Exhibit No.:	
Issues:	
Witness:	Roger Colton
Sponsoring Party:	National Housing Trust
Type of Exhibit:	Rebuttal Testimony
Case No:	EU-2020-0350
Date Testimony Prepared:	August 17, 2020

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EU-2020-0350

REBUTTAL TESTIMONY

OF

ROGER COLTON

ON

BEHALF OF

NATIONAL HOUSING TRUST

August 17, 2020

TABLE OF CONTENTS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA 02478.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the National Housing Trust (NHT), on whose behalf I have been retained as an expert.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am a principal in the firm Fisher, Sheehan & Colton, Public Finance and General Economic. In that capacity, I provide technical assistance to a variety of federal and state agencies, consumer organizations and public utilities on rate and customer service issues involving water/sewer, natural gas, and electric utilities.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. I work primarily on low-income utility issues. This involves regulatory work on rate and customer service issues, as well as research into low-income usage, payment patterns, and affordability programs. At present, I am working on various projects in the states of Maryland, Virginia, Pennsylvania, Michigan, Illinois, Missouri and Washington. My clients include state agencies (e.g., Pennsylvania Office of Consumer Advocate, Maryland Office of People's Counsel, Illinois Office of Attorney General), federal agencies (e.g., the U.S. Department of Health and Human Services), community-based organizations (e.g., National Immigration Law Center, Natural Resources Defense Council, Advocacy Centre Tenants Ontario), and private utilities (e.g., Unitil Corporation d/b/a Fitchburg Gas and Electric Company, Entergy Services, Xcel Energy d/b/a Public Service of Colorado). In addition to state-specific and utility-specific work, I engage in national work throughout the United States. For example, in 2007, I was part of a team that performed a multi-sponsor public/private national study of low-income energy assistance programs. In 2011, I worked with the U.S. Department of Health and Human Services (the federal LIHEAP office) to advance the review and utilization of the Home Energy Insecurity Scale as an outcomes measurement tool for the federal Low-Income Home Energy Assistance Program ("LIHEAP"). This year, I completed a study of water affordability in twelve U.S. cities for the London-based newspaper, The Guardian. I am presently working on the development of an on-line national tool through which water/wastewater utilities (as well as other stakeholders) can assess the financial impact of bill assistance programs directed toward low-income customers. A brief description of my professional background is provided in Appendix A.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. After receiving my undergraduate degree in 1975 (Iowa State University), I obtained further training in both law and economics. I received my law degree in 1981 (University of Florida). I received my Master's Degree (Regulatory Economics) from the MacGregor School in 1993.

Q. HAVE YOU EVER PUBLISHED ON PUBLIC UTILITY REGULATORY ISSUES?

A. Yes. I have published three books and more than 80 articles in scholarly and trade journals, primarily on low-income utility and housing issues. I have published an equal number of technical reports for various clients on energy, water, telecommunications and other associated low-income utility issues. A list of my publications is included in Appendix A.

Q. HAVE YOU EVER TESTIFIED BEFORE THIS OR OTHER UTILITY COMMISSIONS?

A. Yes. I have not testified before the Missouri Commission for nearly twenty years. In 2001, I testified on behalf of the Office of Peoples Counsel regarding low-income rate relief for Missouri Gas Energy (Docket No. GR-2001-292). In 2000, I testified on behalf of the Missouri Department of Natural Resources with respect to the merger of UtiliCorp with St. Joseph Light and Power (Docket No. EM2000-292) and again on behalf of DNR with respect to the merger of UtiliCorp with Empire District Electric (Docket No. EM2000-369). In 1994, I prepared comments for the Office of Peoples Counsel regarding credit and collection fees, although those comments were not presented as "testimony" through being a witness.

Outside of Missouri, over the past 35 years, I have testified in roughly 300 regulatory proceedings in more than 35 states and various Canadian provinces on a wide range of utility issues affecting low-income customers and residential customer service. A list of the proceedings in which I have testified is listed in Appendix A.

Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

A. The purpose of my Rebuttal Testimony is as follows.

1. First, I examine the disparate impacts which the COVID-19 pandemic has had on low-income households, along with the disparate racial impacts accompanying those socio-economic impacts;
2. Second, I explain the regulatory principles that the PSC should apply in considering how the costs of Evergy's response to the COVID-19 pandemic should be recovered;

3. Third, I explain the economic crisis facing poor and near-poor customers as a result of the COVID19 pandemic and how that affects Evergy;
4. Fourth, I explain certain actions that Evergy should undertake with respect to its collection responses to unpaid bills resulting from the COVID-19 pandemic;
5. Fifth, I assess the reasonableness of proposed responses to arrearages that can reasonably be expected to be incurred during the pendency of the economic crisis caused by COVID-19;
6. Sixth, I explain proactive steps that Evergy should be taking to minimize and mitigate the extent to which lower income customers will incur arrearages during the COVID-19 economic crisis, and thus to minimize and mitigate the resulting COVID-19 costs to the utility;
7. Seventh, I examine the role of energy efficiency investments in minimizing COVID-19 arrearages;
8. Eighth I examine certain "administrative" (rather than programmatic) steps that Evergy should be required to take during the COVID-19 pandemic that will help stakeholders, including the Company, the Commission, and others, address the financial impact of the COVID-19 crisis; and
9. Finally, I assess the reasonable principles of cost recovery for the actions that I recommend above, as well as for other COVID-19 related costs.

Q. PLEASE PROVIDE A SUMMARY OF THE RECOMMENDATIONS YOU MAKE IN YOUR DIRECT TESTIMONY.

A. Based on the data and analysis presented throughout my Direct Testimony, I recommend as follows:

1. Evergy should be required to continue a moratorium on nonpayment service disconnections until 180 days have passed beyond the date on which COVID-19 has resulted in the public availability of a vaccine. In addition, the imposition of late fees should be suspended for the same time period.
2. Evergy should allow income-eligible customers to enter into an Arrearage Management Program (AMP) through which they can earn credits to retire their arrears over a twelve-month period, with eligibility set at 200% of the Federal poverty level. In addition, Evergy should offer long-term deferred payment plans.
3. Evergy should expand its Economic Relief Pilot Program, while targeting relief to the extremely poor, using "Express Lane Eligibility," and expanding use of grassroots outreach.
4. Evergy should spend all approved income-eligible energy efficiency funds and contribute new usage reduction funds to weatherization service providers in order to assist customers in arrears.
5. Evergy should adopted certain administrative procedures, such as suspending the credit reporting of unpaid utility bills, meeting the needs of Limited English-Proficient Customers, and engaging in proper data collection and public reporting practices.
6. Evergy should be given certain conditions on its cost recovery.

PART 1. THE DISPARATE ECONOMIC AND HEALTH IMPACTS OF COVID-19.

Q. SHOULD THE DISPARATE IMPACTS OF COVID-19 ON LOW-INCOME CUSTOMERS BE CONSIDERED IN ANY REVIEW OF THE ISSUES YOU ADDRESS IN THIS PROCEEDING?

A. Yes. As of August 2, 2020, Missouri had 51,840 laboratory-confirmed COVID-19 cases. At that time, the State had 1,253 COVID-19 related deaths.[1] While the COVID-19 pandemic is obviously a critical public health crisis to the general population, it also presents a particular health and economic crisis to low-income households and to the working poor. My discussion below is based on the U.S. Census Bureau's new experimental "Household Pulse Survey." The Pulse Survey is designed to quickly and efficiently deploy data collected on how peoples' lives have been affected by the COVID-19 pandemic. According to the Census Bureau, data collection for the Household Pulse Survey began on April 23, 2020. The Census Bureau expected to collect data for 90 days, and to release data on a weekly basis. The data I discuss below is from Week 12 of the Pulse Survey, for the week of July 16 through July 21 (released on July 29, 200).[2] That week of the Pulse Survey was the last week. On August 7, 2020, the Census Bureau decided to begin a "Phase II" of the Pulse Survey at an undesignated future date.

I have examined two different aspects of the COVID-19 impact on lower-income households: (1) employment; and (2) housing security.

The Table immediately below documents the disproportionate adverse impact that COVID-19 has had on low wage employment in Missouri. Based on the most recent

---

[1] Missouri COVID-19 Dashboard: The Spread of COVID-19 in Missouri, available at http://mophep.maps.arcgis.com/apps/MapSeries/index.html?appid=8e01a5d8d8bd4b4f85add006f9e14a9d#map (last accessed August 3, 2020).

[2] Available at https://www.census.gov/data/tables/2020/demo/hhp/hhp12.html (last accessed August 3, 2020).

Census Pulse Survey data, employees with incomes less than $75,000 in Missouri have had a substantially greater adverse impact on both "experienced loss of employment income" and "expected loss of employment income" than higher income workers.

Table 1. Experienced and Expected Loss of Employment Income by Income
Week 12 (July 16 – 21) Household Pulse Survey (Missouri)

	Total	Experienced loss of employment income since March 13, 2020 (for self or household member)		Expected loss of employment income in next 4-weeks (for self or household member)		Percent Yes	
		Yes	No	Yes	No	Experienced Loss	Expected Loss
Less than $25,000	614,193	340,057	274,136	188,657	425,536	55%	31%
$25,000 - $34,999	737,904	323,978	413,926	165,439	572,465	44%	22%
$35,000 - $49,999	657,549	387,112	270,437	272,440	384,825	59%	41%
$50,000 - $74,999	572,573	272,304	299,676	219,787	352,786	48%	38%
$75,000 - $99,999	475,007	193,984	281,023	128,769	346,238	41%	27%
$100,000 - $149,999	548,474	261,518	286,956	135,747	412,727	48%	25%
$150,000 - $199,999	232,745	84,149	148,596	51,666	181,079	36%	22%
$200,000 and above	184,357	59,459	124,898	44,136	140,221	32%	24%

There is substantial research that explains this disproportionately adverse impact on lower income workers. As of mid-March, more than 90 percent of the jobs lost were in low-wage industries, particularly in the accommodations and food services industries.[3]

As the Urban Institute reports, based on its Health Reform Monitoring Survey (HRMS), conducted between March 25 and April 10, 2020, there is an income loss even beyond the loss of employment:

[3] Boushey and Park (April 2020). The corona virus recession and economic inequality, at 13, Washington Center for Equitable Growth (available at https://equitablegrowth.org/the-coronavirus-recession-and-economic-inequality-a-roadmap-to-recovery-and-long-term-structural-change/, last accessed August 3, 2020), citing U.S. Bureau of Labor Statistics, "Current Employment Statistics Highlights (2020), available at www.bls.gov/web/empsit/ceshighlights.pdf (last accessed August 3, 2020).

> Though the rise in unemployment insurance claims suggests the unemployment rate has soared over the past month, the official rate will likely understate the negative effects of the pandemic on families, because it will not account for reductions in work hours or work-related income (e.g., reduced business income) that are not connected to job losses. . .[W]e find that 41.5 percent of nonelderly adults reported that the coronavirus outbreak has had one or more of the following effects on their work or the work of someone in their family: losing or being laid off from a job (17.1 percent), being furloughed or having work hours reduced (28.8 percent), or losing earnings or income from a job or business (27.8 percent).[4]

According to the Urban Institute, "[t]he finding that about 4 in 10 adults were in families that lost work or work-related income is consistent with results from recent surveys and polls conducted by the Henry J. Kaiser Family Foundation (March 25–30), Pew Research Center (April 7–12), and Monmouth University Polling Institute (April 3–7)."[5] The Urban Institute's research, supported by the Robert Woods Johnson Foundation, reported further that:

> About half of adults in families with incomes at or below poverty (51.1 percent) or between 100 and 250 percent of FPL (49.0 percent) reported that their families lost jobs, work hours, or work-related incomes because of the coronavirus outbreak […]. In contrast, just under one-third (32.2 percent) of adults in families with incomes at or above 400 percent of FPL reported job or income losses because of the outbreak.[6]

---

[4] Karpman et a. (April 2020). The COVID-19 Pandemic is Straining Families' Abilities to Afford Basic Needs, at 5, Urban Institute Health Policy Center: Washington D.C., available at https://www.urban.org/research/publication/covid-19-pandemic-straining-families-abilities-afford-basic-needs (last accessed August 3, 2020).

[5] Ashley Kirzinger, Audrey Kearney, Liz Hamel, and Mollyann Brodie, "KFF Health Tracking Poll – Early April 2020: The Impact of Coronavirus on Life in America," Henry J. Kaiser Family Foundation, April 2, 2020, https://www.kff.org/health-reform/report/kff-health-tracking-poll-early-april-2020/; Kim Parker, Juliana Menasce Horowitz, and Anna Brown, "About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19," Pew Research Center, April 21, 2020, https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-COVID-19/; "COVID-19 Impact on Daily Life Heightens," Monmouth University Polling Institute, April 13, 2020, https://www.monmouth.edu/polling-institute/reports/monmouthpoll_us_041320/. (last accessed August 3, 2020).

[6] Id., at 6.

These numbers are consistent over researchers. The Pew Research Center, one of the nation's most respected research centers, also reported that:

> lower-income adults are more likely than middle- and upper-income adults to say they've experienced significant job disruption due to the coronavirus outbreak. About half of lower-income adults (52%) say they or someone in their household has lost a job or taken a cut in pay due to the outbreak. This compares with 42% of middle-income and 32% of upper-income adults.[7]

The Pew data is set forth in the Table below.

Table 2. More than four-in-ten adults say they or someone in their household has lost a job or taken a pay cut due to COVID-19 (Pew Research Center)

	Been laid off / lost job	Had to take cut in pay	Net either / both
Upper income	18%	26%	32%
Middle income	26%	32%	42%
Lower income	39%	41%	52%

One reason why low wage workers are so adversely affected is because workers with incomes below Poverty Level are far less likely to report being able to work from home than the highest-income group of workers (17.1% versus 54.6%).[8] Just under one-third of American workers stated that they could work from home, including those workers who were simply bringing their work home with them, according to the American Time Use Survey.[9] Even fewer workers—just 12%—actually did work from

[7] Parker, Horowitz and Brown (April 21, 2020). About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19," at 7, Pew Research Center: Washington D.C. , available at https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-covid-19/ (last accessed August 3, 2020).

[8] Urban Institute, at 7.

[9] Table 1. Workers Who Could Work at Home, Did Work at Home, and Were Paid for Work at Home, by Selected Characteristics, Averages for the Period 2017-2018. U.S. Bureau of Labor Statistics, U.S. Bureau of Labor Statistics, 24 Sept. 2019, available at: www.bls.gov/news.release/flex2.t01.htm. (last accessed August 3, 2020).

home at least once per month.[10] These numbers are far lower for those in the bottom quartile of workers: only 9% could work from home, and just 1% worked from home at least once per month.[11] Most workers do not have access to a flexible workplace that would permit them to work an agreed-upon portion of their schedule at home, but those in the bottom 10% of income are the least likely while the highest-paid workers are the most likely.

Loss of income arises, too, when the families of low-wage workers fall ill. Low-wage workers tend not to have paid leave, including paid sick leave, personal leave or paid "vacation" time. When household members become ill, requiring caretakers to take time off, these households permanently lose income. Fewer than one-third of low-income workers have access to paid leave at their place of work, as compared to 94% of those in the top 10% of income.

Q. CAN YOU QUANTIFY THE EXTENT TO WHICH THIS INCOME LOSS, WHETHER DUE TO LOST JOBS OR REDUCED INCOMES, AFFECTS A HOUSEHOLD'S ABILITY-TO-PAY UTILITY BILLS?

A. Yes. The Urban Institute, which I have previously cited, examined the growth in "material hardships" attributable to COVID-19. The Urban Institute:

> define[s] [a material hardship as] being unable to pay their rent or mortgage, being unable to pay utility bills, reporting house-hold food insecurity, or having someone in the family go without medical care because of the cost. As noted, 31.0 percent of all adults and 42.0 percent of adults in families experiencing a loss of work or work-related income because of the pandemic reported that their families faced at least one type of hardship in the month before they completed the survey. This included 8.1 percent of

---

[10] Guyot, Katherine, and Isabel V. Sawhill. "Telecommuting Will Likely Continue Long after the Pandemic." Brookings Institution, 6 Apr. 2020,available at: www.brookings.edu/blog/up-front/2020/04/06/telecommuting-will-likely-continue-long-after-the-pandemic/ (last accessed August 3, 2020).

[11] Id.

adults whose households did not pay the full amount of the rent or mortgage or were late with such a payment; 10.3 percent who did not pay gas, oil, or electricity bills; 21.9 percent reporting household food insecurity; and 15.6 percent with unmet needs for medical care. These estimates likely understate housing hardship, because about three-quarters of respondents completed the survey before rent was due on April 1.

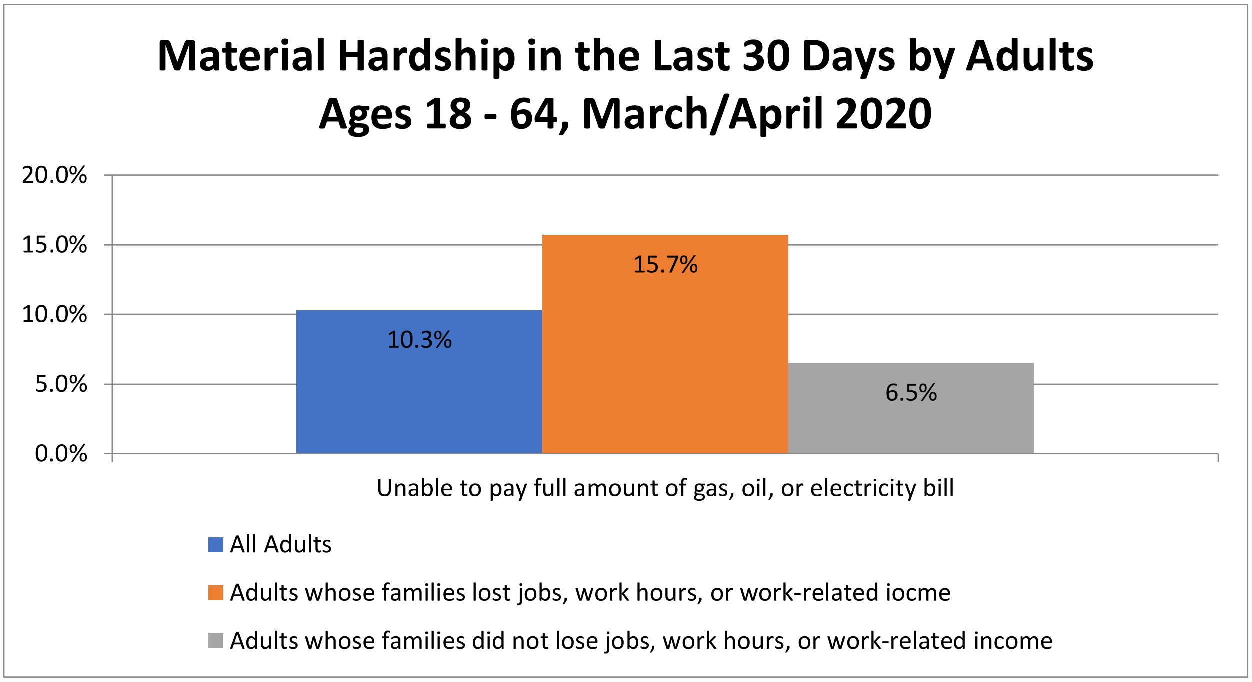
Among adults in families that lost work or work-related income, the shares reporting each type of hardship were significantly higher than such shares among adults in families that have not lost work or income. Nearly one in three (29.6 percent) adults in families that lost work or income reported food insecurity for their household in the last 30 days, nearly twice the share of adults in families not losing work or income who reported food insecurity (16.3 percent). Food insecurity was the most commonly reported hardship among all adults and those in families that lost work or income, and that food insecurity occurred during a period when people were being encouraged to stock up on food and limit trips to grocery stores.

* * *

The share of adults reporting hardship falls sharply as family income increases: whereas more than two-thirds (68.6 percent) of adults with family incomes at or below poverty reported one or more hardships, 10.7 percent of adults with incomes at or above 400 percent of FPL reported hardship.[12]

Not surprisingly, the burden of material hardships attributable to COVID-19 fell hardest on adults whose families lost jobs, work hours, or work-related income.

[12] Urban Institute, supra, at 10, 11.



As I note above, there is a substantial overlap between those adults and households who lost jobs or income and those households with lower income with which to begin. The Urban Institute further found the burden of increased material hardship fell overwhelmingly on the poor. With unpaid utility bills in particular, while 29.5% of consumers with income less than 100% of Poverty were unable to pay home energy bills, only 8.2% of families with income between 250% and 400% of Poverty, and only 2.6% of families with income greater than 400% of Poverty, were unable to do so.

Table 3. Material Hardship in the Last 30 Day Reported by Adults Age 18 to 64, By Family Income (Federal Poverty Level), March/April 2020

	Family Income			
	At or below 100% FPL	100 – 250% FPL	250 – 400% FPL	400% FPL or more
Unable to pay full amount of gas, oil or electricity bills	27.5%	13.9%	8.2%	2.6%

It is not simply the fact that they had been unable to pay the full amount of their home energy bill in the past 30 days that is of concern, however. “Among adults in families that lost work or income," the Urban Institute found, over half (50.6 percent) were "*worried about* being able to pay debts, and many also worried about being able to pay. . . utility bills (43.8 percent). . .*in the next month*. These data suggest that in addition to those who have already had problems paying their bills, a large share of adults in families losing work or income were *newly* at risk of falling behind on the rent, mortgage, or utility bills. . ."[13] (emphasis added).

Q. GIVEN THAT THERE IS NO MISSOURI-SPECIFIC RESEARCH ON UTILITY BILLS, HAVE YOU REVIEWED RELEVANT DATA THAT LEADS YOU TO CONCLUDE THESE PROBLEMS EXIST IN MISSOURI?

A. Yes. The Table below shows the confidence which Missouri residents reported having in being able to make their mortgage or rental payment in the coming month, disaggregated by household income. Included is the data for "no confidence," "slight confidence" and "high confidence" in being able to make those housing payments. As can be seen, the Missouri data tells a story consistent with the national data. With housing payments, particularly for renters, lower incomes are generally associated with lower levels of confidence. While 36% of households with income less than $35,000 had either no confidence or slight confidence in their ability to make next month's rent payment, and nearly 20% of households with income between $25,000 and $50,000 had such low confidence levels, no-one with income of $75,000 or more had "no confidence" in their ability to pay their rent. Setting aside the data for adults at $100,000 to $150,000 of income, fewer higher income households had only "slight confidence" in their ability to meet next month's rent payment.

[13] Urban Institute, supra, at 14.

The same income-based differentiation is seen with "high confidence." For both mortgage and rental payments, high levels of "high confidence" in being able to make housing payments in the next month were associated with higher incomes, while substantially lower levels of "high confidence" were found in the lower incomes. Again, setting aside the aberrational data for $100,000 to $150,000 incomes, the percentage of higher income households having a "high confidence" in their ability to make next month's rent payment was between 90% and 100%. In contrast, only 40% or less of respondents with income less than $35,000 had a "high confidence" in their ability to pay their rent.

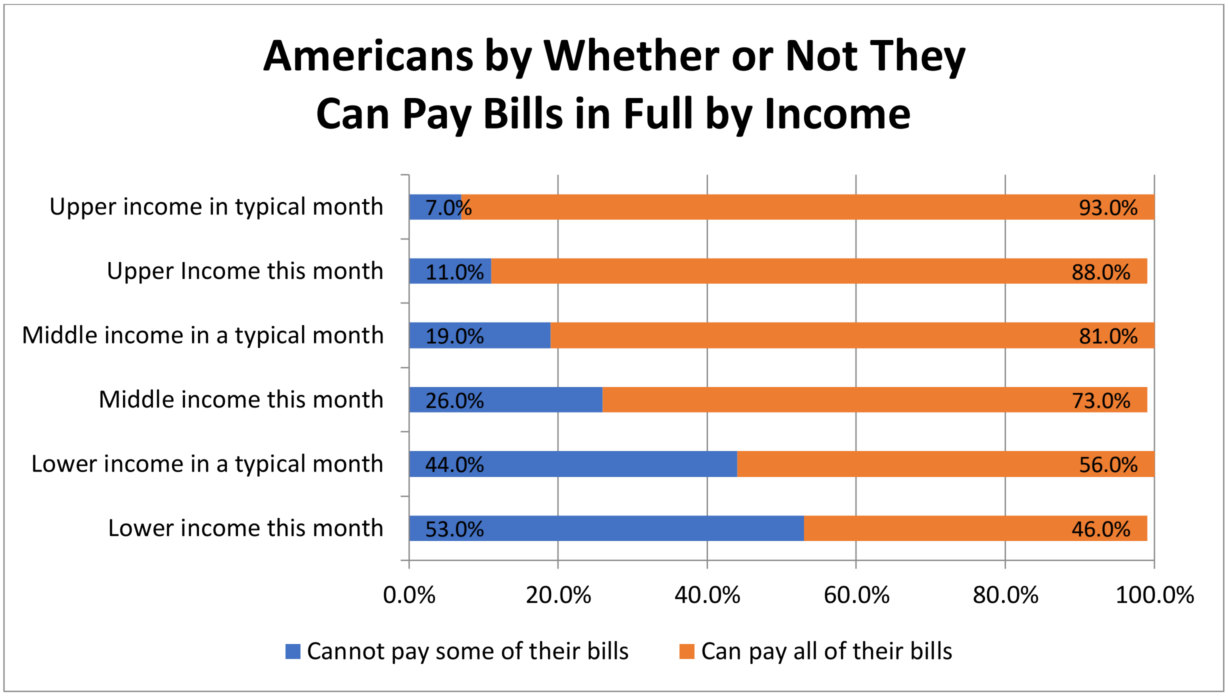
Table 4. Confidence in Ability to Make Next Month's Mortgage/Rent Payment by Household Income
Week 12 (July 16 – 21) Household Pulse Survey (Missouri)

	Confidence Able to Mortgage Next Month			Confidence Able to Pay Rent Next Month		
	None	Slight	High	None	Slight	High
Less than $25,000	5%	6%	16%	11%	25%	39%
$25,000 - $34,999	0%	3%	35%	3%	18%	40%
$35,000 - $49,999	1%	4%	20%	12%	7%	59%
$50,000 - $74,999	2%	13%	34%	4%	10%	47%
$75,000 - $99,999	6%	7%	51%	0%	0%	89%
$100,000 - $149,999	3%	3%	62%	0%	36%	46%
$150,000 - $199,999	0%	10%	71%	0%	5%	93%
$200,000 and above	1%	1%	67%	0%	0%	100%

This Missouri data is consistent with national data.[14] In the Chart below, shares who say they cannot pay some bills include those who say they can only make partial payment on some of them. While all income levels have seen an increase in the share of bills they cannot pay "this month" (i.e., during COVID-19), the increase in the lower-

[14] Pew Research Center, supra, at 10.

income population is considerable, and reaches more than half (53%) of the low-income population.



Q. IS THERE ADDITIONAL CAUSE FOR CONCERN PRESENTED BY THE ABOVE-DEMONSTRATION OF HOW THE ECONOMIC CONSEQUENCES FALL MOST HEAVILY ON THE POOR?

A. Yes. Those low-wage workers who do remain employed will likely be employed in high-risk jobs. Common occupations for low-wage workers include cashiers and retail salespersons, people who re-stock retail establishments and/or prepare orders for fulfillment, and others who have constant, close contact with the public (e.g., delivery people, drivers/truck drivers). Following the Bureau of Labor Statistics' National Compensation Survey, service occupations include health care support, protective service, food preparation, building and grounds, cleaning and maintenance, and personal care. These workers are at risk of exposure to the coronavirus due to the inherent person-to-person nature of their work (which also makes it nearly impossible for these service occupation employees to work from home). In 2019, just 1% of all workers in service occupations had access to a flexible workplace, which would allow them to complete their work at home or at an approved alternative location. As the vice-chair of the Congressional Joint Economic Committee noted, "without options for paid sick leave and working from home, workers in the service occupations are at risk of contracting and spreading the virus from sick co-workers and customers, and of bringing it home to their families."[15]

Finally, when loss of income happens to the poor, they are least able to be able to weather the difficulties. Nearly 40% of U.S. households, including nearly all low-wage workers, fall into a category referred to as "liquid asset poor." "Liquid asset poverty" is a term-of-art, referring to households who lack sufficient liquid assets to replace income in order to subsist at the Poverty Level for three months in the absence of income. According to a Pew Research Center report, "only about one-in-four (23%) [lower income adults] say they have rainy day funds set aside that would cover their expenses for three months in case of an emergency such as job loss, sickness or an economic downturn, compared with 48% of middle-income and 75% of upper-income adults."[16]

Q. ARE THERE OTHER WAYS IN WHICH THE HEALTH IMPACTS OF COVID-19 FALL DISPROPORTIONATELY ON THE POOR?

15 Congressman Don Beyer, Vice Chair, Congressional Joint Economic Committee, The Impact of Corona Virus on the Working Poor and People of Color, at 4, available at: https://www.jec.senate.gov/public/_cache/files/bbaf9c9f-1a8c-45b3-816c-1415a2c1ffee/coronavirus-race-and-class-jec-final.pdf (last accessed August 4, 2020).

16 Parker, Horowitz and Brown (April 21, 2020). About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19, Pew Research Center: Washington D.C. Available at https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-covid-19/ (last accessed August 3, 2020).

A. Yes. The distribution of COVID-19 cases by income presented above does not fully capture how and why households in lower tiers of income are the most severely affected by the COVID-19 illness. In addition to those actually becoming ill, the people who are most severely economically disadvantaged by COVID-19 from becoming ill involve low-income households. Most low-wage workers lack paid benefits such as health insurance. According to the U.S. Bureau of Labor Statistics, only 24% of workers in the private sector in the lowest 10% wage category had access to employer-sponsored health care plans in 2019.[17] Moreover, COVID-19 is making this situation worse. In March-April 2020, 9.2 million workers may have lost their employer-provided health insurance as a result of COVID-19, with those losses highly concentrated in the accommodation and food services industry.[18]

Q. DOES THE DISPROPORTIONATE ADVERSE IMPACT BY INCOME HAVE A CORRESPONDING DISPROPORTIONATE ADVERSE IMPACT BY RACE?

A. Yes. The American Medical Association (AMA) was unequivocal in its findings: ". . . Black Americans have been among the hardest hit populations by the virus. Not only are they hospitalized and dying in disproportionate numbers, they also are more likely than White Americans to have lost income because of the pandemic. The latest data from the COVID Racial Tracker shows that while Black Americans account for 13 percent of the U.S. population, they account for 24 percent of the deaths where race is known: this

---

17 Employee Benefits in the United States, March 2019.U.S. Bureau of Labor Statistics, National Compensation Survey (NCS) 2019. available at: https://www.bls.gov/ncs/ebs/benefits/2019/employee-benefits-in-the-united-states-march-2019.pdf (last accessed August 4, 2020).

18 Economic Policy Institute (April 16, 2020) (updated May 14, 2020). 9.2 million workers likely lost their employer-provided health insurance in the past four weeks, available at: https://www.epi.org/blog/9-2-million-workers-likely-lost-their-employer-provided-health-insurance-in-the-past-four-weeks/ (last accessed August 4, 2020).

means Black people are dying at a rate nearly two times higher than their population share."[19]

According to the AMA: "An April 2020 report from the Centers for Disease Prevention and Control (CDC) found that 33 percent of hospitalized patients with COVID-19 were Black, despite only comprising 18 percent of the community being evaluated, while amfAR, the Foundation for AIDS, found that 22 percent of US counties are disproportionately Black and those counties account for 52 percent of COVID-19 infections and 58 percent of COVID-19 deaths."[20]

The AMA concluded: ". . .Black Americans are dying at nearly two times their national population share, and in five out of the six counties with the highest death rates, Black Americans are the largest racial group."[21]

Q. IS THIS DATA APPLICABLE TO MISSOURI?

A. Yes. According to the Missouri COVID-19 Dashboard (last updated August 3, 2020) (as of the date of the writing of this testimony), Black individuals represent 21% of all Missouri COVID-19 cases;[22] Black individuals represent 33% of the state's total COVID-19 deaths. In contrast, as of July 1, 2019, Black individuals represent only

---

19 Statement of the American Medical Association to the U.S. House of Representatives Committee on the Budget (June 23, 2020). Re. Health and Wealth Inequality in America: How COVID-19 Makes Clear the Need for Change, at 1. available at https://searchlf.ama-assn.org/undefined/documentDownload?uri=%2Funstructured%2Fbinary%2Fletter%2FLETTERS%2F2020-6-22-Written-statement-for-Budget-C-Hearing-final.pdf:

20 Id.

21 Statement of the American Medical Association to the U.S. House of Representatives Committee on Ways and Means (June 8, 2020). Re. The Disproportionate Impact of COVID-19 on Communities of Color, available at: https://searchlf.ama-assn.org/undefined/documentDownload?uri=%2Funstructured%2Fbinary%2Fletter%2FLETTERS%2F2020-6-8-AMA-Statement-For-the-Record-on-Racial-Disparity-Hearing.pdf (last accessed August 4, 2020).

22 http://mophep.maps.arcgis.com/apps/MapSeries/index.html?appid=8e01a5d8d8bd4b4f85add006f9e14a9d#map (last accessed August 4, 2020).

11.8% of the state's total population.[23] Not only is a disproportionate percentage of Missouri's Black population getting sick with COVID-19, in other words, a disproportionate share of Missouri's Black population is also dying from COVID-19.

Q. WHAT DO YOU CONCLUDE FROM THIS DATA FOR PURPOSES OF THIS PROCEEDING?

A. The utility industry will not escape the economic impacts of the COVID-19 pandemic affecting Missouri and the rest of the nation. That population which has the least ability to respond to the economic catastrophe caused by COVID-19 is the same population that is being hardest hit with the public health and economic consequences. The economic hardship is not simply caused by the loss of jobs, though that is a huge part of it. The hardship is caused by the loss of income, which includes loss of jobs, a reduction of hours, and a reduction of work-related income. Since lower-income, low-wage employees also are the least likely to have paid leave time, not only personal illness, but also family illness requiring workers to take time off to be caretakers, suffer adverse economic impacts. Substantial research shows that one consequence of these economic harms is the inability to pay monthly bills, including utility bills. National research quantifies the inability to pay utility bills in particular. While similar state-level research has not been performed in Missouri, the corresponding research (inability-to-pay "housing" bills) has been performed in Missouri, and supports the applicability of the national conclusions to Missouri. Due to the nature of low wage employment, these customers find it difficult, if not impossible, to avoid the economic crisis that has arisen due to COVID-19.

[23] https://www.census.gov/quickfacts/MO (last accessed August 4, 2020).

We should also be cognizant of the clear racial implications of the conclusions that I reach above. In Missouri, as elsewhere, COVID-19 has a disparately adverse impact on population demarcated by race. In particular, not only is a higher proportion of Missouri's Black population getting sick, but, in addition, a higher proportion of Missouri's Black population is dying as a result of COVID-19, than is warranted by the percentage of Black individuals in the population as a whole.

Q. WHAT DO YOU RECOMMEND?

A. Based on the data and discussion I present above, I recommend that the Missouri Public Service Commission consider, and adopt, the responsive actions I describe below. Contrary to the testimony of Evergy witnesses Darin Ives and Ronald Klote, the scope of PSC review is not exclusively to ensure that the costs incurred by Evergy attributable to COVID-19 are recoverable. The review extends also to ensure: (1) that the interests of Evergy investors in recovering the costs attributable to COVID-19 are balanced against the co-equal interests of ratepayers in ensuring that those costs are just and reasonable; (2) that Evergy take all reasonable and prudent actions to minimize and mitigate the costs incurred as a result of COVID-19; (3) that Evergy take each reasonable and prudent step that would result in the least-cost provision of utility service; and (4) that Evergy take each reasonable and prudent step to ensure that it is operating in an efficient fashion toward customers who are unable-to-pay during the COVID-19 pandemic. In my discussion below, I will first explain these regulatory principles. In addition, I will explain the specific steps that Evergy should voluntarily pursue, or be directed to pursue by the PSC, during the COVID-19 pandemic.

PART 2. THE REGULATORY PRINCIPLES TO BE APPLIED TO EVERGY COST RECOVERY.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR REBUTTAL TESTIMONY?

A. In this section of my Rebuttal Testimony, I respond to the Direct Testimony of Evergy witness Darrin Ives as well as to the Direct Testimony of Ronald Klote. In his Direct Testimony, Mr. Ives states that he "will explain why granting an AAO in this case is proper under the standards followed by the Commission for many years. . ." (Ives, at 2).[24] He states further that his testimony addresses "the principles applicable to AAOs and deferral accounting in general." (Ives, at 3). He explains his perspective on "the effect of COVID-19 on Evergy." (Ives, at 7 – 9). In addition, in his Direct Testimony, Mr. Klote states that his purpose is to "support the Company's Application" for an AAO requesting permission for Evergy to accumulate and defer to a regulatory asset "all extraordinary costs and financial impacts incurred as a result of the coronavirus disease (COVID-19) pandemic, plus associated carrying costs." (Klote, at 3). Mr. Klote proposes deferring any review of Evergy's "expenses and lost revenue for prudency" to a future rate case. (Klote, at 10).

In this section of my testimony, I explain several regulatory principles that the Missouri PSC should articulate at this time that will govern any potential future recovery of COVID-19 costs. Neither of Evergy's witnesses have acknowledged the applicability of these principles.

[24] An "AAO" is an "accounting authority order."

In the PSC's Order Directing Filing in this docket (June 23, 2020), the Commission said that the order being sought by Evergy is intended to "govern costs and financial impacts associated with the COVID-19 pandemic." (Order, at 1). Moreover, the PSC stated that one objective of this proceeding was to "identify[…] the purposes served by such an order and the consequences of an order. . ." (Id.) As I explain below, the Evergy testimony falls short on each of these grounds.

Q. PLEASE EXPLAIN THE FIRST REGULATORY PRINCIPLE THAT EVERGY HAS FAILED TO ARTICULATE AND ACKNOWLEDGE.

A. Evergy has an obligation to provide service within a least-cost framework. This regulatory principle is not unique to questions of how to respond to inability-to-pay. The principle pervades utility regulation. One question, for example, with utilities involves the question of insurance. The issue poses itself as to which insurance alternative is least-cost: self-insurance or the purchase of insurance. A second question involves how a utility should handle "cash." The regulatory review is whether a utility should pay bank fees, or whether it should maintain compensating bank balances.

Least-cost service is also at the heart of much of the regulatory debate regarding utility investments in energy efficiency over the past several decades. The question posed is whether investments in producing electricity, or investments in reducing the consumption of electricity, result in the least-cost provision of service. A related issue in today's world presents the same least-cost question with respect to environmental clean-up. Is it lesser cost to produce additional electricity, and engage in the clean-up of the production facilities, or is it lesser cost to avoid the production of greenhouse gasses with which to begin by instead investing in usage reduction measures?

The same principle applies to Evergy's response to nonpayment during the COVID-19 pandemic. The question that Evergy faces is whether it can make investments, in resources or policies, that will result in a more effective, more efficient, more cost-effective and cost-efficient, response to the COVID-19 nonpayment problems which its customers are facing and, in doing so, mitigate the costs that will arise if it fails to make such investments.

One regulatory principle that the Missouri PSC should articulate as governing the costs associated with the economic inability-to-pay caused by COVID-19 involves a mandate that Evergy should pursue those activities that result in the least-cost provision of service.

Q. WHAT IS THE SECOND PRINCIPLE THAT THE MISSOURI PSC SHOULD CLEARLY ARTICULATE?

A. One regulatory principle the PSC should articulate is the obligation of Evergy to undertake those reasonable actions to mitigate the harms of COVID-19 inability-to-pay before such harms arise. In this sense, Evergy is not a passive observer of the adverse economic consequences of COVID-19. There is little question but that non-paying customers impose costs on a utility and its remaining ratepayers. Traditional credit and collection techniques, however--these might involve the disconnection of service, the demand for deposits, and the like— have been questioned as costing the utility more than they save. As the Pennsylvania Public Utility Commission's (PUC) Bureau of Consumer Services found nearly 30 years ago in its report based on its investigation into the control of uncollectible accounts, which findings remain valid today, "ratepayers are already bearing significant costs attributable to the problems of payment troubled customers and uncollectible balances. Further, BCS believes that incorporating the following recommendations into utility operations will lead to a more rational and cost effective use of existing resources. Over time, proper implementation of the recommendations may result in a reduction of total utility costs."[25]

Costs associated with termination include: transaction costs of notice, disconnecting service, engaging in collection activity and writing off uncollectible debt. In addition, utility terminations generate hidden costs as terminated customers go underground --changing names on accounts, moving to new addresses, whether within or without the jurisdiction of the utility, and the like-- or enlist advocates to fight the termination. All these activities impose costs on the utility, in the form of increased legal, transaction and monitoring costs.[26]

There are few principles regarding remedies as well established as that of a claimant's duty of mitigation. Under this doctrine, a breaching party is responsible only for those consequences for which her breach was the proximate cause. Accordingly, she can *not* be held liable for consequences that her victim could have avoided by the victim's own reasonable conduct. The same principle applies in the context of utility regulation. Where a utility such as Evergy knows, or has reason to know, that the income of a consumer is simply inadequate to meet the demands for each month's current bill

[25]Bureau of Consumer Services, Pennsylvania Public Utility Commission, Investigation of Uncollectible Balances: Final Report to the Pennsylvania Public Utility Commission, at 6 (Feb. 1992) (recommendations excluded).
[26]These include the costs associated with approving and starting up new accounts, and greater scrutiny of new accounts, and increased collection costs and legal fees. In addition the company may have lost forever a potentially profitable account. A utility with a reputation as a hard-core collector of fees risks loss of good will and encouraging subversive behaviors as well. Leff, "Injury, Ignorance and Spite, the Dynamics of Coercive Collection," 80 Yale L.J. 1, 5 -10 and 35 (1970). Available at: https://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=3821&context=fss_papers (last accessed August 4, 2020).

payment, it is reasonable for the PSC to direct the utility to take action which would reduce the expectation of an unpaid bill *ab initio* so so as to allow the utility to collect what it can.

The second regulatory principle that the Missouri PSC should articulate as governing the costs associated with the economic inability-to-pay caused by COVID-19 involves a mandate that Evergy should undertake those activities that result in the mitigation of the system-wide costs of inability-to-pay in the COVID-19 environment.

Q. WHAT IS THE THIRD REGULATORY PRINCIPLE THAT THE MISSOURI PSC SHOULD CLEARLY ARTICULATE?

A. The ongoing presence of the COVID-19 pandemic does not relieve Evergy from its obligation, as a regulated public utility, to operate in an efficient manner. From a collections perspective, efficiency is measured not merely by the metric of how much money is collected, but also by the metric of how much is collected given the level of effort involved. Improvements in efficiency of collection activities can occur in either of two ways:

1. Reduce the effort. The need for collection interventions can be reduced thus allowing an increased payment per each collection intervention performed;[27] or

2. Increase the result. The customer response to the collection activity can improve thus allowing an increased payment per each collection intervention performed.[28]

In essence, Evergy should, as a condition of the recovery of COVID-19 generated costs, be expected to improve the efficiency of collection activities from two different but

[27] In this first instance, improvement can be seen even if total dollars collected remains the same (but the number of interventions needed to generate those dollars decreases).

[28] In this second instance, improvement can be seen if the total number of collections activities remains the same but the dollars generated by those activities increase.

related perspectives. On the one hand, Evergy efforts should be considered vis a vis how much revenue (outputs) is generated by each collection intervention. On the other hand, Evergy efforts should be considered vis a vis how many collection activities (inputs) are needed to generate the revenue.

Q. WHAT DO YOU CONCLUDE?

A. I conclude that there are generally-accepted regulatory principles applicable to any review of Evergy cost-control efforts during the COVID-19 pandemic, which principles were not recognized by the Direct Testimony of Evergy witness Ives or Evergy witness Klote. Given that the PSC has explicitly stated that the purpose of a final order in this proceeding is to: (1) "govern costs and financial impacts associated with the COVID-19 pandemic" (Order, at 1); and (2) to "identify[…] the purposes served by such an order and the consequences of an order. . ." (Id.), the regulatory principles articulated above should be explicitly adopted. The implications of those principles relative to actions that Evergy should now be taking, should be directed to continue to take, or should begin to take henceforth, are discussed in my testimony below.

PART 3. THE BASELINE FROM WHICH COVID-19 NONPAYMENT GROWS.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In my testimony above, I documented the disproportionate adverse impact that COVID-19 is having on lower income households (customers). For our purposes here, however, it is not only the extent to which COVID-19 impacts grow, it is the base from which that growth occurs which is important. It will be difficult, if not impossible, for Evergy to address the COVID-19 impacts if it does not first understand and acknowledge the baseline inability-to-pay.

Q. WHY IS THAT RELEVANT IN THIS PROCEEDING?

A. The inability-to-pay on the part of the low-income customer base arising from COVID-19 also results in an inability-to-collect on the part of Evergy. As a result, Evergy seeks to include excessive increased costs through the regulatory asset which it seeks the PSC to authorize in this proceeding in contradiction to all three regulatory principles that I have articulated above if it does not acknowledge and address that inability-to-collect.

For purposes of future cost recovery, it is important to know what Evergy *currently* knows about its inability-to-collect. Once the baseline inability-to-collect is established, Evergy has been put on notice that failing to acknowledge that information, and failing to take reasonable actions responding to that knowledge, will be considered inadequate, unreasonable and imprudent cost control.

Q. HOW SHOULD EVERGY MEASURE THE EXTENT TO WHICH THE INABILITY-TO-PAY BY LOW-INCOME CUSTOMERS RESULTS IN AN INABILITY-TO-COLLECT?

A. I use four different metrics to measure the inability-to-collect from low-income customers who cannot afford to pay their bills:

1. **Complete payment.** When Evergy bills $100, it wants to collect $100 from its customers. Paying something less than $100 means that the customer is not making a "complete" payment.

2. **Timely payment.** When Evergy sends a bill with a due date 20 days after the billing date, it wants to collect its payment on or before Day 20. Even if a customer makes a complete payment, if that payment comes on Day 45, or any other day after Day 20, the customer is not making a "timely" payment.

3. **Regular payment.** When Evergy sends a bill for current service, it wants to collect a payment in response to that bill. If at the end of 6 months (representing six monthly bills), for example, even if two separate customers had both paid 100% of those bills, if Customer A made 100% of his/her payment in six (6) payments (1 payment per each bill), and Customer B made 100% of his/her payment in two (2) payments (1 payment for every 3 bills), Customer B would have made less regular payments.

4. **Unsolicited payment.** When Evergy sends a bill, it wants to receive payment without needing to "chase" that payment. Even if Evergy receives a complete payment from a customer, if that payment comes only after the Company needs to send a reminder notice, issue a disconnection notice, and perhaps even perform a disconnection of service, Evergy is expending more resources in the process of collection than if the payment would have been "unsolicited."

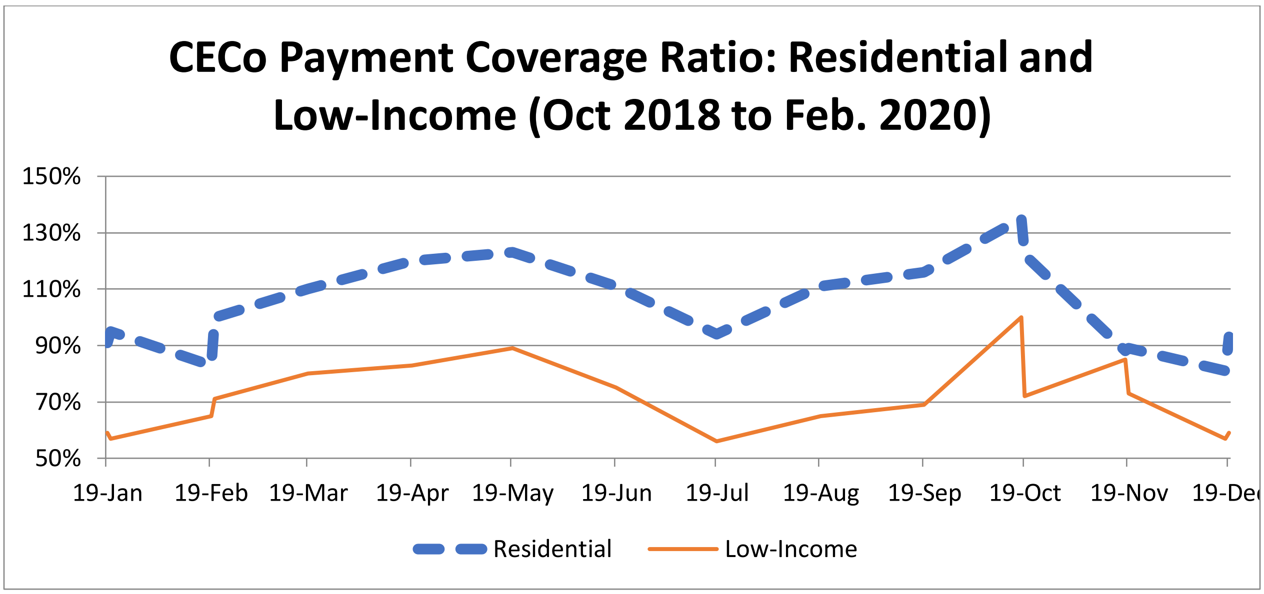
A. Illustrating the Baseline Low-Income Problems.

Q. WHAT DO YOU KNOW ABOUT THE BASELINE INABILITY-TO-PAY FROM WHICH COVID-19 IMPACTS WILL GROW?

A. While Evergy does not engage in the type of data collection and reporting which allows me to present state-specific data for Missouri, the quantity and quality of information that exists nationwide leads to the inexorable conclusion that inability-to-pay on the part of low-income households is associated with the inability-to-collect on the part of Missouri utilities such as Evergy. Given the lack of Evergy data, I first illustrate the problem using data from Consumers Energy (Michigan) both because it is a similar utility and because it is recent, while nonetheless predating COVID-19.

Q. FROM A "COMPLETE" PAYMENTS PERSEPCTIVE, WHAT IS CONSUMERS ENERGY'S (CECO) INABILITY-TO-COLLECT FROM ITS LOW-INCOME CUSTOMERS FACING AN UNAFFORDABILE BURDEN?

A. The first thing I examine is the extent to which the unaffordability problems documented above translate into issues with "complete" payments, measured by the "payment coverage ratio." The payment coverage ratio places the dollars actually received in the numerator and the dollars billed in the denominator. If a customer's payments equal the customer's bills, the payment coverage ratio is 100%. If the customer's payments equal half of the customer's bills, the payment coverage ratio is 50%. That completeness data is summarized in the Chart immediately below. The residential payment-coverage ratio by month is the dashed line while the low-income payment coverage ratio by month is the solid line.



A number of observations stand out from looking at the Chart above. First, the Payment Coverage Ratio for residential customers as a whole is substantially higher than for low-income customers. Over the 17-month study period,[29] the cumulative residential Payment Coverage Ratio (cumulative payments divided by cumulative bills) was 101%. In contrast, the low-income Payment Coverage Ratio for that 17-month period was only

[29] Data was collected beginning in October 2018. That month was selected to allow for at least one full heating season to be included in the data (October 2018 – February 2020).

71%. That means that, as a whole,[30] low-income customers were paying only $70 for every $100 they received as their bill.

Second, for the residential population as a whole, in 9 of the 17 study months, CECo collected more than it billed (*i.e.*, had a Payment Coverage Ratio of 100% or more). In 13 of the 17 months, CECo collected 90% or more of what it billed. In contrast, with the low-income customer base, in five months, the Payment Coverage Ratios were lower than 60% (*i.e.*, CECo collected fewer than $6 for every $10 billed). In three more months, the Payment Coverage Ratio was less than 70% (but higher than 60%).

The point here is not to critique or assess CECo's collection practices. Rather, the point is to compare low-income payment patterns to the payment patterns of residential customers as a whole. The further point here is that the COVID-19 related economic impacts I identify will exacerbate these problems to an even greater extent.

Q. HAVE YOU EXAMINED THE REGULARITY OF PAYMENTS?

A. Yes. As explained above, the "regularity" of payments is measured by the number of payments made as a function of the number of bills rendered. When Evergy issues a bill, it wants a payment in response to that bill. A Payment Regularity Ratio places the number of payments in the numerator and the number of bills in the denominator. If the ratio is 1.0, customers are making exactly one payment for each one bill that has been rendered. In making this calculation, the size of the payment is not considered (i.e., the

[30] The Payment Coverage Ratio does not reference individual customers. For example, if Customer A began with a $100 arrears and completely retired it, while Customer B began with a $0 arrears and ended with an arrears of $110, the Payment Coverage Ratio would be less than 100%. Similarly, if Customer A began with a $100 arrears and completely retired it, while Customers B and C began with a $0 arrears and ended with arrears of $50 and $60 respectively, the Payment Coverage Ratio would be less than 100%.

size of the payment is considered in the Payment Coverage Ratio discussed above). A payment of $10 is considered equal to a payment of $100 for purposes of the Payment Regularity Ratio.

Q. WHAT DID YOU FIND WITH RESPECT TO CECO's PAYMENT REGULARITY?

A. Over the 17-month study period (October 2018 through February 2020), residential customers had a substantially higher Payment Regularity Ratio than did low-income customers. For the 17-months as a whole, while residential customers as a whole made 91 payments for each 100 bills rendered (a Payment Regularity Ratio of 0.91), low-income customers made 68 payments for each 100 bills rendered (a Payment Regularity Ratio of 0.68). Given this starting point, the COVID-19 related economic impacts I identify will exacerbate these problems to an even greater extent.

Q. HAVE YOU EXAMINED THE TIMELINESS OF PAYMENTS FOR LOW-INCOME CUSTOMERS RELATIVE TO RESIDENTIAL CUSTOMERS AS A WHOLE?

A. Yes. The way in which I examine the "timeliness" of payments is by examining the aging of the dollars of arrears. CECo provided data for October 2018 through February 2020 from which I calculated monthly "roll rates." "Roll rates" are the rate at which the previous month's aging bucket rolls into the subsequent month's next aging bucket (*i.e.* are not paid).[31] A higher roll rate means that a higher percentage of arrears remains in that aging bucket (*i.e.*, rolls forward). For purposes here, in other words, the higher the

[31] An "aging bucket," for example, refers to customers who are 1 – 30 days in arrears, 30 – 60 days in arrears, 60 – 90 days in arrears, and higher. Different utilities use different top codes for their aging buckets.

roll rate, the older an arrearage is and the less timely payments are being made by residential customers or by low-income customers.[32]

CECo's low-income customers make consistently less timely payments than do residential customers as a whole. In the 13 months of data, low-income customers had a higher percentage of arrears outstanding at Day 150 than did residential customers as a whole. For example, in January 2019, while 8.25% of low-income arrears were still outstanding (at the Day 150 mark), only 5.74% of residential arrears were. Indeed, in nine of the 13 months, the percentage of low-income arrears remaining at Day 150 was two times (or nearly so) higher than the residential percentage. In April 2019, for example, the low-income rate was 8.79% compared to a residential rate of 4.52% in April. In July 2019, the low-income rate was 10.11%, compared to a residential rate of 4.61% in July. In January 2020, the low-income rate was 10.37%, compared to a residential rate of 5.09% in that same month.

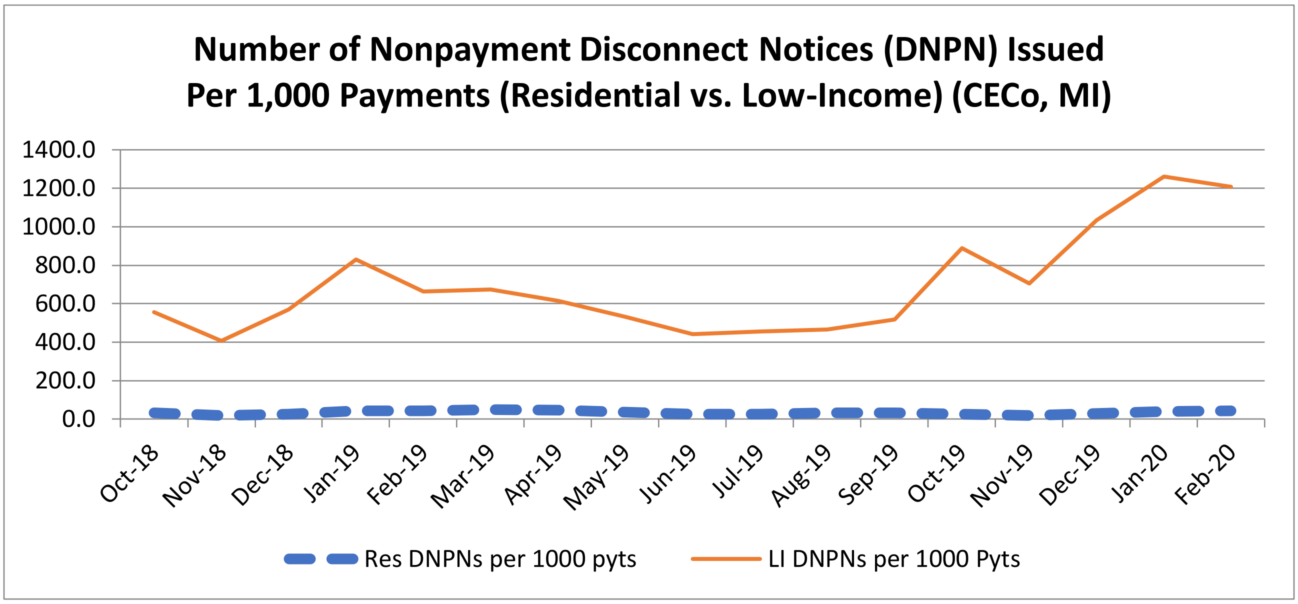
As stated above with respect to complete and timely payments, given this starting point, the COVID-19 related economic impacts I identify will exacerbate these problems to an even greater extent.

Q. HAVE YOU EXAMINED HOW HARD CONSUMERS ENERGY MUST WORK TO COLLECT FROM RESIDENTIAL AND LOW-INCOME CUSTOMERS?

A. Yes. There are two separate but related metrics that I examine below: (1) the number of disconnection notices that CECo issues for each 1,000 payments it receives; and (2) the number of disconnection notices for each $1,000 in payments CECo receives.

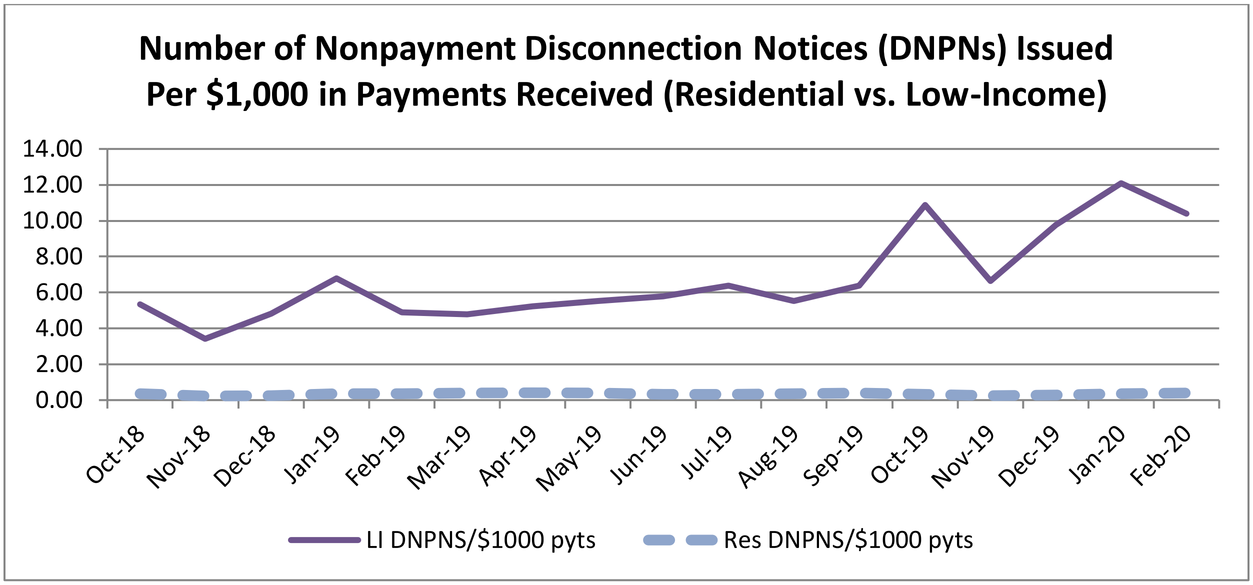
[32] My purpose here is not to assess how well CECo is doing in collecting its arrears. The purpose here is only to compare low-income arrears to residential arrears to see if low-income customers make payments in a more timely, or a less timely, fashion than do residential customers generally.

The Chart immediately below presents the number of disconnect notices that CECo issues for every 1,000 payments it receives from its low-income and from its residential customer base. A lower figure indicates that the Company sends fewer notices for every 1,000 payments it receives. The exact numbers are not as important for my discussion here as is the location of the residential line (dashed line) to the low-income line (solid line).



The analysis is a simple ratio. I place the number of disconnection notices the Company issues each month in the numerator and the number of payments it receives each month in the denominator. The Chart above demonstrates that CECo works much less hard for its residential payments than it works for its low-income payments.

In addition, the Chart below shows the same data, but uses the dollars of payments rather than the number of payments. The dashed-line at the bottom of the Chart shows that residential customers as a whole receive substantially fewer disconnection notices for every $1,000 in payments that CECo receives than do low-income customers (dashed line). While low-income customers receive from four to twelve disconnect notices for each $1,000 payments they make, residential customers receive fewer than 1.0 disconnection notice for each $1,000 in payments they make.



B. Corroborating Data from Additional States.

Q. WHAT INFORMATION FROM OTHER STATES CORROBORATES YOUR CONCLUSIONS BASED ON CONSUMERS ENERGY DATA REGARDING THE RELATIONSHIP BETWEEN LOW-INCOME STATUS AND INABILITY-TO-COLLECT FOR EVERGY?

A. The CECo information presented above is uniformly consistent with data that has been generated for natural gas and electric utilities in other states. Not only each set of data unto itself, but the group of states taken as a whole, demonstrates that low-income customers suffer from a greater baseline inability-to-pay than residential customers generally. The data also demonstrates the relationship between low-income inability-to-pay and the utility's inability-to-collect.

These data demonstrate finally that it is not only possible, but probable, that Evergy will need to address these underlying baseline problems in order to adequately control the COVID-19 costs it seeks to have the PSC authorize to be accounted for and recovered as a regulatory asset. Without addressing these baseline issues, efforts by Evergy to track and recover COVID-19 costs will violate the principles of least-cost planning; mitigation of damages; and efficient utility operations as I describe above.

Q. WHAT LESSONS CAN BE LEARNED FROM UTILITIES SERVING LOW-INCOME RESIDENTS IN OTHER STATES?

A. Evergy can learn many lessons from utilities serving low-income Maryland residents in the energy (gas and electric) industries. Data from Maryland demonstrate that low-income customers are not only more likely to be in arrears, but, also, that those who are in arrears are more likely to be deeper in arrears. In its 2007 evaluation[33] of the Electric Universal Service Program ("EUSP"),[34] the PA Consulting Group compared a variety of attributes of payment difficulties, including but not limited to the number of elapsed days after receiving a bill before making a payment, the completeness of payment,[35] the

33 PA Consulting (May 2007). Electric Universal Service Program Evaluation: Final Evaluation Report, prepared for Maryland Public Service Commission. (hereafter, "PA Consulting"). Available at http://webapp.psc.state.md.us/intranet/reports/EUSP051107.pdf (last accessed May 9, 2020).

34 Maryland Public Service Commission (2014). Electric Universal Service Report: 2014 Annual Report, at 1, prepared for the General Assembly of Maryland. ("The Electric Universal Service Program ("EUSP"), enacted as part of the Electric Customer Choice Act of 1999, was designed by the Maryland General Assembly to assist low-income electric customers with retiring utility bill arrearages, making current bill payments, and accessing home weatherization following the restructuring of Maryland's electric utilities and electricity supply market. The Act, codified as Section 7-512.1 of the Public Utilities Article, Annotated Code of Maryland ("PUA §7-512.1" or "EUSP Legislation") required the Public Service Commission of Maryland ("Commission") to establish the program, make it available to low-income electric customers Statewide, and provide oversight to the Office of Home Energy Programs ("OHEP"), the arm of the Department of Human Resources ("DHR") responsible for administering the EUSP.")

35 "The completeness index is an indicator of the percent of the total bill for which the household was responsible that was paid during the before and after periods." PA Consulting, supra, at 4-3.

regularity of payments,[36] and the continuity of payments.[37] PA Consulting found that "all households" outperformed low-income customers on each of these payment metrics.

"All households" paid a higher percentage of their bills, made more payments in response to bills, and exhibited more regularity in payments than did low-income customers prior to their participation in EUSP. Table 5 below presents data comparing low-income performance to residential performance as a whole. Even when Maryland's low-income energy customers did make payments, PA Consulting found, they were less regular and less continuous. Moreover, low-income households making payments took more days before making their payments.

Table 5. Low-Income[38] vs. All Residential Customers
Selected Payment Performance Indicators

	Completeness of Payment	Regularity of Payment	Continuity of Payment[39]	Elapsed Days before Payment
Low-income customers	83.6%	70.0%	0.3	32.6
All customers	97.6%	86.8%	0.52	21.8

36 The regularity index "is the percentage of payments the customer made compared to the number of billings." PA Consulting, supra, at 4-4.

37 The continuity index "is an indicator of how consistently payments were made. For example, making nine payments in a row would yield a higher consistency score than making three payments in a row." PA Consulting, supra, at 4-4.

38 "Low-income" is defined as a participant in the Maryland EUSP program prior to their entry into EUSP. All EUSP participants, however, receive federal fuel assistance through the Maryland Energy Assistance Program ("MEAP"). The reported performances would, as a result, be better than low-income customers not receiving MEAP. MEAP serves a fraction of all Maryland low-income customers.

39 The "continuity of payment" is measured as follows according to PA Consulting: "The continuity index is the sum of the square of payments made in sequence divided by the square of the number of billings in the study period. Thus, if a participant makes 12 payments in a row and there are 12 billing periods then the continuity index is $12^2 / 12^2$ or one. This means that the participant consistently paid the electric bill. The continuity index is structured so that the more payments that are made in sequence, the higher the continuity index. A household that made 9 of 12 payments in contiguous months would have a continuity index of $9^2/12^2$ or 0.56. A household that made 9 of 12 payments where four and five of the payments were in sequence, would have a continuity index of $(5^2 + 4^2)/12^2*100$ or 0.28. The three missed payments could have been dispersed at the beginning, middle, or end of the study period; have all been at the beginning, middle, or end; or in some other combination. A final illustration is that nine payments made in clusters of

Q. ARE THERE OTHER STATES THAT SHARE THE PAYMENT DIFFICULTIES DOCUMENTED IN MARYLAND AND MICHIGAN?

A. Yes, the Pennsylvania PUC's Bureau of Consumer Services publishes an annual report on "collections performance" for that state's natural gas and electric utilities. The data in Table 6 below show that nearly three times more low-income electric customers (26% vs. 9%) are in arrears. However, not only is a higher percentage of accounts in arrears, but, in addition, those who are in arrears are deeper in arrears. The average dollar level of low-income electric arrears is nearly 50% higher than residential customers as a whole. The resulting collections outcomes are thus not surprising. Pennsylvania utilities disconnect service (for nonpayment) to between three and four times more low-income customers than they do to residential customers generally. And having disconnected service to that many low-income customers, the bad debt rate (in terms of percentage of billed revenue) is between three and four times higher for low-income customers than it is for residential customers as a whole.

3 would result in a continuity index of $(3^2 + 3^2 + 3^2)/12^2$ or 0.19. The continuity index captures how payments are made in sequence." PA Consulting, supra, at 4-4.

Table 6. Collection Impacts of Low-Income and Residential Customers (Pennsylvania) (2015)[40]

	Electric		Natural Gas	
	Residential as a whole	Low-Income	Residential as a whole	Low-Income
Percent accounts in arrears	9.1%	25.9%	9.3%	18.2%
Average dollars of arrears	$452	$672	$470	$566
Termination rate	4.4%	15.8%	3.9%	12.0%
Bad debt rate	2.3%	9.8%	3.9%	14.0%

C. Relevance of Low-Income Payment Problems to this Proceeding.

Q. WHY DO YOU DOCUMENT ABOVE THE LOW-INCOME PAYMENT PROBLEMS IN SUCH DETAIL?

A. My experience counsels that people often consider the fact that low-income customers have greater affordability problems than do non-low-income customers to be self-evident and, as a result, do not given the notion that these problems can be measured and quantified much additional thought. When viewed as self-evident, people fail to translate the inability-to-pay into the various manifestations of the inability-to-collect. Flowing from this failure is a reaction to the low-income affordability problem as though such unaffordability is a "social" problem. The correlative argument is that it is not the role of a public utility to address such a "social" problem. This approach fails to consider the resulting business problems associated with inability-to-pay and inability-to-collect. The

40 The annual BCS Report on Universal Service Programs and Collections Performance can be accessed at: http://www.puc.state.pa.us/filing_resources/universal_service_reports.aspx (last accessed on August 9, 2020).

approach fails to consider the fact that a utility can take steps to control and improve its ability-to-collect.

My detailed discussion above confirms that an unaffordability problem viewed as an "inability-to-pay" from a social perspective is also an "inability-to-collect" from the utility's perspective. When seen as a utility's inability-to-collect the bills it is rendering for service, low-income unaffordability is not merely a social problem, it is a business problem which the utility needs to address through responsive actions.

Q. WHY IS THE DATA FROM MICHIGAN'S CECO (CONSUMERS ENERGY COMPANY), MARYLAND AND PENNSYLVANIA RELEVANT TO THIS PROCEEDING?

A. As I indicated above, Evergy does not publicly report data that allow me to undertake an analysis specific to Evergy. Accordingly, the data from CECo, Maryland and Pennsylvania is relevant because it allows us to gain insights into the baseline collection problems that Evergy will face in the absence of COVID-19. Only by understanding the baseline collection problems can Evergy understand how to address the additional payment difficulties facing the lower-income population, which, as I document above, will be most adversely affected by the COVID-19 pandemic. Moreover, only by understanding the baseline collection problems can Evergy understand which responsive actions it might take can reasonably be expected to be effective, or ineffective, as cost-mitigation measures. Knowing, now, the problems which currently exist, and knowing, now, how those problems will be exacerbated by COVID-19, Evergy should now be charged with taking actions to mitigate those problems and to minimize the resulting costs. *Not* taking available actions to mitigate the Company's inability-to-collect would be an unreasonable passivity on the part of Evergy to control COVID-19 costs and to preserve revenues.

PART 4. EVERGY COVID-19 COLLECTION RESPONSES.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I describe the collection responses which Evergy should be required to implement as a precondition to the recovery of COVID-19 costs through the AAO which the Company seeks in this proceeding.

A. Shutoff Restrictions Should be Continued.

Q. WHAT IS THE FIRST STEP THAT EVERGY SHOULD BE REQUIRED TO TAKE TO MITIGATE THE COSTS IT INCURS DUE TO COVID-19?

A. Evergy should be required to continue a moratorium on nonpayment service disconnections until at least 180 days have passed beyond the date on which COVID-19 has resulted in the public availability and widespread distribution of a vaccine. The reduction in COVID-19 cases and deaths attributable to such a vaccine is directed toward marking the end of the public health emergency. The additional minimum of 180 days is directed toward allowing the state, and its low-income customers, to recovery economically. The additional 180 days is also necessary to allow individuals to schedule and gain access to this vaccine. Not everyone can get vaccinated on Day 1.

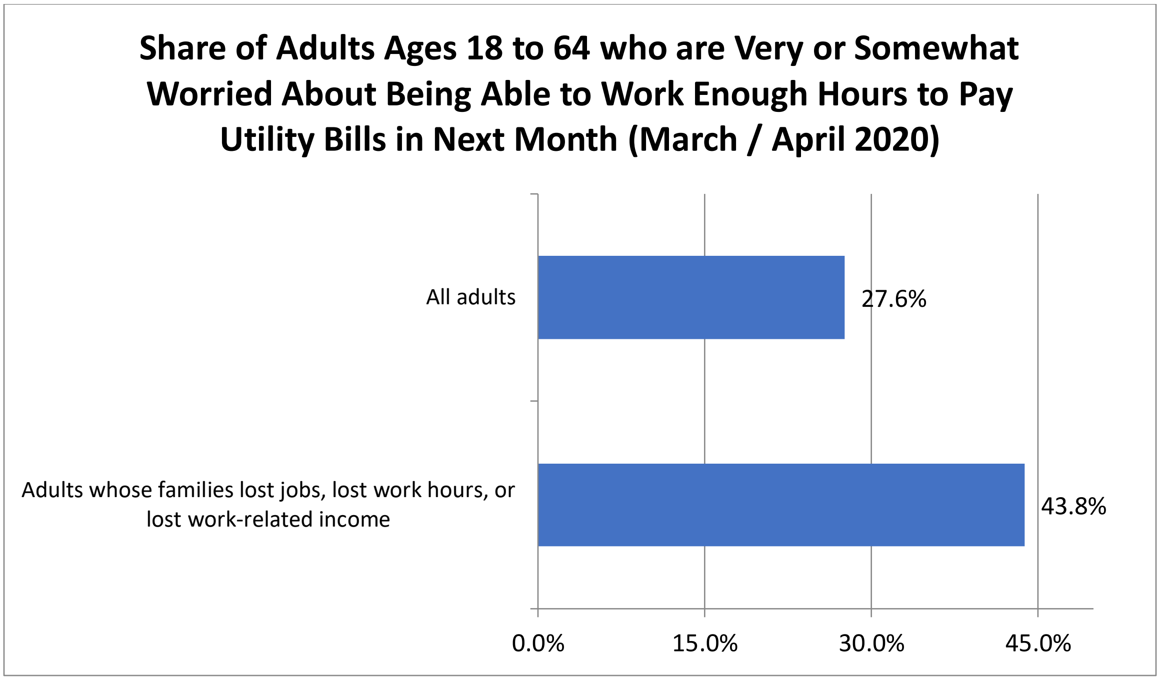
A moratorium is justified on the basis of mitigating the costs, burdens, and injustices of COVID-19 and preserving revenues from unnecessary loss. Moreover, utility shutoffs are an ineffective, an inefficient, and an unjust collection device upon which to rely during the economic crisis related to COVID-19. The inefficiency and ineffectiveness of shutoffs simply exacerbates the unjust nature of Evergy denying access to a fundamentally necessary service during an unprecedented public health emergency, when that service is provided under a state-granted monopoly.

Q. WHY ARE SHUTOFFS AN INEFFECTIVE AND INEFFICIENT COLLECTION DEVICE DURING THE COVID-19 PANDEMIC?

A. During a time marked by an economic, equity, and health crisis, nonpayment of utility bills is most likely caused by an inability-to-pay rather than an unwillingness to pay. Utility nonpayment service disconnections, and the threat thereof, thus do not serve the function that they are generally viewed as serving. The first function is to generate payments in response to a notice of impending service disconnection. Since, however, nonpayment is occurring due to a lack of household resources, as opposed to a lack of willingness to pay, a notice of an impending disconnection does not add resources to a household's budget.

There can be little question but that households who *can* pay make every effort to pay. In my testimony above, I presented data on the percentage of households who have failed to make utility bill payments. In addition, that same study documented the percentage of households who *worry* about their ability to work sufficient hours to be able to pay their utility bills each month.[41]

[41] Urban Institute, supra, at 14.



As can be seen, customers are aware of their payment obligations, and have sufficient intent to pay those obligations that they are "very or somewhat worried about" whether their household will have sufficient resources to make those payments. Sending a shutoff notice, as well as actually disconnecting service, does not generate the additional income to address those worries.

Q. DON'T SHUTOFFS (AND ACCOMPANYING SHUTOFF NOTICES) INCENTIVIZE CUSTOMERS TO MAKE CONTACT WITH THE UTILITY?

A. One article of faith in the utility industry is that warning households of an impending nonpayment service disconnection will generate a customer contact with the utility to "work things out." In the decades I have been engaged in utility customer service work, however, I have found this simply to be an article of faith. No utility I have worked with has been able to produce any empirical data supporting this assertion.

In fact, however, work has been performed in the mortgage industry in very similar circumstances to determine why customers do (or do not) respond to written notices of default to contact their creditor. In research that is directly analogous to the utility context, Harvard University's Joint Center for Housing Studies reported about mortgage nonpayments:

> In all of the cases of foreclosure alternatives – whether for home retention or when the borrower voluntarily gives up the home – the borrower must talk with the servicer. Loans that self-cure quickly without intervention from the servicer are not of much concern, but a borrower that has no contact with their servicer is missing out on the many effective options available for foreclosure avoidance – hurting not only themselves but also causing investor costs to rise.
>
> While contacting the financial institution that services your mortgage may seem a simple task to many, a 2005 ground breaking survey of delinquent Freddie Mac borrowers by Roper and Freddie Mac found many substantial barriers to this important communication. Specifically, the survey revealed that on the effectiveness of servicer outreach, 75 percent of the delinquent borrowers who responded to the survey said they remembered being contacted by their loan servicer by letter or phone. However, a substantial percentage gave a variety of reasons for neglecting to follow-up with their servicers to discuss workout options. Among them were: 28 percent who said there was no reason to talk to their servicers or that their servicers could not help them; 17 percent who said they could take care of their payment problems without any help; and 7 percent who said they didn't call because they didn't have enough money to make the payment. Another 6 percent cited embarrassment, 5 percent didn't respond out of fear and another 5 percent said they didn't know whom to call.[42]

What we learn from this mortgage study, in other words, is that, just like mortgage foreclosures (and the written notices warning consumers of an impending foreclosure on default), shutoffs (and the written notices warning consumers of an

---

[42] Amy Crews Cutts and William Merrill (March 2008). Interventions in Mortgage Default: Policies and Practices to Prevent Home Loss and Lower Costs at 9 – 10, Joint Center for Housing Studies, Harvard University (Cambridge: MA).

impending shutoff for nonpayment) are not likely to be effective as a collection device. This is particularly true in an era of economic disruption never previously experienced.

Q. EVEN IF SHUTOFFS DO NOT GENERATE POSITIVE IMPACTS, FROM THE PERSPECTIVE OF UTILITY COST CONTROL, IS THERE REASON TO BELIEVE THAT SHUTOFFS MIGHT BE COUNTER-PRODUCTIVE?

A. Yes. A utility cannot assume that the termination of service for nonpayment is the best mechanism available to minimize nonpayment and maximize payment, particularly amongst inability-to-pay customers. Indeed, using the disconnection of service as a collection tool can be counter-productive to the Company's own self-interest (and that of its ratepayers) in a variety of circumstances. In particular, using the disconnection of service as a collection mechanism is counter-productive in those instances where non-payment is attributable to an inability-to-pay rather than to an unwillingness to pay.

A study I prepared for the federal LIHEAP office (within the U.S. Department of Health and Human Services) found that when a customer is faced with a nonpayment disconnection, all too frequently, the customer is faced with an immediate need (*i.e.*, bill payment by a date certain) with the available constructive responses to an inability-to-pay unable to deliver assistance either in the form, the time period, or the magnitude necessary to meet that need.[43] Given the immediate consequences of failing to address the short-term nonpayment crisis, the customer is pushed into negative actions. Bad choices might include, but are certainly not limited to, borrowing money (thus increasing their future financial burdens, making future nonpayment even more likely), forgoing the

---

[43] Colton (May 1999). Measuring LIHEAP's Results: Responding to Home Energy Unaffordability, prepared for U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Washington D.C. Available at: http://www.fsconline.com/downloads/Papers/1999%2005%20measure-liheap.pdf (last accessed August 16, 2020).

payment of one essential service (e.g., rent) to pay another essential service (e.g., utilities) (again, leading to increased future bill payment obligations with an increased likelihood of future default), and running from their obligations (which not only leaves the obligation outstanding, but imposes its own series of increased costs).

A continuing reliance on service disconnections as a collection tool ignores this teaching. Rather than helping to resolve the root of the nonpayment problem, the service disconnections place customers in the position where they will time-and-again be faced with similar future problems. The consequences yield not only adverse results to the customer, but yield adverse results to the Company as well.

Q. IS THERE ANY OTHER WAY IN WHICH NONPAYMENT DISCONNECTIONS DURNG THE COVID-19 PANDEMIC IS COUNTER-PRODUCTIVE AS A WAY FOR EVERGY TO CONTROL COSTS?

A. Yes. One assumption that underlies any argument that nonpayment service disconnections will help to control costs to the utility is that the disconnection of service will, with reasonable certitude, be followed by a reasonably prompt reconnection of service, accompanied by a payment of all or some substantial portion of the disconnection amount as a pre-condition of reconnection. This assumption breaks down during the COVID-19 economic crisis. As I explain below, during the COVID-19 pandemic, it is more likely that, when an unpaid balance pushes a customer to the point where Evergy service is disconnected for nonpayment, that customer will have insufficient resources to repay those arrearages along with his or her bill for current service in the near-term future.

Moreover, service disconnections are often used as the foundation for consumers to seek public and private assistance to address the underlying unpaid account balance and thus generate revenue for the utility. The assumption of the adequate availability of such funds also breaks down during the COVID-19 pandemic. The unpaid account balances incurred by lower-income households would outstrip the ability of public assistance programs such as LIHEAP to address. Not only will crisis situations extend beyond the income eligibility that has traditionally been associated with LIHEAP, for example, but, in addition, the sheer magnitude of economic crisis will extend beyond the point where public and private crisis assistance funds and delivery capacity will be sufficient to provide adequate assistance. The question, of course, is not simply having enough funds, but it is also having sufficient capacity for outreach, education, and delivery of programs in a quick and efficient manner. For example, community action agencies have, because of the COVID-19 crisis, had to stall or slow down work.

Q. WON'T A SHUTOFF MORATORIUM RESULT IN A SYSTEMATIC NONPAYMENT OF BILLS BY CUSTOMERS WHO CAN PAY BUT WON'T?

A. No. Many in the utility industry view the potential disconnection of service for nonpayment as one of the primary collection tools to be exercised against customers who fail to pay their bills. Without the threat that nonpayment might result in the loss of service completely, this belief asserts, customers will simply stop paying their bills.

The available data find that these concerns are unfounded. Indeed, existing data do not support the conclusion that shutoff restrictions substantially alter customer payment practices. The California Public Utilities Commission (CPUC) has adopted what it calls its "medical baseline" program. Medical baseline protections are available when a customer, or someone sharing the customer's home full-time, requires certain medical equipment for life-support or specific illnesses. CPUC regulations provide that medical baseline customers: (1) may not receive utility communications regarding the potential for disconnections for nonpayment; (2) must have an in-person visit, including by a field person who can provide an opportunity for a payment, prior to a disconnection of service for nonpayment; and (3) may not be subject to remote disconnections for nonpayment.

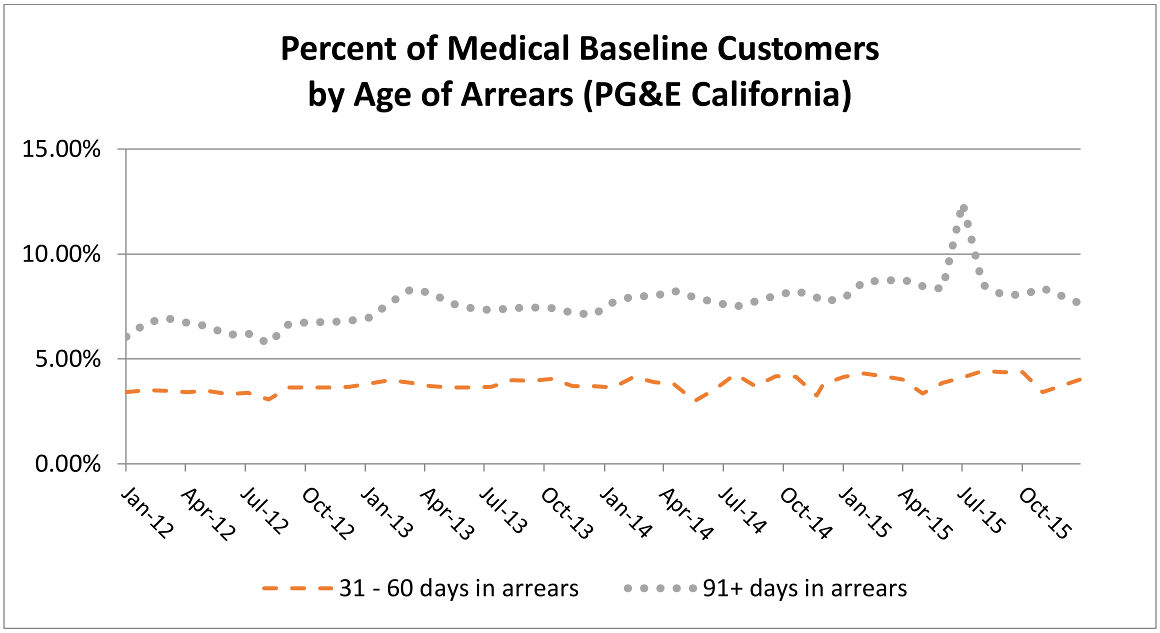
The California shutoff restrictions for medical baseline customers do not result in a systematic nonpayment by customers protected by the PUC's regulations. This Chart below tracks the arrearage patterns of PG&E's medical baseline customers over a four-year (48 month) period. The age of arrearages tracked include arrearages old enough to represent two missed payments (aged 31 – 60 days) as well as arrearages that are deemed to begin to reach the stage of concern about lack of payment (more than 90-days). This Chart presents the percentage of all medical baseline customers in each month that carry an arrearage balance of the stated age.[44] The PG&E data supports two conclusions:

1. Medical baseline customers do not represent a substantial threat of nonpayment as represented by an aged arrearage; and
2. The percentage of medical baseline customers with the older arrearages is remaining flat over time.

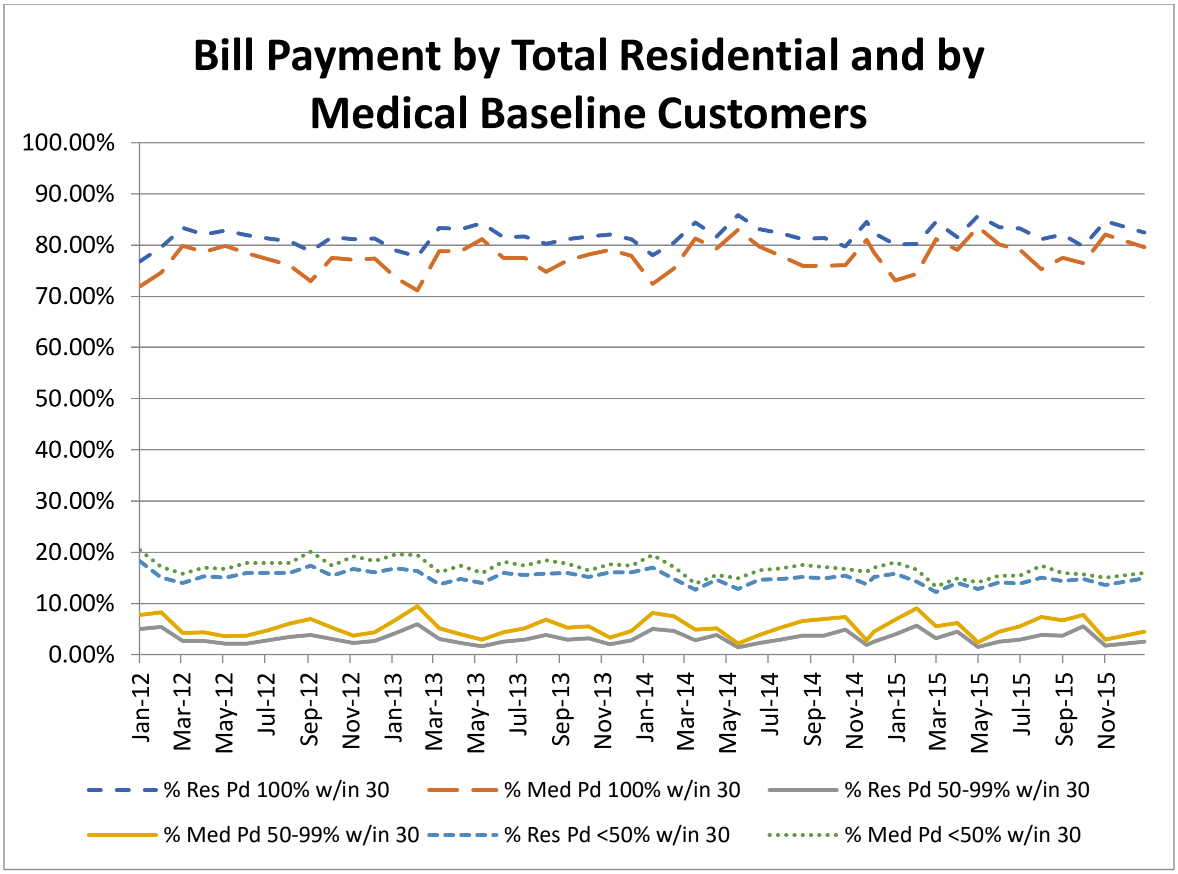
If concerns about systematic nonpayment were based in fact, neither of these observations would be correct. If concerns about shutoff restrictions were well-founded, the percentage of medical baseline customers with arrears over the age of 90 days would

[44] The numerator in each percentage is the number of medical baseline accounts with the arrearage by age; the denominator is the total number of medical baseline accounts.

be large and they would be increasing. In contrast, the 90-day arrears represent fewer than 10% of the medical baseline customers, while the 31 – 60 days arrears are roughly five percent (5%).



The Chart below demonstrates this same conclusion on a month-by-month basis, not by looking at what bills remain *un*paid, but instead by looking at the extent to which bills *are* paid. Using data reported to the California PUC, this Chart compares the portion of the monthly bill paid each month by residential customers as a whole and the portion of the monthly bill paid by customers protected from shutoffs by the PUC's medical baseline shutoff restrictions.



There is no dispute that residential customers overall perform somewhat better than do medical baseline customers. That, of course, is to be expected given the limited ability-to-pay of the medical baseline customers with which to begin. Nevertheless, several observations are evident from a review of the data presented in the Chart. First, the vast majority of medical baseline customers pay their bill in full (i.e., pay 100%) on a monthly basis. Second, there is no long-term divergence between the percentage of medical baseline customers who pay their bills in full and the percentage of total residential customers who pay their bills in full. The medical baseline customers who are protected by restrictions on service disconnections closely mirror the residential customers who have no such restrictions. Third, there is no seasonal divergence between the total residential population and the medical baseline population. The seasonal variations in bill payment patterns that appear for the total residential population appear almost identically for the medical baseline population.[45]

The same observations can be made about both customers who pay less than half of their bill on a monthly basis, as well as about the customers who pay more than half, but less than 100%, of their bills on a monthly basis. The difference between the two populations is small; the trend over the four-year period does not indicate a divergence between the two populations;[46] and the seasonal variations in payments are nearly identical between the two populations.

The medical baseline shutoff restrictions in California are not tied to cold weather protections. Some shutoff restrictions throughout the country, however, are specifically tied to cold weather. I turn to a review of the impact of those restrictions next.

Using the "bills behind" tool developed by the Pennsylvania BCS,[47] amongst other metrics, I undertook a study of Iowa utility bills and payments over a three-year period (June 1998 through May 2001).[48] The BCS "bills behind" statistic eliminates the effects that the size of a customer's bill has on that customer's arrearages.

The Iowa data document that the number of bills behind that Iowa LIHEAP recipients incurred fluctuated within a very narrow band over the course of the year.

[45] It should be noted that merely because one does not pay in full before the due date does not mean that the arrears become long-term overdue. A customer who pays two days late (i.e., on Day 22 rather than on Day 20) is, for purposes of Figure 2, nonetheless counted as having paid "less than half" of their bill in that month.

[46] If customers protected by medical baseline regulations regularly failed to pay their bill, an increasing proportion of customers would appear as having paid "less than 50%" of their bill. This would occur because those payments that were made would be applied against arrearages, leaving an increasing proportion of bills for current service unpaid.

[47] Joseph Farrell (1983). Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment, at 19, Pennsylvania Public Utility Commission: Harrisburg, PA.

[48] Colton (November 2003). "Winter Weather Payments: The Impact of Iowa's Winter Utility Shutoff Moratorium on Utility Bill Payments by Low-Income Customers." 16(9) Electricity Journal 59.

While arrears unquestionably went up during the high cost winter months, the increase was not substantial. In the June 1998 – May 1999 period, the "bills behind" in January through March were virtually identical to the "bills behind" in July through October. During the June 1999 - May 2000 and the June 2000 – May 2001 periods, the "bills behind" during the winter months were actually *lower* than the bills behind for the corresponding non-heating / non-moratorium months.

In making these observations, I do not suggest that low-income arrears do not increase in the high cost winter months. Instead, the most significant observation from these Iowa data is that rather than experiencing a dramatic increase in the number of bills behind during the winter moratorium months, resulting from a decrease in the amount and/or frequency of payments attributable to winter shutoff restrictions, the weighted arrears (i.e., "bills behind") for Iowa LIHEAP customers fluctuated within a very narrow band.

In sum, the primary empirical study of the impact of winter shutoff restrictions in the United States found that no substantial change in payment patterns occurs as a result of the shutoff protections. An application of the bills-behind analysis to Iowa bill payment data found that residential bill payment patterns did not change in the winter months even when accounts were protected from nonpayment by shutoff restrictions. The Iowa analysis found that the number of bills-behind that Iowa LIHEAP recipients incur fluctuates within a very narrow band over the course of a year. The study found further that while the absolute dollar level of arrears unquestionably increases during the high cost winter months, the increase is not because customers miss more payments.

Instead, the “bills behind” in January through March are virtually identical to the “bills behind” in July through October.

Q. IS THERE ANY CORROLARY ACTIONS TO A CONTINUATION OF THE SUSPENSION OF DISCONNECTIONS THAT EVERGY SHOULD PURSUE?

A. Yes. There are two corollary actions Evergy should take. First, for the duration of the suspension of the use of disconnections, Evergy should reconnect customers who had service disconnected for nonpayment and remain off the system, while waiving reconnection fees that would serve as a barrier to reconnection. In this sense, a cash security deposit would be included as a type of “reconnection fee” when demanded as a condition of reconnection. Customers who have been disconnected during or immediately preceding the COVID-19 pandemic should not face insurmountable barriers to regaining their essential utility services. To impose a reconnection charge at a time when households are failing to pay monthly housing costs, facing food insecurity due to lost income, or foregoing medical care during the most significant public health crisis in 100 years, is to knowingly create a barrier to reconnection.

Second, for the duration of the suspension of disconnections, Evergy should allow a customer changing service addresses within its service territory to connect service at the new address and to carry his or her arrears, if any, forward to the new address.

For both of these corollary actions, the regulatory decision of the PSC should be that Evergy should suspend the disconnection *or denial* of service during the COVID-19 pandemic health and economic emergency.

Q. WHY IS THE SUSPENSION OF THE DENIAL OF SERVICE AN APPROPRIATE STEP FOR EVERGY TO TAKE TO REDUCE COSTS AND INCREASE REVENUE DURINT THE COVID-19 PANDEMIC?

A. The easiest and most effective way for Evergy to generate revenue is to retain customers on the system. Disconnections, particularly disconnections which are not quickly followed by reconnections, not only place collections of the underlying arrears in jeopardy, but place any possible future revenue in jeopardy as well. Once someone is off-system, the only realistic opportunity to Evergy to collect outstanding balances is to assign the debt to a collection firm. To the extent that firm is successful at all, from the Company's perspective, that success comes at considerable cost in terms of percentage collection fees. In today's COVID-19 economic crisis, however, the chances are slim that the collection agency would have a better success at generating payments than would Evergy, on its own. When households are failing to make rent and utility payments, as well as foregoing food and medical care, it is not likely that a collection agency would generate substantial revenue, if any, to collect unpaid balances from disconnected and inactive Evergy customers.

B. The Imposition of Late Payment Charges Should be Suspended.

Q. WHAT IS THE NEXT STEP THAT EVERGY SHOULD BE REQUIRED TO TAKE TO MITIGATE THE COSTS IT INCURS DUE TO COVID-19?

A. Evergy should be required to continue suspending the imposition of residential late payment charges for the same duration that a shutoff moratorium is in effect. A late payment charge has two purported objectives: (1) to serve as an incentive for customers to pay their bills; and (2) to allow the utility to recover its collection costs associated with nonpayment from those customers who cause (or contribute to the cause) of those costs. Neither of these objectives is valid during the COVID-19 pandemic.

To impose a late payment charge as an "incentive" for customers to pay their bills assumes that a customer has an ability-to-pay but, for some reason, lacks the motivation to do so. As documented in detail throughout my testimony, however, during the COVID-19 pandemic, lower-income customers have an even lesser ability-to-pay than they do in periods not marked by the health emergency and the economic crisis attributable to the pandemic.

Indeed, as with nonpayment service disconnections, from a cost-control perspective, imposing late payment charges during the economic crisis associated with the COVID-19 pandemic is likely to be counter-productive as a cost-control measure rather than productive. Two arguments are generally advanced in support of the "incentive" function of a late payment charge. On the one hand, utilities have argued that late payment charges will incentivize payments in order for customers to avoid paying the higher bills caused by the late charge. On the other hand, utilities have argued that late payment charges will incentivize customers to pay their utility bills before paying than any credit card bills that may bear equal or higher interest rates.

Neither of these arguments applies to consumer decision-making in the economic crisis associated with the COVID-19 pandemic. As shown throughout my testimony above, customers during the COVID-19 pandemic are not making the choices that Evergy late payment charges are designed to influence. Customers are not choosing to make payments between their credit cards and their utility bills. Customers are instead faced with an inability to make payments on fundamental households needs such as food, medicine and housing.

Q. WHAT INFORMATION IS AVAILABLE ON THE CHOICES CONSUMERS ARE MAKING WHEN THEY FACE COVID-19 RELATED INCOME LOSS?

A. The Urban Institute study, which I have previously cited, illuminates the choices that households are being forced to make in today's COVID-19 pandemic world. The Chart immediately below shows the choices that people are making in the midst of the COVID-19 pandemic. As I document above, one-in-six (15.7%) of adults are unable to pay their home energy bills when they lost jobs, or suffered lost work hours or reductions in work-related income. For purposes of assessing late payment charges, however, that number does not tell the full story. Nearly one-in-three (29.6%) of adults who lost jobs/income experienced food insecurity, while nearly one-in-four (22.5%) were unable to received medical care for someone in their family because of cost. There are, in other words, people who are choosing to pay their utility bills before they are buying food or obtaining health care in the midst of the worst public health crisis in more than 100 years.

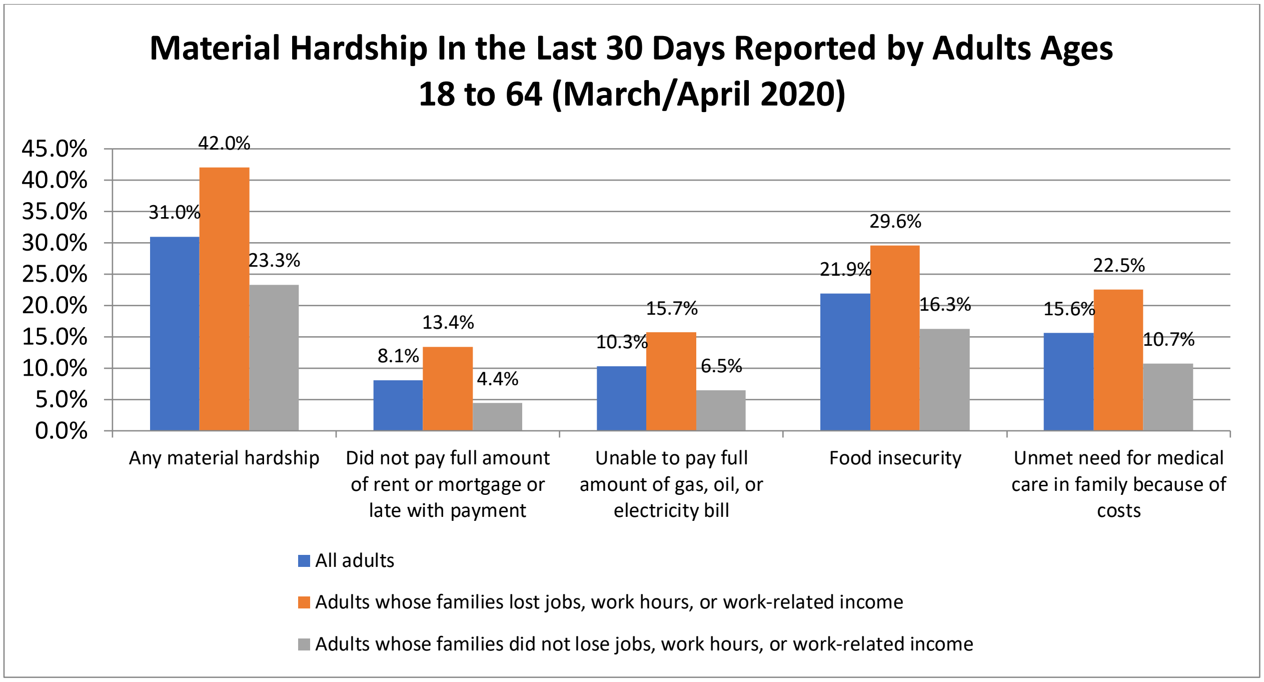
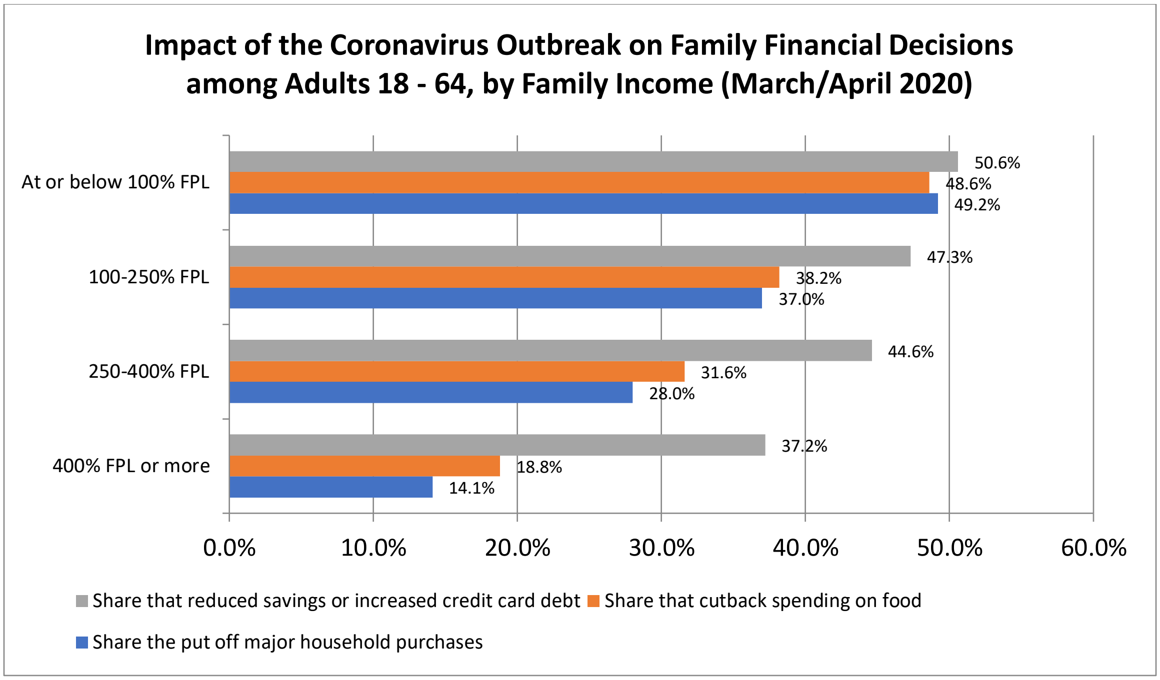


Table 7 below shows that these choices are exacerbated at the lowest income levels. More than one-in-four adults with income at or below 100% of Poverty could not pay their home energy bills in the past 30 days (March/April 2020). Even as income increased to between 100% and 250% of Poverty, one-in-seven (13.9%) could not pay their home energy bills. At all income levels, the Table shows, adults were choosing to pay their home energy bills before buying food or accessing medical care during this pandemic.

Table 7. Material Hardship in the Last 30 Days Reported by Adults Age 18 to 64 by Family Income (March/April 2020)				
	By Family Income			
	At or below 100% FPL	100-250% FPL	250-400% FPL	400% FPL or more
Any material hardship %	68.6%	42.8%	28.3%	10.7%
Did not pay full amount of rent or mortgage or late with payment	21.7%	10.8%	6.2%	2.2%
Unable to pay full amount of gas, oil or electricity bills	27.5%	13.9%	8.2%	2.6%
Food insecurity	57.5%	31.0%	17.9%	4.6%
Unmet need for medical care in family because of costs	29.4%	22.3%	14.9%	6.4%

Finally, the Chart below shows that people are not simply refusing to pay (or ignoring) their home energy bills. At every income level, adults are reducing their savings or increasing their credit card debt to make their payments. These adults, however, particularly those at the lowest income levels, simply do not have sufficient resources to be able to continue months-on-end having lost their jobs, lost work hours, or suffered the loss of work-related income.



Q. CAN IMPOSING LATE PAYMENT CHARGES BE COUNTER-PRODUCTIVE TO EVERGY RECEIVIG FULL AND TIMELY PAYMENT OF THEIR MONTHLY BILLS FOR CURRENT SERVICE?

A. Yes. Imposing late payment charges in the circumstances that I describe above not only "could" be counter-productive, but is almost certain to be counter-productive. Imposing late payment charges, in other words, exacerbates rather than improves the nonpayment of bills for current service. Late payment charges divert scarce household resources away from the payment of bills for current service to the payment of these secondary charges. As a result, fewer resources remain for households to pay their bills for current service. By not continuing to suspend the imposition of late payment charges, Evergy would be unnecessarily exacerbating the costs it incurs, and the revenue it loses. The result is contrary to each of the regulatory principles that I described in detail above regarding the control and mitigation of COVID-19 costs.

PART 5. PROCESSES TO ADDRESS COVID-19 ARREARAGES.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. During the period of this COVID-19 economic crisis, it is reasonable to expect that many residential customers will incur unpaid balances. The question for Evergy is how to respond to those unpaid balances in this period marked by the COVID-19 financial and health emergency in a way that is both socially and economically responsible. My recommendations below are for Evergy to implement an Arrearage Management Program (AMP) for customers with income at or below 200% of Poverty and to provide long-term deferred payment plans for households above that income level.

Q. WHY IS IT IMPORTANT FOR EVERGY TO ADDRESS UNPAID ACCONT BALANCES THAT MIGHT DEVELOP DURING THE COVID-19 PANDEMIC?

A. Based on the data and discussion I present above, it seems evident that unpaid account balances will develop during the health crisis and resulting economic emergency associated with the COVID-19 pandemic. The question presented to Evergy, therefore, is how it can respond to those unpaid account balances in a way that will seek to generate revenue and to minimize costs.

When I reference the need to generate revenue and minimize costs, my reference is not simply to minimizing credit and collection costs. Imposing an obligation on customers to retire the entirety of COVID-19 related balances, when customers do not have the ability to do so, will not only place the collection of those balances in jeopardy, it will also place the ability of customers who would otherwise be able to maintain future payments in jeopardy of having service disconnected. The result will be to deny Evergy future revenue that it need not have lost.

Going forward, providing an opportunity for customers to make complete payments for current service, and providing an arrearage management program, are interrelated. People do not make separate payments for their bill for current service and for their arrearages. Rather people make a payment toward their total bill. From a payment perspective, therefore, it makes no difference whether that total payment is unpayable due to the bill for current service or unpayable due to a pre-existing arrearage. I find that, in the absence of an AMP, pre-existing arrearages will represent a substantial contributor to the inability of low-income customers to pay their current Evergy bills for current service and to retain service.

A. An Arrearage Management Program.

Q. PLEASE EXPLAIN YOUR PROPOSED ARREARAGE MANAGEMENT PROGRAM?

A. Evergy should allow income-eligible customers to enter into an Arrearage Management Program (AMP) through which they can earn credits to retire their arrears over a twelve-month period. Income-eligibility should be set at 200% of the Federal Poverty Level. Arrearage credits should be earned for arrearage balances exceeding $300 on a pro rata basis for each complete payment a customer makes over a twelve-month period. I will explain the basis for each of these program elements in more detail below.

Q. PLEASE EXPLAIN THE BASIS FOR AN INCOME ELIGIBILITY LEVEL OF 200% OF THE FEDERAL POVERTY LEVEL.

A. I recommend an eligibility level of 200% of Poverty Level for an AMP. My recommended eligibility guideline is based on Missouri's 2020 Self-Sufficiency Standard.[49] The self-sufficiency standard calculates the cost of a minimum standard of living without need for public assistance. It does not provide for non-essentials. For example, it provides for no savings, no education, and no entertainment. The self-sufficiency standard calculates a minimum standard of living for 719 household configurations. I chose a typical 3-person household size and configuration, including one adult and two school-age children. I examined the self-sufficiency standard for twelve Missouri counties served by Evergy: Carroll, Cass, Chariton, Clay, Howard, Jackson, Johnson, Lafayette, Pettis, Platte, Randolph and Saline.

The data is set forth in the Table immediately below. As the Table shows, the Missouri self-sufficiency standard consistently exceeds 150% of Poverty, with the standard approaching 200% of Poverty in five of the twelve counties. Remember, however, that while this self-sufficiency standard reflects this particular household size and composition, other household sizes and compositions exist.

[49] Available at: http://www.selfsufficiencystandard.org/missouri (last accessed August 6, 2020).

Table 8. 2020 Self-Sufficiency (SS) Income by Percent of Federal Poverty Level (FPL) (3 person household: 1-adult, 2 school-age children)			
County	Annual SS Income	100% FPL (3-person)	% FPL
Carroll	$34,665	$21,720	160%
Cass	$40,403	$21,720	186%
Chariton	$34,494	$21,720	159%
Clay	$40,069	$21,720	184%
Howard	$34,450	$21,720	159%
Jackson	$40,188	$21,720	185%
Johnson	$34,714	$21,720	160%
Lafayette	$40,347	$21,720	186%
Pettis	$34,508	$21,720	159%
Platte	$40,135	$21,720	185%
Randolph	$33,987	$21,720	156%
Saline	$33,654	$21,720	155%

Q. PLEASE EXPLAIN THE BASIS FOR YOUR RECOMMENDATION THAT ARREARAGES EXCEEDING $300 SHOULD BE SUBJECT TO THE AMP.

A. I recommend that the AMP be available for all customers with arrearages at or exceeding $300. The AMP offers relief only when unpaid balances reach (or exceed) a level that would make them unlikely ever to be repaid. If a customer has an arrears of less than $300, the customer would be responsible for paying that balance. If a customer has an arrearage exceeding $300, the customer would be responsible for paying only the first $300. The amount of arrearage over $300 would be forgiven over time in exchange for completing payments on the bill for current service plus the balance for arrearages under $300. An empirical basis exists for the $300 threshold.

In assessing the reasonableness of the $300 threshold, I spread the $300 arrears over 12-months.[50] I then divided that balance by 4% of income. That 4% is based on the

[50] If a customer had an arrearage less than $300, the customer would be responsible for paying that full arrearage. Under an AMP, the maximum dollar amount for which a customer would have payment responsibility would be $300.

widely used threshold of affordability of 6% for *current* service, divided half-and-half between natural gas and electricity.[51] I add a 1% additional payment obligation to address the arrears. A one-year payment plan for a $300 balance would, therefore, be affordable for households who have incomes no lower than $7,500.

Q. PLEASE EXPLAIN THE BASIS FOR YOUR RECOMMENDATION THAT A PRO RATA SHARE OF THE UNPAID BALANCE OVER $300 SHOULD BE RETIRED IN RESPONSE TO EACH COMPLETE PAYMENT.

A. Arrears credits should be earned as bills are paid over time, whether or not those payments are made in a "timely" fashion. The offer of an arrearage credit should not be viewed as an "incentive" to make a prompt bill payment. Customers should not need "incentives" to make prompt payments. Rather, the philosophy of the program is as

[51] The maximum energy burden for New York's payment assistance program is 6% for gas and electric service (split 3%/3% between gas and electric. See New York Public Service Commission's Order Adopting Low Income Program Modifications and Directing Utility Filings, at 3, Case 14-M-0565 (effective May 20, 2016). The New York Public Service Commission favored a 6% energy burden level because it appears to be a widely accepted limit for utility payments: "There is no universal measure of energy affordability; however, a widely accepted principle is that total shelter costs should not exceed 30% of income. For example, this percentage is often used by lenders to determine affordability of mortgage payments. It is further reasonable to expect that utility costs should not exceed 20% of shelter costs, leading to the conclusion that an affordable energy burden should be at or below 6% of household income (20% x 30% = 6%). A 6% energy burden is the target energy burden used for affordability programs in several states (e.g., New Jersey and Ohio), and thus appears to be reasonable. It also corresponds to what U.S. Energy Information Administration data reflects is the upper end of middle and upper income customer household energy burdens (generally in the range of 1 to 5%). The Commission therefore adopts a policy that an energy burden at or below 6% of household income shall be the target level for all low[-]income customers." May 20 Order at 7-48.

Jersey's maximum energy burden for its Universal Service Fund is also 6%, split 3%/3% between natural gas and electric service. New Jersey requires USF customers to pay 3% for natural gas service, 3% for electric non-heating, and 6% for electric heating. The discount provided to customers is based on the difference between their annual utility bill (after LIHEAP is applied) and required percentage of household income. https://www.state.nj.us/dca/divisions/dhcr/faq/usf.html#q1

Illinois also administers a PIP that charges customers a maximum of 6% of their income for gas and electric service. http://www.ilga.gov/legislation/96/SB/PDF/09600SB1918lv.pdf follows: we realize that you may not have made payments in the COVID-19 pandemic when bills were unaffordable. We have agreed to address (and redress) that problem. Having done our part, we need you to now do *your* part by making your payments. Accordingly, as you your make payments toward your bills for current service, we will provide matching credits toward your pre-existing arrearages.

There is also an empirical basis for not conditioning the grant of arrearage credits on "prompt" (or "timely") payments. New Jersey data show that it is reasonable to expect participants in a bill assistance program – particularly a program which ties the assistance to an affordable percentage of income – to pay 90% or more of their bills over an annual basis. Pennsylvania data find that low-income bill assistance participants pay between 85% and 90% of their bill on an annual basis. We must recognize, however, that while that will be the *annual* result, low-income customers may miss an occasional payment and then make that payment up the next month. The important lessons to be teaching, however, are two-fold. First, it is important to make *some* payment even if the customer cannot make the *entire* payment. If the customer cannot pay an entire $80 bill, they should nonetheless make the $40 payment they *can* make, so that the first $40 in the next month gets them their arrearage credit. Second, it is important to continue making regular payments even if those payments don't always cover the entire current month's bill. One should not fall out of the "habit" of making some bill payment simply because an entire payment is not possible in a given month. Both of these "lessons" are directed toward communicating and understanding the importance for a customer to avoid falling into a hole and becoming stuck there.

Q. SHOULD PARTICIPATION IN AN AMP BE AVAILABLE WHETHER THE CUSTOMER IS CURRENTLY ACTIVE OR HAS HAD THEIR SERVICE DISCONNECTED FOR NONPAYMENT?

A. Yes. An AMP should be available not only to a customer who has an unpaid balance but remains on the system, but also to a customer who has had service previously disconnected for nonpayment. The objective of the AMP is to address pre-existing arrearages in a way that generates a stream of revenue to Evergy and generates offsetting cost savings such as the reduction in working capital (and the return and taxes thereupon) from receiving payments toward pre-existing arrearages. Whether those arrears are associated with a customer who has had service disconnected for nonpayment, or a customer whose service remains active, does not affect the ability of the AMP to achieve those objectives.

Q. WHAT DO YOU CONCLUDE?

A. I conclude that the implementation of an AMP is a reasonable Evergy response to unpaid balances that could not be paid during the COVID-19 health pandemic (and resulting economic crisis). An AMP addresses unpaid balances in an efficient, least-cost manner. An AMP is the most appropriate way for Evergy to address low-income arrearages while minimizing and mitigating total costs that it will eventually bear.

B. Long-Term Deferred Payment Plans.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I explain why it is necessary for Evergy to make available reasonable long-term deferred payment arrangements[52] for customers who do not qualify for participation in the AMP I recommend above. For purposes here, a customer who does not qualify for the AMP should be required to repay all COVID-19 arrearages over at least a 12-month period. That customer, however, will be allowed to do so over a term of months that does not unreasonably place the customer's payment of bills for current service in jeopardy.

The need to consider the term of a payment plan (in months) within the context of a customer's ability-to-pay is simply sound utility management. Entering into a payment plan that a customer has no reasonable likelihood of completing does not serve anyone's interest, including the interest of Evergy in minimizing revenue loss and controlling the costs of unpaid bills.

Q. PLEASE EXPLAIN YOUR CONCERNS WITH RESPECT TO EVERGY'S DEFERRED PAYMENT PLANS.

A. A deferred payment plan is an agreement between a customer and Evergy for the customer to retire undisputed arrearages over a negotiated period of time. A deferred payment plan may be made available to customers who are not income-eligible for the Arrearage Management Program (AMP). A deferred payment plan may also be made available to a customer who is participating in AMP, but has an arrearage (not to exceed $300, as I explain in my discussion of the recommended AMP), that they are not capable of paying in total immediately. In contrast to the AMP, in other words, which allows a customer to earn credits toward any unpaid balance exceeding $300, a deferred payment

[52] Throughout my testimony, references to "deferred payment plans," "deferred payment arrangements" and other similar phrases are intended to be synonymous.

plan addresses an unpaid balance that the customer is charged with the responsibility for paying.

I address the impact of deferred payment plans within the context of the affordability of Evergy's underlying electric bills. According to EIA's Form 861 data for 2018, the most recent year available, Evergy Missouri West had annual residential revenues of $419,844,000 and an annual residential customer count of 286,741 (yielding an average annual bill of $1,464). Evergy Metro had annual residential revenues of $372,973,000 and an annual residential customer count of 255,709 (yielding an average annual bill of $1,459). Accordingly, I use an average residential bill of $1,460 to represent the two companies combined.

In the Table below, using 4% to demarcate an affordable percentage of income for bills for current electric service plus an arrearage payment,[53] I determine the income that would be necessary to have bill payments for different arrearage levels, using a 12-month payment plan, be affordable, both in dollar terms and in terms of income as a percentage of Federal Poverty Level. I consider arrearages not only at the maximum payment I propose to be the customer responsibility for AMP, but also at different levels of "bills behind." I explained the significance of "bills behind" earlier in my testimony. Developed by the Pennsylvania PUC's Bureau of Consumer Services, "bills behind" normalizes arrearages for usage and price. It is calculated by dividing the level of the

[53] For the same reasons I describe above, using a 3% figure would not be appropriate. The 3% figure discussed above applies to bills for current service. Nonetheless, Evergy would not want to stray too far from that 3% figure and risk nonpayment of the total bill. Accordingly, I increase the affordable figure from 3% to 4% to account for the arrearage payments.

arrearage (numerator) by the average monthly bill (denominator). An arrears of $200 with an average bill of $50, for example, would represent 4.0 "bills behind."[54]

Table 9. Affordability of Deferred Payment Arrangements (DPA) at Different Arrearage Levels					
	AMP Arrears	Arrears As "Bills Behind"			
		3 Bills Behind	4 Bills Behind	5 Bills Behind	6 Bills Behind
Annual bill for current service	$1,460	$1,460	$1,460	$1,460	$1,460
Arrearage	$300	$365	$487	$608	$730
Total annual payment with 12-month DPA	$1,760	$1,825	$1,947	$2,068	$2,190
Affordable Pct of Income	4%	4%	4%	4%	4%
Income Needed to Have 12-Mo DPA Affordable	$44,000	$46,625	$48,675	$51,700	$54,750
Needed income as FPL Pct (3-person HH)[55]	203%	210%	224%	238%	252%

The Table above demonstrates why Deferred Payment Arrangements so often fail. Even for a customer who is only three "bills behind" for Evergy, the income required to make repayment of such an arrearage over a 12-month payment plan, in addition to the normal bill for current service, affordable would reach nearly $46,625 (or 210% of Poverty for a 3-person household). For a customer who is six bills behind, the income required to make repayment of such an arrearage over a 12-month payment plan, in addition to the normal bill for current service, would reach $54,750, or more than 250% of Poverty.

By capping arrearage installment payments through a deferred payment plan at 25% of the customer's average monthly bill, the terms of payment plans are extended somewhat, but the likelihood of the payment plan being successfully completed is increased. The Table below shows the annual payments, and the months required to

54 BCS said it was important to consider bills behind in order to compare arrears of differing sizes due to differences in usage, weather, price or time. For example, while an arrearage of $400 would historically have been considered a greater problem than an arrearage of $200, if the $200 arrearage was based on an average $50 bill (4.0 bills behind) and the $400 arrearage was based on an average $150 bill 2.7 "bills behind," a different reaction may be merited.
55 100% of Federal Poverty Level for a 3-person household in 2020 was $21,720.

complete a payment plan, when imposing a cap on the monthly payment plan payment. For a customer who is six "bills behind" in their arrearage, a payment plan using this ceiling on monthly payments would require 24 months to complete.

Table 10. Impact of 25% Ceiling on Payment Plan Monthly Payment

	AMP Maximum	Bills Behind			
		3	4	5	6
Arrearage	$300	$365	$487	$608	$730
Annual payment	$300	$365	$365	$365	$365
Months to complete	12	12	16	20	24

Q. DON'T THE HOME ENERGY BURDENS STILL REMAIN AT UNAFFORDABLE LEVELS?

A. No. Given the assumptions in this illustration (e.g., average Evergy bill, 3-person household), bill payments for each deferred payment plan would be affordable at 210% of Poverty. As incomes extend increasingly above 200% of Poverty, the percentage of income that would be "affordable" increases as well. In contrast, customers with income less than 200% of Poverty are protected by the availability of the AMP. Either way, Evergy's payment plan payments would generate affordable bills and thus increase the likelihood that Evergy customers would be able to complete the deferred payment plans which they enter into.

Q. WHAT DO YOU RECOMMEND?

A. I recommend modifications to Evergy's practices and procedures that will improve both the effectiveness and the efficiency of the Company's use of deferred payment plans as a collection tool for unpaid bill balances through the COVID-19 pandemic. In particular, I recommend that payment plans be offered with a $0 down payment. In addition, I recommend that Evergy offer a payment plan term of *not less* than 12 months.[56] Finally, payment plan installments to be paid toward arrears, however, should not exceed one-quarter (25%) of the average of a monthly bill for current service. The 12-month limit often would be extended through application of this 25% limitation.

For the reasons I outline below, the offer of these payment plan terms should extend indefinitely. In recommending that Evergy "offer" a payment plan with a term of *not less than* 12 months, I note that a customer contact script wherein a customer service representative ("CSR") first offers a payment plan of three months, second offers a payment plan of six months, and only if the customer says "no" to both of those proposals, finally asks the customer what payment amount is affordable, does not comply with this recommendation. Moreover, if a customer states an amount that would require a payment plan term of more than 12 months, informing that customer that a payment plan of such a term requires supervisory or managerial approval also does not comply with this recommendation.

Clearly, requiring a customer repeatedly to decline payment plan terms offered by a CSR, and to insist on supervisory approval for terms that are within the bounds of the payment plan terms as provided in the recommendation, does not constitute "offering" such payment plan terms. Requiring customers to continue to decline payment plans proffered by Evergy and to insist on obtaining supervisory approval for a plan that falls within the payment plan terms provided above is inappropriate. The fact that a customer might eventually obtain a DPA of longer than 12 months by appealing a CSR denial of the longer plan to a supervisor assumes that customers have both the knowledge of their

[56] The phrase "not less than" is not synonymous with "at" or "equal to."

right to escalate the DPA negotiation to a supervisor and the wherewithal to insist on escalating the payment plan negotiation to the supervisory level. Early and conspicuously in any CSR conversation relating to the length of time for payment plans, a CSR should advise customers of their right to gain a longer DPA without supervisory approval. Obviously, a "right" that the customer is uninformed about is no "right" at all.

Q. WHAT IS YOUR ULTIMATE CONCLUSION?

A. Evergy should be required to adopt flexible payment agreement terms to retire arrears, including arrears for customers who are not income-eligible for AMP and arrears that are not subject to the forgiveness provisions of AMP.

PART 6. PROACTIVE STEPS TO MITIGATE COVID-19 ARREARAGES.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I explain the bill payment assistance that I recommend Evergy provide to income-eligible customers during the period of the COVID-19 pandemic and the economic crisis that is accompanying that pandemic. I recommend two levels of bill payment assistance.

A. Expansion of the Economic Relief Program.

Q. WHAT TYPE OF BILL ASSISTANCE DO YOU RECOMMEND THAT EVERGY PROVIDE DURING THE ECONOMIC CRISIS ASSOCIATED WITH THE COVID-19 PANDEMIC?

A. I commend Evergy and the Missouri PSC for the offer of Evergy's Economic Relief Pilot Program (ERPP). (Schedule ERPP, Fourth Revised Sheet No. 43Z (effective June 8, 2017). My understanding of the ERPP is that it provides financial assistance to customers with income at or below 200% of Poverty Level. The Evergy tariff states that "participants shall receive the ERPP credit in the amount of each participant's average bill for the most recent 12 months bills, not to exceed $65 per month." (Second Revised Sheet 43Z.2). I have assessed the impact of this financial assistance on the affordability of participant bills given the average Evergy bill of $1,460 I describe elsewhere in my testimony. At that average bill, ERPP participants would receive the maximum $65 monthly credit (given that an annual bill of $1,460 would imply an average monthly bill of $122 and the maximum credit would be reached).

Q. HOW DID YOU ASSESS THE AFFORDABILITY IMPACTS OF THE EVERGY ERPP?

A. For each of the twelve counties I have previously identified, I determine what 100% of Poverty would be based on the average household size in each county. I then calculated an undiscounted bill burden (using the average bill of $1,460) for each county. After subtracting the ERPP credit ($65/month x 12 months = $780) from the average bill, I separately calculated a "discounted bill burden." I calculated bill burdens at seven different income levels:[57] (1) 50% of Poverty; (2) 75% of Poverty; (3) 100% of Poverty; (4) 125% of Poverty; (5) 150% of Poverty; (6) 175% of Poverty; and (7) 200% of Poverty. The results are set forth in the Table below:

[57] A common mistake made in performing affordability assessments is to examine impacts only at the maximum income eligibility level. While the maximum income eligibility for ERPP is set at 200% of Poverty Level, in reality, people live at *or below* 200%. Differentiating income levels thus allows me to consider the impacts over a range of incomes for households who qualify for ERPP.

County	FPL at HH size	Avg Annual Bill	Discount	Bill with Discount	Discounted Bill Burden by Poverty Level: 50 FPL	75% FPL	100% FPL	125% FPL	150% FPL	175% FPL	200% FPL
Carroll	$19,166	$1,460	$780	$680	7.1%	4.7%	3.5%	2.8%	2.4%	2.0%	1.8%
Cass	$19,973	$1,460	$780	$680	6.8%	4.5%	3.4%	2.7%	2.3%	1.9%	1.7%
Chariton	$19,883	$1,460	$780	$680	6.8%	4.6%	3.4%	2.7%	2.3%	2.0%	1.7%
Clay	$19,928	$1,460	$780	$680	6.8%	4.5%	3.4%	2.7%	2.3%	1.9%	1.7%
Howard	$19,614	$1,460	$780	$680	6.9%	4.6%	3.5%	2.8%	2.3%	2.0%	1.7%
Jackson	$19,122	$1,460	$780	$680	7.1%	4.7%	3.6%	2.8%	2.4%	2.0%	1.8%
Johnson	$19,390	$1,460	$780	$680	7.0%	4.7%	3.5%	2.8%	2.3%	2.0%	1.8%
Lafayette	$19,122	$1,460	$780	$680	7.1%	4.7%	3.6%	2.8%	2.4%	2.0%	1.8%
Pettis	$19,838	$1,460	$780	$680	6.9%	4.6%	3.4%	2.7%	2.3%	2.0%	1.7%
Platte	$19,570	$1,460	$780	$680	6.9%	4.6%	3.5%	2.8%	2.3%	2.0%	1.7%
Randolph	$20,466	$1,460	$780	$680	6.6%	4.4%	3.3%	2.7%	2.2%	1.9%	1.7%
Saline	$19,346	$1,460	$780	$680	7.0%	4.7%	3.5%	2.8%	2.3%	2.0%	1.8%

Table 11. Evergy ERPP Bill Affordability Impacts

The data show that, at average bill levels ($1,460) and average household size for each county, the Evergy ERPP does a reasonably good job of reducing bills for current service to an affordable percentage of income for nearly, but not quite, all households. Households with income at 100% and 125% of Poverty, come reasonably close to an affordable electric burden of 3% of income.[58] Households with income at 75% of Poverty begin to somewhat diverge from the demarcation of affordability (with burdens falling between 4% and 5% of income). In contrast, households with somewhat higher incomes (150%, 175% and 200% of Poverty) tend to have electric burdens lower than 3% of income, indicating that these households perhaps receive somewhat more assistance than they need to achieve an affordable bill. Nonetheless, for a flat dollar discount, the ERPP distribution of discounted bill burdens for households with income higher than 50% of Poverty demonstrates that the Evergy discount is not unreasonable.

[58] This3% of income differs from the 4% of income I used in my discussion of arrears. The 3% burden applies only to bills for current service. It would not incorporate a payment toward arrears. In contrast, the 4% I used elsewhere involves my discussion of arrearages. The 4% has an arrearage payment component to it.

Q. GIVEN THIS OBSERVATION ABOUT EVERGY'S ERPP, WHAT DO YOU RECOMMEND IN GENERAL?

A. Given the affordability distribution I find above, with the exception of the change I recommend in my next section, I recommend that the ERPP program continue with the current structure that is laid out in Schedule ERPP. I recommend that the program be available for income-eligible customers (as defined in Schedule ERPP) in both the service territory of Evergy Metro and Evergy Missouri West.

The current Evergy ERPP should be modified to this extent. The current Schedule ERPP provides that "annual ratepayer funding for the ERPP is $630,000. Ratepayer funding shall be matched dollar for dollar by the Company. The $1,260,000 annual sum of ratepayer funding and Company matching funds shall be the 'program funds.'" (Revised Sheet 43Z). I recommend that this cap on "program funds" be eliminated for the duration of the COVID-19 pandemic and associated economic crisis. The expanded funding for ERPP should continue for at least the duration of the period during which restrictions on shutoffs are continued.

Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?

A. As the first section of my testimony documents in detail, the economic crisis arising from the COVID-19 pandemic has fallen most severely on lower income households. Without repeating that testimony, I simply note that the data demonstrate that these households are most likely to lose jobs, to face reduced work hours, and/or to face reductions in income. The data further demonstrate that lower income households are not only most likely to become ill due to the coronavirus, but are least able to respond to that illness. Thus, not only will more lower income households become sick, but they will also become sicker than their higher income counterparts. Finally, as a result of the COVID-19 pandemic, a disproportionate number of lower income households either have not been able to pay their bills, including utility bills, in a previous month, or worry about whether they will be able to pay their bills, including utility bills, in the future. The data show that 43.8% of low-income households worry during the COVID-19 crisis about whether they will be able to pay their utility bills next month. The data show that 53% of low-income households during the COVID-19 pandemic cannot pay their bills, as compared to 26% of middle-income households. The data I presented earlier in my testimony show that 27.5% of low-income households with income below 100% of Poverty could not pay their utility bills during the COVID-19 pandemic, as compared to 13.9% of households with income at 100% to 250% of Poverty (and 8.2% of households with income at 250% to 400% of Poverty).

Given these data, even while the cap on "program funds" may have been appropriate in a non-COVID-19 time period –that is a question that is not at issue in this proceeding—accepting the reasonableness of that cap in "normal" times would indicate that it is *not* appropriate in these COVID-19 times.

Q. DO YOU HAVE OTHER RECOMMENDATIONS FOR ERPP?

A. I make other recommendations elsewhere in my testimony. Those recommendations include, but are not necessarily limited to, suspending the requirement that ERPP participants recertify their income during the COVID-19 pandemic; allowing customers to participate in ERPP with a lesser need of income-eligibility documentation (including, e.g., the use of Express Lane Eligibility); eliminating administrative barriers to ERPP participation (e.g., the interview requirement); easing the initial income verification requirements; and the like. This section of my testimony is not intended to be the support for those other recommendations. Those additional recommendations are discussed in detail below.

B. Targeted Relief to the Extreme Poor.

Q. PLEASE DESCRIBE THE ONE MODEST MODIFICATION YOU PROPOSE FOR ERPP DURING THE DURATION OF THE COVID-19 PANDEMIC.

A. My one recommendation for modifying ERPP during the COVID-19 pandemic, and associated economic crisis, involves the mis-targeting of ERPP benefits to households in Extreme Poverty. "Extreme Poverty" is a term-of-art, referencing households with income at or below 50% of Poverty Level. My affordability analysis presented above demonstrates that "the Evergy ERPP does a reasonably good job of reducing bills for current service to an affordable percentage of income for nearly, but not quite, all households. . .[F]or a flat dollar discount, the ERPP distribution of discounted bill burdens for households *with income higher than 50% of Poverty* demonstrates that the Evergy discount is not unreasonable." (emphasis added).

My discussion above demonstrates further, however, that the ERPP falls short for households in Extreme Poverty. In all twelve counties studied, the ERPP credit, given an average bill and the average household size for each county, would result in an electric burden, *after* applying the ERPP discount, of roughly seven percent (7%) of income. While that is a considerable improvement over the non-discounted electric burdens of

15% of income, nonetheless, the existing ERPP discount results in electric burdens more than two times higher than the 3% burden generally accepted as being affordable.[59]

Q. WHAT DO YOU RECOMMEND?

A. I recommend that during the pendency of the COVID-19 pandemic, and associated economic crisis, customers who can demonstrate that they participate in a program that is frequently associated with the lowest income households[60] should be given an additional ERPP credit of $20 per month (up to a maximum of $85).[61] In addition, households whose income is verified through the existing ERPP intake process as being at or below 50% of Poverty would receive the additional credit as well.

Q. WHAT IS THE IMPACT ON AFFORDABILITY?

A. The impact of this additional credit is demonstrated in the Table immediately below. As I did above, I assess the affordability for twelve Evergy counties using Evergy's average bill and the average household size for each county. The Table below shows that while a discount expanded to the extent I recommend does not completely reduce electric burdens to an affordable 3% of income, the discount does achieve a reasonable burden ranging generally between 4% and 4.5% of income. I find this to be a reasonable accomplishment for the existing ERPP structure.

[59] As explained in detail above, the 3% is a 6% burden or total energy, split half-and-half between electricity and natural gas.

[60] I recommend the use of three programs: TANF and Medicaid. Missouri has eliminated its Statewide General Assistance Program.

[61] All other limitations on ERPP credits would remain. The credit, for example, would be "in the amount of each participant's average bill for the most recent 12 months bills, not to exceed $85 per month." (Revised Sheet 43Z.2).

Table 12. Affordability Impact of Expanded ERPP Discount for Extreme Poverty

County	50 FPL Income	Burden at Current Discount: 50 FPL PIP	Expanded 50 FPL Discount	Discounted Bill at Expanded Discount	Expanded Discounted Burden
Carroll	$9,583	7.1%	$1,020	$440	4.6%
Cass	$9,986	6.8%	$1,020	$440	4.4%
Chariton	$9,942	6.8%	$1,020	$440	4.4%
Clay	$9,964	6.8%	$1,020	$440	4.4%
Howard	$9,807	6.9%	$1,020	$440	4.5%
Jackson	$9,561	7.1%	$1,020	$440	4.6%
Johnson	$9,695	7.0%	$1,020	$440	4.5%
Lafayette	$9,561	7.1%	$1,020	$440	4.6%
Pettis	$9,919	6.9%	$1,020	$440	4.4%
Platte	$9,785	6.9%	$1,020	$440	4.5%
Randolph	$10,233	6.6%	$1,020	$440	4.3%
Saline	$9,673	7.0%	$1,020	$440	4.5%

Q. HAS YOUR RECOMMENDATION THAT AN INCREASED BENEFIT BE PROVIDED TO LOW-INCOME CUSTOMERS IN EXTREME POVERTY BEEN ADOPTED IN ANY JURISDICTION?

A. Yes. In a Rhode Island rate case in 2018, National Grid proposed a flat percentage discount for low-income customers. In a settlement of that proceeding, National Grid agreed to provide an across-the-board discount for income-eligible customers of 25%.[62] That across-the-board discount would be increased by an additional 5% (to 30% total) for customers who are found to participate in one of three programs: (1) Medicaid, (2) General Public Assistance; or (3) Family Independence Program (Rhode Island's TANF program).

Q. WHAT DO YOU CONCLUDE?

A. I conclude that when viewed from the perspective of the three regulatory principles that I articulated at the beginning of my testimony, an expanded discount as presented above is

[62] National Grid, RI Tariff No. RIPUC No. 2184, Sheet 3.

a reasonable way for Evergy to respond to the COVID-19 pandemic and associated economic crisis as a means to reduce the costs of low-income nonpayment. I recommend the adoption of this expanded discount.

C. Use of "Express Lane Eligibility."

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I explain why Evergy should be required to allow access to the recommended initiatives above through the simplest means available. While the notion that "if you build it, they will come" may apply to fantasy baseball parks in Iowa, it does not apply to electric bill assistance programs. An entire array of barriers prevents low-income persons from accessing available assistance, even when such assistance might generate a substantive improvement in a household's ability-to-pay.

There are two different perspectives to this recommendation. On the one hand, there is the elimination of barriers to enrollment. On the other hand, there are proactive steps that Evergy should take to encourage enrollment.

Q. PLEASE EXPLAIN WHAT STEPS SHOULD BE TAKEN TO ELIMINATE BARRIERS TO ENROLLMENT IN EVERGY INITIATIATIVES RESPONDING TO THE COVID-19 PANDEMIC AND RESULTING ECONOMIC CRISIS.

A. There is an abundance of information about how nonparticipation in benefit programs can result from barriers to participation as well as from either a lack of need or a lack of desire to participate. Aside from these reasons for nonparticipation, there are a variety of institutional *barriers* which *prevent* enrollment in programs such as the AMP and expanded ERPP which I propose Evergy pursue in response to COVID-19.

1. **Lack of effective knowledge:** The lack of "effective knowledge" is one such barrier. “Effective knowledge” is a concept first articulated by the Pennsylvania PUC’s Bureau of Consumer Services (BCS). It recognizes that while consumers may indicate an awareness of energy assistance, their knowledge may not be sufficient to allow them to act. Many consumers, for example, who say they “know about” energy assistance cannot name a single program.

2. **Lack of program awareness:** Similarly, many low-income households do not know of, and thus do not use, existing energy intervention programs designed for their benefit. Since no intervention program can be effective unless it is known and used, the degree to which eligible persons are aware of and utilize such programs is important.

3. **Access to program offices:** In some areas, transportation to offices that accept applications may be a problem. For those who are homebound or socially isolated, getting to an office may be nearly impossible.

4. **Confusing application forms:** The application forms for some programs represent a major barrier to participation. In particular, many participants find application forms complex and overwhelming *the first time* they seek to enroll in a program.

5. **Misperceptions as to eligibility:** Many eligible nonparticipants have misperceptions regarding their eligibility for a program. These households might, for example, mistakenly believe that their income or assets are too high to entitle them to receive fuel assistance, or that some other program requirement precludes their participation. Persons who have been found ineligible for one program (however unrelated to fuel assistance, for example) are less likely to apply for fuel assistance. Similarly, persons who have been found ineligible in the past for fuel assistance are not likely to apply again, even if their circumstances have changed.

The particular applicability of these barriers to households affected by COVID-19 is evident. Customers who previously did not need assistance without COVID-19 are more likely to lack effective knowledge and/or program awareness. They are more likely to find application forms (with which they have never before dealt) confusing. They are more likely to have misperceptions as to their program eligibility.

As can be seen, nonparticipation in benefit programs can result from barriers to participation. Particularly in this time of economic crisis, Evergy should adopt the reasoning of the U.S. General Accounting Office when it once said about Food Stamp enrollment:

> From a policy viewpoint, an informed decision on the part of an eligible household not to participate in the program is not an issue. Lack of information about the program, however, and at least some program and access problems can and should be remedied.[63]

In light of this information, one step that Evergy should take, therefore, is to simplify the means by which eligible customers can access available assistance. I recommend that:

(1) Written applications be minimized to the extent feasible. Enrollment should be maximized through the use of telephonic and on-line contacts between Evergy and its customers;

(2) Income documentation should be minimized to the extent feasible. Enrollment should be allowed based on self-declarations of income.[64]

(3) Application requirements should be minimized to the extent feasible. Experience counsels that every application step that is required will result in the exclusion of an increasing number of eligible customers needing, and desiring, assistance. For example, the required "interview" for ERPP assistance should be suspended.

---

[63] General Accounting Office, Food Stamp Program: A Demographic Analysis of Participation and Non-participation, at 22 (January 1990). Available at: https://www.gao.gov/products/PEMD-90-8 (last accessed August 6, 2020).

[64] In addition, I discuss below my recommendation of a reliance on "Full Express Lane Eligibility," whereby establishing eligibility for one program automatically establishes eligibility for ERPP.

(4) Periodic income recertification to continue participation in an Evergy COVID19 responsive initiative should be suspended. Customers who are currently participating in an initiative, and who might otherwise be required to contact Evergy and update their income and household information, should be allowed to continue participation during the continuation of the moratorium on nonpayment disconnections.

Q. ARE THERE PROACTIVE ACTIONS THAT EVERGY SHOULD TAKE TO PURSUE ENROLLMENT?

A. Yes. One strategy advocated for expanding the number of low-income children enrolled in Medicaid and SCHIP[65] utilizes an approach called "Express Lane Eligibility."

> Express Lane Eligibility. . .accelerates enrollment for the hundreds of thousands of uninsured children already enrolled in other income-comparable publicly funded programs such as Head Start or school lunch. The simple notion is that children who have met the income test for these income-comparable programs should have their eligibility expedited and do not need to provide duplicative income information to qualify for health care coverage. Express Lane Eligibility can cut administrative red tape while streamlining the application process. . .[66]

Express Lane Eligibility can be operationalized by using the same application form for multiple programs.[67] With a single application, families are required to fill out and submit information only once. A number of states, for example, use joint applications for

---

[65] State Children's Health Insurance Program (SCHIP).

[66] The Children's Partnership (1999). Express Lane Eligibility: How to Enroll Large Groups of Uninsured Children in Medicaid and CHIP, Children's Partnership: Washington D.C. Available at: https://www.childrenspartnership.org/research/express-lane-eligibility-how-to-enroll-large-groups-of-uninsured-children-in-medicaid-and-chip/ (last accessed August 6, 2020).

[67] Programs that Evergy should accept as establishing income-eligibility for its COVID-19 responsive initiatives include, but are not necessarily limited to: LIHEAP; Public or assisted housing; SSI; SNAP (formerly Food Stamps); TANF; Telephone lifeline; PAAD (Pharmaceutical Assistance for the Aged and Disabled); WIC; Medicaid; Free or reduced school lunch/school breakfast; Head Start; Dependency and Indemnity Compensation (DIC) for Surviving Spouse or Parents of Veterans.; and any other programs as may from time to time be recognized by the commission.

their TANF, Medicaid and Food Stamp programs. Other states use the same application for their WIC and Medicaid programs.

When applying for benefits through an income-comparable program, applicants can authorize the sharing of their names and addresses with Evergy. As The Children's Partnership appropriately notes:

> Authorization can be accomplished through a check-off box on the application or through a separate consent form attached to the application. Guidance released by the United States Department of Agriculture (USDA) in the fall of 1998 on ways states and school officials can use the National School Lunch Program as a referral mechanism for Medicaid or CHIP is a good example of this model. The USDA created prototype applications for schools, which ask parents whether they want to waive confidentiality for the limited purpose of permitting the school to share information from the NSLP application for purposes of determining appropriate Medicaid/CHIP outreach. Moreover, in 1991, at the request of Congress, a DHHS/USDA task force produced a joint application for seven Federal programs: WIC, Title V, Head Start, Migrant and Community Health Centers, Health Care for the Homeless, Medicaid, and AFDC.

According to The Children's Partnership "the greatest potential for reaching large numbers of children most simply is to allow eligibility for one program to be used to fulfill some or all of the eligibility requirements for health care." “Express Lane Eligibility” is not unknown to the utility industry. It is the primary source of enrollment in the telephone Lifeline Program. One common use of Express Lane Eligibility in the energy industry, which I recommend for Evergy’s ERPP, is to allow participants in low-income energy efficiency programs (MEEIA) be deemed automatically eligible for rate assistance.

Q. IS THERE ANOTHER CONCERN PARTICULARLY APPLICABLE TO CUSTOMERS AFFECTED BY COVID-19 THAT WOULD BE ADDRESSED BY YOUR RECOMMENDATION ABOVE?

A. Yes. One attribute of hard-to-reach populations is the constant set of life difficulties facing them on a daily basis. These difficulties not only create emotional barriers, but create physical and time-use barriers as well. "Frequent and regular contact with service staff may also be difficult where families face daily stresses and have chaotic routines, especially for care givers in low-income families, sole parents, and those with children with disabilities. . ." [68] The study found that "many vulnerable families who refused were unable to understand information about service provision, while others felt too burdened by the complexity of their lives to be able to think about the possible benefits of a new service." "To access a support service is so hard if you haven't slept properly or eaten that day. It's hard to step outside that cycle."[69] Overlaying the multiple findings I address above –the economic concerns that are accompanied by health concerns; the risk not only to self, but to family; the newly experienced economic crisis in which many people find themselves—Evergy's actions should reflect the recognition that the very presence of the economic crisis which its customers face may be a barrier to accessing Evergy assistance to address that crisis.

Q. ARE THERE PRIVACY CONCERNS THAT ARISE IN YOUR RECOMMENDATION FOR AN AUTOMATIC ENROLLMENT PROGRAM?

A. No. Since there would need to be no disclosure of utility data to the program administrators, there is no privacy concern from the perspective of the utility. Conversely, from the client's perspective, under federal privacy laws, state agencies may lawfully release client information when such release is a "routine use" of that

---

[68]Cortis et al. (2009). Occasional Paper No. 26, Engaging hard-to-reach families and children, Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs.

[69] Engaging hard-to-reach families and children, supra.

information. When such information is used to qualify households for additional public assistance, it falls within this “routine use” construct. There are reasonable restrictions placed upon this release of information: (1) the data exchanged through this process may not be *redisclosed* to other parties; (2) the data exchanged through this process are for the *exclusive* purpose of ”verifying and recertifying” the eligibility of public assistance recipients for the utility program; and (3) the data exchanged through this process will convey only the fact of eligibility. If, however, privacy is a policy concern rather than a legal concern, the relevant programs could include a client consent procedure in the application process.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATION ON HOW TO SIMPLIFY THE PROCESS OF ACCESSING EVERGY COVID-19 RESPONSIVE INITIATIVES.

A. First and foremost, my testimony above supports the conclusion that assistance programs, such as those recommended in this testimony, are only helpful if, and to the extent, that those customers who are eligible to participate do, in fact, participate. Accordingly, in addition to those steps to address barriers as I discuss above, I recommend:

1. That periodic income recertification to continue participation in an Evergy COVID-19 responsive initiative should be suspended for the pendency of the continuing suspension of nonpayment disconnections.

2. That enrollment in COVID-19 responsive initiatives be pursued, to the maximum extent possible, through a process known as “full Express Lane Eligibility.” I recommend that a demonstration of an enrollment in a program that has similar income qualifications to those I recommend herein be accepted, without additional documentation of income qualification (including income and/or household size), as a documentation of qualification for an Evergy COVID-19 responsive program.

D. Expanded Use of Grassroots Outreach.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I recommend a series of steps that Evergy should take to improve the outreach for COVID-19 response initiatives that I recommend herein.

Q. ARE THERE GENERALLY ACCEPTED WAYS TO IMPROVE OUTREACH FOR INITIATIVES SUCH AS YOU RECOMMEND IN YOUR TESTIMONY?

A. Yes. Over the past 40 years in which I have engaged in work throughout the United States and Canada on helping to design low-income assistance programs (both ratepayer-funded and taxpayer-funded), I have learned that certain outreach strategies are consistently found to be important and effective. Some of the more successful strategies that have been identified, and the rationale behind the strategies, are as follows:

1. Use the community as a means of identifying and engaging the hard-to-reach population; and

2. Go to the community rather than making the community come to you.

In addition, one commonly accepted proposition is that using other community members as a mechanism to identify and engage hard-to-reach populations is one of the most effective mechanisms to use in serving hard-to-reach populations.

Q. PLEASE EXPLAIN THE IMPORTANT FINDINGS YOU HAVE IDENTIFIED.

A. Dr. Linda Wharton Boyd, of the D.C. Health Benefit Exchange Authority, urges institutions reaching out to hard-to-reach population that their "outreach mantra" for best practices for informing, educating, and enrolling hard-to-reach populations in health insurance coverage was "reach them where they live, work, shop, play and pray."[70] She said this approach involved "a wide-ranging *grassroots approach* with an army of *boots-on-the-ground*." (emphasis added). The initiative entailed "a more well-defined hyper-local approach targeting consumers more at the neighborhood level." One part of their campaign was called "each one: link one," through which they promoted "because you care, be the link: reach family, reach a friend, reach a neighbor or colleague."

Q. IS THE PERSON WHO MAKES THE CONTACT IMPORTANT IN OUTREACH?

A. Yes. One evaluation of outreach efforts seeking to enroll customers in affordable health insurance, for example, found that "*trusted messengers* at the national and local levels were more important than ever." (emphasis added). Building a "sustainable outreach and enrollment community" involved "bolstering the capacity of partnership organizations and recruiting a broad network of volunteers." According to the evaluation, "Enroll America…. partnered with enrollment coalitions in 11 target states through the Get Covered America campaign to recruit and/or train more than 2,400 volunteers – from groups such as churches, clinics, food banks, nursing homes and law schools" to serve as counselors in their communities." The evaluation found that "partner collaboration has a multiplier effect. Teaming up with established, trusted institutions

[70] Nancy J. Hicks (Ed.) (2017). Health Industry Communication: New Media, New Methods, New Message, at Chapter 22, Linda Wharton Boyd, Insuring the Uninsured: Reaching Consumers in the D.C. Marketplace (describing a "robust, proactive, multifaceted, grassroots, community-based education campaign to reach DC residents and small business owners and their employees where they live, work, shop, pray and play"). Available at: https://books.google.com/books?id=vO3BDAAAQBAJ&pg=PA406&lpg=PA406&dq=reach+them+where+they+live,+work,+shop,+play+and+pray&source=bl&ots=-o0xMBMb5p&sig=ACfU3U3DbBpUHwKQ9iXVp6xZ1ZSxWAnL_Q&hl=en&sa=X&ved=2ahUKEwj42YeVpb7pAhWdoHIEHTynBnYQ6AEwAHoECAcQAQ#v=onepage&q=reach%20them%20where%20they%20live%2C%20work%2C%20shop%2C%20play%20and%20pray&f=false (last accessed May 18, 2020).

made it possible for Enroll America, and other organizations focused on enrollment, to meet a greater number of consumers with a higher level of credibility. Among the organizations that Enroll America surveyed this year, more than two-thirds identified collaboration as one of the most effective strategies in their toolbox. . ."[71]

One study funded by Blue Shield of California, and performed by the Institute of Medicine (IoM), undertook a comprehensive review of evaluations from organizations from all across the nation that focused on "enrollment of hard-to-reach populations." The IoM report stated that "the marker of success was not only total enrollment numbers but whether outreach and enrollment were better than expected for the populations of interest."[72] One purpose was to create "a conceptual model" that incorporated the successful strategies and approaches. The lessons reported by IoM included the following:

1. "Community partnerships were also an important resource for enrollment efforts to reach hard-to-reach populations. Partnerships with longstanding and trusted community organizations provided access to hard-to-reach communities and served as trusted sources of information and trusted spaces for enrollment to occur."

2. "It is important to know where the community gets its health information and who its trusted messengers are for that information. . .It is also important to understand that different groups have different needs."

---

[71] Enroll America, State of Enrollment: Helping America Get Covered and Stay Covered, 2014 – 2015, What We Learned, at 22. Available at: https://nationaldisabilitynavigator.org/wp-content/uploads/resources-links/EA_SOENationalReport_2014-15_021915.pdf (last accessed on May 1, 2020).

[72] Parker, et al. Successfully Engaging Hard-to-Reach Populations in Health Insurance: A Focus on Outreach, Sign Up and Retention, and Use. Institute of Medicine, Roundtable on Health Literacy, Collaborative on Health Literacy and Access, Health Care Coverage, and Care, Washington D.C. Available at: https://www.pdffiller.com/jsfiller-desk10/?projectId=458692280#01776d34e2ab8069152a9026289f8b08 (last accessed May 18, 2020).

Q. PLEASE EXPLAIN WHY IT IS NECESSARY TO RELY ON "TRUSTED SOURCES" IN OUTREACH FOR PROGRAMS SUCH AS EVERGY's BILL DISCOUNT.

A. The need to rely on "trusted sources" ("trusted messengers", "trusted advisors") cannot be overstated. The IoM evaluation stated:

> The need to create trust among consumers is the foundation upon which successful strategies rest. First and foremost, it is essential to identify community partners who are trusted resources in the population at which enrollment efforts are aimed. All of the interviewees said that the most important and successful method in reaching their intended audiences was approaching consumers through a trusted source; such an approach could occur either through their own organization, if it was a community-based trusted source, or through a partnership with groups and individuals who were trusted in the community. Although every community has different trusted sources, each community organization and coalition interviewed highlighted that identifying and working with trusted sources is key to a successful outreach and enrollment process.
>
> Trusted sources varied by community and culture and included advocacy groups, social services and community support groups, faith-based groups, and federally qualified health centers. Although different, these trusted community partners had all been active in the communities prior to the enrollment process and were either already aware of or uniquely positioned to identify population-specific challenges and sensitive issues in the targeted populations.
>
> . . . Across all successful approaches, the key for building trust was identifying the populations to be reached, assessing who would be a trusted community partner, and using those partners to reach out and educate the populations in trusted locations.

One important step, the IoM found, is to "identify who the trusted advisors are in the various communities of interest—that is, who do people in these communities turn to for advice about what is correct information and what to do with it." These "trusted advisors" are necessary because "in addition to profound financial challenges, many also do not trust the system to advocate for them or to help them successfully navigate complex content and tasks. . ."

In short, one of the continuing themes of the IoM study was that "processes must be intentionally designed to build trust with targeted populations and provide actionable steps for consumers. . .[B]eing trusted by the targeted community is foundational to all implementation efforts. Deliberately considering and practically planning on how best to foster trust must be considered throughout all activities."[73]

Q. CAN THESE LESSONS BE GENERALIZED FOR PURPOSES OF ENROLLING CUSTOMERS IN THE EVERGY COVID-19 RESPONSE INITIATIVES?

A. Yes. The ability to generalize these lessons is also learned from state and private efforts to identify and enroll children in the federal Children's Health Insurance Program (CHIP, sometimes known as SCHIP, State Children's Health Insurance Program). One review of CHIP initiatives by the National Academy for State Health Policy, for example, stated that "regardless of the field or program in which outreach is used, a goal of developing an outreach strategy, or an outreach campaign consisting of several strategies, is to generate awareness, educate the public and, in this case, enroll people in health insurance

[73] See also California Pan-Ethnic Health Network (2014). Improving enrollment of communities of color in health coverage: Recommendations from first responders to covered California and Medi-Cal. California Pan-Ethnic Health Network: Oakland (CA), available at https://shea.senate.ca.gov/sites/shea.senate.ca.gov/files/CPEHN_ImprovingEnrollmentforCommunitiesofColor_2014.pdf (last accessed May 12, 2020); Jahnke et al. (2014). Marketplace consumer assistance programs and promising practices for enrolling racially and ethnically diverse communities. San Francisco Foundation: San Francisco (CA), available at https://www.texashealthinstitute.org/uploads/1/3/5/3/13535548/tsff_thi_report_on_marketplace_outreach__diverse_populations_may_2014.pdf (last accessed May 12, 2020); Parker, et al. (2013). Amplifying the voice of the underserved in the implementation of the Affordable Care Act. Institute of Medicine: Washington D.C. available at https://nam.edu/perspectives-2013-amplifying-the-voice-of-the-underserved-in-the-implementation-of-the-affordable-care-act/ (last accessed May 12, 2020).

coverage."[74] The National Academy reported, as with examples cited above, that important outreach elements identified from their survey of CHIP programs included, for example, the use of community-based organizations as partners.

> According to a 2008 NASHP survey of CHIP programs, the percentage of programs using CBOs to conduct outreach activities surpassed the percentage using state agency staff compared to a similar survey from 2005. In addition, a 2011 evaluation noted that states reported partnerships with CBOs as the most effective partnerships due to the 'prominence and trust' these organizations have within their communities.

The Academy's report noted that "CBOs are viewed as trusted members of a community and have well-established relationships and means of communications that could prove beneficial to the state."[75]

Q. WHAT DO YOU RECOMMEND?

A. I recommend that Evergy be directed to implement a grass-roots, boots-on–the-ground outreach for its COVID-19 responses that relies on community-based "trusted messengers" to help identify and enroll eligible customers in those initiatives. These initiatives would include each of the initiatives I identify in my testimony today (e.g., suspension of disconnections, expansion of Economic Relief Program, Arrearage

---

[74] National Academy for State Health Policy (August 2012). Lessons Learned from Children's Coverage Programs: Outreach, Marketing, and Enrollment, available at https://nashp.org/wp-content/uploads/sites/default/files/outreach.lessons.children.pdf (last accessed on May 12, 2020); see also, Wachino (2009). Maximizing Kids' Enrollment in Medicaid and SCHIP: What Works in Reaching, Enrolling and Maintaining Eligible Children, National Academy for State Health Policy: Washington D.C.), available at https://ccf.georgetown.edu/wp-content/uploads/2012/03/maximizing-kids-enrollment.pdf (last accessed May 12, 2020).

[75] See also, Chung, at al. (2010). Trusted Hands: The Role of Community Based Organizations in Enrolling Children in Public Health Insurance Programs, The Colorado Trust: Denver (CO), available at https://folio.iupui.edu/bitstream/handle/10244/771/TrustedHands_021010_FINAL.pdf?sequence=1 (last accessed may 12, 2020); California Coverage and Health Initiatives (2011). A Trusted Voice: Leveraging the Local Experience of Community Based Organizations in Implementing the Affordable Care Act, California Coverage and Health Initiatives: Sacramento (CA), available at https://board.coveredca.com/meetings/2012/03%20Mar-22%20Meeting%20Materials/PDFs/CCHI%20Background%20Materials%20-%20Leveraging%20Local%20Experience%20of%20CBOs.pdf (last accessed May 12, 2020).

Management Program, long-term deferred payment arrangements). The outreach program should be directed to explicitly identify how it implements each of the principles set forth below:

1. Using the community as a "boots-on-the-ground" means of identifying and engaging the hard-to-reach population.

2. Going to the community (reaching them "where they live, work, shop, play and pray") rather than making the community come to you.

3. Relying on grassroots "trusted messengers" from within the community.

PART 7. THE CRITICAL ROLE OF ENERGY EFFICIENCY.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I explain the critical role that low-income energy efficiency investments can play in helping to control low-income arrearages and, correspondingly, helping to mitigate the costs of low-income nonpayment associated with COVID-19.

Q. GIVEN YOUR TESTIMONY REGARDING THE ECONOMIC CRISIS ASSOCIATED WITH COVID-19, PLEASE EXPLAIN HOW AND WHY USAGE REDUCTION INVESTMENTS DIRECTED TOWARD PAYMENT-TROUBLED LOW-INCOME CUSTOMERS COULD BE USED TO HELP REDUCE NON-PAYMENT UTILITY COSTS.

A. The notion that usage reduction investments directed toward payment-troubled low-income customers can yield benefits beyond the traditional "avoided costs" is neither new nor revolutionary. The delivery of energy efficiency investments to low-income customers not only yields resource conservation and avoided cost benefits to the affected utility, but delivers a broad range of other utility cost reductions as well. Accordingly, low-income energy efficiency programs should be implemented as an important tool in controlling system-wide utility costs associated with COVID-19. Avoided costs commonly associated with low-income energy efficiency would include reduced arrears, reduced working capital, reduced credit and collection expenses, and the like.

The existence of direct financial benefits to utilities arising from energy efficiency programs targeted specifically to low-income households has been recognized for more than 30 years. The presence of such avoided costs was first postulated in 1987. That analysis stated that targeted electric energy efficiency programs had advantages that went beyond the traditional energy and capacity savings associated with energy efficiency measures:

> The cost-effective reduction of system costs is relevant and important in every part of the business operations of the utility, not simply to the power supply function. Accordingly, a utility should be concerned with the problem of nonpayment, overdue payment, and partial payment of utility bills. Bad debt arises when ratepayers demand power from the system and then do not pay for it on a timely basis. . . .[A] new conservation program [can be proposed] that is justified on an avoided cost basis. The proposal rejects the historical view that avoided costs include only an energy and a capacity component. Instead, it introduces the notion of avoided bad debt. As long as the energy efficiency program costs less than the bad debt it will avoid, the program is cost-justified.[76]

In this 1987 article, "bad debt" was defined to include all aspects of costs associated with payment troubles. The term was used to include not only written-off accounts, but credit and collection expenses, working capital expenses, and a host of

[76] Colton and Sheehan (1987). "A New Basis for Conservation Programs for the Poor: Expanding the Concept of Avoided Costs," 21 *Clearinghouse Review* 135, 139.

other expenses related to nonpayment. Since that time, the existence and importance of such expanded avoided costs has become generally-accepted. Analysts have since repeatedly confirmed that low-income energy efficiency generates benefits beyond simply energy and capacity savings.

Q. CAN YOU ILLUSTRATE HOW USAGE REDUCTION TARGETED TO LOW-INCOME PAYMENT TROUBLED CUSTOMERS MIGHT REDUCE COSTS TO THE UTILITY?

A. Yes. My discussion here is not intended to be an exhaustive list of how usage reduction investments targeted to payment-troubled customers, all else equal, might reduce costs to Evergy. This list, instead, is intended to be illustrative.

1. To the extent that a low-income customer has an arrearage, the total "asked to pay" amount includes the unpaid arrears *plus* the bill for current service. To the extent that usage reduction reduces the bill for current service, more of the total payment by the customer will be available to apply to the retirement of arrears. By reducing the level of arrears, not only does Evergy reduce its working capital requirement, it reduces its risk of bad debt (in the event that some portion of the arrears ultimately goes unpaid).

2. To the extent that a low-income customer has an arrearage, in addition to reducing the dollar level of arrears, reducing the bill for current service, and allowing more of the total asked-to-pay amount to be devoted to arrearage payments given a constant payment, would allow the customer to retire the arrears more quickly as well. By retiring arrearages more quickly, Evergy would reduce its working capital requirement.

3. To the extent that a customer has been unsuccessful on a payment plan, the arrearages subject to that payment plan are placed in jeopardy of ultimate nonpayment. By reducing the asked-to-pay amount for current service, particularly on a seasonal basis, given a constant payment, the ability of a low-income customer to successfully complete a renegotiated payment plan would increase. As a result, Evergy would reduce both its working capital requirement and its risk of loss due to bad debt.

4. To the extent that Evergy disconnects service to a low-income customer for nonpayment, reducing that customer's usage, and thus his/her bills, would make the

reconnection of service more affordable. As a result, Evergy would not only reduce its risk of loss due to bad debt, but it would also preserve its future stream of revenue from having the customer back on its system, and more likely to remain, with a more affordable bill.

5. To the extent that a customer has enrolled in Budget Billing, but has been removed for nonpayment, there is evidence that even a levelized bill exceeds the capacity of a customer to pay. By targeting usage reduction toward such a customer, this customer, who by his/her enrollment in Budget billing has evidenced their willingness to work with the Company to address potential payment difficulties, experiences a reduced levelized annual bill that is less likely to result in nonpayment. As a result, Evergy would experience a reduction in working capital requirements (both due to the level of arrears and due to the age of arrears) and a reduction in the risk of bad debt.

Q. ARE THERE GENERAL CONCLUSIONS THAT YOU DRAW FROM THIS DISCUSSION ABOUT THE POTENTIAL COVID-19 COST SAVINGS TO EVERGY FROM A TARGETED USAGE REDUCTION PROGRAM?

A. Yes. First, cost reductions arise from reductions in arrears in two different ways associated with working capital. To the extent that targeted usage reduction reduces the dollar level of arrears, Evergy will experience expense savings. In addition, to the extent that targeted usage reduction will reduce the amount of time a customer carries arrears, Evergy will experience expense savings.

Second, a targeted usage reduction program does not need to result in a low-income customer's ability to completely eliminate his/her arrearage in order for Evergy to experience cost savings. If, instead, a low-income customer merely reduces his/her arrearage below the level that the arrearage otherwise would have been, the Company will experience cost savings. An arrearage of $250, in other words, imposes a lower working capital requirement than an arrearage of $350. A final bill of $300 poses a lower risk of bad debt than a final bill of $500.

Q. IS THERE AN ADDED FINANCIAL BENEFIT TO EVERGY THAT ARISES FROM A REDUCTION IN ARREARS ABOVE AND BEYOND THE DOLLAR REDUCTION?

A. Yes. Since working capital is a rate base item, Evergy will earn a rate of return on the working capital associated with the arrearage. Within this rate of return will be a return on equity. Associated with the return on equity will be an income tax effect. A reduction in arrearage dollar amounts, as well as a reduction in the time over which an arrears exists, therefore, results in a working capital savings that must be adjusted upwards to account for this tax effect. Again, as I just noted, the arrearage does not need to be reduced to $0 for this effect to arise. The arrearage must simply be reduced below that dollar level, or to less than the length of time, that would have existed in the absence of the targeted usage reduction.

Q. WHAT DO YOU CONCLUDE?

A. Each of the savings that I have identified above – again which is intended to be illustrative and not exhaustive – represent a financial benefit of a targeted low-income usage reduction (or energy efficiency) program that is not otherwise included in traditional "avoided costs." Given the extent of these potential savings to Evergy, the benefits of the low-income program targeted to payment-troubled customers creates a justification for the recommendations I make below.

Q. HAVE OTHER UTILITIES IMPLEMENTED LOW-INCOME USAGE REDUCTION PROGRAMS BASED ON THEIR BENEFICIAL AFFORDABILITY IMPACTS?

A. Yes. Pennsylvania's natural gas and electric utilities have operated what that state's Public Utility Commission ("PUC") calls the Low-Income Usage Reduction Program ("LIURP"). LIURP involves offering the following types of usage reduction packages to low-income households: (1) an electric space heating package; (2) an electric water heating package; (3) a baseload electric package; and (4) a natural gas heating package.

The Pennsylvania example makes clear that Evergy's usage reduction program need not be primarily related to heating. In Pennsylvania, electric usage reduction LIURP jobs that do not involve electric heating or water heating are referred to as "baseload" jobs. Since LIURP first began in 1989, through 2009, baseload electric jobs represented roughly two-in-five (115,098 of 292,071 total jobs: 39.4%) of all LIURP homes.[77] Over a 20-year period, baseload electric usage reduction jobs outnumbered every other type of usage reduction treatment, including the treatment of electric space heating homes (n=85,999 jobs). Similarly, the usage reductions component I propose to add to Evergy's bill affordability programs should not be limited to electric heating customers.

The objectives established for the Pennsylvania LIURP initiative are very similar to the objectives I would set forth for a low-income usage reduction component to be added to Evergy's bill affordability programs, including, but not limited to:

1. To assist low-income residential customers in conserving energy by reducing their energy *consumption*;

2. To assist participating households in reducing their energy *bills*; and

[77] Customer Services Information System Project, Pennsylvania State University (January 2009). *Long-Term Study of Pennsylvania's Low-Income Usage Reduction Program: Results of Analyses and Discussion*, prepared for Pennsylvania Public Utility Commission, Penn State University: State College (PA). Available at: https://aese.psu.edu/research/centers/csis/publications/long-term-study-of-pas-low-income-usage-reduction-program (last accessed August 16, 2020).

3. To decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with customer arrearage and uncollectible accounts.

According to the January 2009 evaluation of the LIURP initiative:

> To meet these goals, LIURP is targeted toward low-income households with the highest energy consumption. Of these households, those with payment problems and high arrearages are targeted. Since the program's inception in 1988 through 2006, the major electric and gas companies required to participate in LIURP have spent over $330 million to provide weatherization treatments to more than 292,071 low-income households in Pennsylvania.

In January 2009, Penn State University released a comprehensive long-term evaluation of the LIURP program. Prepared for the Pennsylvania PUC, the evaluation examined data over the first 18 years of program operation. The evaluation provides important lessons that inform whether Evergy would promote least-cost service by adding an electric usage reduction component to the Company's bill assistance programs. The LIURP evaluation reported:

1. "LIURP is a cost-effective method of reducing both energy consumption and energy bill arrearages. . .Sixty nine percent of LIURP households reduce their energy consumption following weatherization treatments, with an average reduction of 16.5 percent." Electric baseload jobs generated a usage reduction of 698.2 kWh, or 19.1%.

2. "Of those households with energy bill arrearages, 40 percent reduce their arrearage following weatherization services. Thirty-seven percent of electric industry households reduce their arrearages. . ."[78] LIURP was targeted to households with arrears (within the population of large consumers). The LIURP evaluation found that "by the end of the year following weatherization, 68 percent of the households have an energy bill arrearage, a decrease of 29 percent. . .Although the average number of

[78] The LIURP evaluation found that this result was consistent with prior U.S. Department of Energy (DOE) research, which found that "low-income families who receive weatherization have a lower rate of default on their utility bills and require less emergency heating assistance." Bruce Tonn, et al. (2001). "Weatherizing the Home of Low-Income Home Energy Assistance Program Clients: A Programmatic Assessment," U.S. Department of Energy: Washington D.C.

full payments made does not vary from the pre- to post-period, the percent of households with missed payments decreased and the average number of partial payments increased."[79]

3. "The [third] most significant, and most common, variable that is positively related to reductions in energy consumption is the amount of arrearage owed in the pre-period [before usage-reduction treatments are installed], suggesting that households with large arrearages are motivated to make the necessary behavioral changes to contribute toward additional reductions in energy consumption. It therefore makes sense to target households with higher arrearages when prioritizing LIURP jobs."

While low-income usage reduction investments generate the traditional benefits (i.e., avoided energy and capacity costs) associated with usage-reduction programs, as is evident, the affordability benefits flowing from low-income usage reduction extend far beyond those traditional benefits. Using low-income usage reduction services to pursue least-cost service helps to justify adding a usage reduction component to the Company's existing bill assistance initiatives.

Q. HOW DO THESE PENNSYLVANIA DATA RELATE TO EVERGY'S LOW-INCOME COVID-19 PROGRAMS?

A. The reduction of arrears, and an improvement in payment patterns, is clearly an objective of Evergy's existing low-income ERPP. Ensuring funding for energy efficiency to Evergy's suite of COVID-19 responsive initiatives will generate two positive outcomes relating to this objective: (1) it will assist the Company in generating the outcomes it seeks (i.e., bringing down arrears while encouraging good payment habits); and (2) it will reduce the cost of future arrears by helping low-income customers avoid accruing arrears that need to be offset by future arrearage credits. In other words, adding funding

[79] The evaluation noted that participation in LIURP was associated with increased participation in energy assistance programs. It was difficult to distinguish the impact of the two.

specifically for usage reduction will improve the performance of the Evergy in reducing its COVID-19 costs.

Q. WHAT DO YOU RECOMMEND?

A. While bill assistance is an important tool in addressing arrearages, energy efficiency is another important tool for long-term affordability and bill stability. Accordingly, first I recommend that Evergy ensure that all previously approved funding for income-eligible energy efficiency programs be fully spent, including any unspent funds from previous program years or quarters. Where practical, Evergy should direct a reasonable amount of this remaining budget to target customers in arrears during this crisis.

Furthermore, I recommend that Evergy allocate new emergency usage reduction funds for customers in arrears as part of its ERPP. These emergency usage reduction funds can be distributed through existing channels to community action agencies (CAAs) and other weatherization service providers delivering low-income weatherization. I recommend that Evergy increase its weatherization funding to CAAs to a total of $1,000,000 or more annually, or roughly triple its current funding commitments. Evergy should be directed to work with the Missouri Division of Energy to ensure that CAAs have the appropriate support to deliver—and are indeed delivering—weatherization to a proportionate number of multifamily units within its program. This provides a meaningful increase to help address COVID-19 related arrearages while taking into account the CAAs' ability to deliver additional services. It is my understanding that CAAs were able to spend more than $1.6 million in weatherization contributions from the former KCP&L and KCP&L-GMO utilities during the 2014-2015 year, and it seems reasonable that CAAs could deliver $1 million in weatherization services annually during this emergency.

For the reasons I describe below, I recommend that this annual investment in low-income energy efficiency, targeted in the manner I describe immediately below, be continued indefinitely.

I recommend that Evergy target this COVID-19 emergency low-income usage reduction program based on the following non-exclusive[80] factors:

1. **<u>High energy usage</u>:** Research has shown that the single greatest predictor of energy usage reduction potential is high consumption prior to efficiency measures being implemented. This reference to "high energy use" should be construed to incorporate high energy intensity on a per square foot basis. An exclusive focus on absolute levels of usage commonly, and unfairly, excludes residents of multifamily buildings. Such buildings often have energy inefficient consumption, but due to the size of units, have lower absolute consumption levels.

2. **<u>High arrearages</u>:** High arrearages and high usage frequently, but not universally, correspond. Customers with high arrearages disproportionately tend to have high usage as well. Targeting low-income customers with high arrearages generates three benefits: (1) high arrearages have been associated with a greater usage reduction potential; (2) directing usage reduction to low-income customers with high arrearages can reduce the utility's non-energy costs whether or not the arrearages are reduced to $0. For example, if usage reduction investments can help a low-income customer reduce his or her arrearage from $500 to $300, the utility pockets the working capital savings associated with carrying those $200 in reduced arrearages (along with a potential reduction in bad debt if those arrears are ultimately written off).

3. **<u>Current or broken/defaulted deferred payment arrangements</u>:** A low-income customer on a deferred payment arrangement ("DPA"), by definition, is in arrears. To the extent that a customer has a history of negotiating a DPA, that customer has evidenced a willingness to work with the Company to address his or her nonpayment. In such instances, bill affordability is not driven by the bill for current service standing alone, but by the total asked-to-pay amount (i.e., the bill for current service *plus* the installment payment for arrearages). To the extent that usage reduction can

[80] By "non-exclusive," I mean that customers may fall into one or more of these categories.

reduce the bill for current service, the low-income customer is more likely to pay that total asked-to-pay amount. As discussed above, not only will the ultimate risk of lost revenue due to nonpayment be reduced, but the immediate working capital associated with any delayed collection of revenue will be reduced as well. Entering into a DPA, even if (or especially if) that DPA was broken or defaulted should be an indicator of payment-troubled status for purposes of targeted low-income usage reduction.

As I discuss in more detail above, the non-exclusive factors I identify above are not *eligibility* criteria for low-income usage reduction. They are instead targeting objectives, through which Evergy should engage in particular efforts to identify low-income customers to enroll in its low-income usage reduction program.

Q. PLEASE EXPLAIN YOUR RECOMMENDATION THAT THE ANNUAL INVESTMENT IN TARGETED LOW-INCOME ENERGY EFFICIENCY BE CONTINUED INDEFINITELY?

A. I recommend not only that the annual investment in targeted low-income energy efficiency be continued indefinitely, but also that the expanded ERPP, the AMP, and the revised deferred payment arrangement conditions, be continue indefinitely as well.

The need for these COVID-19 responses will not end with the public availability of a COVID-19 vaccine. Each of these programmatic COVID-19 responses, including targeted energy efficiency investments, will be important long-term strategies as the economic impacts of the COVID-19 pandemic persist for years to come.

The public availability of a COVID-19 vaccine will not end the economic crisis facing Evergy's low-income customers. One analysis by the Center on Poverty and Social Policy at Columbia University projects the longer-term effects of the COVID-19 economic crisis.[81] The Columbia University research center forecasted poverty rates

[81] Parolin and Wimer (April 16, 2020). Forecasting Estimates of Poverty During the COVID-19 Crisis: Poverty Rates in the United States Could Reach Highest Levels in Over 50 Year, available at

under three alternative unemployment scenarios: 10 percent; 20 percent, and 30 percent. The Center assumed that such high levels of unemployment lasted for two different scenarios: (1) one quarter, and (2) one year. The Center uses the "Supplemental Poverty Measure (SPM), which differs somewhat from the Federal Poverty Level.

The Center began with a projected SPM of 12.4% in February 2020, the lowest recorded poverty rate since 2001. Its projected poverty rates after the onset of the COVID-19 pandemic, however:

> point to higher poverty rates today. If unemployment rates rise to 10 percent, comparable to the unemployment rate during the peak of the Great Recession, we project that poverty rates would rise to 15 percent. This is approximately the same rate of poverty observed in 2010. (note omitted). If unemployment rates rise to 20 percent, we project a poverty rate of 16.9 percent—the highest rate of poverty since 1967, the first year for which reliable estimates of poverty are available. Finally, if annual unemployment rates rise to 30 percent, we project a poverty rate of 18.9 percent. This would mark the highest rate of poverty over the past 50 years.[82]

As of June 2020, Missouri's "smoothed seasonally adjusted unemployment rate went down by 2.2 percentage points [. . .], decreasing to 7.9 percent from a revised May 2020 rate of 10.1 percent."[83] Accordingly, I set aside the 20% and 30% unemployment scenarios. Even with this lowest scenario, the Columbia research center stated: "under an optimistic scenario, in which employment rates return to pre-crisis levels during the summer of 2020, annual SPM poverty rates are still projected to reach levels comparable to the Great Recession."[84]

---

https://www.povertycenter.columbia.edu/news-internal/coronavirus-forecasting-poverty-estimates, last accessed August 9, 2020.

82 Id., at 4 - 5.

83 June Jobs Report, available at: https://ded.mo.gov/content/june-jobs-report-released (last accessed August 9, 2020).

84 Id., at 9.

This increase in Poverty is important for purposes of this proceeding because it is not likely to be resolved in the short-term. The long-term danger arises because when people lose their jobs, the long-lasting effects are not just on their income. Unemployment has a negative effect on workers' skills and education, even on their health—people who are unemployed become sicker. Human capital, the skills of the overall workforce, decays over time because of the loss of jobs. Moreover, with the COVID-19 pandemic, it is generally recognized that many of the jobs that have been lost will never come back. One recent research paper from the Becker Freidman Institute for Economics at the University of Chicago estimates that between 32% and 42% of COVID-19 induced layoffs will be permanent.[85]

I conclude that the economic crisis which is associated with the COVID-19 pandemic will not be resolved when there is a publicly available vaccine. The economic impacts will result in long-term economic disruption for Evergy's customers. As a result, while some Evergy responsive actions may be sustained simply during the public health crisis, and for a short period thereafter, other responsive actions (e.g., targeted energy efficiency, AMP, ERRP expansion) will need to be maintained for the foreseeable future.

PART 8. ADMINISTRATIVE PROCEDURES THAT SHOULD BE ADOPTED.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I recommend certain "administrative" procedures that Evergy should adopt in this time of economic crisis. By the term "administrative

[85] Davis et al. (June 2020). COVID-19 is also a Reallocation Shock, available at: https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202059.pdf (last accessed August 9, 2020).

procedures," I refer to the manner in which income-differentiated collections responses and other assistance can and should be delivered, irrespective of what those responses, or that assistance, might be. The administrative procedures are applicable whether the recommendations I advance are adopted in whole or in part; whether they are modified in some fashion; or whether other responses are adopted in addition to, or in lieu of, the programmatic recommendations I make above.

A. Credit Reporting of Unpaid Utility Bills Should be Suspended.

Q. PLEASE EXPLAIN THE RECOMMENDATION IN THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I explain why Evergy should suspend any credit reporting of unpaid utility bills. To the extent that credit reporting of unpaid utility bills is appropriate in any circumstance –an issue we need not address here—such credit reporting is not appropriate during the COVID-19 pandemic and associated crisis. As documented earlier in my testimony, the COVID-19 crisis has resulted in a dramatically disproportionate adverse impact on lower-income households.

Households have not only lost work, they have suffered from reduced work hours and lost work income. Households who are low wage workers are least able to work from home. They are also least likely to have paid leave time, whether it be paid sick time, or paid family time (needed in the event a household member becomes ill). Combined with the fact that low wage employees are frequently, if not generally, in the highest risk jobs (coming face-to-face with the public), they are also most likely to become ill. Given that low-wage workers are less likely to have paid health insurance, they are least able to respond to an illness by seeking medical care. As a result of this confluence of factors, lower-income households have been found, as I document above, to not only more frequently face circumstances where they miss utility bill payments, but also more frequently face circumstances where they miss housing payments and debt payments, as well as face food insecurity.

Under such circumstances, to report utility bill nonpayments in a "bad" credit report in such circumstances serves no legitimate function. Notwithstanding the extent to which Evergy would otherwise report late or nonpayment of bills to credit reporting agencies, they should suspend such reports during the pendency of the COVID-19 health pandemic and associated economic crisis.

B. Meeting the Needs of Limited English Proficient (LEP) Customers.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I review those actions needed in order to ensure that adequate effort is made to address the needs of Evergy's non-English language customers.[86]

Q. HOW WILL EVERGY'S PROPOSED RESPONSES TO THE COVID-19 PANDEMIC AFFECT IMMIGRANT POPULATIONS?

A. On average, limited English proficient individuals earn lower wages than their English proficient counterparts.[87] Thus, the COVID-19 pandemic would have the tendency to

---

86 Throughout my testimony, the term English as a Second Language ("ESL") household and Limited English Proficient ("LEP") household are intended to be coterminous.

87 "In 2013, about 25% of LEP individuals lived in households with an annual income below the official federal poverty line – nearly twice as high as the share of English-proficient persons (14 percent)." Jie Zong & Jeanne Batalova, The Limited English Proficient Population in the United States, Migration Policy Institute Journal (July 8, 2015), http://www.migrationpolicy.org/article/limited-english-proficient-population-united-states.

disproportionately adversely affect immigrant communities in which there are significant numbers of limited English proficient individuals.[88]

Q. CAN YOU SUMMARIZE FEDERAL LAW RELATING TO LEP POPULATIONS?

A. Yes. I am aware that Evergy receives federal funds through the Low-Income Home Energy Assistance Program (LIHEAP).[89] As a recipient of these federal LIHEAP dollars, Evergy's language access responsibilities are dictated by Federal law. Title VI of the Civil Rights Act of 1964 provides:

> No person in the United States shall, on the ground of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance.[90]

The Title VI protection against discrimination based on national origin applies when an individual is unable or has a limited ability to speak, read, write or understand English – in other words, the person is limited English proficient or LEP.[91] Title VI responsibilities extend to contractors and grant recipients of federal programs,[92] such as LIHEAP. As a LIHEAP vendor, Evergy is required to "take reasonable steps to ensure

---

88 Id. ("In 2013, about 50% of immigrants (20.4 million) were LEP, compared to 2 percent of the U.S.-born population.")

89 In Missouri, with some limited exceptions, the state LIHEAP agency makes LIHEAP payments as Direct Vendor Payments to the home energy supplier. See, Missouri LIHEAP 2020 State Plan, at Section 9, page 22. Available at: https://dss.mo.gov/fsd/energy-assistance/pdf/missouri-liheap-ffy2020-model-state-plan-draft.pdf (last accessed August 15, 2020).

90 42 U.S.C. § 2000d.

91 Lau v. Nichols, 414 U.S. 563, 569 (1974); Sandoval v. Hagan, 197 F.3d 484, 510-11 (11th Cir. 1999) (holding that English-only policy for driver's license applications constituted national origin discrimination under Title VI), rev'd on other grounds, 532 U.S. 275 (2001); Almendares v. Palmer, 284 F. Supp. 2d 799, 808 (N.D. Ohio 2003) (holding that allegations of failure to ensure bilingual services in a food stamp program could constitute a violation of Title VI).

92 45 C.F.R. § 80.3(b)(2).

meaningful access" to its services.[93] The steps that are "reasonable" for a covered entity vary, depending on the size of the population served and frequency in which they have or should have contact with an LEP person of that population. Critical to this determination is an assessment of the consequences of not providing adequate language access services.[94] In this instance, Evergy's service is an essential component to a healthy, safe home, and the consequences of providing insufficient access to service may be severe, so the requirements of Title VI are great.[95]

Q. WOULD MISSOURI PSC REGULATIONS OR ORDERS, IF ANY, ESTABLISHING A DIFFERENT REQUIREMENT ALLOW EVERGY TO AVOID THESE FEDERAL RESPONSIBILITIES?

A. No. To the extent, if at all, the Missouri PSC imposes LEP requirements that differ from those imposed pursuant to Title VI, the federal requirements must still be complied with.

Q. WHAT DOES IT MEAN TO PROVIDE "LANGUAGE ACCESS"?

A. There are two main components to providing language access: (1) oral interpretation, and (2) written translation. With respect to oral interpretation, the Department of Health and Human Services (HHS) provides that use of bilingual employees to interpret is acceptable, but explains that employees should be qualified to provide interpretation services.[96] Hiring staff interpreters or contracting for in-person interpreters are also viable options to meet the requirement. Use of telephone interpreter lines may be used,

[93] Dep't Health & Human Services (HHS), Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons, http://www.hhs.gov/civil-rights/for-individuals/special-topics/limited-english-proficiency/guidance-federal-financial-assistance-recipients-title-VI/index.html.
[94] Id.
[95] Id.
[96] Id.

too, but nuances in language and non-verbal communication can be lost. HHS warns in guidance that "where documents are being discussed, it may be important to give telephonic interpreters adequate opportunity to review the document prior to the discussion and any logistical problems should be addressed."[97]

With respect to written translation, the general rule is that covered entities must provide written translation of any vital documents "for each LEP language group that constitutes five percent or 1,000, whichever is less, of the population of persons eligible to be served or likely to be affected or encountered."[98]

Q. DOES TITLE VI EXTEND TO ALL OF THE COMPANY'S SERVICES OR ONLY TO ITS SERVICES RELATED TO LIHEAP?

A. Title VI requirements apply to all services provided by Evergy. HHS explains: "Coverage extends to a recipient's *entire* program or activity, *i.e.*, to all parts of a recipient's operations. This is true even if only one part of the recipient receives the federal assistance." (emphasis added)[99]

Q. IS THE COMPANY SUBJECT TO TITLE VI WHEN IT DELEGATES WORK TO CONTRACTORS OR SUBCONTRACTORS?

A. Yes. Recipients cannot evade Title VI's requirements by delegating work to contractors or subcontractors.[100] A recipient remains responsible for compliance, even if it hires subcontractors.

Q. ARE THERE CRITICAL ISSUES THAT EVERGY SHOULD ADDRESS?

---

97 Id.

98 Id.

99 Id.; U.S. Dep't of Justice, Title VI Legal Manual, at § VI, https://www.justice.gov/crt/title-vi-legal-manual#VI (defining and explaining the definition of a recipient under Title VI.)

100 45 C.F.R. § 80.3(b)(1)

A. Yes. There are critical issues with respect to Evergy's language access procedures which should be addressed in order to meet the minimum language access requirements in Title VI. First, LEP individuals must be adequately identified for translation services. One way for Evergy to do this is to provide an affirmative notice that interpretation services are available to callers. In addition, written notices provided by Evergy such as shutoff notices should refer to the availability of translation services. So, too, should notices of payment arrangements. Outreach materials regarding COVID-19 responses (e.g., AMP, ERP, long-term payment arrangements) should make such reference.

Q. WHY WOULD AN EVERGY FAILURE TO ADDRESS LANGUAGE ACCESS BE OF PARTICULAR CONCERN IN THE COVID-19 TIME?

A. In addition to the association between LEP status and lower income status that I documented above, Evergy has a substantial LEP population in its service territory. I have examined LEP data for the major cities served by Evergy for both Evergy Metro and Evergy West. The cities I considered include Chillicothe, Clinton, Kansas City, Overland Park, Salisbury, and St. Joseph. In the territory limited to those six communities, I found the Census Bureau reports a total of 243,586 households, of which 6,307 are limited English-speaking households. The data is set forth in the Table below.

Table 13. Limited English Speaking Households
Selected Communities in Evergy Service Territory
(American Community Survey, Table S1602-5YR)

Geographic Area Name	Total: All households	Limited English-speaking households
Chillicothe, Missouri	3,467	10
Clinton, Missouri	3,877	27
Kansas City, Missouri	200,420	5,422
Overland, Missouri	6,473	253
St. Joseph, Missouri	28,666	595
Salisbury, Missouri	683	0
Total	243,586	6,307

In these six communities (without considering the remainder of the Company's service territory), languages that appear to potentially have a sufficient number of LEP households include, at a minimum, Chinese, Vietnamese and Arabic. (Indo-European languages are not disaggregated by language for Census reporting). (American Community Survey, Table 16001, 5YR).

Q. WHAT DO YOU RECOMMEND?

A. I recommend that Evergy be required to provide outreach regarding its COVID-19 responsive actions in relevant languages and cultural contexts. These contacts shall be responsive to customer language needs, and shall include translation, interpretation, in-person outreach, and outreach by trusted community organizations. Evergy should ensure that all of its documents (*e.g.*, shutoff notices, program outreach, payment plan notices) are available in appropriate non-English languages. Evergy should adopt a policy to ask callers (either directly or through the use of a call-in prompt) whether they would like an interpreter at the start of a call to ensure that all LEP individuals are provided with meaningful access to interpretation services.

Finally, Evergy should assure that the contract agencies that administer Evergy's low-income initiatives are able to access Evergy's interpretation services. The Company should present to the PSC and relevant stakeholders the oversight mechanism by which it will ensure that its contractors are otherwise providing an interpreter for universal service applicants in need of such services. To ensure that these agencies are able to appropriately serve LEP applicants and customers in accord with Title VI, Evergy should be required to monitor its administering agencies' access to its telephonic language interpretation services or should otherwise ensure that each of its contracted agencies have access to similar language interpretation services. In addition, enrollment documents for all COVID-19 response initiatives should be translated into relevant and should be available to administering agencies.

C. Adequate Data Collection and Public Reporting Should be Adopted.

Q. PLEASE DESCRIBE THE STANDARD OF REASONABLE AND PRUDENT OPERATIONS THAT YOU APPLY IN THIS SECTION OF YOUR TESTIMONY.

A. One critical element of reasonable and prudent management is to establish and exercise a feedback loop by which to evaluate program activities. Creating a feedback loop involves articulating performance criteria; identifying metrics that will measure performance; monitoring performance using those metrics; assessing actual performance relative to the articulated performance criteria; and determining the changes, if any, that need to be made should actual performance not meet the expected or desired performance. Evergy does not now routinely engage in the fundamental data collection and reporting that would underlie reasonable and prudent utility management of inability-to-pay customers. Without information, Evergy can have no metrics. Without metrics, it can have no feedback loop upon which to base fundamental planning.

Any future review of Evergy's COVID-19 initiatives would be hampered by the lack of collection of critical data on the part of Evergy. Accordingly, I recommend a series of metrics that Evergy should collect (and publicly report), both for residential customers as a whole; for participants in Evergy's Economic Relief Program; and for participants in Evergy's AMP. This data should be collected on a monthly basis.[101] The data that should be reported in the future includes:

1. The amount of billed revenue;

2. The amount of receipts actually collected;

3. The number of accounts in arrears;

4. The dollars of arrears;

5. The number of accounts paid in-full and on-time;

6. The number of accounts disconnected for nonpayment;

7. The number of accounts receiving a notice of disconnection for nonpayment;

8. The average income of ERPP participants by agreed-upon poverty ranges (e.g., 0-50% FPL; 51-100% FPL; 101-150% FPL);

9. The number of ERPP participants who entered the bill discount program with unpaid account balances;

10. The dollars of unpaid account balances for ERPP participants at the time those participants entered the ERP;

11. The number of ERPP participants by agreed-upon poverty ranges;

---

[101] While collected on a monthly basis, the data need not be reported monthly. For example, data can be reported on a quarterly, or on an annual, basis, so long as the data that is reported is monthly data.

12. The aging of arrears (both in terms of number of accounts; and number of dollars);

13. Average usage (along with average bills;

14. The number of final bills;

15. The number of final bills disaggregated by those with unpaid balances and those with no unpaid balance.

16. The number of customers receiving an Evergy hardship grant;

17. A distribution of hardship grants by $50 ranges;

18. The average arrearage of Evergy customers receiving a hardship grant;

19. A distribution of arrearages of customers receiving a hardship grant in $50 ranges;

20. The number of customers receiving a hardship grant for whom the arrearage was $0 after receiving the grant; and

21. The number of customers who were denied a hardship grant because the grant, or any combination of grant and payments, would not reduce the arrearage to $0.

22. The number of each of these occurring at a multifamily property OR at the same number address (e.g. at 1234 Main Street exclusive of any apartment number) as an indicator that these accounts are likely at a multifamily property.

PART 9. COST RECOVERY.

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section of my testimony, I explain certain conditions that the PSC should place on any AAO adopted for Evergy's COVID-19 cost recovery. There are four such conditions that I recommend:

A. Recognizing Collectability in Recovering Incremental Bill Assistance (ERPP) and Arrearage Management (AMP) Credits.

Q. WHAT IS THE FIRST CONDITION?

A. In recovering the costs of the additional ERPP and AMP credits I propose above, the Commission should recognize those costs that are already included in rates. Evergy is not entitled to separately and additionally collect 100% of the additional credits that are provided. Evergy should offset its credits by an amount equal to a percentage of the incremental credits. The "incremental" credits are those credits associated with the number of ERPP participants above the number of ERPP participants as of March 1, 2020. In addition, since Evergy has not previously operated an AMP, all arrearage credits provided through the proposed AMP should be offset to the extent I explain below.

To understand the need for the offsets that I describe below, it is important to understand how a low-income customer's bill is treated before a customer becomes an ERPP participant. Before a low-income customer becomes an ERPP participant, the two parts of the bill are not separately recognized. The low-income customer who is not in ERPP receives a single bill. When that customer cannot afford to pay his or her total bill, the amount of the bill that remains unpaid eventually becomes uncollectible. For those low-income customers that are not ERPP participants, those uncollectible dollars are included in base rates.

In contrast, when a customer enrolls in ERPP, the two parts of the bill ***are*** separately recognized. In contrast to the unified bill that I describe above, the ERPP participant is provided a discounted bill ("ERPP Bill"), which the participant is expected to pay. The remainder of the bill ("ERPP Credit") is charged to ERPP *non*-participants (with half of those costs shared by investors under the ERPP tariff). Accordingly, when a low-income customer enrolls in ERPP, the portion of the bill that the customer previously could not pay, and that was included as an uncollectible expense in base rates, now becomes the ERPP Credit and is recovered on a dollar-for-dollar basis (recognizing the cost-sharing mechanism) through rates.

As ERPP participation increases above the pre-COVID-19 ERPP participation level, a higher and higher dollar amount will be categorized as an ERPP credit. As the dollar amount of the ERPP credit increases, Evergy is allowed to collect that increased amount of those credits through its requested AAO. When ERPP credits are reconciled to reflect actual ERPP costs, the ERPP credits passed through to ratepayers will increase as ERPP participation increases if ERPP participation increases above the base number.

Even as the recovery of ERPP costs increases as ERPP participation increases, however, base rates remain the same. It is important to remember that Evergy has already set its base rates as though the unpaid bills from those customers above the pre-COVID-19 ERPP number will be a part of uncollectibles. Through its base rates, Evergy continues to collect that uncollectible expense as though no net addition of ERPP participants has occurred.

Q. GIVEN THIS INTERACTION BETWEEN BASE RATES AND THE RECOVERY OF ERPP CREDITS, WHY WILL EVERGY OVER-RECOVER ITS BAD DEBT EXPENSES IN THE ABSENCE OF AN ADJUSTMENT?

A. Since the costs that are recovered pursuant to the AAO are reconcilable, as ERPP participation increases, Evergy collects the entire amount of increased ERPP credits associated with any increased participation as though that additional shortfall is a "new" expense. Even though Evergy makes an *upward* adjustment in the costs it collects pursuant to the AAO, it is not required to make a corresponding *downward* adjustment to base rates to remove those dollars that were already included in base rates, but are now instead being collected pursuant to the AAO as part of the ERPP credits.

In fact, however, the participation by low-income customers in ERPP does not create "new" costs. Instead, participation in ERPP simply *moves* the unpaid bills out of the group of customers known as "residential" customers and into the group of customers known as "ERPP participants." To allow the dollars of ERPP credits to be added to rates pursuant to an AAO without correspondingly adjusting for those dollars that already have been included in base rates allows Evergy to collect those dollars in *both* places, thus creating the over-collection to which I refer.

To prevent this double-collection, the ERPP credits associated with increased ERPP participation as I recommend above should be offset by a percentage amount equal to the Company's uncollectible rate for low-income customers. That low-income uncollectible rate will be a multiplier of the uncollectible rate for total residential customers. To illustrate, the Table below shows, for Pennsylvania utilities, the difference between gross write-offs for "Confirmed Low-Income" customers[102] and residential customers as a whole.

[102] In Pennsylvania, "confirmed low-income" is a term-of-art defined by the Pennsylvania PUC.

Table 14. Gross Write-Off Ratios – Electric (Residential and Confirmed Low-Income) (Pennsylvania)[103]			
	Residential	Confirmed Low-Income	Multiplier (LI vs. Residential)
Duquesne Light	3.5%	10.6%	3.03
Met-Ed	2.4%	11.0%	4.58
PECO-Electric	1.4%	4.6%	3.29
Penelec	2.6%	9.6%	3.69
Penn Power	1.7%	9.0%	5.29
PPL	2.6%	10.3%	3.96
West Penn Power	2.2%	11.6%	5.27
State Average	2.2%	9.5%	4.32

Given that Evergy does not report data on differentiating gross write-offs for its residential customer base and its low-income customer base, I recommend an offset equal to four times its residential gross write-off rates. This is based on the Pennsylvania statewide average, rounded down to reflect the use of non-Missouri data.

Q. DOES THE SAME PRINCIPLE APPLY TO COST RECOVERY FOR AMP CREDITS?

A. Yes. There is one difference. The difference is that with ERPP credits, Evergy will have based its rates on its pre-COVID-19 participation in ERPP. With AMP, since Evergy has not previously operated an AMP, there would have been no recognition of AMP credits in existing base rates. Accordingly, while the ERPP offset would apply only to the incremental number of ERPP participants above the pre-COVID-19 participation level,

103 Pennsylvania PUC, Bureau of Consumer Service (2018). Report on Universal Service Programs and Collections Performance, 2018, at40, available at http://www.puc.state.pa.us/filing_resources/universal_service_reports.aspx (last accessed on August 9, 2020).

the AMP offset would apply to the entire amount of AMP participants (since all AMP participants would be incremental participants).

B. Program-Related Expense and Revenue Adjustments.

Q. WHAT IS THE SECOND CONDITION YOU RECOMMEND?

A. Changes in revenues and expenses that are recoverable through future rates should reflect only those *net* changes in revenues and expenses. Determining net changes involves account for changes in income and expenses. As discussed throughout my testimony, the recommendations I advance are tied to providing least-cost service, to operating in an efficient manner, and to mitigating the costs of responding to the COVID-19 pandemic. Each recommendation I have advanced will mitigate costs and preserve revenue streams. To recognize only the *increased* costs, without also recognizing the *decreased* costs, would over-state the net impact on Evergy. Similarly, and conversely, to recognize only the decrease in revenues without also recognizing the increase in revenues, would also overstate the net impact on Evergy.

There can be little question but that the proposals I advance will result in increased revenues and decreased costs. For example, by definition, suspending disconnections will result in decreased customer service expenses. By definition, suspending disconnections will also preserve future revenues that would not have existed had disconnections occurred and customers been removed from the system. Similarly, the expansion of targeted energy efficiency investments as I propose will unquestionably generate expense reductions. By definition, reducing unpaid balances through the implementation of targeted usage reduction measures will reduce working capital, and will reduce the equity return (and thus the tax obligations associated with that equity return) associated with that working capital.

Improving the affordability of low-income bills through ERPP, however, will also generate enhanced revenue flow. For example, consider the Apprise, Inc. evaluation of the New Jersey Universal Service Fund.[104] That Apprise report shows the following for gas or electric customers (target affordable bill burden of 3%):

Table 15. Distribution of Effective Coverage Rate by Net Energy Burden (gas or electric: 3%)
New Jersey Universal Service Fund (USF)

	Bill Payment Coverage Rate			
Burden	< 50%	50% - <90%	90% - <100%	100% or more
<2%	0.0%	2.7%	5.3%	92.0%
2% - 3%	0.0%	6.0%	11.5%	82.5%
3% - 4%	0.0%	10.0%	13.2%	76.9%
4% - 6%	0.0%	11.6%	16.6%	71.6%
6% - 8%	0.4%	16.6%	17.4%	65.6%
More than 8%	1.0%	25.6%	16.1%	57.4%

As can be seen in the Table above, as bill affordability improved, so, too, did bill payment coverage improve in New Jersey. The Table shows that 94%[105] of low-income customers generated a bill payment coverage ratio of more than 90%. Indeed, between 82.5% and 92% of low-income program participants had a bill payment coverage ratio of 100% or more.

This is not to say that the dollar amount of increased revenue will more than offset the dollar amount of increased ERPP credits. It *does* demonstrate, however, that it is reasonable to expect there to be an improvement in bill payments over what would

[104] APPRISE, INC. (2006). Impact Evaluation and Concurrent Process Evaluation of the New Jersey Universal Service Fund: Final Report, prepared for New Jersey Board of Public Utilities, available at: http://www.appriseinc.org/wp-content/uploads/2016/05/NJ-USF-2006.pdf (last accessed May 21, 2020).
[105] 82.5% + 11.5%) to 97% (92% + 5.3%.

have existed in the absence of the recommendations (e.g., ERPP, AMP, DPA) which I make. The enhanced revenue flow should be quantified and netted against any increased in costs attributable to COVID-19.

C. Other Expense and Revenue Offsets.

Q. PLEASE EXPLAIN YOUR THIRD PROPOSED CONDITION.

A. The tracking of COVID-19 related revenues and expenses should take into account the normal variation in expenses that Evergy normally experiences. *Neither* should be taken into account unless *both* are taken into account. This is particularly true when they are related. Consider one example. Assume there is a hotter than normal summer such as there was in 2019. In three out of four months in the period June through September 2019, the state had Cooling Degree Days that were double-digit percentages higher than the "normal" for those four months. By the end of September, Missouri had experienced almost 20% more Cooling Degree Days than in a normal summer.

Table 16. Cooling Degree Days by Month (June – Sept 2019) (Missouri) (Climate Prediction Center)[106]

	Month Total	Deviation from Norm	Cum Deviation from Norm (June – Sept)	Norm	Cum Norm	Pct Deviation from Cum Norm (June – Sept)
June	303	56	56	247	247	23%
July	396	14	70	382	629	11%
August	313	-31	39	344	973	4%
September	291	149	188	142	1115	17%

106 Available at: ftp://ftp.cpc.ncep.noaa.gov/htdocs/products/analysis_monitoring/cdus/degree_days/archives/Cooling%20Degree%20Days/ (last accessed August 9, 2020).

As a result, electric bills would have been higher in Missouri. Accordingly, the credits to be provided through an AMP for arrearages incurred during those 2019 summer months might well have been higher as well.

However, in addition to experiencing higher arrearage credits, Evergy would *also* have experienced higher revenues associated with the higher sales associated with hotter weather. To track only the higher arrearage credits, without also tracking the higher revenue that would have accompanied those higher arrearage credits, would be inappropriate.

Moreover, there is a normal variation in Evergy expenses from year-to-year. The Table immediately below indicates how that variation can be in either direction. The Table further indicates that the variation can be substantial from year-to-year. To track only one set of expenditures (i.e., those related to COVID-19) without tracking each set of expenditures would be inappropriate. Any AAO that might be approved pursuant to this proceeding should make clear that changes in the tracked COVID-19 related expenditures can and will be offset by changes in other associated revenues and expenditures. For example, travel costs are likely to be reduced, as would field collection costs.

Table 17. Selected Expenses by Year (Evergy Greater Missouri Operations)[107]						
	2017		2018		2019	
	Total	Variance from Prior Year	Total	Variance from Prior Year[108]	Total	Variance from Prior Year
Customer assistance expenses	$35,028,975	---	$31,449,366	($3,579,609)	$19,095,649	($12,353,717)
Misc. customer service and informational expenses	$6,696,400	---	$7,704,368	$1,007,968	$8,095,691	$391,323
Administrative and general salaries	$15,115,484	---	$17,097,435	$1,981,951	$16,387,971	($709,464)

D. Revenue/Earnings Lost to a Decrease in Demand.

Q. PLEASE EXPLAIN YOUR FOURTH PROPOSED CONDITION.

A. I recommend that Evergy should *not* be allowed to recover revenues/earnings attributable to a decreased demand. No utility is assured of a baseline of earnings. This is true for a variety of reasons.

First, as with other utilities, Evergy's sales (and thus its earnings) fluctuate with a variety of factors. Amongst those factors is the state of the economy. If the economy, or some segment thereof, falters with a corresponding decline in revenues/earnings, an electric utility is not entitled to be held harmless. If a major commercial or industrial customer closes its doors, Evergy is not entitled to charge all other ratepayers with the revenue it had *expected* to receive from that customer. If a utility earns more due to extreme weather, it pockets its earnings, while if a utility earns les due to extreme weather, it receives no make-up.

107 FERC Form 1 (Q4), page 323.

108 Negative number means current year expenditure was lesser than prior year. Positive number indicates that current year expenditure was greater than prior year.

Second, in this regard, Evergy has been compensated for the risks of not generating the revenues/earnings it expects. If a utility such as Evergy is assured of a specific level of revenues/earnings, its return on equity should be correspondingly adjusted downward to reflect that reduction in risk.

Third, one basic premise of ratemaking is that a utility's allowed level of earnings is not set exclusively from the perspective of the investor. Instead, setting allowed earnings involves a balancing of investor and ratepayer interests. To the extent that investors may suffer hardship as a result of reduced earnings due to COVID-19, that hardship must be balanced against the hardships that are similarly being experienced by the Company's residential and non-residential ratepayers. These ratepayer hardships extend beyond the low-income hardships that I have discussed above. They extend to the entirety of the Evergy customer base. Investor interests do not ipso facto trump ratepayer interests in this process of balancing. And, given that investors have been compensated for undertaking the risks of the utility, ratepayer interests may even be deemed to be paramount.

In addition, it would not be possible to determine the level of lost earnings without pursuing a full rate case. Earnings are not merely a reflection of revenues. They are instead of reflection of the matching of revenues and expenses. A decline in revenues, in other words, is not significant to the extent that there is a corresponding decline in expenses. Moreover, the level of expenses to be considered is not merely a question of what expenses were incurred, but is instead also a question of what expenses should have been incurred during the term of the economic crisis. For example, one might question whether expenses reflecting unadjusted executive compensation are reasonable in a time of a public health and economic crisis. Should capital investment plans be adjusted and/or lengthened to reduce the immediate and continuing rate impacts associated with new investment?

The same observations should be raised with respect to revenues. The issue for PSC determination is not merely what revenues are being experienced in fact, but what revenues could reasonably be generated. If Evergy has significant reduced demand for electricity, it may well have electricity that is available for off-system sales. The question posed, therefore, is not merely what revenue Evergy experienced, but also what revenue *could* Evergy have generated had it reasonably pursued all revenue-generating opportunities.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that any proposal to track lost revenues/earnings in this proceeding should be denied.

E. Summary and Conclusions.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS IN THIS SECTION.

A. In placing conditions on any AAO that might be approved in this proceeding, the Missouri PSC should make explicit that the AAO is *not* a grant of future recovery of costs tracked pursuant to the AAO. There should, in other words, be no presumption of any future cost recovery as a result of this AAO.

Moreover, any AAO that might be approved in this proceeding should explicitly state that Evergy's tracking of COVID-19 expenses and revenues should include not only changes in expenses, but should include changes in revenue as well. Those changes can be decreases as well as increases in expenses. Those changes can be increases as well as decreases in revenue.

Changes in revenues and expenses could arise due to the ongoing normal fluctuations in expenses in revenues, but will also arise from the specific actions that Evergy should be directed to take to minimize the adverse impacts otherwise to be expected in the absence of affirmative efforts (such as those proposed in this testimony) to mitigate those adverse impacts.

Finally, based on the data and discussion above, I conclude that any AAO that might be approved in this proceeding should not allow Evergy to track and recover revenues lost to decreased demand.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes it does.

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 Evergy 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	)	File No. EU-2020-0350

AFFIDAVIT OF ROGER COLTON

CITY OF BELMONT,)
) **SS**
STATE OF MASSACHUSETTS)

Roger Colton, of lawful age and being first duly sworn on his oath, states:

1. My name is Roger Colton. I work in the City of Belmont, State of Massachusetts and I am employed by the consulting firm Fisher, Sheehan & Colton.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of The National Housing Trust, which has been prepared in written form for introduction into evidence in the above-referenced docket before the Missouri Public Service Commission.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

/s/ [signature]
Roger Colton

Subscribed and sworn to me this 14th day of August, 2020

MICHAEL DION
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
March 26, 2021

/s/ [signature]
Notary Public

My commission expires: 3/26/2021