond to the direct testimony of Evergy witnesses Darren Ives and Ronald Klote. Specifically, I will address the following:

- An overview of what Evergy is proposing in this AAO case;
- A discussion of the standard for approving an AAO;
- A discussion of the different costs/revenues to be deferred;
- A discussion of the application of carrying costs to any deferred costs; and
- A discussion of a sunset period and potential for a renewal of this AAO.

Q PLEASE DESCRIBE THE NATURE OF EVERGY'S REQUEST.

A On May 6, 2020, Evergy filed an Application for an Accounting Authority Order ("AAO") that requested permission for Evergy to defer to a regulatory asset all extraordinary costs and financial impacts incurred as a result of the COVID-19 disease ("pandemic") and associated carrying costs.

Q WHAT IS AN AAO?

A An AAO is a mechanism that, through the establishment of a regulatory asset or liability, defers costs or revenues from one period of time into a subsequent period of time. Historically, AAO's have been used to recover costs associated with "extraordinary" events such as severe storms that have struck the service territories of Missouri Utilities. Utilities in those circumstances argue that an AAO is necessary in order to allow for the recovery of those costs in a future period. By deferring such costs, the utility is not required to record those expenses currently without rate recognition. An AAO in that instance is beneficial for the utility as it allows the utility to defer cost recovery of the extraordinary storm costs until such time as those costs can be built into retail rates. Thus, current earnings are inflated (because costs are not recognized in that time period) and future rates are increased (if deferred costs are allowed recovery). In summary, an AAO allows for deferral of the impacts for financial purposes of an extraordinary event to a later point in time when the financial impacts can be considered for possible inclusion in customer rates.

Q WHAT STANDARD HAS THE COMMISSION HISTORICALLY RELIED UPON IN CONSIDERING A REQUEST FOR AN AAO?

A In the past, the Commission has reviewed whether the event that caused the cost is extraordinary to the utility. If the Commission deemed that the situation was a normal operating condition of the utility, the request for an AAO was denied. In establishing the extraordinary standard, the Commission has relied on guidance from the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USoA").

Q PLEASE DESCRIBE THE GUIDANCE OF THE UNIFORM SYSTEM OF ACCOUNTS ON THIS MATTER.

A The USoA provides basic account descriptions, instructions and accounting definitions that guide information reported in the utility's annual reports. The USoA has been adopted by the Missouri Commission for use by Missouri regulated electric utilities at 20 CSR 4240-20.030. The USoA seeks to ensure that all electric utilities are recording their financial information in a consistent manner for reporting and comparison purposes. In general, the USoA provides that a utility must book all current financial items in the current period. That said, however, USoA Instruction 7 allows for the deferral of certain costs/revenues associated with extraordinary items. Instruction 7 defines Extraordinary Items as the following:

7. *Extraordinary Items*.

> It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are ***abnormal and significantly different from the ordinary and typical activities of the company***, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate. To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See Accounts 434 and 435.) (emphasis added).

As can be seen therefore, the USoA bases the determination of whether an event is extraordinary on whether it is "abnormal and significantly different from the ordinary and typical activities of the company."

Q HAS EVERGY RECENTLY PROPOSED A DIFFERENT STANDARD?

A Yes, in Case No. EC-2019-0200, dealing with an AAO request for the retirement of the Sibley generating unit, Evergy argued that the standard for determining whether an event was extraordinary should be based on whether the event is extraordinary to the industry and not the specific utility. The Commission rejected that standard. However, Evergy appealed that decision to the Western District Court of Appeals. Recently, that Court rejected Evergy's argument (see Case No. WD83319) and maintained the focus on the specific utility and not the industry. It is my understanding that Evergy has asked that this matter be transferred to the Supreme Court for its consideration.

Q DO YOU BELIEVE THE PANDEMIC IS AN EXTRAORDINARY EVENT?

A Yes I do. Much like a tornado, ice storm or other Act of God, the pandemic is an event that is abnormal or significantly different from that normally faced by Evergy. Therefore, applying the USoA definition recently relied upon by the Commission in EC-2019-0200, this is an extraordinary situation. That said, however, if Evergy is successful in its attempt to change the focus of the extraordinary standard from the specific utility to the industry in general, then my conclusion changes because the pandemic is an event that is affecting the industry as a whole. Therefore, if Evergy is successful in changing the focus of the determination, then the Commission should find that the pandemic is not extraordinary in that it is affecting the industry as a whole. In this situation then, the AAO should be denied.

Q DOES THE USoA ALSO CONTEMPLATE A MATERIALITY STANDARD?

A Yes. As the cited section of the USoA indicates, to be considered as extraordinary "an item should be more than approximately 5% of income, computed before extraordinary items."

Q DO YOU BELIEVE THAT THE COSTS/SAVINGS IN QUESTION ARE MATERIAL?

A At this point, it is impossible to get an accurate quantification of the costs/savings in question. Unlike a tornado or ice storm, where the end of the extraordinary event is usually well defined, the pandemic is ongoing and the duration is highly uncertain. Therefore, it is impossible to quantify the financial impacts. That said, however, if the deferred costs are not shown to be material at the point that Evergy seeks rate recovery then the Commission should reject recovery of the deferred costs.

I. AAO REQUEST OVERVIEW

Q PLEASE IDENTIFY THE SPECIFIC EXPENSES/FINANCIAL IMPACTS FOR WHICH EVERGY SEEKS DEFERRED RATE TREATMENT.

A According to its application and testimony, Evergy seeks to defer expenses associated with:

- Increased bad debt expense that exceed the levels included in the cost of service;
- Waived late payment fees;
- Discontinued reconnection charges;
- Costs incurred in connection with one- and four-month payment plan incentives that the Commission permitted Evergy to undertake;
- Information technology-related costs incurred to enable employees to work from home, including hardware, licensing fees and connectivity costs;
- Costs incurred to protect employees unable to work from home, including cleaning supplies, personal protective equipment ("PPE"), temperature testing, employee sequestration preparation and actual costs if sequestration is necessary;
- Other unfavorable costs or other financial impacts resulting from the pandemic; and
- Lost revenues associated with the pandemic – financial impact

Q HAS EVERGY IDENTIFIED ANY COST SAVINGS AS A RESULT OF THE PANDEMIC?

A. Yes, Evergy has stated that cost savings will likely result from reduced travel expenses, office supplies, reduction in electricity and other operating costs at Evergy offices. In addition, while seeking to defer the lost revenues associated with reduced usage in the non-residential classes, Evergy proposes to quantify increased electricity usage from people working from home and defer these increased residential revenues as cost savings.

Q WHAT DOES EVERGY PROPOSE TO DO WITH PANDEMIC SAVINGS?

A Evergy proposes to offset the AAO regulatory asset with any cost savings.

Q IS THERE ANY OTHER COMPONENT TO THE EVERGY AAO REQUEST?

A Yes. Evergy requests that the deferred regulatory asset balance receive carrying cost treatment.

Q PLEASE DESCRIBE HOW YOU WILL ADDRESS THE REQUESTS INCLUDED IN EVERGY'S AAO CASE.

A I will begin with a discussion on the request to recover lost revenues. I will then discuss the various expense items that Evergy seeks to defer. I will discuss the issue of carrying costs. Finally, I will discuss the term of the AAO, potential renewal and allocation of any deferred costs between Missouri and Kansas and, for those costs allocated to Missouri, between Evergy Missouri Metro and Evergy Missouri West.

II. LOST REVENUES

Q DO YOU SUPPORT THE DEFERRAL OF LOST REVENUES IN THIS CASE?

A No. I do not believe the deferral of lost revenues is appropriate in this case.

Q HAS THE COMMISSION PREVIOUSLY ALLOWED FOR THE DEFERRAL AND RECOVERY OF LOST REVENUES?

A No. For instance, in May 2011, a powerful tornado struck Joplin, Missouri. Shortly thereafter, Spire West (formerly known as Missouri Gas Energy ("MGE")) asked for deferral of incremental costs as well as deferral of lost revenues. While allowing MGE to defer incremental costs, the Commission rejected MGE's request to defer alleged "lost revenues".

> In support of recording ungenerated revenue on a deferred basis, the Company urges the Commission to look only at whether the tornado was extraordinary. Staff and OPC argue that the AAO sought would not only allow the recording of an item, it would create the item recorded. Staff and OPC are correct.
>
> Actual expenditures exist in the past, present, or future and represent an exchange of value that the Company must record. Ordinarily, the Company records them currently and, if they are extraordinary, the Company must record them in Account 182.3.
>
> The Company's claim is different. Ungenerated revenue never has existed, never does exist, and never will exist. Revenue not generated, from service not provided, represents no exchange of value. There is neither revenue nor cost to record, in the current period nor in any other. (*Report and Order*, Case No. GU-2011-0392, issued January 25, 2012).

Still again, in its Report and Order in Case No. ER-2014-0258, the Commission disallowed Ameren recovery of deferred lost revenues associated with an ice storm in 2009. The Commission initially granted Ameren Missouri authority to defer revenues due to loss of load of Noranda Aluminum, but denied recovery of lost revenues in the rate case.

Q WHAT IS THE BASIS FOR YOUR REJECTION OF THE DEFERRAL OF LOST REVENUES?

A The deferral of lost revenues is an attempt by Evergy to defer and ultimately collect lost profits as a result of the pandemic. Evergy is simply attempting through this AAO request to restore an assumed level of profits that it has not been able to record due to the pandemic.

Q HOW DO YOU REACH THE CONCLUSION THAT EVERGY IS TRYING TO RESTORE LOST PROFITS?

A The MECG submitted Data Request 1-7 that asked for actual earnings for the period January 1, 2019 - present. The actual earnings figure was deemed confidential because it contains trade secrets. However, the response indicates that Evergy's current ROE is positive from January 1, 2019 - April 30, 2020. In addition, in its last Earnings call, Evergy reported positive earnings. All of these sources of information indicate that Evergy is currently collecting enough revenues from ratepayers to pay all of its operating expenses, depreciation, other taxes and income taxes despite the effects of the pandemic. In other words, Evergy is presently able to fully meet all of its costs of doing business, except for the level of profit it earns. Since the level of profit is below that level authorized by the Commission, the recovery of lost revenues would restore the level of profits Evergy believes it is entitled to earn.

Q HAS THE PANDEMIC HAD A FINANCIAL IMPACT ON EVERGY'S CUSTOMERS?

A In the direct testimony of Evergy witness Darren Ives (page 7-8), he describes the effect the pandemic has had on many of Evergy's customers. For instance, he discusses the loss of industrial and commercial loads, specifically mentioning Macy's, Kohl's, Best Buy, casinos, and motion picture theaters. He discusses the closing of the Ford Claycomo plant and the manpower issues it is experiencing due to the pandemic. He also discusses the events that have been cancelled or significantly altered; for example, the fact that the Kansas City Royals have not played a regular season game in front of fans. These are certainly not an exhaustive list. Hospitals in Evergy's service area are suffering because, while they are treating pandemic effects, most of the revenues associated with elective surgeries have been lost. Many of these hospitals are in rural areas and the loss of revenues threaten their financial health. News reports have also detailed the tremendous impact that the pandemic have had on meat packing plants in the Evergy service area.

All of these pandemic effects have not only affected the individual businesses but has also created economic hardships for residential households. Mr. Ives recognized this when he states, “As a result of these actions and the economic impact of COVID-19 on the ability of customers to pay their bills, the Company’s arrearages have substantially increased and will continue to rise.”

People have lost jobs or have been laid off, facing possible eviction from the places they live. Many companies have reduced operations, completely closed or gone out of business. The pandemic has greatly affected all segments of the Evergy customer base. Yet, Evergy believes that it alone should be insulated from any financial impact associated with the pandemic and asks that it be allowed to recover lost revenues/profits.

Q IS THERE A SITUATION IN THE ISSUE OF LOST REVENUES WHEREIN THE DEFERRAL OF LOST REVENUES WOULD BE ACCEPTABLE?

A Yes, if a utility could show that it was not collecting enough revenues from ratepayers to cover its operating expenses, then the deferral of lost revenues may be appropriate.

Q ARE THERE ANY REGULATORY PRINCIPLES THAT YOU BELIEVE WOULD BE VIOLATED BY ALLOWING DEFERRAL OF LOST PROFITS?

A Yes. First, by requesting the recovery of lost revenues, Evergy is seeking to guarantee the recovery of a certain level of profits. This contradicts a fundamental regulatory principle that a utility should be allowed the <u>opportunity</u> to earn a fair and reasonable rate of return. By allowing the recovery of lost profits (revenues), a utility would be guaranteed a certain level of profits. This would clearly violate the opportunity clause. As the Commission has previously held, when it denied deferral/recovery of lost revenues, this paradigm does not change simply because of an extraordinary event. Profits are never guaranteed as Evergy now asserts.

Second, the normalization of revenues, in the context of a rate case, should not be viewed as a guarantee that this level of revenues will actually be realized. There can be many reasons why the level of revenues fluctuate from one year to another. To claim a utility is entitled to a certain level of class revenues is puzzling. A utility is at risk for the level of revenues generated during any year.

Q WHAT IS YOUR RESPONSE TO THE SUGGESTION THAT EVERGY IS ONLY SEEKING TO DEFER LOST REVENUES AND THAT THE COMMISSION DOES NOT NEED TO DECIDE THE ISSUE UNTIL THE NEXT RATE CASE.

A I do not advocate for just allowing the deferral of anything because the Commission can decide recovery of the item in a later rate case. I believe it is the regulator's duty to make sure only those proper costs or revenues are deferred for possible rate recovery. First, as previously mentioned, by simply granting the deferral, the Commission is allowing for current earnings to be inflated. Therefore, the investing community is misled if these costs are deferred but not recovered. Second, I am concerned that by kicking the can down the road (allowing deferral of an objectionable cost), the utility may later argue against negative financial impact that come from writing off the deferred asset. I have seen this argument many times over my career. Deferral of expenses or revenues should only be allowed for legitimate reasons.

III. EXPENSE DEFERRALS

Q PLEASE DISCUSS THE DEFERRAL OF UNCOLLECTIBLE EXPENSES.

A MECG/MIEC agrees with the deferral of uncollectible expenses for those amounts that are above the level established in the last rate case.

Q WHAT ARE UNCOLLECTIBLE EXPENSES?

A Also known as bad debt, uncollectible expenses are those amounts billed to customers that go uncollected by the utility. Due to the financial implications of the pandemic including increased unemployment, uncollectible expenses are increasing. Importantly, unlike some of the other items to be discussed later, uncollectible expense is a cost, not a revenue.

Q PLEASE EXPLAIN WHY YOU BELIEVE UNCOLLECTIBLE EXPENSES SHOULD BE DEFERRED.

A On May 22, 2020, Evergy filed for approval of COVID-19 Customer Programs. In its application, Evergy requested suspension of disconnections related to non-payment, suspension of the accumulation of interest and late fees related to non-payment, the implementation of customer incentive payment plans and payment flexibility to commercial and large industrial customers. The Commission approved the plans on June 20, 2020.

One consequence of suspending disconnections will be increased uncollectible expenses. Given the willingness to allow customers to continue to receive service during the pandemic, regardless of the arrearage amount, it is only fair to allow the deferral of any increase in uncollectible expenses.

Q SHOULD ALL UNCOLLECTIBLES BE SUBJECT TO DEFERRAL?

A No. The amount of uncollectibles subject to deferral should only be recognized to the extent that the amount exceeds the level built into rates on a 12-month basis. Absent such a limitation, Evergy would be double collecting a certain level of uncollectible expense. Specifically, Evergy would be collecting a level of uncollectible in base rates as well as in the deferred amount. In response to MECG Data Request 1-11, Evergy indicated that the level of uncollectible expenses built into rates for Evergy Missouri Metro was $5,552,581 and $2,894,841 for Evergy Missouri West. The Commission should only allow the deferral of any increase in uncollectible expense over and above these figures. In addition, to the extent that the deferral period is not for a full 12-month period, the amount included in rates, and the deferred amount, should be broken down into monthly or even weekly figures as deemed necessary.

Q WHAT ARE LATE PAYMENT FEES?

A Late payment fees are revenues that the utility would normally recover from customers for failing to pay their electric bills in a timely fashion.

Q PLEASE EXPLAIN WHY LATE FEE SHOULD BE DEFERRED.

A Similar to the argument on uncollectibles, Evergy filed and the Commission approved the suspension of late fees for customers who are unable to keep current on their electric bill. Other than the fact that late fees are a revenue, not a cost, the argument for including late fees is identical to that for uncollectible expense.

Q SHOULD ALL LATE FEE REVENUES BE SUBJECT TO DEFERRAL?

A No. In this instance, late fee revenues should only be allowed to the extent that they fall short of the level included in rates in Evergy's last rate case. In response to MECG Data Request 1-14, Evergy indicated that the level of late fee revenues built into rates for Evergy Missouri Metro was $1,909,541 and $725,422 for Evergy Missouri West. Therefore, to the extent that Evergy fails to reach this level of revenue because of the Commission approval of the suspension of late fees, the Commission should allow Evergy to defer any shortfall.

Q SHOULD RECONNECTION REVENUES BE SUBJECT TO DEFERRAL?

A Yes. MECG/MIEC supports the deferral of any shortfall in reconnection revenues. Given the Commission's authorization to reconnect customers at no charge during the pandemic, it would be appropriate to capture those lost revenues through deferral.

Q SHOULD ALL FOREGONE RECONNECTION REVENUES BE SUBJECT TO DEFERRAL?

A No. Similar to the argument for late fee revenues, only those foregone reconnection revenues that fall short of the level included in Evergy's last rate case, should be subject to deferral. In response to MECG Data Request 1-12, Evergy identified reconnection revenues of $362,605 for Evergy Missouri Metro and $271,385 for Evergy Missouri West.

Q WHY IS THERE A DISTINCTION BETWEEN UNCOLLECTIBLE EXPENSE AND REVENUES ASSOCIATED WITH RECONNECTION AND LATE FEES?

A Uncollectibles are an expense to the utility, and therefore, the amount subject to deferral should only apply after the level of expense built into rates is surpassed during the AAO deferral period. On the other hand, late fees and service reconnections represent revenues to Evergy and only the late fee and reconnection revenues shortfalls up to amount used to set rates in Evergy's last rate case should be allowed for deferral. In all instances, deferrals will only be used to recognize increased expenses or to maintain a level of revenues that was built into rates in Evergy's last rate case.

Q IN ALLOWING THE DEFERRAL OF UNCOLLECTIBLE EXPENSES, LATE PAYMENT FEES AND RECONNECTION FEES, ARE YOU ABLE TO DISTINGUISH THOSE LEVELS THAT TRULY RESULT FROM THE PANDEMIC?

A No. I don't see how it is possible to determine whether an uncollectible expense or a waived late payment fee/reconnection fee results from the pandemic or is caused by another event. Therefore, it is inevitable that the AAO deferral will capture costs that result for other reasons. In this regard, the deferral is necessarily overly broad, but I don't see any method for segregating the uncollectible expense increase resulting from the pandemic from that which may have occurred for other reasons. Similarly, I can't see any way to distinguish the shortfall in late payment fees/reconnection fees that were caused by Covid-19 from that which may be caused by other factors. For this reason it is important, as discussed below, that this AAO have a set date for termination (with an opportunity for it to be renewed). Otherwise, the AAO simply turns into a tracker for an ordinary expense.

Q PLEASE DISCUSS THE EVERGY REQUEST TO DEFER EXPENSES ASSOCIATED WITH CUSTOMER INCENTIVE PLANS.

A Evergy seeks to defer expenses associated with customer incentive payment plans that Evergy has implemented as a result of the pandemic. Evergy has established one- and four-month customer incentive payment plans. If a customer pays off its unpaid balance in either one month or over four months, Evergy will provide a customer credit to the electric bill of that customer. MECG/MIEC are in agreement that these incentive payment credits should be deferred.

Q ARE THERE ANY COSTS OF THIS PROGRAM THAT MECG/MIEC IS OPPOSED TO ALLOWING DEFERRAL RECOGNITION?

A Yes. In the description of the program, Evergy discusses the funds it has committed to help agencies, communities and customers, respond to and recover from the pandemic. In a press release, Evergy specifically mentions that it has committed $2.2 million in assistance. MECG/MIEC are opposed to this contribution being deferred. This contribution is simply a charitable donation and should not be allowed for deferral. Historically, charitable donations are excluded from a utility's cost of service on the basis that the donations are made for purposes of increasing the utility's goodwill and public image. Furthermore, MECG/MIEC would be opposed to any similar charitable donations in the future.

Q PLEASE DESCRIBE THE INFORMATION AND TECHNOLOGY COST DEFERRAL.

A Evergy proposes to defer additional information and technology costs that have been required due to the need for employees to work from home. MECG/MIEC does not oppose the deferral of those costs that need to be incurred at the Company level to have connectivity with employees working from home.

Q IS THERE ANY ASPECT OF THESE COSTS FOR WHICH MECG/MIEC OPPOSE DEFERRAL?

A Yes, MECG/MIEC is opposed to any deferral of expenses relating to personal employee connectivity costs. For example, MECG/MIEC would be opposed to deferral of Evergy paying for internet access for employees working from home. These costs should either be borne by the employee or absorbed by Evergy. Internet access costs should not be deferred for possible recovery by Evergy ratepayers.

Q DOES MECG/MIEC SUPPORT THE DEFERRAL OF COSTS ASSOCIATED WITH CLEANING SUPPLIES, PPE EQUIPMENT, TEMPERATURE TESTING, EMPLOYEE SEQUESTRATION PREPARATION AND IMPLEMENTATION IF NEEDED?

A Yes. These costs are truly related to the pandemic and would not be a cost normally built into customer rates.

Q EVERGY HAS ALSO INCLUDED A CATCHALL REQUEST TO INCLUDE ANY OTHER COSTS THAT IT DETERMINES MIGHT ARISE FROM THE PANDEMIC. WHAT IS MECG/MIEC'S POSITION ON BLANKET APPROVAL OF UNIDENTIFIED COSTS?

A MECG/MIEC is opposed to a blanket approval of any costs that might arise that might be related to the pandemic. In essence, Evergy is asking the Commission to transfer its authority for determining the costs that should be included in the deferral. Evergy is asking that it be allowed the unilateral authority to include other costs as it deems appropriate. This request is simply too expansive and could lead to deferral of costs that are highly objectionable to the parties. AAO's are a special regulatory tool and should be used sparingly in ratemaking. Similarly, the costs approved for deferral should also be constrained such that a blanket request should not be allowed. The pandemic was present by mid-March. Evergy should have a good idea by now, five months later, of which expenses have increased or suddenly been incurred due to the pandemic. A thorough discussion with Evergy operating managers should have been held and a list of actual expenses identified. To simply throw in a blanket request to include anything else is too much.

Q IS THERE AN ALTERNATIVE TO A BLANKET REQUEST FOR POSSIBLE FUTURE EXPENSE DEFERRALS?

A Yes. MECG/MIEC would recommend that if Evergy discovers an expense that it had not requested for deferral, it could meet with the parties to this case to discuss deferral authority. If the parties agree, a Stipulation can be filed with the Commission notifying it of the agreement. If the parties cannot agree on the necessity for deferral, Evergy could file with the Commission for special recognition of the new expense deferral and parties would be allowed to file in support/opposition.

Q EVERGY HAS IDENTIFIED SEVERAL EXPENSE REDUCTIONS THAT IT SUGGESTS SHOULD BE USED TO OFFSET THE REGULATORY ASSET FROM THE DEFERRAL OF INCREASED EXPENSES. DOES MECG/MIEC SUPPORT THE CONCEPT OF RECOGNIZING COST SAVINGS AS AN OFFSET TO THE DEFERRED EXPENSES?

A Yes, much as it argued in the Sibley AAO, an extraordinary event can lead to costs as well as savings. Therefore, MECG/MIEC supports the concept of capturing cost savings from the pandemic. MECG/MIEC proposes that these cost savings be maintained in a separate regulatory liability so that auditing the savings can be performed. The savings in all likelihood would be used in the next rate case to offset the regulatory asset, but parties would have the option to treat those savings differently. At this time, MECG/MIEC does not have any other savings identified. However, similar to the blanket cost deferral issue just discussed, MECG/MIEC would propose that if a party discovered another potential cost saving, it could submit discovery to Evergy to determine if the savings are indeed related to the pandemic. In this way, cost savings that may arise during the AAO deferral period would be treated in the same manner as potentially new costs items identified by Evergy.

Q WHAT TYPE OF COST SAVINGS WOULD BE CAPTURED IN THE REGULATORY LIABILITY?

A Deferred savings would include savings associated with employees not traveling; office supplies; reduced utility costs and other operating cost savings. In addition, it is my understanding that Evergy has sought certain financial incentives pursuant to programs enacted by federal or state governments. To the extent that Evergy, either at the parent company or operating company level, receives such incentives, they should be reflected in this offsetting regulatory liability.

IV. SUNSET PROVISION

Q DOES EVERGY PROPOSE A SPECIFIC TIME PERIOD TO ACCUMULATE COSTS FOR DEFERRAL?

A No, Evergy's current proposal is open-ended with no definitive end date.

Q DOES MECG/MIEC AGREE WITH AN AAO REQUEST THAT DOES NOT HAVE AN END DATE?

A No. MECG/MIEC recommends that the AAO request have a sunset date of February 28, 2021. This is one year from Evergy's request to begin deferring expenses associated with the pandemic.

Q WHAT IS MECG/MIEC'S PROPOSAL IF THE PANDEMIC IS STILL PRESENT ON FEBRUARY 28, 2021?

A MECG/MIEC proposes that between January 1-15, Evergy would be allowed to file a request with the Commission to extend the AAO request for an additional six months. Evergy should be required to demonstrate why continuation of the AAO is necessary given the conditions from the pandemic (i.e., that the extraordinary event is continuing). The Commission could then review the facts and determine whether the deferral mechanism should continue. MECG/MIEC would suggest that those six-month extensions could continue until the pandemic is over or until Evergy files it next rate case. Once a rate case is filed an AAO would presumably be unnecessary as any costs could be treated within the context of the case. By requiring six-month AAO renewals, the deferral of expenses would be limited to those times when the pandemic is still present and would negate the deferral of expenses during non-pandemic times.

Q HAS EVERGY PROPOSED ANY FORM OF REPORTING?

A Evergy has proposed to file annual reports regarding the deferred expenses on May 1, 2021, and every May 1 thereafter. This reporting time frame does not fit with the proposed MECG/MIEC sunset provision and the desire to keep current on the deferral of expenses.

Q WHAT REPORTING TIMELINE DOES MECG/MIEC PROPOSE?

A MECG/MIEC proposes that Evergy file its initial report within 30 days of a Commission Order in this case. MECG/MIEC would then request that reports be filed quarterly (30 days after the end of the quarter) until the end of the pandemic deferral period. The first quarterly report would not be required if the initial report was within 30 days of the end of a quarter.

V. CARRYING COSTS

Q YOU MENTIONED EARLIER THAT EVERGY REQUESTED THAT CARRYING COSTS BE APPLIED TO THE DEFERRED REGULATORY ASSET. WHAT ARE CARRYING COSTS?

A Utilities earn their profits by applying a rate of return to the investment included in rate base. Here, Evergy is asking that any deferred costs be included in rate base and allowed to earn a return comparable to that earned by invested capital. This is known as carrying costs.

Q DOES MECG/MIEC AGREE WITH THIS REQUEST?

A MECG/MIEC asserts that this issue is really a revenue requirement issue and should be decided in the context of a rate case. The Commission has decided issues of carrying costs in rate cases in the past. That said, however, MECG/MIEC is opposed to allowing a rate of return calculation being applied to an expense item that has been deferred. An AAO is a special regulatory tool that captures expenses for possible future rate recovery. By allowing those costs to be deferred, one form of sharing between ratepayers and shareholders is to deny the rate of return being applied to the deferred asset. In this way, shareholders bear some of the costs by being allowed deferral accounting.

If the Commission determines that a return should be applied, then MECG/MIEC would propose the same short-term interest rate that is applied to any deferred balance in the fuel adjustment clause. The expenses in question in this case, since they are not capital investment, are no different than fuel costs, and if a return is deemed appropriate, then it should be the short term interest rate. In this regard, the General Assembly has mandated that expenses deferred under the fuel adjustment clause only be allowed a carrying cost equivalent to short term interest rate. (See, Section 386.255.5(2)). In conclusion, the MECG/MIEC believes this issue should be decided in the rate case when recovery of the deferred balance will be decided.

VI. ALLOCATION

Q HOW SHOULD THE COSTS ALLOWED FOR DEFERRAL BE ASSIGNED/ALLOCATED?

A As with any cost, to the extent that it can be deemed specific to a certain state/utility, then the cost should be assigned to that state/utility. Only costs that are not capable of being specifically assigned should be allocated between the states/utilities. This assignment/allocation process must include not only Evergy Metro and Evergy Missouri West, but also Evergy Kansas Central (Westar). Any costs that are then assigned/allocated to Evergy Metro must then be allocated to the state jurisdictions of Kansas and Missouri. The allocation of costs to Kansas and Missouri should be consistent with Evergy's last Missouri Metro rate case (Case No. ER-2018-0145). On the other hand, since it operates only in Missouri, any costs that are assigned/allocated to Evergy Missouri West must necessarily involve only Missouri.

Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A Yes, it does.

Qualifications of Greg R. Meyer

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree in Business Administration, with a major in Accounting. Subsequent to graduation I was employed by the Missouri Public Service Commission. I was employed with the Commission from July 1, 1979 until May 31, 2008.

I began my employment at the Missouri Public Service Commission as a Junior Auditor. During my employment at the Commission, I was promoted to higher auditing classifications. My final position at the Commission was an Auditor V, which I held for approximately ten years.

As an Auditor V, I conducted audits and examinations of the accounts, books, records and reports of jurisdictional utilities. I also aided in the planning of audits and investigations, including staffing decisions, and in the development of staff positions in which the Auditing Department was assigned. I served as Lead Auditor and/or Case Supervisor as assigned. I assisted in the technical training of other auditors, which included the preparation of auditors' workpapers, oral and written testimony.

During my career at the Missouri Public Service Commission, I presented testimony in numerous electric, gas, telephone and water and sewer rate cases. In addition, I was involved in cases regarding service territory transfers. In the context of those cases listed above, I presented testimony on all conventional ratemaking principles related to a utility's revenue requirement. During the last three years of my employment with the Commission, I was involved in developing transmission policy for the Southwest Power Pool as a member of the Cost Allocation Working Group.

In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant. Since joining the firm, I have presented testimony and/or testified in the state jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri, New Mexico, Washington, Wisconsin, and Wyoming. I have also appeared and presented testimony in Alberta and Nova Scotia, Canada. In addition, I have filed testimony at the Federal Energy Regulatory Commission ("FERC"). These cases involved addressing conventional ratemaking principles focusing on the utility's revenue requirement. The firm Brubaker & Associates, Inc. provides consulting services in the field of energy procurement and public utility regulation to many clients including industrial and institutional customers, some utilities and, on occasion, state regulatory agencies.

More specifically, we provide analysis of energy procurement options based on consideration of prices and reliability as related to the needs of the client; prepare rate, feasibility, economic, and cost of service studies relating to energy and utility services; prepare depreciation and feasibility studies relating to utility service; assist in contract negotiations for utility services, and provide technical support to legislative activities.

In addition to our main office in St. Louis, the firm has branch offices in Phoenix, Arizona and Corpus Christi, Texas.