

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

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

MECG STATEMENT OF POSITIONS

COMES NOW, the Midwest Energy Consumers Group (“MECG”) and for its Statement of Positions provides the following. Through citations to prefiled testimony in this matter, as well as the Unanimous Stipulation recently filed regarding Spire’s request to implement an AAO for Covid costs / savings,¹ MECG fully supports the positions herein and urges the Commission to adopt those positions. MECG reserves the right to supplement its positions in the context of briefs in this case based upon evidence elicited at any evidentiary hearing in this matter.

Issue 1: Is the Covid 19 pandemic an extraordinary event within the scope of the Uniform System of Accounts as it has been historically interpreted and applied by the Commission or as subsequently modified by Missouri courts?

Position: In general, the Uniform System of Accounts (“USOA”) requires utilities to book costs, revenues and investment in the period in which it was incurred. That said, however, the USOA allows a utility to defer the financial impact of an extraordinary event – an event that is “abnormal and significantly different from the ordinary and typical activities of the company.”

7. Extraordinary Items.

It is the intent that net income shall reflect all items of profit and loss during the period with the expectation 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.²

¹ *Stipulation and Agreement*, Case No. GU-2020-0376, filed September 11, 2020 (“Spire Settlement”).

² Exhibit 300, Meyer Direct, page 4 (emphasis added).

Historically, the Commission has faithfully applied the extraordinary standard as expressed in the USOA – whether the event is extraordinary to the specific company, not the industry. For instance, in its recent decision in Case No. EC-2019-0200, the Commission stated:

In describing the factors that should be taken into account when deciding whether a given item of profit or loss should be considered “extraordinary”, the USOA definition refers to significant events and transactions that are “abnormal and significantly different from the ordinary and typical activities of the company.” **Thus, the focus of the standard is on the abnormality and significance of the event and transaction on the company, not on the industry as a whole.** That is a reasonable focus as the Commission is expected to determine whether the event is extraordinary and a justification for an AAO for a single utility, not for the industry as a whole.³

Given the continued focus on whether an event is “abnormal and significantly different from the ordinary and typical activities of the company”, MECG believes that the Covid-19 pandemic is extraordinary. “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 Eversource.”⁴

While the Commission / USOA standard has focused on whether the event is “abnormal and significantly different from the ordinary and typical activities of the company”, Eversource has recently proposed a different standard. Specifically, in the context of the Sibley retirement AAO, Eversource argued that the determination of whether an event is extraordinary should focus on the industry and not the specific utility.⁵ In its opinion, however, the Western District Court of Appeals rejected Eversource’s attempt to focus on the industry rather than the specific utility.

Eversource further argues that the retirement of the Sibley plant was not unusual because of the increasing frequency of coal plant retirements within the electric-utility industry as a whole. General Instruction 7 specifies, however, that whether an item is “extraordinary” is evaluated by looking at the event in relation to “the ordinary and typical activities of the company,” not in comparison to the activities of the industry as a whole. . . . In any event, many AAOs approved in the past involved the costs of addressing issues facing the entire industry, not simply an individual utility (such as the costs of complying with environmental standards or renewable energy mandates, or the costs to address “Y2K” computer problems). **It has never been suggested that an AAO was inappropriate because particular costs were associated with a matter of industrywide concern. The Commission’s Report and Order properly focused on the rarity of plant retirements by Eversource.**⁶

While the Western District Court of Appeals has rejected Eversource’s misplaced assertion, the case is not yet fully disposed. Rather, on September 16, Eversource asked the Missouri Supreme

³ *Report and Order*, Case No. EC-2019-0200, issued October 17, 2019, at page 13 (emphasis added).

⁴ Exhibit 300, Meyer Direct, page 5.

⁵ *Id.* at page 4.

⁶ *Majority Opinion*, Case No. WD83319, issued July 28, 2020, page 16, not yet reported (emphasis added).

Court to accept transfer of this case. Given this, it is still possible that the Commission’s historic focus on the specific utility may be overturned in favor of a focus on the industry as a whole.

Therefore, in the event that Evergy convinces the Missouri Supreme Court to change the focus of the extraordinary standard to the industry instead of the specific utility, the Commission will need to adjust its focus in this case. In that situation, MECG asserts that the Covid-19 pandemic is not extraordinary. “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.”⁷

a. Is the resulting economic impact material within the scope of the Uniform System of Accounts?

Position: In addition to its focus on the extraordinary nature of an event, the Uniform System of Accounts also considers whether an event is material prior to allowing deferral of costs. Specifically, the USOA provides that “[t]o be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income.”⁸

In this case, MECG has not attempted to quantify whether the costs are 5% of Evergy’s income. As MECG witness Meyer pointed out,

At this point, it is impossible to get an accurate quantification of the costs / savings in question. Unlike a tornado or ice storm, the end of the extraordinary event is usually well defined. In contrast, 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.⁹

Issue 2: Should the Commission approve the Application for an accounting authority order (“AAO”) permitting Evergy to accumulate and defer to a regulatory asset for consideration of recovery in future rate case proceedings before the Missouri Public Service Commission (“Commission”) extraordinary costs and financial impacts incurred as a result of the coronavirus disease (“COVID-19”) pandemic?

Position: In part. Under the Commission’s historical standard, the Covid-19 pandemic is extraordinary to Evergy in that it is “abnormal and significantly different from the ordinary and typical activities of the company.” Again, if Evergy successfully changes the focus to the industry as a whole then the Commission should not approve the proposed AAO because it “is an event that is affecting the industry as a whole.”¹⁰ As reflected herein, under the Commission’s historic standard, the Commission should allow deferral of certain costs as discussed herein, but should reject Evergy’s request to defer “lost revenues” allegedly caused by the pandemic.

⁷ Exhibit 300, Meyer Rebuttal, page 5.

⁸ *Id.* at page 4

⁹ *Id.* at page 5.

¹⁰ *Id.*

Issue 3: If the Commission determines that an AAO or other deferral accounting mechanism should be ordered in connection with the COVID-19 pandemic, what items should be deferred?

Position: As reflected herein, MECG asserts that Evergy should be allowed to defer certain costs, but not lost revenues. Importantly, that belief is premised entirely on the notion that the pandemic is abnormal or significantly different from that normally faced by Evergy. If the standard changes, as Evergy seeks to do in its appeal of the Commission’s decision in Case No. EC-2019-0200, then the Commission should deny deferral of each of the costs sought by Evergy. The following positions all assume that the standard remains focused on the individual utility and not the industry.

a. Uncollectible expense in excess of amounts included in rates in the most recent general rate cases of Evergy Missouri Metro and Evergy Missouri West, respectively?

Position: Also known as bad debt, “uncollectible expenses are those amounts billed to customers that go uncollected by the utility.”¹¹ As Mr. Meyer relates, on June 20, 2020, the Commission approved Evergy’s proposal to suspend disconnection of service due to non-payment during the pandemic. “One consequence of suspending disconnects 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 expense.”

That said, however, it is important that Evergy not be permitted to defer all uncollectible expense. Rather, “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 expenses.”¹² Such a limitation is consistent with the recent settlement in the Spire Covid-19 docket. “Increased bad debt expense due to Covid-19 to the extent total bad debt expense exceeds levels included in the cost of service.”¹³

In response to data requests, Evergy indicated that the amount of uncollectible expense currently built into rates is \$5,552,581 for Evergy Missouri Metro and \$2,894,841 for Evergy Missouri West.

b. Costs incurred in connection with the one- and four-month Pandemic payment plan incentives that the Commission permitted the Company to implement in Case No. EO-2020-0383 (including credits awarded as incentives and costs related to customer communications)?

Position: As mentioned, the Commission approved certain programs proposed by Evergy to assist customers during the pandemic. Included was an incentive program by which Evergy

¹¹ *Id.* at page 12.

¹² *Id.* at page 13.

¹³ Spire Settlement at page 2.

would offer incentives to customers that pay off their unpaid balance in either one month or over four months. MECG is in agreement “that these incentive payment credits should be deferred.” That said, however, MECG asserts that the Commission should disallow one particular cost. Specifically, Evergy committed \$2.2 million as assistance “to help agencies, communities and customers, respond to and recover from the pandemic.”¹⁴ The Commission has historically excluded charitable contributions from recovery in rates. “Utility expenses that are highly discretionary and do not benefit customers, such as charitable donations, political lobbying expenses, and incentive compensation tied to earnings per share, are typically allocated entirely to shareholders.”¹⁵ Just as the Commission has historically disallowed recovery of these charitable donations it should also disallow the \$2.2 million donation made by Evergy.¹⁶ Noticeably, Evergy did not address the appropriateness of deferring this \$2.2 million charitable donation.

c. Waived late payment fees / reconnection fees to the extent that they fall short of the amount included in rates?

Position: As mentioned, the Commission approved Evergy’s request to suspend disconnections during the pandemic due to non-payment. The suspension of these disconnections not only led to an increase in uncollectible expense, but also results in a shortfall in the amount of late payment fees and reconnection fees that Evergy would normally collect. Similar to the increase in uncollectible expense, MECG believes that any shortfall in late payment fees and reconnection fees should be deferred.

That said, however, there is a distinction between uncollectible expense and late payment / reconnection fees. Given this distinction, while Evergy should be permitted to defer uncollectible expense to the extent that it exceeds the amount included in rates, it should be permitted to defer late payment / reconnection fees to the extent that they fall short of the amount included in rates.¹⁷ Otherwise, Evergy will be double collecting certain amounts. Staff agrees. “Staff recommends allowing Evergy to defer foregone late payment fees up to the amount that was set in Evergy’s last general rate case.”¹⁸ Again, this provision is consistent with the recent Spire settlement. “Lost revenues up to the amount included in rates related to: waived late payment fees, reconnection charges, and disconnection charges.”¹⁹

In response to data requests, Evergy indicated that late payment fees included in rates are \$1,909,541 and \$725,422 for Evergy Metro and Evergy West respectively. Reconnection fees built into rates are \$362,605 and \$271,385 for Evergy Metro and Evergy West respectively.²⁰

¹⁴ Exhibit 300, Meyer Rebuttal, page 16.

¹⁵ *Report and Order*, Case No. ER-2014-0370, issued September 2, 2015, 25 Mo.P.S.C.3d 437.

¹⁶ Exhibit 300, Meyer Rebuttal, page 16.

¹⁷ *Id.* at page 15.

¹⁸ Exhibit ____, Bolin Rebuttal, page 12.

¹⁹ *Spire Settlement*, page 2.

²⁰ Exhibit 300, Meyer Rebuttal, page 14.

d. Information technology-related costs incurred to enable employees to work from home, including hardware, licensing fees and connectivity costs?

Position: As a result of the pandemic many of Evergy's employees have been required to work from home. There are necessarily costs, incurred by the utility, to allow these employees to connect with utility computer systems. MECG does not oppose the deferral of these costs. That said, however, MECG does oppose the deferral of any costs normally incurred by the employee including employees' internet access fees. "These costs should either be borne by the employee or absorbed by Evergy."²¹ At this point, most if not all employees already have internet access to their home. The need for employees to incur such internet access is further necessitated by the fact that children of employees need internet service for virtual access to schools. Evergy's willingness to incur these costs on behalf of their employees is simply an effort to inflate employee benefits. Therefore, Evergy should not be permitted to defer any connectivity costs normally incurred by the employee. This position is imminently reasonable. In the recent settlement, Spire agreed not to defer any employee internet costs. Rather that settlement provided for the following deferral: "[t]echnology upgrades and equipment directly related to enabling employees to work from home. Such costs include company costs and will not extend to costs normally incurred by the employee including internet connectivity at the home."²²

e. Costs incurred to protect employees unable to work from home, including cleaning supplies, personal protective equipment, temperature testing, employee sequestration preparation (and employee sequestration if that becomes necessary)?

Position: MECG does not oppose the deferral of cleaning supplies, personal protective equipment, temperature testing, employee sequestration preparation and implementation if deemed necessary. This position is also consistent with the recent Spire settlement which provided for the following deferral: "[n]ew or incremental operating and maintenance expense related to protecting employees and customers – eligible costs are the following: (i) additional cleaning of facilities and vehicle; (ii) personal protective equipment (i.e., masks, gloves, sanitizing sprays)."²³

f. Lost revenues associated with the reduction of electric usage during the Pandemic? As an alternative, should the Commission order the deferral of pandemic-related lost fixed cost recovery due to the pandemic?

Position: No. As the Commission has previously recognized, the deferral of alleged lost revenues is inappropriate.

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

²¹ *Id.* at page 17.

²² Spire Settlement, pages 2-3.

²³ *Id.* at page 1.

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.²⁴

Still again, in Case No. ER-2014-0258, the Commission denied recovery of deferred lost revenues associated with an ice storm.²⁵

As Mr. Meyer relates, Evergy's request to defer lost revenues is a misplaced effort by Evergy to have ratepayers guarantee a certain level of profits. Recognizing that Evergy has had a positive return on equity at all times since its last rate case, Evergy is recovering all of its "operating expenses, depreciation, other taxes and income taxes."²⁶ Thus, Evergy is not attempting to recover incremental costs associated with the pandemic, but to restore a level of profits that it believes to which it believes it is entitled. The Commission has expressly rejected this notion.

The risk that Noranda's production would fall and that it would be unable to sell as much electricity as it anticipated was a risk the company's shareholders, who benefit from the profits earned by serving Noranda, should bear. **Ratepayers are not the insurers of Ameren Missouri's profits and should not have to bear the risk that those profits are not as great as anticipated** because of a drop in production at Noranda. . . Ameren Missouri experienced more than sufficient earnings to cover its fixed costs during all time periods between the ice storm and this rate case. While not a determinative factor alone in deciding whether to grant recovery of any AAO, this is one of the relevant factors the Commission must consider in setting just and reasonable rates in this case.²⁷

Staff agrees that, unlike incremental costs resulting from the pandemic, "lost revenues" should not be deferred.

[T]here is a clear and fundamental distinction between allowing deferral of incremental costs related to the COVID-19 pandemic and allowing deferral of "lost revenues" associated with COVID-19. There is generally no recognition in

²⁴ *Report and Order*, Case No. GU-2011-0392, issued January 25, 2012, pages 24-25.

²⁵ *Report and Order*, Case No. ER-2014-0258, issued April 29, 2015, page 43 ("After considering all relevant factors, the Commission decides that recovery of the amounts deferred under the previously established accounting authority order is not appropriate.").

²⁶ Exhibit 300, Meyer Rebuttal, page 9.

²⁷ *Report and Order*, Case No. ER-2014-0258, issued April 29, 2015, page 42-43 (emphasis added).

the normal ratemaking process for costs associated with unanticipated and unusual extraordinary events such as tornadoes, floods, and major wind and ice storms. That is because the ratemaking process is premised upon allowing recovery from customers of prudently incurred normal and ongoing expenses necessary to provide utility service. When a utility's service territory is affected by a catastrophic event, the utility has the obligation to expend funds necessary to continue to serve customers. Staff has long held that good regulatory policy requires some rate recognition of the prudently incurred out-of-pocket costs incurred by the utility to continue service in the aftermath of an extraordinary event. Permitting deferral of these costs through an issuance of an AAO allows the utility the ability to seek later rate recognition of these costs through an amortization to expense. **In contrast, there is no "out-of-pocket" expenditure associated with lost revenues from an extraordinary event, just a reduction in the earnings level of the affected utility. Use of the AAO mechanism solely to restore utility earnings to an assumed pre-extraordinary event level is not an appropriate use of deferral authority in Staff's view. Use of the AAO in this manner would improperly serve to facilitate a guarantee that a utility would earn a certain return even in the event of a decline in revenues from customers.**²⁸

Demonstrating the virtual unanimity with regards to the deferral of lost revenues, Public Counsel²⁹ and Sierra Club³⁰ also recommend that the Commission reject Evergy's request to defer lost revenues. Moreover, the decision to disallow the deferral of lost revenues has recently been embraced by the Indiana Utility Regulatory Commission and other state utility commissions.

Under the regulatory compact, at a base level, utilities are obligated to provide safe, reliable service and customers are obligated to pay just and reasonable rates for any such service they receive. The balance of this Order seeks to work toward allowing customers to meet their obligation while providing utilities the reasonable relief they need to help such customers do so. However, **asking customers to go beyond their obligation and pay for service they did not receive is beyond reasonable utility relief based on the facts before us. A utility's customers are not the guarantors of a utility earning its authorized return.** Instead, utilities are given the opportunity to recover their costs and a fair rate of

²⁸ Exhibit __, Bolin Rebuttal, pages 8-9.

²⁹ Exhibit __, Schallenberg Rebuttal, pages 16-17 ("I am opposed to "lost revenues" charges to the AAOs. The Companies tariffs are not based on a "take or pay" provisions that their customers are going to be billed for a certain amount of energy whether they use it or not. . . I am also opposed to tracking lost revenues because Evergy should not be allowed profits from sales to customers that never occurred.").

³⁰ Exhibit __, Roberto Rebuttal, pages 4-5 ("Lost of unearned revenue resulting from lower than anticipated sales is not an accounting item that can be recorded under either the Uniform System of Accounts or Financial Accounting Standards Board ("FASB"), which govern Evergy's accounting requirements. . . Missouri regulation places the risk of volumetric electricity sales variation squarely with the utility. The Commission authorized Evergy's return on equity under circumstances that included this allocation of risk. If the risk had been allocated to customers, the Commission would have necessarily reduced the return on equity granted to Evergy to account for the reduction in risk to Evergy's investors.").

return, which includes a certain level of risk attributable to variable sales. The approvals herein are intended to support the revenue recovery by utilities for the service they have provided pursuant to their approved rate designs by supporting a customer's ability to eventually pay for services received. We decline to move beyond this recovery based upon the facts presented.³¹

Besides the blanket opposition that parties have to the deferral of "lost revenues", Staff also filed testimony which casts serious doubts on Evergy's claim of lost revenues. Specifically, Staff pointed out that, while usage dipped temporarily because of the pandemic, usage was up for all the previous months. Therefore, "the monthly differences that exist between the Companies' rate case usage and actual billed usage average out and are similar to or higher than the usage approved in Evergy's last rate cases for all rate classes except for the Large Power class."³² The fact that the decline was temporary was also admitted in the context of Evergy's August 5 earnings call. "In the earnings call, it was discussed that Evergy's decline in commercial and industrial usage was partly offset by increase in its residential usage. Also in the call, it was indicated that the commercial and industrial usage was only temporarily down in April and May and is already improving."³³

In addition to the numerous policy reasons dictating that the Commission reject Evergy's request to defer "lost revenues", the Commission should also deny Evergy's request for equitable reasons.³⁴ As Evergy readily admits, customers in the Evergy service area are suffering as a result of the pandemic.

- Macy's, Kohl's, Best Buy, casinos, and motion picture theaters have closed in March and April;
- Ford Motion Company plant in Claycomo closed its production line on March 20 for two months, reopening on May 18;
- Hospitals are currently open for all procedures, but none are operating at pre-Covid 19 levels.
- Casinos have reopened, but we understand that patronage of those businesses has fallen substantially during the Pandemic.
- Retail stores are also experiencing substantial difficulty during the Pandemic;
- The Kansas City Royals have not played a single game in front of fans.
- Starlight Theater in Swope Park has cancelled its 2020 season of performances.
- The Kansas City Symphony, the Kansas City Ballet, the Lyric Opera of Kansas City, and the Harriman-Jewell series have cancelled all of their performances until January 2021.³⁵

Despite its recognition that its customers are suffering the effects of the pandemic, "Evergy believes that it alone should be insulated from any financial impact associated with the

³¹ *Phase 1 and Interim Emergency Order of the Commission*, Cause No. 45377 / 45380, issued June 29, 2020, at page 9 (emphasis added).

³² Exhibit __, Byron Murray Rebuttal, page 5.

³³ Exhibit __, Bolin Rebuttal, page 12.

³⁴ Section 386.510 at least implies that equitable reasons should be considered in Commission proceedings.

³⁵ Exhibit __, Ives Direct, pages 7-8.

pandemic and asks that it be allowed to recover lost revenues / profits.”³⁶ Certainly placing the monopoly in a position that it should be insulated from any effects of the Covid pandemic while all other segments of its service area are suffering does not comport with notions of equity. Instead of seeking to charge customers for energy that they did not use, Evergy should be seeking to be a good corporate citizen and shoulder its share of the pandemic effects.

g. Other incremental costs or other unfavorable financial impacts resulting from the Pandemic not presently identified?

Position: No. Throughout its application Evergy asks that the Commission authorize the deferral of specific costs. That said, however, Evergy also asks that the Commission abdicate this authority to Evergy and allow it to defer other incremental costs and financial impacts as it deems appropriate. “This request is simply too expansive and could lead to deferral of costs that are highly objectionable to the parties. AAOs are a special regulatory tool and should be used sparingly in ratemaking.”³⁷ At this point, Evergy is over 6 months into the pandemic. Given this, Evergy should have a good idea by now. . . of which expenses have increased or suddenly been incurred due to the pandemic.”³⁸

There is a reasonable alternative to Evergy’s request that it be granted unilaterally authority to defer costs as it deems appropriate. “MECG 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.”³⁹

h. What pandemic-related savings should be booked as a regulatory liability or included as an offset to the regulatory asset related to the pandemic-financial impacts?

Position: In its Report and Order in Case No. EC-2019-0200, the Commission recognized that an Accounting Authority Order can be used not only for the deferral of costs, but also for the deferral of cost savings. Despite Evergy’s assertions that AAOs should only be used to protect shareholders by allowing the deferral of only costs, the Western District Court of Appeals disagreed.

In its briefing, Evergy emphasizes that, in past cases, AAOs have been employed to protect utilities from the effects of extraordinary expenses or revenue shortfalls. ***It seemingly argues that AAOs are a “one-way street” which can only be employed to protect a utility’s financial interests, not to protect ratepayers from the financial windfall a utility may receive when it experiences extraordinary savings or revenue increases. We see nothing in General Instruction 7 which***

³⁶ Exhibit 300, Meyer Rebuttal, page 10.

³⁷ *Id.* at page 18.

³⁸ *Id.*

³⁹ *Id.*

limits the use of deferral accounting to address only extraordinary costs, but not extraordinary cost savings or revenues. Rather, General Instruction 7 refers generically to extraordinary financial “items” caused by “events and transactions” which are of an “unusual nature and infrequent occurrence.” General Instruction 7 does not distinguish between extraordinary “items” which decrease revenue versus those which increase it.⁴⁰

Despite its previous position that AAOs can only be used to defer increases in costs, Evergy now apparently recognizes the misguided nature of its previous position. Now Evergy asks that it be allowed to not only defer incremental costs, but also to defer cost savings resulting from the pandemic.

Evergy will also track all offsets to the cost increases it has experienced associated with the COVID-19 pandemic and will reduce the amount of the regulatory asset by any cost reductions. Such offsets will likely include reduction in travel costs, reduction in electricity and other costs at Evergy offices, and any related increase in residential revenues that occurs as a result of more people working from home.⁴¹

In its testimony, MECG agreed and asserted that “these costs savings be maintained in a separate regulatory liability so that auditing the savings can be performed.”⁴² As reflected in the recent Spire Covid-19 AAO settlement, MECG asserts that such savings from reductions in the following expenses should be deferred: (1) travel expenses; (2) training expenses; (3) office supplies; (4) utility service costs; (5) staffing reductions; (6) reduced employee compensation and benefits; (7) taxable net operating loss that is carried back to previous tax years per the CARES Act; and (8) any direct federal or state assistance received related to Covid.⁴³

i. Should carrying costs be excluded during the deferral period and be considered for inclusion in rates in Evergy’s next general rate case?

Position: In its testimony, MECG and Staff both argued that the issue of carrying costs should be best addressed in Evergy’s next general rate case. “MECG 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.”⁴⁴ Similarly, Staff argued that “[i]nclusion of carrying costs in a deferral has rarely been authorized by the Commission. Since the appropriateness of applying carrying costs to deferrals is essentially a ratemaking determination, Staff recommends the Commission wait until Evergy’s next general rate case proceeding to decide this issue.”⁴⁵ In its surrebuttal testimony, Evergy agreed. “I agree that excluding carrying costs from Covid-19 deferrals during the deferral period and leaving the carrying cost issue as one to be addressed in Evergy’s next general rate cases is a reasonable

⁴⁰ *Majority Opinion*, Case No. WD83319, issued July 28, 2020, pages 15-16, not yet reported (emphasis added).

⁴¹ *Application of Evergy Metro, Inc. and Evergy Missouri West, Inc. for Accounting Authority Order Related to Covid-19 Costs and Financial Impacts*, Case No. EU-2020-0350, filed May 6, 2020, at page 13.

⁴² Exhibit 300, Meyer Rebuttal, page 19.

⁴³ Spire Settlement at page 3.

⁴⁴ Exhibit 300, Meyer Rebuttal, page 22.

⁴⁵ Exhibit ____, Bolin Rebuttal, page 13.

resolution of the issue for purposes of this proceeding.”⁴⁶ This provision was also agreed to in the Spire settlement. “Signatories agree that any party may propose or oppose certain ratemaking treatment of carrying costs related to this Covid-19 AAO in Spire Missouri’s next general rate case.”⁴⁷

Issue 4: Should any sunset provision include the opportunity for the AAO to be extended?

Position: Yes. It is unreasonable to allow this deferral mechanism to continue for an indeterminate period of time.

AAOs are designed to defer unusual costs. For this reason, the Commission rejected AAOs associated with usual costs like property taxes; cybersecurity costs and transmission expenses. Despite this historic position the requested mechanism in this case seeks to defer changes in ordinary costs (i.e., increases in uncollectible expenses and decreases in late payment / reconnection fees). By asking that the AAO be allowed to extend for an unlimited period of time, Evergy effectively seeks to use the pandemic as justification for turning the pandemic AAO into a tracker mechanism for usual costs. In this regard it is important to recognize that the AAO is not only capturing the change in these usual costs associated with the pandemic, but also the changes regardless of the reason.

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. . . 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.⁴⁸

For this reason, MECG recommends that the AAO “have a sunset date of February 28, 2021. This is one year from Evergy’s request to begin deferring expenses associated with the pandemic.”⁴⁹ That said, however, MECG recommends that Evergy be allowed to seek Commission approval to extend the AAO if the pandemic conditions still linger at that time.⁵⁰

Except for the sunset date which is one month longer, this provision is largely consistent with the recent Spire settlement which provides that “[a]ll costs and cost reductions will be tracked and deferred separately into a regulatory asset / liability until March 31, 2021. The duration of this time period may be extended or renewed upon agreement of the Parties and

⁴⁶ Exhibit ____, Klote Surrebuttal, page 3.

⁴⁷ Spire Settlement at pages 2-3.

⁴⁸ Exhibit 300, Meyer Rebuttal, page 15.

⁴⁹ *Id.* at page 20.

⁵⁰ *Id.*

subsequent Order of the Commission approving the agreement or by separate Order of the Commission.”⁵¹

Staff agrees with MECG’s recommendation.

Staff recommends Evergy’s deferral begin March 1, 2020 and end February 28, 2021. Because AAO deferrals should be strictly limited to the duration of extraordinary event impacts, normally there will be a relatively short period of time in which a utility is allowed to defer costs through an AAO application. However, due to the current uncertain duration of the Covid-19 pandemic, Staff’s position is that allowing Evergy to defer Covid-19 pandemic costs for an initial 12-month period is reasonable. If Evergy can demonstrate material continuing financial impact on it related to the Covid-19 pandemic after February 28, 2021, Staff would not be opposed to entering into discussions with Evergy and other parties concerning a possible extension of the deferral at that time, or granting of a new AAO request.⁵²

Issue 5: If the Commission adopts an AAO for some or all of the costs and revenues associated with the COVID-19, should the Commission order periodic reporting of information associated with the deferral? If so, what information should be reported and how often?

Position: Yes. Given the unusual nature of this deferral, MECG agrees that some level of reporting is necessary. That said, however, MECG takes no position on the specific nature of the information that should be reported. Instead, MECG directs the Commission’s attention to the positions advanced by OPC.

Issue 6: Should the Commission adopt the recommendations of NHT related to extension of the moratorium on nonpayment service disconnections, arrearage management programs, long-term payment deferment plans, expansion of the Economic Relief Program, income-eligible energy efficiency plans, suspend credit reporting, suspend disconnection and reconnection fees, or other customer programs?

Position: In its testimony, NHT has presented two different types of proposals. First, NHT “describes several programs for lower income ratepayers that will allow low income customers to pay a reduced bill coincident with their ability to pay.”⁵³ Second, NHT “discusses energy efficiency programs and how those programs should be emphasized for low income customers.”⁵⁴

While MECG does not take a position on the legitimacy of the programs advanced by NHT, it does believe that such proposals are beyond the scope of this docket. Specifically, as Mr. Meyer points out that “the application filed by Evergy requests Commission authority to defer to

⁵¹ Spire Settlement at pages 3-4.

⁵² Exhibit ____, Klote Rebuttal, page 6.

⁵³ Exhibit 301, Meyer Surrebuttal, page 6.

⁵⁴ *Id.*

a regulatory asset for potential recovery in future rate case proceedings, all extraordinary costs, and financial impacts incurred as result of the pandemic plus associated carrying charges.”⁵⁵ Therefore, the scope of this docket should be limited and should not include the design of programs.

MECG asserts that these efforts are better addressed in other dockets. First, in regards to the low income proposals, MECG notes that the Commission has opened Docket No. AW-2020-0356. In that case, the Commission is addressing concerns with past due customer balances resulting from the pandemic. Certainly, issues regarding past due balances of low income customers can / should be addressed in that docket. Second, issues regarding energy efficiency programs, including those for low income customers, are best addressed in MEEIA dockets. Interestingly, in the context of Evergy’s most recent MEEIA filing, NHT presented many of the same proposals that it is providing in this docket. Therefore, NHT’s efforts are largely an attempt to get “another bite at the apple.”⁵⁶

Staff agrees completely. “Mr. Colton provides a lot of good information related to the effects of Covid-19 on vulnerable populations. This data and information would be very useful in the Commission’s consideration of best practices for recovery of past-due utility customer payments after the Covid-19 Pandemic Emergency in File No AW-2020-0356.”⁵⁷ “As to Evergy-specific conditions. . . it is my opinion that they are outside the scope of the Commission’s consideration of Evergy’s AAO application.”⁵⁸

Finally, NHT’s proposal appears to be unworkable in the context of this case. As Mr. Meyer points out, “I do not see these programs being able to be implemented in a timely manner. . . Implementing these programs and obtaining proper funding may take more time that is proposed for this AAO request.”⁵⁹

Issue 7: Should the Commission adopt any of the customer-specific recommendations of OPC including: 1) waiving disconnection and reconnection fees; 2) ceasing full credit reporting; 3) waiving late payment fees and deposits; 4) expanding payment plans to 12 months or greater; and 5) establishing an arrearage matching program, dollar-for-dollar on bad debt for eligible customers.

Position: Unlike NHT’s positions, which go beyond the scope of this docket, OPC’s customer programs appear to be related to the pandemic and suggested responses. As such, while MECG does not take a position on the merits of any specific OPC program, the Commission should consider each of those recommendations carefully.

⁵⁵ *Id.* at page 5.

⁵⁶ *Id.* at pages 6-7.

⁵⁷ Exhibit ____, Dietrich Surrebuttal, page 3.

⁵⁸ *Id.*

⁵⁹ Exhibit 301, Meyer Surrebuttal, page 7.

Issue 8: What, if any, other conditions should the Commission adopt in connection with the AAO?

Position: Given its operations in two states and, within Missouri, as two separate utility, MECG recommended that costs and savings be specifically assigned to utilities where possible. In the absence of a specific assignment, costs should be fairly allocated to utilities consistent with the allocations in Evergy's most recent rate case (ER-2018-0145). In its surrebuttal testimony, Evergy largely agreed that an appropriate assignment / allocation methodology should be implemented. "The Company does agree with Mr. Meyer that following allocation principles are important in the accumulation of costs and the amounts accumulated and deferred if ultimately approved will follow the allocation principles as set forth in the Company's cost allocation manuals."⁶⁰

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

David L. Woodsmall

Dated: September 16, 2020

⁶⁰ Exhibit ____, Klote Surrebuttal, page 18.