Exhibit No. 9

Evergy – Exhibit 9
Darrin R. Ives
Surrebuttal Testimony
File No. EU-2020-0350
Sept. 4, 2020

EXHIBIT NO.

9

Exhibit No.:	
Issue:	COVID-19 Accounting Authority Order
Witness:	Darrin R. Ives
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Evergy Metro, Inc. and Evergy Missouri West, Inc.
Case Nos.:	EU-2020-0350
Date Testimony Prepared:	September 4, 2020

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EU-2020-0350

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

Kansas City, Missouri

September 2020

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

Case No. EU-2020-0350

Q: Please state your name and business address.

A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Evergy Metro, Inc. I serve as Vice President – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Kansas Metro ("Evergy Kansas Metro"); Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"); and Evergy Kansas Central, Inc. d/b/a/ Evergy Kansas Central ("Evergy Kansas Central").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively, "Evergy" or "Company").

Q: Are you the same Darrin R. Ives who previously filed Direct Testimony in this docket?

A: Yes.

Q: What is the purpose of your testimony?

A: My surrebuttal testimony responds to portions of the rebuttal testimonies filed by Staff, the Office of the Public Counsel ("OPC" or "Public Counsel"), the Midwest Energy

Consumers Group ("MECG") and Missouri Industrial Energy Consumers ("MIEC") (collectively, "MECG/MIEC"), Sierra Club, and the National Housing Trust.

I will explain why there is nothing in the rebuttal testimony that provides a sound basis for the Commission not to grant an Accounting Authority Order ("AAO") in this case.

The Company continues to request that the Commission grant its May 6, 2020 Application to accumulate and defer to a regulatory asset for consideration of recovery in future rate case all extraordinary costs and financial impacts incurred as a result of the coronavirus disease ("COVID-19") pandemic, and the application should be approved subject to one adjustment, as discussed in the Surrebuttal of Evergy witness Mr. Ron Klote, that carrying costs should not be recorded on the pandemic deferral amounts during the deferral period but should be considered during the general rate cases where rate recovery of deferred amounts is considered.

Lastly, I would like to make clear that a lack of response to any individual position advocated in the other parties' rebuttal testimony does not indicate agreement by Evergy to any such position. More likely, the lack of specific response indicates that it is Evergy's view that the advocated position is extraneous or beyond the scope of the requested AAO and should not bear on the Commission's decision in this proceeding.

Q: Who else is providing surrebuttal testimony on behalf of the Company?

A: Ronald A. Klote, Director of Regulatory Affairs who provided direct testimony, will respond to portions of the rebuttal testimonies of Staff, MECG/MIEC and OPC. Charles A. Caisley, Evergy's Senior Vice President of Marketing & Public Affairs and Chief Customer Officer, will respond to testimony offered by OPC and National Housing Trust regarding the expansion of the Company's customer programs in light of the COVID-19 pandemic.

I. GENERAL RESPONSE TO REBUTTAL TESTIMONY ON EVERGY'S REQUEST FOR DEFERRAL ACCOUNTING: "EXTRAORDINARY"

Q: What is your response to the Rebuttal Testimony of Commission Staff witness Kimberly K. Bolin?

A: Ms. Bolin has taken a positive view of Evergy's proposal to defer expenses related to COVID-19, stating that "Staff recommends including the incremental financial impacts" [1] for several items which are depicted in Table 1 below.

The only request that Staff did not support was related to "[l]ost revenues due to load degradation" and associated "[c]arrying costs"[2] which I will address later, as does Mr. Klote in his surrebuttal testimony.

Q: What is your response to the Rebuttal Testimony of Greg R. Meyer on behalf of MECG/ MIEC?

A: Mr. Meyer takes a similar position to Staff. He agrees that deferral of several items of expenses is appropriate, [3] as shown in Table 1 below.

Q: What do Staff and MECG/MIEC state regarding Evergy's request that other incremental costs and savings caused by COVID-19 not presently identified be deferred?

A: Staff recommends that such items be included in the AAO,[4] where MECG/MIEC oppose the request even though such costs might be related to the pandemic, and instead

[1] Bolin Direct Testimony at 3.
[2] Id.
[3] Meyer Rebuttal Testimony at 12-17.
[4] Bolin Rebuttal Testimony at 3.

proposes a process for obtaining additional deferral authority in the event that pandemic-related financial impacts are identified later.[5] Given that the harm caused by the pandemic is still not fully known or understood, that Evergy will be subject to reporting requirements regarding such costs and savings, and that all deferred costs will be subject to review in the rate cases where recoverability is considered, there is no good reason not to grant its request. To require the additional process proposed by Mr. Meyer on behalf of MECG/MIEC for deferral of as yet unidentified items would simply add work and cost for all parties, and the Commission as well, without adding any corresponding value.

Q: What is the position of Public Counsel, Sierra Club, and the National Housing Trust?

A: Their witnesses generally oppose all of Evergy's requests, some of whom even question the basic premise that the severe deep contraction in the economy, the high unemployment rate, and the inability of customers to pay their electric bills are being caused by the COVID-19 pandemic. OPC witness Schallenberg suggests that the current situation facing Evergy, its customers, Missouri, and the country as a whole may simply be due to the "normal cycle of its [sic] economic environment."[6] I will address each of these witnesses' key points separately.

The following Table 1 illustrates the position of these parties, as well as Evergy, Staff, and MECG/MIEC:

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[5] Meyer Rebuttal Testimony at 17-18.
[6] Schallenberg Rebuttal Testimony at 7.

Table 1: Summary of Parties' Positions on Deferral of COVID-19 Financial Impacts

Party ►	*Evergy*	*Staff*	*MECG / MIEC*	*OPC*	*Sierra Club*	*NHT*
Pandemic-related financial impacts ▼						
Expenses related to the protection of employees and customers such as cleaning supplies, personal protective equipment, and temperature testing	Yes	Yes	Yes	No	Did not address.	Did not address.
Information technology-related expenses incurred to enable employees to work from home including hardware, licensing and connectivity costs	Yes	Yes	Yes, except for connectivity cost	No	Did not address.	Did not address.
Waived late payment fees in excess of amounts included in the cost of service established in the most current rate case	Yes	Yes	Yes	No	Did not address.	Did not address.
Preparation and any actual sequestration of employees	Yes	Yes	Yes	No	Did not address.	Did not address.
Costs related to new assistance programs implemented to aid customer with the payment of electric bills	Yes	Yes	Yes	No	Did not address.	Did not address.
Lost revenues due to load degradation	Yes	No	No	No	No	Did not address.
Carrying costs	No [1]	No [1]	No [1]	No	Did not address.	Did not address.
Other incremental costs or savings resulting from the pandemic not included elsewhere	Yes	Yes	No, but Evergy may ask Commission for additional authority in subsequent filing.	No	Did not address.	Did not address.

[1] No deferral but addressed in next rate case.

Q: Have any of the rebuttal witnesses agreed with Evergy that COVID-19 is an extraordinary event that falls within the category of unusual, infrequent, and significant events that would justify deferral accounting treatment?

A: Yes. Staff witness Bolin testified that COVID-19 is an extraordinary event "that has affected daily life in the U.S. to a degree not previously seen from a disease outbreak within living memory," "has changed the way many people live and work," and "appears to have had significant financial and operating impacts on utilities." See Bolin Rebuttal at 6.

MECG/MIEC witness Meyer similarly testified that "the pandemic is an event that is abnormal or significantly different from that normally faced by Evergy" and "is an extraordinary situation." See Meyer Rebuttal at 5. Sierra Club witness Cheryl Roberto also agrees that "COVID-19 can be judged an extraordinary event." See Roberto Rebuttal at 15.

National Housing Trust witness Roger Colton does not offer a specific opinion on whether COVID-19 is extraordinary so as to qualify for deferral accounting, but he does not dispute Evergy's description of COVID-19 as an extraordinary event. See Colton Rebuttal at 23. He testified that "the COVID-19 pandemic is obviously a critical public health crisis" that "presents a particular health and economic crisis to low-income households and to the working poor." Id. at 8. His conclusions plainly acknowledge that the Commission has the power to authorize an AAO under these circumstances in response to Evergy's request. Id. at 127-28.

Q: What do the witnesses for Public Counsel say regarding COVID-19 being an extraordinary event?

A: It appears to me that they don't want to directly admit that COVID-19 is an extraordinary event because they fear it will weaken their general opposition to Evergy's AAO request. However, OPC witness Dr. Marke concedes that he is not contending "that COVID-19 related expenses couldn't be proper for an AAO." See Marke Rebuttal at 10. He cites a decision of the Indiana Utility Regulatory Commission which found "that COVID-19 pandemic is an unprecedented and extraordinary event." Id. at 9. See Phase 1 and Interim Emergency Order at 7, In re Duke Energy Indiana, LLC, No. 45377 (Ind. Util. Reg. Comm'n, June 29, 2020). This order granted deferral accounting "for COVID-19 related impacts directly associated with any prohibition on utility disconnections, collection of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees), and the use of expanded payment arrangements, as well as COVID-19 uncollectible and incremental bad debt expense." Id. at 9-10.[7]

OPC witness Schallenberg seems to hedge his bets. On the one hand, he acknowledges that "COVID-19 is an extraordinary event that has global effects" on ["e]very Missouri home and business … including the thousands of homes and businesses that receive electric service from Evergy …." See Schallenberg Rebuttal at 10. However, in criticizing Evergy's AAO request, he contends that it has made "no showing that their ordinary and normal activities have been significantly impacted by COVID-19 versus [the] normal cycle of its economic environment." Id. He offers no explanation of what else might have caused the sudden drop in Evergy's retail load and

[7] In weighing the parties' requests, the Indiana Commission did not approve the use of deferral or "regulatory accounting" for lost revenues due to customer load reductions.

the substantial increase in customer arrearages, or why Missouri's unemployment rate went from 3.5% in February to 10.2% in April and an estimated 7.0% in July.[8]

Finally, OPC witness David Murray concedes that although "the COVID-19 pandemic may be an extraordinary event, a recession is not." See Murray Rebuttal at 3. He equates the current recession with "the potential risk of an economic downturn" that was considered in Evergy Metro's 2016 rate case. Id. at 2. Mr. Murray's view that the effects of COVID-19 are nothing more than "the current downturn related to measures taken to mitigate the spread of" the pandemic (id.) are in contrast to the most recent Short-Term Energy Outlook of the U.S. Energy Information Administration ("EIA"). The EIA's outlook "remains subject to heightened levels of uncertainty because mitigation and reopening efforts related to [COVID-19] continue to evolve" as "[r]educed economic activity related to the COVID-19 pandemic has caused changes in energy demand and supply patterns in 2020." See Sched. DRI-2. EIA forecasts 3.6% less electricity consumption in 2020 compared with 2019, with the largest decline occurring in the commercial sector where sales are expected to fall by 7.4%, followed by industrial sales at 5.8%. Id. at 4.

OPC's unwillingness to recognize the significant economic and social effects of COVID-19 on Evergy, its customers, and the region seriously undermines the credibility of its positions in this case which oppose every element of Evergy's AAO request.

[8] See "Economy at a Glance: Missouri," U.S. Bureau of Labor Statistics, www.bls.gov/eag/eag mo.htm (accessed Aug. 26, 2020).

II. COMMISSION AUTHORITY TO GRANT DEFERRAL ACCOUNTING

Q: Have certain of the rebuttal witnesses failed to provide an accurate view of the Commission's authority regarding AAOs and the use of deferral accounting under the Uniform System of Accounts ("USOA")?

A: Yes. Several of the witnesses have testified that the Commission's application of the "extraordinary" standard of the USOA's General Instruction 7 requires a finding that the amounts to be deferred be more than 5 percent of a utility's income or otherwise be "material."[9] This is not an accurate view of either the Commission's precedents or of what General Instruction 7 provides.

As I noted in my Direct Testimony at page 5, the Commission held in 1991 that the 5 percent standard "is not case-dispositive," and in 2012 rejected as "meritless" arguments that deferrals under an AAO can only be granted if the 5 percent threshold is exceeded.

Q: Is the contention of other parties[10] that the Commission may only authorize deferral of amounts that meet the criteria of General Instruction 7 of the USOA a correct interpretation General Instruction 7 and the USOA?

A: No, it is not. There is no relationship or linkage in the USOA between General Instruction 7 and the establishment of regulatory assets or liabilities (deferrals). There is nothing in General Instruction 7 that discusses the establishment of regulatory assets or regulatory liabilities, which is what Evergy has asked the Commission to authorize through its AAO application. General Instruction 7's closing reference to Accounts 434 ("Extraordinary income") and 435 ("Extraordinary deductions) have nothing to do with

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[9] See Schallenberg Rebuttal Testimony at 3-4; Meyer Rebuttal Testimony at 5; Bolin Rebuttal Testimony at 4.
[10] See Schallenberg Rebuttal at 3-4; Meyer Rebuttal Testimony at 3-4; Roberto Rebuttal Testimony at 13.

deferral accounting, or regulatory assets or liabilities. These accounts appear in the section of the USOA relating to "Income Accounts" that contains a series of accounts in the 400's, beginning with Account 400 ("Operating revenues"). Here the USOA directs where an item of extraordinary revenue or expense should appear "below the line" on a utility's income statement. See Sched. DRI-3 at 6-8 (Accounts 434-435).

By contrast, regulatory assets and regulatory liabilities are found in a different section of the USOA relating to "Balance Sheet Accounts" that contains a series of accounts in the 100's and 200's, beginning with Account 101 ("Electric plant in service (Major only)." Definition 31 in the USOA provides the requirements to be met for the establishment of regulatory assets and liabilities, *NOT* General Instruction 7. When the appropriate USOA criteria, Definition 31, are met for the recording of regulatory assets or liabilities, regulatory assets and liabilities are to appear in either Account 182.3 ("Other regulatory assets") or Account 254 ("Other regulatory liabilities") on the balance sheet. See Sched. DRI-3 at 1-5. The Commission has referenced these accounts in numerous orders.[11] Finally, neither Definition 31, nor the account descriptions in the USOA for Accounts 182.3 or 254 make any reference to General Instruction 7; however, the account descriptions for Accounts 182.3 and 254 do reference Definition 31.

This distinction is important because under both Missouri law and the USOA the Commission can apply whatever criteria it deems appropriate to consider deferral accounting in the proper exercise of its discretion. They may include, but are not limited

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[11] See, e.g., OPC v. KCP&L Greater Mo. Operations Co., Report & Order at 15-16, No. EC-2019-0200 (Oct. 27, 2019) (authorizing regulatory liability in Account 254); In re Application of Southern Union Co. for an AAO, Report & Order at 2, No. EU-2012-0131 (Apr. 19, 2012) (authorizing regulatory asset in Account 182.3); In re Application of Empire Dist. Elec. Co for an AAO, Order Approving Stip. & Agmt. at 2, No. EU-2011-0387 (Nov. 30, 2011) (authorizing regulatory asset in Account 182.3).

to, the application of "extraordinary" criteria such as those described in General Instruction 7 or other factors supported by the evidence. As the Commission has noted, "there is nothing in the Public Service Commission Law or the Commission's regulations that would limit the grant of an AAO to any particular set of circumstances." See Order Approving Unan. Stip. & Agmt. at 4, In re Application of Empire Dist. Elec. Co. for an AAO, No. EU-2011-0387 (Nov. 30, 2011).

Q: Under what basis have you developed your testimony regarding the inapplicability of General Instruction 7 to the establishment of regulatory assets and liabilities under the USOA?

A: I am a certified public accountant and spent the first fourteen years of my career at the Evergy companies as a practitioner directly responsible for accounting research and reporting under both the USOA and generally accepted accounting principles (GAAP) and therefore have substantial experience and expertise with the USOA. In addition, I have consulted Evergy's Controller, accounting team, and two of the Big Four national independent accounting firms, PricewaterhouseCoopers and Deloitte. The opinions of all of these individuals would be considered reliable by experts in use of the USOA, and they all agree that there is no linkage in the USOA between General Instruction 7 and the establishment of regulatory assets and liabilities. In addition, all agree that although the Commission has broad authority in establishing criteria to use in authorizing accounting deferrals, the Commission is in no way bound by General Instruction 7 in doing so.

Q: Has the Commission, in fact, granted AAOs or deferral accounting in cases where General Instruction 7 was not explicitly considered or applied?

A: Yes. Most recently the Commission authorized Ameren Missouri in 2019 "to use a deferral accounting mechanism" for tracking the cost of the EV Charging Corridor Sub-Program that is part of Ameren's Electric Vehicle Charge Ahead program.[12]

The Order in that case stated: "The Commission has approved deferral accounting on many occasions without a finding of an 'extraordinary event.'"[13] Among the cases it cited were (1) a 2018 order[14] that approved an AAO for Ameren Missouri relating to its Renewable Choice Program (a/k/a "Green Tariff") which permitted the use of regulatory accounting treatment of various costs and revenues; and (2) a 2015 order granting Empire District Electric Co. the right to use deferral accounting for long-term maintenance expenses at its Riverton Unit 12.[15]

Q: What has the Commission cited as its authority to grant AAOs in cases where General Instruction 7 is not mentioned?

A: The Commission has cited Section 393.140 and its subsection (4), which gives it the power to "prescribe uniform methods of keeping accounts, records and books." It referred to this statute in the 2019 Ameren EV decision, as well as almost 30 years ago regarding its power to grant deferral accounting in a Missouri Public Service AAO request.[16]

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[12] In re Application of Union Elec. Co. for Approval of Efficient Electrification Program, Report & Order at 29, 46 (Feb. 6, 2019).
[13] Id. at 27.
[14] In re Application of Union Elec. Co. for Approval of 2017 Green Tariff, Order Approving Stip. & Agmt., No. ET-2018-0063 (June 27, 2018) & Second Non-Unan. Stip. & Agmt. at 1, 6 (June 12, 2018).
[15] In re Empire Dist. Elec. Co., Report & Order at 9, 13-14, No. ER-2014-0351 (June 24, 2015).
[16] In re Mo. Public Serv., Report & Order, 1991 WL 501944 at 9-10, No. EO-91-358 (Dec. 10, 1991), aff'd State ex rel. Office of Public Counsel v. PSC, 858 S.W.2d 806, 808-09 (Mo. App. W.D. 1993).

Q: Has the Commission granted an AAO in response to a global event similar to the COVID-19 pandemic?

A: Yes. In 1998 Missouri Gas Energy applied for an AAO related to its costs to assure that all of its critical business systems would function when the calendar changed from 1999 to 2000, referred to as "year 2000 (Y2K) compliance projects."[17] Relying on its general authority under Chapter 393 to regulate gas and electric utilities, the Commission granted the AAO without reference to any USOA provision. It determined that:

" … the sheer breadth of the examination undertaken in MGE's Y2K project and the fact that it was necessitated by an unrelated industry's failure to program computer systems to accommodate the passage of time to a new century make the associated costs extraordinary, even though they may have been predictable."[18]

It is also notable that in granting the AAO, the Commission concluded that it "need not find that the expenditures are material to allow deferral" or "that irreparable harm will occur if the AAO is not granted."[19] Although the Y2K phenomenon did not cause the public health crisis that COVID-19 has triggered or the sudden and massive decline in the world economy, it is similar to the pandemic in that the failure of the medical profession and governments across the globe to prepare for and manage COVID-19 supports Evergy's request for deferral accounting to address the financial impacts that the pandemic has caused or may cause.

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[17] In re Application of Mo. Gas Energy for an AAO related to Year 2000 Compliance Projects, Report & Order at 2, 5, No. GO-99-258 (Mar. 2, 2000).
[18] Id. at 7.
[19] Id. at 4, 7.

III. RECENT GOVERNMENT RESPONSES TO COVID-19 AND EVERGY'S LOAD

Q: Staff witness Bolin observed that COVID-19 "has changed how many people live and work" at page 6 of her Rebuttal Testimony. In this regard, have governmental authorities in Missouri taken additional steps to contain the COVID-19 pandemic?

A: Yes. On August 13, 2020, Mayor Quinton D. Lucas of Kansas City issued a Fourth Amended Proclamation Declaring a State of Emergency Arising from the Imminent Threat of the Spread of the 2019 Novel Coronavirus (COVID-19)." See Sched. DRI-4. In this Proclamation he extended the state of emergency that he declared on March 12, 2020 to January 16, 2021.

This Fourth Amended Proclamation stated that as of August 12, 2020 the Missouri Department of Health and Social Services confirmed 7,077 cases of COVID-19 in Kansas City, over 23,000 in the metropolitan area, and 62,530 cases in the State of Missouri. This Proclamation extended the numerous restrictions of the Mayor's Tenth Amended Order 20-01 which mandated that, with limited exceptions, "[a]ll employees or visitors to any indoor public accommodation must wear face mask coverings … where six feet of separation is not feasible."

When the Fourth Amended Proclamation was issued on August 13, Kansas City's Health Department Director Rex Archer, M.D., stated: "It is now obvious to everyone that COVID-19 is not going away over the next five months. As we move out of the summer and into fall and winter, we will still be confronting this health emergency. Our cases continue to rise, with a 115 percent increase in the 20-29 age group between June and July." See City of Kansas City News Release, "State of Emergency Extended to Jan. 16" (Aug. 13, 2020).

Similar orders continue to be in effect in the City of St. Joseph, as well as in Jackson County.[20]

Q: How do these events relate to Evergy's request for an AAO in this case?

A: They confirm that the effects that Evergy is experiencing will continue for some unknown period of time and that, based on current knowledge, there is no factual basis for the Commission to limit the duration of an AAO at this time.

Q: What is your response to the Rebuttal Testimonies of OPC witness Dr. Marke that Evergy's request "lacks specificity" and OPC witness Schallenberg that Evergy has made "no showing" that its "ordinary and normal activities have been significantly impacted by COVID-19 versus [the] normal cycle of its economic environment"?[21]

A: Recent data shows that the Company's arrearages have continued to increase until customer payment plan programs were put into place. As of April 3, 2020 to June 12, 2020, Evergy Missouri Metro experienced an increase in arrearages from **[redacted]** to **[redacted]** and Evergy Missouri West has experienced an increase from **[redacted]** to **[redacted]**. Subsequent to the time period when our customer payment plan programs began to be offered through our most recent reporting period ending August 28, 2020 arrearage balances have decreased to **[redacted]** and **[redacted]** for Evergy Missouri Metro and Evergy Missouri West, respectively.

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[20] Declaration and Order of Mayor Bill McMurray, City of St. Joseph (July 14, 2020); Order of Jackson County Health Director Bridgette Shaffer, Jackson Co., Mo. (Aug. 21, 2020).
[21] Marke Rebuttal Testimony at 10; Schallenberg Rebuttal Testimony at 7.

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Q: So, arrearages for August 2020 are actually lower for Evergy Missouri than in April 2020?

A: Yes, at this current point in time that is true. Arrearages are down as a result of the customer communication, outreach and placement of customers that have arrearages on payment plans. Mr. Caisley will more fully describe our efforts and current success in customer communications and customer placement on payment arrangements. When customers begin payment plans, they are not reflected on Evergy's arrearage reports as long as they remain current and in good standing with their payment arrangement plan.

The risk is that approximately 85% of our customers that have entered payment arrangement plans are electing the twelve-month payment plan. Under this plan, customers remain in good standing if monthly they pay their current amount due plus 1/12th of the arrearage amount that they had at the time they entered the payment arrangement plan. This leaves substantial risk of ultimate collection on Evergy for an extended amount of time during this continued period of uncertainty regarding the pandemic. If customers cannot successfully fulfill their payment arrangement plan, their balances will appear again on the arrearage reports and progress toward uncollectible status. This directly speaks to the significant collection risks borne by Evergy due to this pandemic and the indeterminable timeframe that Evergy may be affected by COVID-19 impacts in regard to bad debt expenses.

Q: What are the current figures regarding the effects of COVID-19 on Evergy's load?

A: As I indicated in my direct testimony, year-over-year weather normalized retail sales for Evergy were flat for the first quarter. However, total retail load was down **[redacted]**

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and **[redacted]** for April and May, respectively, on a weather normalized basis. The figures for June and July are **[redacted]**, as shown below:

[**CONFIDENTIAL** Data from January - July]

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[redacted]

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Q: Similar to the updates to the arrearages data you provided, Evergy's year over year load looks to have increased slightly in July.

A: Yes, that is true. It is reflective of trending we saw from April forward which is consistent with the reopening of businesses and return of some businesses. The data does show some continuing declines in the commercial and industrial segments while the residential segment load continues to outpace last year. August data is not finalized at the time of this testimony, but preliminary indications are that load in August will be below August of last year. We believe much of that impact will be due to the delayed opening of schools across our service territory, with many not opening until after Labor Day this year. There also remains much uncertainty as to the impact to load from COVID-19 as we move through the remainder of this year and into next year. No one knows at this point whether there may be additional hot spots or concentration of COVID-19 as we move into colder weather with much more indoor activity for our customers. There is also no certainty yet as to the timing of availability of vaccination for COVID-19 or the ultimate effectiveness of vaccination. This directly speaks to the significant lost revenue

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risks borne by Evergy due to this pandemic and the indeterminable timeframe that Evergy may be affected by COVID-19 impacts in regard to load and revenues.

Q: All of the non-Evergy parties sponsoring testimony have opposed the Company's request to defer revenue losses due to load degradation associated with the pandemic. How do you respond?

A: As I noted above, given uncertainty regarding how long the pandemic will persist and whether additional shutdowns/stay-at-home orders will be issued, coupled with the essential nature of the service Evergy provides to its customers – the essential nature of which is magnified during a pandemic when staying at home is highly advisable even if not required by government order – it is difficult to overstate the imperative that the Company remain able to continue providing safe and reliable electric service. Constructive regulatory support of the Company is high on lenders' minds when it comes time to issue debt or obtain other forms of financing. Granting an AAO that includes authorization to defer revenue losses due to load degradation resulting from the pandemic would demonstrate constructive regulatory support by this Commission of Evergy and its Missouri operations during this challenging, uncertain and unprecedented time. Because granting such constructive regulatory support simply allows accounting entries to be made during the deferral period so that the issue of rate recoverability can be considered in Evergy's next round of general rate cases in Missouri, the grant would have no negative impact on customers until and unless such deferred amounts are included in rates.

Q: What other factors should the Commission consider in its determination of deferral for the impact of lost revenues?

A: There are two additional considerations for the Commission. First, as the Commission is aware, an expected level of revenues are determined and considered by the Commission in determining the revenue requirement in a general rate proceeding. Somewhat unique to Missouri though is that even though Missouri has in place a fuel adjustment clause (FAC) for the electric utilities, Missouri also rebases fuel amounts in determining the revenue requirement in a general rate proceeding. Therefore, expected reasonable levels of both revenues and fuel costs are utilized in determining base rates in a general rate proceeding. I would suggest and acknowledge that the expectation is that both categories, while set at reasonable expected levels, are anticipated to see variations in actual revenues and fuel costs from the levels used to set rates. That however should be due to normal, expected deviations due to general market, economic or business changes. There is no, and cannot reasonably be, built in expectation for deviations from extraordinary events such as faced with a global pandemic like COVID-19. Further, because of the use of the FAC by Evergy and all electric utilities in Missouri, deviations from such an extraordinary event on the fuel costs incurred by Evergy are provided back to customers through the FAC mechanism. That same opportunity is not in place for Evergy or its shareholders in regard to deviations in revenues from the levels used to set rates as a result of the same extraordinary event. The Commission should consider the asymmetry of this impact as a result of the ratemaking construct currently in place in Missouri and consider that the deferral of lost revenues as requested by Evergy would allow the Commission to fully consider the impact of this asymmetrical treatment when determining rates in Evergy's next general rate case proceedings.

Second, Evergy and electric utilities in Missouri, much like most electric utilities across the country, recover a significant amount of the fixed costs of their system and operations in providing an essential and required service to their customers through the variable kWh charge in the rates customers pay. In its simplest form, this means that the impact of lost revenues on shareholders is not just a result of the asymmetrical treatment of fuel costs and revenues, it is a much more significant issue due to many years of policy decisions that do not provide for recovery of fixed system and operations costs through fixed charges. As a result, lost load due to an extraordinary event such as a global pandemic like COVID-19 results in Evergy not adequately or appropriately recovering its fixed costs of operations as a result of policy decisions on customer rate design. The Commission should consider the potential magnitude of impact on Evergy of the policy decisions to recover fixed costs of operation through kWh rates paid by customers when there is an extraordinary event such as COVID-19 driving significant lost load from Evergy's customers and that granting the deferral of lost revenues as requested by Evergy would allow the Commission to fully consider the impact of this under recovery of fixed costs of operations to provide essential service to customers when determining rates in Evergy's next general rate case proceedings.

Q: Ms. Kim Bolin on behalf of Staff asserts that there is no "out of pocket cost" to the Company in connection with revenue losses due to load degradation from the pandemic but then acknowledges that Commission precedent exists in support of deferring revenue losses associated with an event (in that case, an ice storm) to the extent that such revenue losses impair the utility's ability to recover fixed costs of providing service.[22] How do you respond?

A: Ms. Bolin did acknowledge that there is Commission precedent in support of deferring lost revenues associated with an event limited to the utility's ability to recover fixed costs of providing service. In reviewing the class cost of service results filed by Evergy in the last general rate case proceeding, approximately 59% to 84% of the cost of service across classes is due to the recovery of system investments or fixed costs of operations (fixed costs). However, when reviewing the final rate design for Evergy in the last general rate case proceeding, only approximately 10% to 33% of the revenues designed to be recovered from customers across classes are recovered through fixed charges. The remainder of the fixed costs recovery is through the variable rate component or the kWh charges.

If the Commission does not determine, after consideration of the asymmetrical treatment of revenues and fuel costs I discuss above, that Evergy's requested lost revenue deferral, as described in the direct testimony of Evergy witness Ron Klote should be adopted, I would request that the Commission consider lost revenue deferral for the lost fixed costs recovery due to the pandemic. Mr. Klote describes in his surrebuttal testimony an additional adjustment to the revenue determination that can be made to

[22] Bolin Rebuttal Testimony at 8-9.

focus the deferral of lost revenues to the impact associated with Evergy's inability to recover fixed costs of providing service.

Q: Certain witnesses equate the deferral of lost revenues with a "guarantee" of certain earnings levels.[23] How do you respond?

A: Those assertions are wrong because any such deferral authority would not amount to a rate order, nor a guarantee of rate recovery, but would simply provide the Company with an opportunity to seek recovery of such amounts in a future general rate case. Evergy is simply asking for an opportunity, not a guarantee.

Additionally, deferral of lost revenues specific to an extraordinary event such as COVID-19 does not remove from Evergy the risks or opportunities expected in ratemaking due to normal market, economic or other business factors during the period of time rates are in effect but operations are not affected by the extraordinary event of a global pandemic such as COVID-19. Those risks and opportunities are consistent with the expectations of Evergy, its investors, and a reasonable understanding of the Missouri ratemaking process.

[23] See, e.g., Bolin Rebuttal Testimony at 9; and Meyer Rebuttal Testimony at 10-11.

IV. OPC'S CAPITAL EXPENDITURES & EQUITY RISK PREMIUM TESTIMONY

Q: OPC witness Dr. Marke asserts in Rebuttal Testimony at pages 6-7 that the Company's request for an AAO should be denied because "Evergy management has found an additional $6,254,000,000 in CAPEX investment it plans on asking ratepayers to shoulder" during the "global pandemic and economic recession." Is this true?

A: Absolutely not. First, Evergy is not asking customers to "shoulder" anything during the pandemic and the recession it caused. To the contrary, Evergy has implemented a number of programs to help customers which the Commission permitted Evergy to implement after being consulted.[24] Evergy is bearing 100% of those costs at this time.

Regarding the dollar amounts, OPC witness Dr. Marke has apparently failed to review or comprehend the information related to the Sustainability Transformation Plan (STP) that Evergy has provided and, therefore, grossly misrepresented its investment plans for Missouri. As an initial matter, he has miscalculated the capital investment plan figures that Evergy submitted to the Commission in March. Evergy Missouri West presented the figure of $1.374 billion, with Evergy Metro presenting $1.271.5 billion.[25] The total of these 5-year investment plans is $2.646 billion (not the $2.*636* billion in the Marke Rebuttal at pages 6-7).

More to the point, OPC witness Dr. Marke failed to comprehend that Evergy, Inc.'s 5-year capital plans are organized by regulatory jurisdiction: Missouri, Kansas and

[24] See Order Permitting COVID-19 Customer Programs, In re Application of Evergy Metro, Inc. and Evergy Missouri West, Inc. for Approval of COVID-19 related Customer Programs, No. EO-2020-0383 (May 28, 2020).

[25] See In re Compliance of KCP&L Greater Mo. Operations Co. with SB 564, Evergy Missouri West's Five-Year Capital Investment Plan, No. EO-2019-0045 (filed Mar. 2, 2020); In re Compliance of Kansas City Power & Light Co. with SB 564, Evergy Missouri Metro's Five-Year Capital Investment Plan, No. EO-2019-0047 (Mar. 2, 2020).

FERC. This is clearly illustrated by Figure 2 on page 6 of the Marke Rebuttal which is an Evergy chart and which the written testimony misinterprets. OPC witness Dr. Marke failed to examine the previous slide in the Evergy presentation showing that the change in the 5-year capital plan for *Missouri* expenditures is an additional $438 million, not $6.254 billion. See Sched. DRI-5. These charts were also included in the financial and other information that Evergy recently filed with the Commission. See Exhibit A at 32-33, 64-65, Evergy Notice of Filing Sustainability Transformation Plan, In re Agreement between Evergy, Inc. and Elliott Management, Inc., No. EO-2021-0032 (Aug. 26, 2020).

Q: OPC witness David Murray testified on pages 2-3 of his rebuttal that the Commission should deny Evergy's AAO request because there is an "equity risk premium" embedded in the Company's rates that were set in Evergy Metro's 2016 rate case, No. ER-2016-0285. Does his argument have any relevance to this case?

A: No. There is nothing in the cost of capital testimony filed almost four years ago in that general rate case which has any bearing on this proceeding. Evergy's request for an AAO, which will not change rates, is based on the extraordinary circumstances of the pandemic's effect on Evergy, its customers, and the local economy.

The Commission's Order in that case stated that its decision to award a return on equity (ROE) of 9.5% was based on "recent indicators of growth that may suggest an increased return." See Report & Order at 22, In re Kansas City Power & Light Co., No. ER-2016-0285 (May 3, 2017). Although the Order mentioned that MECG/MIEC cost of capital witness Michael Gorman had recommended a 9.5% ROE under a risk premium analysis, there was no discussion whether this return would be reasonable during a recession, let alone whether an AAO would be appropriate under today's unprecedented circumstances. Id. at 19.

Staff's cost of capital witness, J. Randall Woolridge (who Mr. Murray supported), did not offer any testimony on equity risk premium. His review of economic conditions in late 2016 observed "moderate growth continu[ing]" in the KCP&L service territory where he estimated the unemployment rate to be around 5.0%, noting that unemployment in its territory tends to be slightly higher than Missouri's rate. See Staff Report at 5-6, Ex. 200, In re Kansas City Power & Light Co., No. ER-2016-0285 (Nov. 30, 2016).

By contrast, with the onset of COVID-19 in March, Missouri's unemployment rates skyrocketed to 10.1-.2% this spring, and remain at elevated levels.[26] Based on this data and the Woolridge analysis, the Kansas City area unemployment levels have ranged from a high of 10.5% to the lower-to-mid 7% level.

Q: Mr. Murray testified at page 4 of his rebuttal that Great Plains Energy, the former parent company of Evergy, suffered declines in retail consumption in 2009 as a result of the recession of 2007-09. How does that compare with the events caused by COVID-19?

A: The abrupt decline in the economy beginning in March 2020 is far different than what occurred during the 2007-09 recession. According to the Organization for Economic Cooperation and Development (OECD) in a report issued August 26, 2020, its 37 members experienced a decline in gross domestic product (GDP) of 9.8% in the second quarter of 2020, compared with 2.3% in the first quarter of 2009. This was the largest decline since OECD began surveying such data in 1960. Although not as dramatic a

[26] See "Economy at a Glance: Missouri," U.S. Bureau of Labor Statistics, www.bls.gov/eag/eag.mo.htm (accessed Aug. 26, 2020).

contrast, the comparable figures for the United States are still significant: a GDP decline of 9.5% in 2020 versus a 5.5% decline in 2009. Compare "Historic Contraction in Rich Economies Presages Long Climb Back," The Wall Street Journal (Aug. 26, 2020) and "Unprecedented fall in OECD GDP by 9.8% in Q2 2020," OECD Quarterly Nat'l Accounts (Aug. 26, 2020) with News Release No. BEA 09-29, Bureau of Econ. Affairs, U.S. Dep't of Commerce (June 25, 2009).

Based upon the information available specific to Evergy, the former Great Plains Energy Incorporated ("GPE") saw a decline in the second quarter of 2009 of 1.6% and the former GPE entities have seen a 5.6% decline in second quarter 2020.

Q: When the Commission considered past requests for AAOs, has it ever applied cost of capital models or principles from a general rate case filed several years in the past to support its decision?

A: Not that I am aware of. I do not recall the Commission ever discussing equity risk premium concepts from a rate case decided in prior years when it evaluated the facts and circumstances that were asserted to justify an AAO request. Because AAOs do not change rates and simply allow a public utility to defer financial impacts to a regulatory asset or liability for consideration in a future rate case, such cost of capital principles are not relevant. The key question is whether the facts presented in the request are sufficiently special, unusual or extraordinary to support the Commission's exercise of its sound discretion under Missouri law to grant deferral accounting.

Q: How have other state utility regulatory commissions responded to requests for deferral accounting regarding COVID-19 related costs and financial impacts since you filed your direct testimony?

A: Based upon my review of various reports regarding such regulatory responses, including commission orders, I believe that no commission has denied requests submitted by a utility for deferral accounting, a tracker, or cost recovery options related to incremental costs associated with COVID-19. Approximately 30 commissions have granted deferral accounting requests, while other commission have afforded other treatment or authorized customer-specific plans. Deferral requests remain pending in about 18 other jurisdictions.

V. OPC's SAVINGS TESTIMONY AND OPC AND NATIONAL HOUSING TRUST CUSTOMER PROGRAMS TESTIMONY

Q: OPC witness Dr. Marke provides a list of items that he identifies as a "non-exhaustive list of savings that the Commission could tie into Evergy's AAO."[27] How do you respond?

A: While the Company has already proposed that avoided costs resulting from the pandemic – whether identified in advance of or subsequent to the issuance of the AAO[28] – and the Staff has supported that request by Evergy[29], Dr. Marke's list of savings to "tie into Evergy's AAO" makes no mention of being related to or resulting from the pandemic. This is unreasonable and inappropriate because there must be a reasonable causal nexus between items to be deferred under the authority to be granted in this case and the pandemic itself. This reasonable causal nexus between the items being deferred and the

[27] Marke Rebuttal Testimony at 11.
[28] Klote Direct Testimony at 8-9.
[29] Bolin Rebuttal Testimony at 3.

pandemic must exist regardless of whether the item being recorded is an incremental cost, an avoided cost or a revenue loss due to load degradation. OPC witness Dr. Marke's failure to recognize the necessity of a reasonable causal nexus between savings he proposes to "tie into Evergy's AAO" is therefore unreasonable, inappropriate and should be rejected by the Commission.

Q: OPC witness Dr. Marke and National Housing Trust witness Colton devote a considerable portion of rebuttal testimony to a discussion of bad debt and customer programs they believe Evergy should implement in exchange for the issuance of an AAO allowing deferral of certain expenses related to the pandemic.[30] How do you respond?

A: This line of testimony by Dr. Marke and Mr. Colton goes beyond the question presented for Commission decision by Evergy's application in this proceeding, namely, whether the financial impacts on Evergy resulting from the COVID-19 pandemic constitute extraordinary items such that the Commission should grant Evergy's request for an AAO authorizing Evergy to track and defer in a regulatory asset all extraordinary costs and related financial impacts including lost revenues related to the COVID-19 pandemic.

My direct response to Dr. Marke's and Mr. Colton's testimony regarding bad debt and customer programs is that Evergy undertakes billing and collection activities in compliance with all applicable requirements, regulatory, legal or otherwise. Beyond compliance with these requirements, Evergy endeavors to work with its customers when undertaking collection activities, understanding that hardships suffered by customers can interfere with their ability to pay for electricity which is an essential service, especially

[30] Marke Rebuttal Testimony at 14-21.

when a public health crisis like COVID-19 is widespread, government stay-at-home orders are in place, and businesses choose to operate remotely. Evergy works with its customers when undertaking collection activity in a variety of ways, including but not limited to connecting customers with community action agencies that may be able to assist with arrearage payments and working out extended payment plans that help keep customer payments affordable while allowing them to retain electric service.

In this regard it should not be forgotten that Evergy stepped forward in May of this year with a number of customer assistance programs. It voluntarily extended the moratorium on disconnecting residential and small business customers for non-payment through mid-July, continued the waiver of late payment fees for such customers through the end of calendar year 2020, and instituted incentives for residential customers to enter into one-month or four-month payment plans that allow arrearages to be eliminated more quickly than under the twelve-month payment plans that – contrary to the assertion made by Dr. Marke[31] – continue to be available to our residential customers, and will remain available to our customers through at least the end of 2020 (and longer for residential customers pursuant to the terms of the cold weather rule).

Because the procedural schedule proposed by the parties and approved by the Commission in this proceeding is premised on the specific question raised by Evergy's application seeking the deferral of COVID-19 pandemic costs and related savings, this case is not the appropriate vehicle for Evergy to review and analyze Dr. Marke's or Mr. Colton's proposed customer programs. I will, therefore, not address this portion of their rebuttal testimony in any further detail. I would however refer to the surrebuttal

[31] Marke Rebuttal Testimony at 18, ll. 8-9.

testimony of Evergy witness Charles Caisley which provides additional discussion and detail regarding Evergy's communications, outreach and customer programs, as well as Evergy's charitable outreach and contributions in its communities and to the customers we serve. I also clarify here that all charitable and community contributions discussed by Mr. Caisley and previously publicly disclosed by Evergy are contributions made on behalf of the Company and its shareholders and have not been requested, nor will they be requested, for deferral or recovery from customers.

VI. RESPONSE TO SIERRA CLUB

Q: What is your response to Sierra Club witness Cheryl Roberto who provides a series of conclusions and recommendations that she contends support her view that Evergy's request be denied?

A: Ms. Roberto's testimony contains a number of erroneous observations about Missouri utility regulatory precedents and the current state of the law. For example, she states at page 4 of her rebuttal that the Commission "has never permitted a utility to create a utility asset for lost or unearned revenue." She then backtracks and admits that the Commission did grant Ameren Missouri's request for an AAO regarding revenues not collected as a result of the ice storm that disabled the Noranda aluminum smelter in 2009.[32] The Commission stated that "[r]evenue not collected by a utility to recover its fixed costs, under some circumstances, is an 'item' that may be deferred and considered for later rate making."[33]

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[32] Roberto Rebuttal Testimony at 16-17. See In re Application of Union Elec Co. d/b/a Ameren Mo. for an Acct. Auth. Order, Report & Order at 3-4, No. EU-2012-0027 (Nov. 26, 2013).
[33] Id. at 3.

The Commission noted that such a situation was "analogous" to the Cold Weather Rule "which expressly allowed for recovery of lost revenues," as well as to energy conservation program regulations "which specify that lost revenue may constitute an item for recording."[34]

Q: What was the ultimate result in Ameren's effort to recover these lost revenues?

A: In a subsequent rate case where recovery was sought, the Commission observed that Ameren's AAO request was linked to its fuel adjustment clause ("FAC"), unlike this proceeding where Evergy's AAO request has no relation to fuel-related costs, as stated in Paragraph 15 of the Application. In the Ameren case the Commission found that the "existence of the [FAC] exacerbated the problem" that the utility faced "because of the Noranda outage."[35]

Second, contrary to Ameren's opponents who argued that "unrecovered revenues of lost profits" constituted retroactive ratemaking, the Commission indicated that, based on the Missouri Supreme Court's opinion in the 1979 UCCM, if current expenses "were expenses reasonably anticipated and intended, under the old [FAC] clause, to be recovered at some point and were simply 'uncollected revenues'," they might have been recoverable by the utility.[36]

Third, Ms. Roberto's rebuttal testimony at page 19 quotes Commission language about ratepayers not being the "insurers of Ameren Missouri profits," but fails to acknowledge the Commission's statement that "Ameren Missouri faced this problem of

[34] Id. See 20 CSR 4240-3.164(M) [Demand-Side Programs], -13.055(G) [Cold Weather Maintenance of Service]. See also State ex rel. Mo. Gas Energy v. PSC, 210 S.W.3d 330, 335-36 (Mo. App. W.D. 2006).
[35] In re Union Elec. Co., Report & Order at 36, No. ER-2014-0258 (Apr. 29, 2015).
[36] Id. at 41, quoting State ex rel. Util. Consumers Council of Mo., Inc. v. PSC, 585 S.W.2d 41, 59 (Mo. en banc 1979) ("UCCM")

uncollected revenues because of the fuel adjustment clause through which it sought to reduce its risk from increasing net energy costs."[37]

Finally, the Commission denied recovery to Ameren because two intervening rate cases had occurred since the 2009 ice storm (Nos. ER-2010-0036 and ER-2012-0166), and it was clear by the time of the 2014 rate case that "Ameren Missouri experienced more than sufficient earnings to cover" the amounts deferred in the AAO."[38]

Q: Is Ms. Roberto correct when she states at pages 5-6, 24 and 27 that Evergy "has the regulatory option to file a rate case" and to "seek on a forward-looking basis" an adjustment to its rates?

A: No, not at this time. Ms. Roberto is apparently unfamiliar with Senate Bill 564 and the notices that Evergy Missouri Metro and Evergy Missouri West filed with the Commission, electing treatment under Section 393.1400 (plant-in-service accounting) that froze their rates through December 6 , 2021, pursuant to Section 393.1655.2.[39] Regardless of this fact, Ms. Roberto's suggestion that Evergy should file a general rate case, instead of a request for deferral authority, to address the financial impacts demonstrates a level of insensitivity to the negative reaction that customers would certainly have to a request to increase rates in the midst of a global pandemic. I fail to comprehend how customers would benefit from Evergy filing general rate cases sooner than planned (which is early January of 2022).

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[37] In re Union Elec. Co., Report & Order at 42, No. ER-2014-0258 (Apr. 29, 2015)..
[38] Id. at 43.
[39] In re Compliance of KCP&L Greater Mo. Operations Co. with SB 564, Notice, No. EO-2019-0045 (Dec. 31, 2018); In re Compliance of Kansas City Power & Light Co. with SB 564, Notice, No. EO-2019-0047 (Dec. 31, 2018).

Q: Ms. Roberto criticizes the Order Approving Application for Accounting Authority Order issued by the Kansas Corporation Commission ("KCC") on July 9, 2020 in Docket No. 20-EKME-454-ACT, stating at pages 21-22 of her rebuttal that the KCC at "no point" had "the benefit of relying on a record" that made distinctions between expenses and revenue. What is your response?

A: I actively participated in that case, engaging with the Staff of the KCC and the intervenors. The KCC did have the full benefit of the views of Evergy, Staff, and the intervenors on issues of expenses and revenues. The intervenors included the Citizens' Utility Ratepayer Board, the Kansas Industrial Consumers Group, and Kansans for Lower Electric Rates. If the Sierra Club believed that these organizations, represented by experienced regulatory counsel, were not making an adequate record, it should have intervened in the Kansas proceeding, as it has done in other recent KCC cases.[40]

Q: On page 22-24 of her rebuttal, Ms. Roberto disagrees with your reading of the Iowa Utilities Board Order that allows utilities to use a regulatory asset to track COVID-19 increased expenses and "other financial impacts, including revenue changes." What is your response?

A: She admits that this is the language of the Order issued by the Iowa Utilities Board but attempts to interpret it in a very narrow manner. She quotes a number of reporting requirements on pages 22-23 of her testimony without noting that they appear in a section

[40] See, e.g., In re Application for Approval of Acquisition of Westar Energy, Inc. by Great Plains Energy Inc., Order at 50 (p. 6 of the Certif. of Service) (Kans. Corp. Comm'n, Apr. 19, 2019). The Order's certificate of service indicates that Mr. Sunil Bector appeared as counsel for Sierra Club. In this pending proceeding, Mr. Bector signed a nondisclosure agreement as a Staff Attorney for Sierra Club which was filed on August 3, 2020. Subsequently, his petition to represent Sierra Club pro hac vice was granted September 3.

of the Order entitled "Moratorium Reporting" where issues related to financial impacts, including revenue changes, were not addressed.

In an earlier section of the Order entitled "Accounting Standard - Regulatory Accounts," the Iowa Utilities Board stated that it "finds appropriate the use of regulatory accounts for the tracking of financial impacts arising from the COVID-19 pandemic."[41]

Q: Has the Iowa Utilities Board continued to allow utilities to utilize a regulatory asset account to track both expenses and financial impacts, including revenue changes resulting from COVID-19?

A: Yes. On August 6, 2020 the Board noted that its utilities had filed their plans, detailing "the costs, financial assistance, and changed revenues the utility intended to include in the regulatory asset account."[42] In response to MidAmerican Energy Company's plan, the Board stated that "[i]ssues regarding the costs and potential reductions in revenues associated with the pandemic" would be addressed once it initiated a contested case proceeding.[43]

Q: Have other state commissions indicated a willingness to examine deferral accounting regarding COVID-19 related costs, including resulting financial impacts and revenue changes?

A: Yes. While there are a wide variety of proceedings related to these issues now pending, several commissions have expressed an interest in these issues. The Minnesota Public

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[41] In re Winter Moratorium Extension, Order Authorizing Regulatory Accounts and Establishing Add'l Reporting Instructions at 4 (Iowa Util. Bd. May 1, 2020).

[42] In re MidAmerican Energy Co., Order Addressing Regulatory Asset Account Plans and Contested Case Proceedings at 2, No. ARU-2020-0156 (Iowa Util. Bd., Aug. 6, 2020)

[43] Id. at 6.

Utilities Commission recently granted a petition by a number of electric and gas utilities to track for accounting purposes costs and revenues related to COVID-19.[44]

The Michigan Public Service Commission established a process for a utility to seek "special accounting treatment of COVID-19 costs beyond uncollectible expenses," including a category entitled "Cost/Foregone Revenue."[45] Recently, the South Dakota Public Utilities Commission granted a request to use deferral accounting for costs incurred as a result of the COVID-19 pandemic, and directed utilities to provide reports "regarding all known and estimated cost increases and decreases and revenue increases and decreases" that each utility "plans to include in its regulatory asset."[46]

Q: On page 24 of her rebuttal Ms. Roberto expresses her opinion on what she believes are "emerging" best practices regarding state commission orders on revenue issues. What is your response to this opinion?

A: Given the wide array of regulatory concepts and mechanisms employed under the laws of the 53 jurisdictions that regulate American public utilities,[47] there is no discernible trend or best practice regarding revenue issues in the orders that I have reviewed. Many jurisdictions already employ techniques such as earnings sharing, multi-year rate plans, and formula-based ratemaking that provide tools to address COVID-19 costs and lost revenues. According to an April report by S&P Global Market Intelligence, there are

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[44] In re Inquiry into the Financial Effects of COVID-19 on Natural Gas and Elec. Utilities, Order Approving Accounting Request at 6-7, No. E,G-999/CI-20-425 (Minn. Pub. Util. Comm'n, May 22, 2020).
[45] In re Response to the Novel Coronavirus (COVID-19) Pandemic, Order at 30, No. U-20757 (Mich. Pub. Serv. Comm'n, July 23, 2020).
[46] In re Investor Owned Utilities' Joint Request, Order Granting Joint Request for Deferred Accounting Treatment of the Financial Effects of COVID-19 and Creation of Regulatory Assets at 2, No. GE20-002 (South Dakota Pub. Util. Comm'n, Aug. 19, 2020)
[47] There are 51 state regulatory jurisdictions (Texas has two: the Public Utility Commission and the Railroad Commission), the District of Columbia, and the City of New Orleans.

only 17 regulatory jurisdictions in the United States, including Missouri, that do not allow any of those concepts to be used.[48]

To the extent there is any trend developing, as I stated above, it is that a majority of states have allowed deferral accounting to be used regarding COVID-19-related costs such as personal protection equipment; screening and testing; sequestration preparation and implementation; increased technology costs; and incremental uncollectibles. According to an S&P Global Market Intelligence report issued in late August, there are at least 30 regulatory jurisdictions that have issued deferral orders of some kind.[49]

VII. CONCLUSION

Q: What is Evergy's request in this proceeding?

A: Evergy requests that the Commission approve its Accounting Authority Order request and authorize it to identify, track, document, accumulate, and defer the following items in a regulatory asset in USOA Account 182.3 from March 1, 2020 going forward: (1) its actual incurred operating and maintenance expenses related in any way to protecting employees and customers from the effects of COVID-19; its planning for and communications regarding the impacts of COVID-19; increased bad debt expense to the extent they exceed levels included in the cost of service; costs related to preparing for and any actual sequestration of employees; and costs related to new assistance programs implemented to aid customers with the payment of electric bills during the COVID-19; (2) lost revenues related to load degradation due to the COVID-19 or, alternatively, the fixed costs recovery portion thereof; (3) less costs avoided related to COVID-19. As

[48] "More regulators taking a look at COVID-19 impacts on utilities," S&P Global Market Intelligence (Apr. 27, 2020).

[49] "Bans on utility shut-offs during COVID-19 pandemic challenge regulators," id. (Aug. 28, 2020).

discussed in the Surrebuttal Testimony of Evergy witness Klote, the Company agrees with the proposal made by Staff witness Bolin and MECG/MIEC witness Meyer that carrying costs not be included on deferred amounts during the deferral period but should be an issue for consideration in the general rate case when the deferred amounts are considered for rate recovery.

Evergy will track all offsets to cost increases caused by COVID-19 and will reduce the amount of the regulatory asset by any such cost reductions.

Q: What type of reporting does Evergy propose to provide the Commission if its application for an AAO is granted?

A: As set forth in greater detail in Mr. Klote's direct testimony, Evergy agrees to file an annual report, with the first report filed no later than May 1, 2021, and no later than May 1 for each succeeding year until each of the operating utilities' next respective general rate case filings, setting forth its costs incurred and revenues lost relating to COVID-19 during the preceding calendar year. In addition, Mr. Klote responds to MECG/MIEC witness Meyer and OPC witness Dr. Marke on their reporting proposals offered in rebuttal testimony.

Q: If the Commission approves the Application in this case, how long does Evergy expect such costs will be deferred?

A: At this time it is not known how long the extraordinary impacts caused by COVID-19 will continue. However, Evergy agrees to track all specific expenses and financial impacts, including revenue degradation, that are included in the regulatory asset. It agrees to retain all appropriate documents supporting those calculations for the Commission's consideration in the Company's next general rate cases. In this regard, Evergy Missouri Metro and Evergy Missouri West will initiate general rate cases no later than early January 2022. Evergy anticipates that the test year for those cases will be the 12-month period of July 1, 2020 to June 30, 2021 (as updated through June 30, 2022).

Q: In your opinion, should the Commission institute a sunset provision in connection with a grant of authority to defer financial impacts on Evergy associated with the COVID-19 pandemic?

A: No. As discussed in detail by Evergy witness Klote in his surrebuttal testimony, Evergy understands that any grant of deferral authority in this case will not constitute a Commission determination rate of rate recoverability of the associated costs. Ratemaking decisions regarding such amounts will only be made in Evergy's next general rate cases. Through periodic reporting between now and then, and through review in those general rate cases, Evergy will need to demonstrate a reasonable nexus between the pandemic and the deferred amounts for which rate recovery is requested Evergy is fully cognizant that the Commission may determine that a reasonable nexus has not been established with respect to deferred amounts Evergy seeks to include in rates or that such amounts have been incurred imprudently and, therefore, disallow such deferred amounts from inclusion and recovery in rates. In that event, Evergy will be required to write-off the amounts not recovered in rates. As such, it is not in Evergy's interest to defer amounts that lack a reasonable nexus to the pandemic.

Q: Does this conclude your 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	))))))	No. EU-2020-0350

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. I serve as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of thirty-eight (38) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Darrin R. Ives

Subscribed and sworn before me this 4th day of September 2020.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021

Independent Statistics & Analysis
U.S. Energy Information Administration

August 2020

Short-Term Energy Outlook (STEO)

Forecast highlights

Global liquid fuels

- The August *Short-Term Energy Outlook* (STEO) remains subject to heightened levels of uncertainty because mitigation and reopening efforts related to the 2019 novel coronavirus disease (COVID-19) continue to evolve. Reduced economic activity related to the COVID-19 pandemic has caused changes in energy demand and supply patterns in 2020. Uncertainties persist across the U.S. Energy Information Administration's (EIA) outlook for all energy sources, including liquid fuels, natural gas, electricity, coal, and renewables. The STEO is based on U.S. macroeconomic forecasts by IHS Markit, which assume U.S. gross domestic product declined by 5.2% in the first half of 2020 from the same period a year ago and will rise from the third quarter of 2020 through 2021.

- Daily Brent crude oil spot prices averaged $43 per barrel (b) in July, up $3/b from the average in June and up $25/b from the multiyear low monthly average price in April. EIA expects monthly Brent spot prices will average $43/b during the second half of 2020 and rise to an average of $50/b in 2021.

- U.S. regular gasoline retail prices averaged $2.18 per gallon (gal) in July, an increase of 10 cents/gal from the average in June but 56 cents/gal lower than at the same time last year. EIA expects that gasoline prices will gradually decrease through the rest of the summer to reach an average of $2.04/gal in September before falling to an average of $1.99/gal in the fourth quarter. Forecast U.S. regular gasoline retail prices will average $2.23/gal in 2021, compared with an average of $2.12/gal in 2020.

- EIA expects high inventory levels and surplus crude oil production capacity will limit upward price pressures in the coming months, but as inventories decline into 2021, those upward price pressures will increase. EIA estimates global liquid fuels inventories rose at a rate of 6.4 million barrels per day (b/d) in the first half of 2020 and expects they will decline at a rate of 4.2 million b/d in the second half of 2020 and then decline by 0.8 million b/d in 2021.

- EIA estimates that demand for global petroleum and liquid fuels averaged 93.4 million b/d in July. Demand was down 9.1 million b/d from July 2019, but it was up from an average of 85.0 million b/d during the second quarter of 2020, which was down 15.8 million b/d from year-ago levels. EIA forecasts that consumption of petroleum and liquid fuels globally will average 93.1 million b/d for all of 2020, down 8.1 million b/d from 2019, before increasing by 7.0 million b/d in 2021. Reduced economic activity related to the COVID-19 pandemic has caused changes in energy supply and demand patterns in 2020.

- EIA estimates that global liquid fuels production averaged 91.8 million b/d in the second quarter of 2020, down 8.6 million b/d year over year. The decline reflects voluntary production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+), and reductions in drilling activity and production curtailments in the United States because of low oil prices. In the forecast, the global supply of oil continues to decline to 90.4 million b/d in the third quarter of 2020 before rising to an annual average of 99.4 million b/d in 2021.

- EIA estimates that U.S. liquid fuels consumption averaged 16.2 million b/d in the second quarter of 2020, down 4.1 million b/d (20%) from the same period in 2019. The decline reflects travel restrictions and reduced economic activity related to COVID-19 mitigation efforts. EIA expects U.S. oil consumption will generally rise through the end of 2021. EIA forecasts U.S. liquid fuels consumption will average 18.9 million b/d in the third quarter of 2020 (down 1.8 million b/d year over year) before rising to an average of 20.0 million b/d in 2021. Although the 2021 forecast level is 1.6 million b/d more than EIA's forecast 2020 consumption, it is 0.4 million b/d less than the 2019 average.

- EIA has lowered U.S. crude oil production estimates for 2020 by 370,000 b/d from the previous STEO. EIA expects crude production to average 11.3 million b/d in 2020 and 11.1 million b/d in 2021, down from 12.2 million b/d in 2019. Recently released EIA data show that average monthly U.S. oil production for May was 1.2 million b/d lower than the July STEO forecast, indicating more extensive production curtailments than previously estimated. Also, EIA's August STEO assumes that the Dakota Access Pipeline will remain operational. A U.S. District Court ordered on July 6 the temporary closure of the Dakota Access Pipeline beginning in early August. A U.S. appeals court has overturned the lower court decision, allowing the pipeline to remain running while further litigation proceedings continue.

Natural Gas

- In July, the Henry Hub natural gas spot price averaged $1.77 per million British thermal units (MMBtu). EIA expects natural gas prices will generally rise through the end of 2021 but the sharpest increases will be during this fall and winter when they rise from an average of $2.11/MMBtu in September to $3.14/MMBtu in February. EIA expects that rising demand heading into winter, combined with reduced production, will cause upward price pressures. EIA forecasts that Henry Hub natural gas spot prices will average $2.03/MMBtu in 2020 and $3.14/MMBtu in 2021.

- EIA estimates that total U.S. working natural gas in storage ended July at about 3.3 trillion cubic feet (Tcf), 15% more than the five-year (2015–19) average. In the forecast, inventories rise by 2.0 Tcf during the April-through-October injection season to reach nearly 4.0 Tcf on October 31.

- EIA expects that total U.S. consumption of natural gas will average 82.4 billion cubic feet per day (Bcf/d) in 2020, down 3.0% from 2019. The largest decline in consumption occurs in the industrial sector, which EIA forecasts will average 22.0 Bcf/d in 2020, down 1.0 Bcf/d from 2019, as a result of reduced manufacturing activity. The decline in total U.S. consumption also reflects lower heating demand in early 2020, contributing to residential and commercial demand in 2020 averaging 12.8 Bcf/d (down 0.9 Bcf/d from 2019) and 8.8 Bcf/d (down 0.8 Bcf/d from 2019), respectively.

- U.S. dry natural gas production set an annual record in 2019, averaging 92.2 Bcf/d. EIA forecasts dry natural gas production will average 88.7 Bcf/d in 2020, with monthly production falling from its monthly average peak of 96.2 Bcf/d in November 2019 to 82.7 Bcf/d by April 2021, before increasing slightly. Natural gas production declines the most in the Permian region, where EIA expects low crude oil prices will reduce associated natural gas output from oil-directed rigs. EIA's forecast of dry natural gas production in the United States averages 84.0 Bcf/d in 2021. EIA expects production to begin rising in the second quarter of 2021 in response to higher natural gas and crude oil prices.

- EIA estimates that U.S. liquefied natural gas (LNG) exports will average 5.5 Bcf/d in 2020 and will average 7.3 Bcf/d in 2021. EIA expects that U.S. LNG exports will decline through the end of the summer as a result of reduced global demand for natural gas. U.S. exports of LNG in July 2020 averaged 3.1 Bcf/d, which is about the same as in May 2018, when the available liquefaction capacity was about one-third of the current capacity. Declines in global natural gas demand associated with COVID-19 mitigation efforts, high natural gas storage inventories in Europe and Asia, and an on-going expansion in LNG liquefaction capacity have contributed to natural gas and LNG prices reaching all-time historical lows. Low international prices have affected the economic competitiveness of U.S. LNG exports and have led to numerous cargo cancellations, particularly at the Sabine Pass, Corpus Christi, and Freeport LNG export terminals. EIA expects LNG exports from the United States to remain low in the next few months. Based on numerous trade press reports, EIA estimates about 45 cargoes have been canceled for upcoming August shipments and about 30 cargoes have been canceled for September shipments.

Electricity, coal, renewables, and emissions

- EIA forecasts 3.6% less electricity consumption in the United States in 2020 compared with 2019. The largest decline on a percentage basis is in the commercial sector, where EIA expects retail sales of electricity to fall by 7.4% this year. Forecast industrial retail electricity sales fall by 5.8%. EIA forecasts residential sector retail sales will increase by 2.0% in 2020. Milder winter temperatures earlier in the year led to lower consumption for space heating, but that factor is offset by increased summer cooling demand and an assumed increase in electricity use by more people working from home. In 2021, EIA forecasts total U.S. electricity consumption will rise by 0.8%.

- EIA expects the share of U.S. electric power sector generation from natural gas-fired power plants will increase from 37% in 2019 to 40% this year. In 2021, the forecast natural gas share declines to 35% in response to higher natural gas prices. Coal's forecast share of electricity generation falls from 24% in 2019 to 18% in 2020 and then increases to 22% in 2021. Electricity generation from renewable energy sources rises from 17% in 2019 to 20% in 2020 and to 22% in 2021. The increase in the share from renewables is the result of expected additions to wind and solar generating capacity. EIA expects a decline in nuclear generation in both 2020 and 2021, reflecting recent and upcoming retirements of nuclear generating capacity.

- EIA forecasts that renewable energy will be the fastest-growing source of electricity generation in 2020. EIA expects the electric power sector will add 23.2 gigawatts (GW) of new wind capacity and 12.9 GW of utility-scale solar capacity in 2020. However, these future capacity additions are subject to a high degree of uncertainty, and EIA continues to monitor reported planned capacity builds.

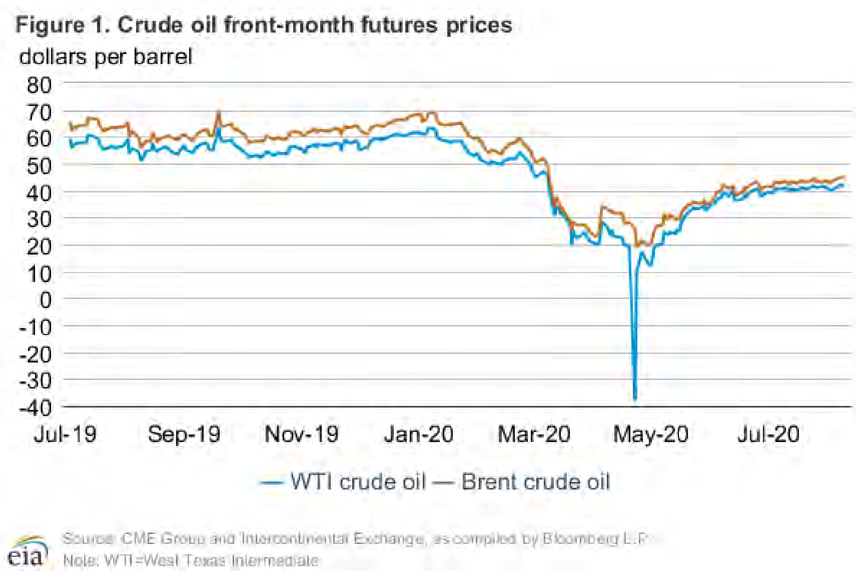
- U.S. coal consumption, which dropped to its lowest point since April, totaled 95 MMst in the second quarter of 2020. EIA expects coal consumption to rise to a seasonal peak of 127 MMst in the third quarter but remain lower than 2019 levels through the end of 2020. EIA estimates that U.S. coal consumption will decrease by 26% in 2020 and increase by 20% in 2021. EIA estimates that total U.S. coal production in 2020 will decrease by 29% from 2019 levels to 502 MMst. In 2021, EIA expects higher demand and rising natural gas prices to a lead to a recovery in coal production of 12%, with a total annual production level of 564 MMst.

- EIA forecasts that U.S. energy-related carbon dioxide (CO2) emissions, after decreasing by 2.8% in 2019, will decrease by 11.5% (588 million metric tons) in 2020. This record decline is the result of less energy consumption related to restrictions on business and travel activity and slowing economic growth related to COVID-19 mitigation efforts. CO2 emissions decline with reduced consumption of all fossil fuels, particularly coal (24.9%) and petroleum (11.6%). In 2021, EIA forecasts that energy-related CO2 emissions will increase by 5.6%, as the economy recovers and stay-at-home orders are lifted. Energy-related CO2 emissions are sensitive to changes in weather, economic growth, energy prices, and fuel mix.

Petroleum and natural gas markets review

Crude oil

Prices: The front-month futures price for Brent crude oil settled at $45.09 per barrel (b) on August 6, 2020, an increase of $3.06/b from July 1, 2020. The front-month futures price for West Texas Intermediate (WTI) crude oil for delivery at Cushing, Oklahoma, increased by $2.13/b during the same period, settling at $41.95/b on August 6 **(Figure 1)**.

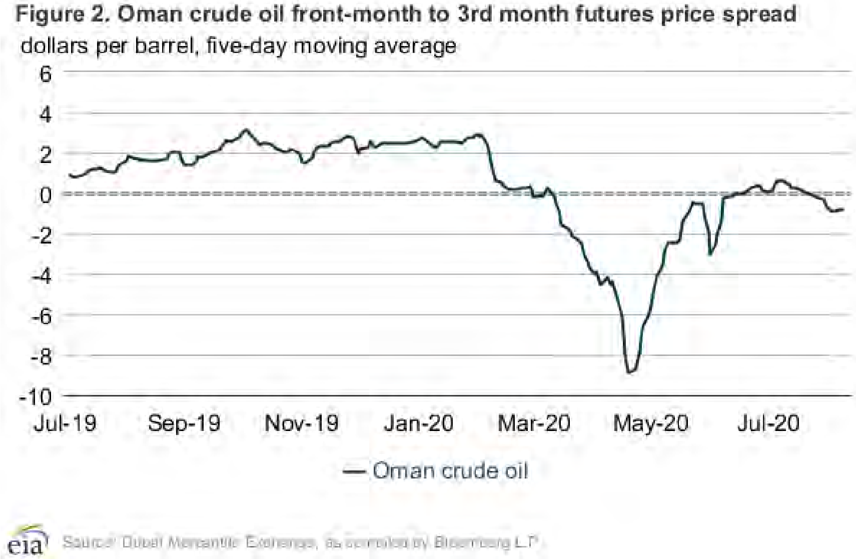


Crude oil prices developed a narrow trading range in July as price volatility declined to the lowest levels since January 2020. Global petroleum demand continued to recover in July, but continued growth in global coronavirus cases could bring renewed lockdown measures and presents considerable uncertainty to global oil demand for the remainder of the year. World oil-weighted real gross domestic product (GDP) declined 9.3% in the second quarter of 2020—one of the largest declines for any quarter on record—however, a number of leading indicators suggest increases in economic activity since then in some sectors, such as manufacturing. Despite the continued demand-side uncertainty, global petroleum production remains subdued from rapid declines in U.S. crude oil production as well as oil supply management from members of the Organization of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+). The group plans to ease production cuts by nearly 2 million barrels per day (b/d) in August, but it is committed to monitoring global inventory levels and could adjust production levels lower if global demand growth slows.

The U.S. Energy Information Administration (EIA) forecasts high petroleum stock withdrawal rates will put modest upward price pressure from current prices through the end of 2020. However, the currently high inventory levels (as a result of the large stock builds from January through May 2020) are forecast to mitigate any significant increase in prices. EIA forecasts Brent crude oil prices will increase to $44/b by the end of the year, slightly higher than the July 2020 average price. Global inventory withdrawals through the end of 2021 will put upward pressure on crude oil prices, which EIA forecasts will average $50/b in 2021.

Oman crude oil price spreads: Recent movements in crude oil price spreads could indicate a slowdown in refinery purchases and demand in Asia. The Dubai Mercantile Exchange's Oman crude oil futures contract is a benchmark crude oil contract that reflects oil produced in the Middle East and exported to Asia. The five-day moving average of Oman crude oil's 1st–3rd futures contract price spread developed slight backwardation (when near-term prices are higher than longer-dated ones) from mid-June through mid-July, but it declined to -79 cents/b as of August 6 **(Figure 2)**. The contract may have developed backwardation as a result of increased crude oil purchases and refinery runs among Chinese refiners, who increased refinery runs to more than 14 million b/d in June, an all-time high for any month. Since mid-July, however, extreme flooding in the Yangtze region is contributing to declines in Chinese economic activity and refinery utilization, which is likely contributing to declines in the Oman 1st–3rd spread. In addition, the planned increase in several Middle Eastern OPEC members' crude oil production in August is also likely contributing to reduced Oman crude oil futures price spreads.

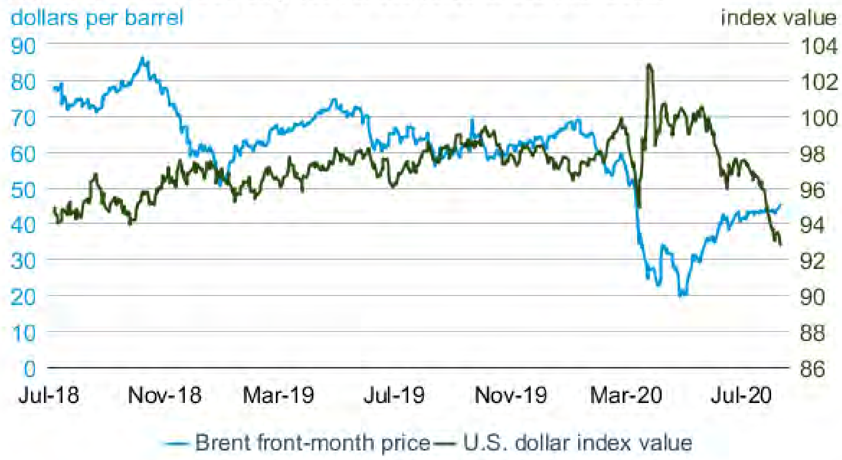
Figure 2. Oman crude oil front-month to 3rd month futures price spread



Crude oil prices and the U.S. dollar index: Brent crude oil prices have exhibited high negative correlation with the U.S. dollar index since the end of June. The U.S. dollar index measures the value of the U.S. dollar against six currencies' exchange rates: the euro, Japanese yen, British pound, Canadian dollar, Swiss franc, and Swedish krona. A decrease in the index means the dollar is depreciating against this group of currencies. The U.S. dollar index declined to 92.8 as of August 6, the lowest level in more than two years **(Figure 3)**. In general, a depreciation of the

U.S. dollar index with other currencies reflects differences in market participants' expectations of economic growth in the United States compared with other countries. The euro represents 58% of the currency weighting in the U.S. dollar index, and suggests economic growth expectations are increasing in Eurozone countries, supported by a combination of the €750 billion fiscal stimulus package, European Central Bank monetary policy support, and slowing growth in COVID-19 cases. Because Brent crude oil is priced in U.S. dollars, a depreciation in the U.S. dollar also makes crude oil imports relatively less expensive for countries that use the euro, which tend to be net crude oil importers. From June 1 to August 6, for example, Brent crude oil prices increased 18% in U.S. dollars but only 10% in euros as a result of the euro's appreciation against the U.S. dollar.

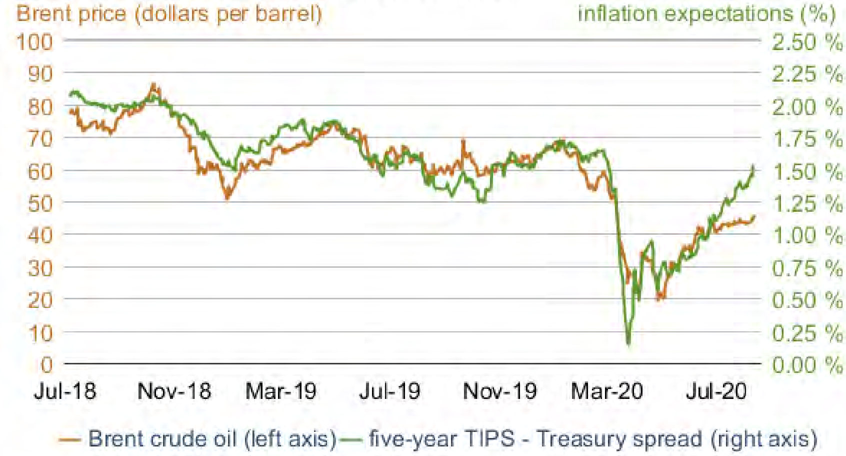
Figure 3. Brent crude oil price vs. the value of the U.S. dollar



Source: Bloomberg L.P.

Inflation expectations: Because energy is a significant input into other areas of the economy and is an important variable cost for businesses and consumers, changes in crude oil prices affect market participants' expectations of future rates of inflation. The difference in yield between the five-year Treasury rate and five-year Treasury Inflation Protected Securities (TIPS) is an indicator of market participants' inflation expectations during the next five years, and the difference increased from 1.17% on July 1 to 1.52% on August 5 **(Figure 4)**. According to the latest Federal Open Market Committee meeting, the U.S. Federal Reserve plans to target interest rates near 0% until its targets of full employment and inflation of 2% are met. Partially as a result of accommodative monetary policy, market expectations for inflation during the next five years have increased from March's low of near 0%. However, inflation expectations remain less than the Federal Reserve's 2% target and are still at some of the lowest levels in the past five years.

Figure 4. Crude oil and inflation expectations

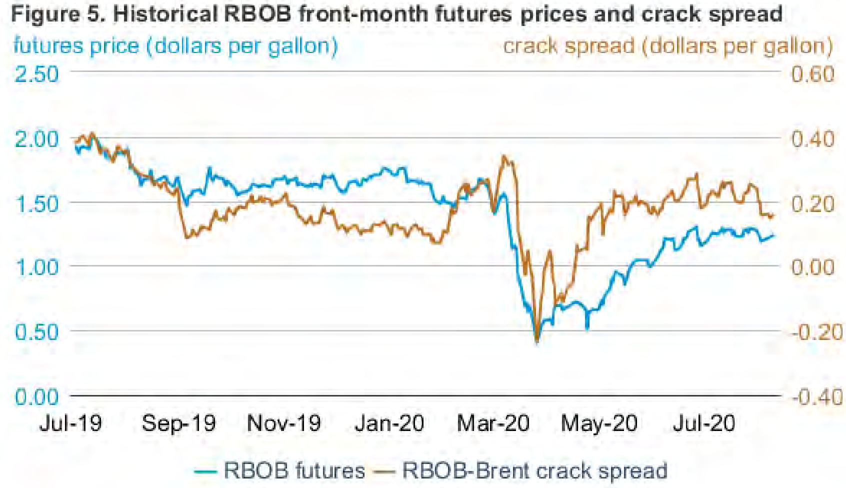


Source: Bloomberg L.P., Federal Reserve Bank of St. Louis
Note: TIPS=Treasury Inflation Protected Securities

Petroleum products

Gasoline prices: The front-month futures price of reformulated blendstock for oxygenate blending (RBOB, the petroleum component of gasoline used in many parts of the country) settled at $1.23 per gallon (gal) on August 6, up 1 cent/gal from July 1, 2020 **(Figure 5)**. The RBOB–Brent crack spread (the difference between the price of RBOB and the price of Brent crude oil) decreased by 6 cents/gal to settle at 15 cents/gal during the same period. The crack spread averaged lower than the five-year (2015–19) minimum for the fifth consecutive month in July.

Figure 5. Historical RBOB front-month futures prices and crack spread



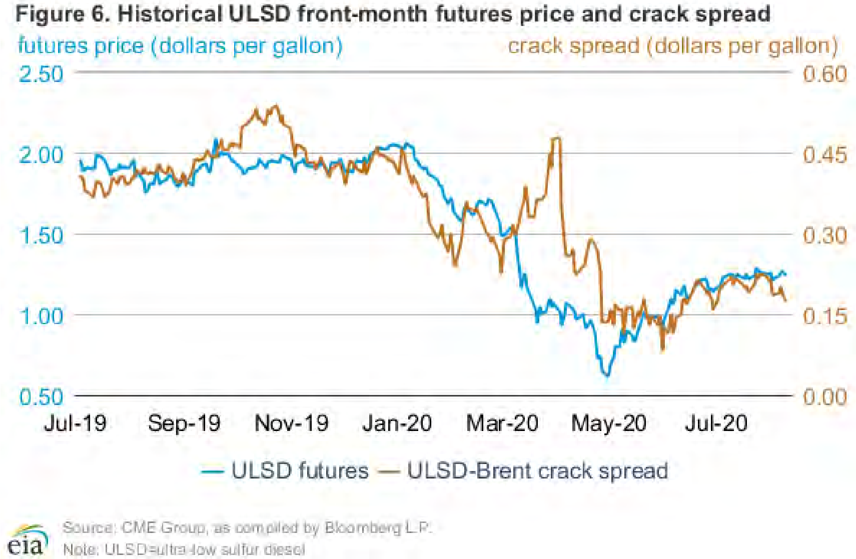
Source: CME Group, as compiled by Bloomberg L.P.
Note: RBOB=reformulated blendstock for oxygenate blending

Gasoline consumption, production, and inventory levels moved toward pre-COVID-19 levels in July. Meanwhile, the crack spread traded in a narrow 6 cent/gal range from July 1 to July 30 before declining 4 cents/gal on July 31. EIA estimates that July 2020 gasoline consumption was

8.7 million barrels per day (b/d), an increase of 0.2 million b/d (2%) from June 2020 and a decrease of 0.8 million b/d (9%) from July 2019. July 2020 gasoline consumption was 9% lower than the month's five-year (2015–19) average but marked a modest return toward normal levels when compared with June 2020, which was 12% lower than its five-year average, and April 2020, which bottomed out at 37% lower than its five-year average. Similarly, EIA estimates July production closer to its five-year average. July 2020 gasoline production was 12% lower than the month's five-year average, but June was 15% lower than its five-year average and April troughed at 36% lower than its five-year average. Inventories of total gasoline in July decreased 3.9 million barrels (2%) from June to 248 million barrels. As consumption, production, and inventories have moved closer to their five-year averages, U.S. average retail gasoline prices have stabilized. Four of the five weeks from June 29 to August 3 had less than 1 cent/gal week-to-week changes. Before the week starting June 29, there were only two such weeks in 2020.

Ultra-low sulfur diesel prices: The ultra-low sulfur diesel (ULSD) front-month futures price for delivery in New York Harbor settled at $1.25/gal on August 6, 2020, up 5 cents/gal from July 1, 2020 **(Figure 6)**. The ULSD–Brent crack spread (the difference between the price of ULSD and the price of Brent crude oil) decreased by 2 cents/gal to settle at 18 cents/gal during the same period.

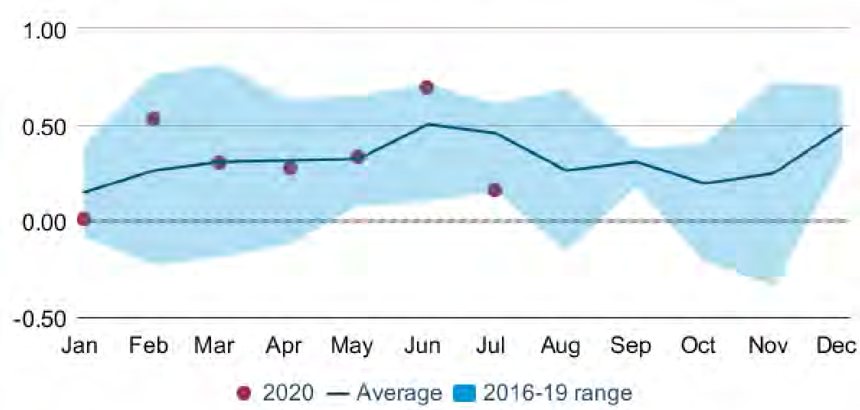
Figure 6. Historical ULSD front-month futures price and crack spread



The July ULSD–Brent crack spread traded in its narrowest range in 2020 so far, ranging from $0.19 to $0.22. Part of this stability in the crack spread can likely be attributed to the fact that distillate consumption changed very little from June to July. However, July 2020 consumption was 0.4 million b/d lower (10%) than the year ago levels, and it was also the month's lowest consumption level since 2009. Meanwhile, net exports of distillate increased from June by 5% to an estimated 1.2 million b/d. Inventory levels increased by 2.7 million barrels from June to 180.0 million barrels in July, the highest for any month since 1982. Compared with July 2019, inventory levels are up 31%.

Crack spread correlations: Historically, a day-to-day change in the RBOB–Brent crack spread tends to correlate positively with the day-to-day change in the ULSD–Brent crack spread. That is, both RBOB and ULSD crack spreads tend to increase or decrease on a daily basis and it is less likely for one to increase and the other to decrease on a given day. As a result of several factors—including economic trends, refining yields, and seasonality—one month may have a stronger correlation than others. Based on the average from 2016 (the first year of the current Brent futures expiration calendar) to 2019, June and July correlations are typically some of the highest for the year **(Figure 7)**. In 2020, June and July had correlation coefficients of 0.69 and 0.16, respectively.

Figure 7. Monthly correlation of daily changes in RBOB crack spread to daily changes in ULSD crack spread



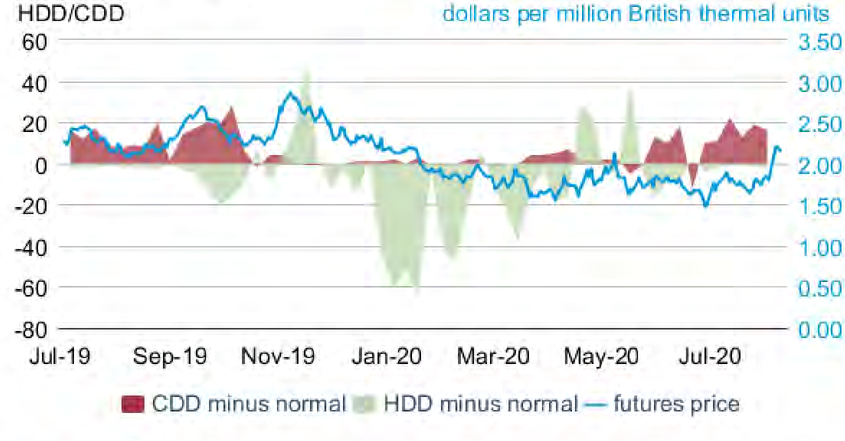
Note: RBOB=reformulated blendstock for oxygenate blending, ULSD=ultra-low sulfur diesel
Note: The correlations use crack spreads between 2nd month product contracts and 1st month Brent contracts

In June 2020, the strength of the relationship between the day-to-day changes of the two crack spreads was stronger than usual. June's correlation coefficient of 0.69 was higher than that for 43 of the 48 months (90%) from 2016 to 2019. Meanwhile, July 2020 showed a weaker-than-usual correlation coefficient of 0.16, which was greater than only 13 of the 48 months (27%). The high correlation in June can likely be attributed in part to the fact that as more of the economy opened up, expectations for economic activity likely drove both crack spreads upward. As economic optimism subsided in July with increasing COVID-19 cases, the prospect of further economic lockdowns may be having a greater effect on RBOB crack spreads.

Natural Gas

Prices: The front-month natural gas futures contract for delivery at the Henry Hub settled at $2.17 per million British thermal units (MMBtu) on August 6, up 49 cents/MMBtu from July 1 **(Figure 8)**. Futures prices increased substantially at the beginning of August. Before August 3, the front-month futures price had settled higher than $2/MMBtu only once since January 17, 2020.

Figure 8. Natural gas front-month futures prices and actual minus historical average HDD and CDD



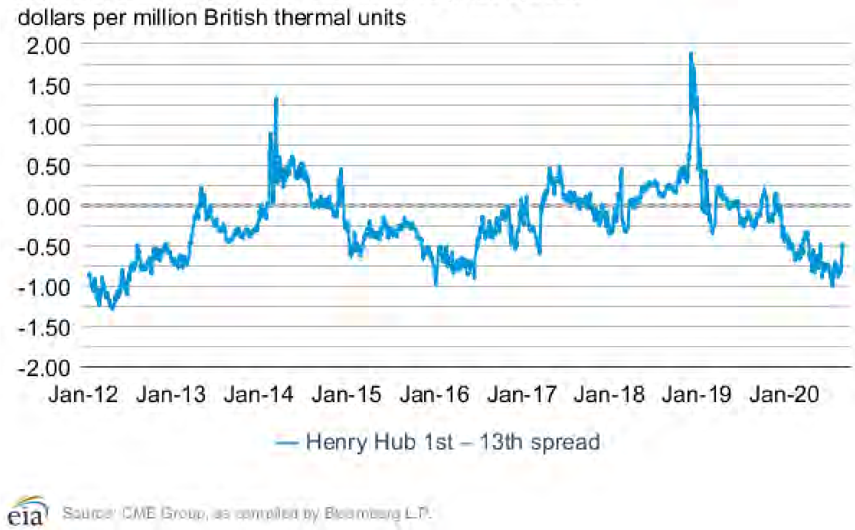
Source: CME Group and National Oceanic and Atmospheric Administration, as compiled by Bloomberg L.P.
Note: HDD stands for heating degree days, CDD stands for cooling degree days.

Natural gas prices received support from strong demand from natural gas-fired power generation. EIA estimates that natural gas consumption for power generation rose to 43.6 billion cubic feet per day (Bcf/d) in July 2020, higher than any month on record. Consumption from the electric power sector was partially offset by a decrease in industrial natural gas consumption, which declined 1.4 Bcf/d in July compared with the previous year, likely because of slower economic activity. Liquefied natural gas (LNG) exports also fell substantially as international natural gas demand growth slowed. EIA estimates that in July U.S. LNG exports decreased 5.0 Bcf/d (62%) from their peak in January 2020.

Natural gas production has also fallen as producers have cut back on drilling and completion activities as a result of lower oil and natural gas prices. EIA estimates that U.S. natural gas production declined to 86.8 Bcf/d in July, down 9.5 Bcf/d from the peak in November 2019. The decrease in natural gas production and the increase in consumption for power generation contributed to lower-than-average natural gas injections into inventory in July. However, much more natural gas is currently in storage than average. For the week ending July 31, natural gas inventories were 3,274 billion cubic feet (Bcf), 429 Bcf (15%) higher than the five-year (2015–19) average.

Natural gas futures contract price spreads: The natural gas 1st–13th futures contract price spread fell to -$1.02/MMBtu on June 25, 2020 **(Figure 9)**, the lowest level since June 13, 2012. A negative 1st–13th futures price spread typically indicates that current inventories and supplies are ample to meet expected demand. This price spread declined in January and February 2020 after mild winter weather reduced natural gas demand, and it fell further in the spring after responses to the coronavirus pandemic lowered expectations for natural gas consumption and LNG exports. However, the 1st–13th futures price spread reversed course and increased sharply in the first week of August, settling -$0.52/MMBtu on August 6, 2020. Declining natural gas production and robust demand for natural gas for power generation contributed to higher near-term prices.

Figure 9. Natural gas 1st – 13th futures price spread



Notable forecast changes

- Because of the rapidly changing situation in energy markets, the U.S. Energy Information Administration's (EIA) current forecast includes a significant number of notable forecast changes. You can find more information in the detailed table of forecast changes.

- EIA used the July 2020 IHS Markit macroeconomic forecast in this *Short-Term Energy Outlook* (STEO). The macroeconomic forecast assumes a smaller decline in U.S. gross domestic product (GDP) in 2020 of 6.1% compared with an assumed decline of 8.2% in the July STEO. EIA also assumes smaller increase in GDP in 2021 of 3.7% compared with 5.1% growth assumed in the previous forecast. In addition, the IHS forecast used in the August STEO includes average non-farm employment of 143.0 million for 2020 and 149.4 for 2021, up by 2.6 million jobs and 2.0 million jobs, respectively, from the previous forecast.

- EIA forecasts Brent crude oil spot prices will average $41 per barrel (b) in 2020 and $50/b in 2021 and West Texas Intermediate spot prices will average $39/b in 2020 and $46/b in 2021. The slight increase in 2020 prices reflect larger forecast stock draws in the second half of 2020.

- EIA expects U.S. consumption of petroleum and other liquid fuels will average 18.5 million barrels per day (b/d) in 2020 and 20.0 million b/d in 2021. The August STEO forecast is 120,000 b/d more in 2020 and 90,000 more in 2021 than the July STEO forecast. This August STEO reflects higher forecast consumption of gasoline, hydrocarbon gas liquids, and distillate. Higher assumed 2020 and 2021 employment levels in the August STEO, contribute to higher forecast gasoline consumption. Stronger assumed petrochemical industry growth and higher-than-anticipated ethane consumption data for May from EIA's *Petroleum Supply Monthly* contribute to higher forecast hydrocarbon gas liquids consumption in 2020 and

2021 in this STEO. Also, stronger assumed U.S. GDP growth for 2020 contributes to the higher distillate consumption forecast in the August STEO. Reduced economic activity related to the COVID-19 pandemic has caused changes in energy supply and demand patterns in 2020.

- EIA estimates that liquefied natural gas (LNG) exports were 3.6 billion cubic feet per day (Bcf/d) in June (32 loaded cargoes) and 3.1 Bcf/d in July (28 loaded cargoes). Based on the available liquefaction capacity in operation, EIA estimates that about 46 cargoes were canceled in June and about 50 cargoes were canceled in July 2020, exceeding the reported number of canceled cargoes from earlier this summer for both months.

- EIA has extended its assumptions for the effect of increased working from home on retail sales of electricity to the commercial sector and the residential sector through the end of 2020. In previous STEO forecasts, this assumption only applied through the end of the third quarter of this year.

- EIA has increased the amount of electric power sector solar photovoltaic generating capacity expected to come online in 2021 to 12.2 gigawatts compared with expected additions of 11.4 gigawatts in the previous STEO. This change reflects new information received on the Form EIA-860 survey.

- EIA expects global consumption of petroleum and other liquid fuels will average 93.1 million b/d in 2020 and 100.2 million b/d in 2021. Those forecasts are 240,000 b/d and 290,000 b/d more, respectively, than in the July STEO. Factors driving the change in the forecast are adjustments to assumptions about lockdown restrictions in a number of countries and the construction of a number of new petrochemical crackers in China during the second half of 2020.

accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as production and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.

B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

D. The cost incurred by the lessee of additions and replacements to electric plant leased from others shall be accounted for as provided in electric plant instruction 6.

4. *Training Costs.*

When it is necessary that employees be trained to specifically operate or maintain plant facilities that are being constructed, the related costs shall be accounted for as a current operating and maintenance expense. These expenses shall be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities which are not conventional in nature, or are new to the company's operations, then see Electric Plant Instruction 3(19), for accounting.

Balance Sheet Chart of Accounts

ASSETS AND OTHER DEBITS

1. UTILITY PLANT

101 Electric plant in service (Major only).
101.1 Property under capital leases.
102 Electric plant purchased or sold.
103 Experimental electric plant unclassified (Major only).
103.1 Electric plant in process of reclassification (Nonmajor only).
104 Electric plant leased to others.
105 Electric plant held for future use.
106 Completed construction not classified—Electric (Major only).
107 Construction work in progress—Electric.
108 Accumulated provision for depreciation of electric utility plant (Major only).
109 [Reserved]
110 Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only).
111 Accumulated provision for amortization of electric utility plant (Major only).
112–113 [Reserved]
114 Electric plant acquisition adjustments.
115 Accumulated provision for amortization of electric plant acquisition adjustments (Major only).
116 Other electric plant adjustments.
118 Other utility plant.
119 Accumulated provision for depreciation and amortization of other utility plant.
120.1 Nuclear fuel in process of refinement, conversion, enrichment and fabrication (Major only).
120.2 Nuclear fuel materials and assemblies—Stock account (Major only).
120.3 Nuclear fuel assemblies in reactor (Major only).
120.4 Spent nuclear fuel (Major only).
120.5 Accumulated provision for amortization of nuclear fuel assemblies (Major only).
120.6 Nuclear fuel under capital leases (Major only).

2. OTHER PROPERTY AND INVESTMENTS

121 Nonutility property.
122 Accumulated provision for depreciation and amortization of nonutility property.
123 Investment in associated companies (Major only).
123.1 Investment in subsidiary companies (Major only).
124 Other investments.
125 Sinking funds (Major only).
126 Depreciation fund (Major only).
127 Amortization fund—Federal (Major only).
128 Other special funds (Major only).
129 Special funds (Nonmajor only).

3. CURRENT AND ACCRUED ASSETS

130 Cash and working funds (Nonmajor only).
131 Cash (Major only).
132 Interest special deposits (Major only).
133 Dividend special deposits (Major only).
134 Other special deposits (Major only).
135 Working funds (Major only).
136 Temporary cash investments.
141 Notes receivable.
142 Customer accounts receivable.
143 Other accounts receivable.
144 Accumulated provision for uncollectible accounts—credit.
145 Notes receivable from associated companies.
146 Accounts receivable from associated companies.
151 Fuel stock (Major only).

152 Fuel stock expenses undistributed (Major only).
153 Residuals (Major only).
154 Plant materials and operating supplies.
155 Merchandise (Major only).
156 Other materials and supplies (Major only).
157 Nuclear materials held for sale (Major only).
158.1 Allowance inventory.
158.2 Allowances withheld.
163 Stores expense undistributed (Major only).
165 Prepayments.
171 Interest and dividends receivable (Major only).
172 Rents receivable (Major only).
173 Accrued utility revenues (Major only).
174 Miscellaneous current and accrued assets.
175 Derivative instrument assets.
176 Derivative instrument assets-Hedges.

4. DEFERRED DEBITS

181 Unamortized debt expense.
182.1 Extraordinary property losses.
182.2 Unrecovered plant and regulatory study costs.
182.3 Other regulatory assets.
183 Preliminary survey and investigation charges (Major only).
184 Clearing accounts (Major only).
185 Temporary facilities (Major only).
186 Miscellaneous deferred debits.
187 Deferred losses from disposition of utility plant.
188 Research, development, and demonstration expenditures (Major only).
189 Unamortized loss on reacquired debt.
190 Accumulated deferred income taxes.

LIABILITIES AND OTHER CREDITS

5. PROPRIETARY CAPITAL

201 Common stock issued.
202 Common stock subscribed (Major only).
203 Common stock liability for conversion (Major only).
204 Preferred stock issued.
205 Preferred stock subscribed (Major only).
206 Preferred stock liability for conversion (Major only).
207 Premium on capital stock (Major only).
208 Donations received from stockholders (Major only).
209 Reduction in par or stated value of capital stock (Major only).
210 Gain on resale or cancellation of reacquired capital stock (Major only).
211 Miscellaneous paid-in capital.
212 Installments received on capital stock.
213 Discount on capital stock.
214 Capital stock expense.
215 Appropriated retained earnings.
215.1 Appropriated retained earnings—Amortization reserve, Federal.
216 Unappropriated retained earnings.
216.1 Unappropriated undistributed subsidiary earnings (Major only).
217 Reacquired capital stock.
218 Noncorporate proprietorship (Nonmajor only).
219 Accumulated other comprehensive income.

6. LONG-TERM DEBT

221 Bonds.
222 Reacquired bonds (Major only).
223 Advances from associated companies.
224 Other long-term debt.
225 Unamortized premium on long-term debt.
226 Unamortized discount on long-term debt—Debit.

7. OTHER NONCURRENT LIABILITIES

227 Obligations under capital lease—noncurrent.
228.1 Accumulated provision for property insurance.
228.2 Accumulated provision for injuries and damages.
228.3 Accumulated provision for pensions and benefits.
228.4 Accumulated miscellaneous operating provisions.
229 Accumulated provision for rate refunds.
230 Asset retirement obligations.

8. CURRENT AND ACCRUED LIABILITIES

231 Notes payable.
232 Accounts payable.
233 Notes payable to associated companies.
234 Accounts payable to associated companies.
235 Customer deposits.
236 Taxes accrued.
237 Interest accrued.
238 Dividends declared (Major only).
239 Matured long-term debt (Major only).
240 Matured interest (Major only).
241 Tax collections payable (Major only).
242 Miscellaneous current and accrued liabilities.
243 Obligations under capital leases—current.
244 Derivatives instrument liabilities.
245 Derivative instrument liabilities-Hedges.

9. DEFERRED CREDITS

251 [Reserved]
252 Customer advances for construction.
253 Other deferred credits.
254 Other regulatory liabilities.
255 Accumulated deferred investment tax credits.
256 Deferred gains from disposition of utility plant.
257 Unamortized gain on reacquired debt.
281 Accumulated deferred income taxes—Accelerated amortization property.
282 Accumulated deferred income taxes—Other property.

283 Accumulated deferred income taxes—Other.

Balance Sheet Accounts

101 Electric plant in service (Major only).

A. This account shall include the original cost of electric plant, included in accounts 301 to 399, prescribed herein, owned and used by the utility in its electric utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. (See also account 106 for unclassified construction costs of completed plant actually in service.)

B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See electric plant instruction 6.)

101.1 Property under capital leases.

A. This account shall include the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations.

B. The electric property included in this account shall be classified separately according to the detailed accounts (301 to 399) prescribed for electric plant in service.

C. Records shall be maintained with respect to each capital lease reflecting: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid. Records shall also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

102 Electric plant purchased or sold.

A. This account shall be charged with the cost of electric plant acquired as an operating unit or system by purchase, merger, consolidation liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with electric plant instruction 5.

B. Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

103 Experimental electric plant unclassified (Major only).

A. This account shall include the cost of electric plant which was constructed as a research, development, and demonstration plant under the provisions of paragraph C, Account 107, Construction Work in Progress—Electric, and due to the nature of the plant it is desirous to operate it for a period of time in an experimental status.

B. Amounts in this account shall be transferred to Account 101, Electric Plant in Service, or Account 121, Nonutility Property as appropriate when the project is no longer considered as experimental.

C. The depreciation on plant in this account shall be charged to account 403, Depreciation expense, and account 403.1, Depreciation expense for asset retirement costs, as appropriate, and credited to account 108, Accumulated provision for depreciation of electric utility plant (Major only). The amounts herein shall be depreciated over a period which corresponds to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to account 101, Electric plant in service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established.

D. Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation and the experimental status.

E. Should it be determined that experimental plant recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by the Commission.

182.1 Extraordinary property losses.

A. When authorized or directed by the Commission, this account shall include extraordinary losses, which could not reasonably have been anticipated and which are not covered by insurance or other provisions, such as unforeseen damages to property.

B. Application to the Commission for permission to use this account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

182.2 Unrecovered plant and regulatory study costs.

A. This account shall include: (1) Nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants in service, transferred from account 183, Preliminary Survey and Investigation Charges, and not resulting in construction; and (2) when authorized by the Commission, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired.

B. This account shall be credited and account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs, shall be debited over the period specified by the Commission.

C. Any additional costs incurred, relative to the cancellation or premature retirement, may be included in this account and amortized over the remaining period of the original amortization period. Should any gains or recoveries be realized relative to the cancelled or prematurely retired plant, such amounts shall be used to reduce the unamortized amount of the costs recorded herein.

D. In the event that the recovery of costs included herein is disallowed in the rate proceedings, the disallowed costs shall be charged to account 426.5, Other Deductions, or account 435, Extraordinary Deductions, in the year of such disallowance.

182.3 Other regulatory assets.

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (*See* Definition No. 30.)

B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4, regulatory credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 shall be charged to account 407.3, regulatory debits, concurrent with the recovery in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

183 Preliminary survey and investigation charges (Major only).

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation. If construction results,

253 Other deferred credits.

This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

254 Other regulatory liabilities.

A. This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (*See* Definition No. 30.)

B. The amounts included in this account are to be established by those credits which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: Such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services; or refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at a regulatory agency, account 407.3, regulatory debits, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: All regulatory liabilities established through the use of account 407.3 shall be credited to account 407.4, regulatory credits; and in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

C. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421, Miscellaneous Nonoperating Income, or Account 434, Extraordinary Income, as appropriate, in the year such determination is made.

D. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

255 Accumulated deferred investment tax credits.

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 411.4, Investment Tax Credit Adjustments, Utility Operations, 411.5, Investment Tax Credit Adjustments, Nonutility Operations, and 420, Investment Tax Credits, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 411.4 credited with a proportionate amount determined in relation to the average useful life of electric utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers, the proportionate restorations to income shall be credited to account 420.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonelectric utility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded in account 413, Expenses of Electric Plant Leased to Others; or account 414, Other Utility Operating Income. Use of deferral or nondeferral accounting procedures adopted for nonelectric utility or other operations are to be followed on a consistent basis.

D. Separate records for electric and nonelectric utility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the

10. Motor generator sets.
11. Panels.
12. Phantom loads.
13. Portable graphic ammeters, voltmeters, and wattmeters.
14. Portable loading devices.
15. Potential batteries.
16. Potentiometers.
17. Rotating standards.
18. Standard cell, reactance, resistor, and shunt.
19. Switchboards.
20. Synchronous timers.
21. Testing panels.
22. Testing resistors.
23. Transformers.
24. Voltmeters.
25. Other testing, laboratory, or research equipment not provided for elsewhere.

396 Power operated equipment.

This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted.

ITEMS

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and hoists.
6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors—Crawler type.
12. Trenchers.
13. Other power operated equipment.

NOTE: It is intended that this account include only such large units as are generally self-propelled or mounted on movable equipment.

397 Communication equipment.

This account shall include the cost installed of telephone, telegraph, and wireless equipment for general use in connection with utility operations.

ITEMS

1. Antennae.
2. Booths.
3. Cables.
4. Distributing boards.
5. Extension cords.
6. Gongs
7. Hand sets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators' desks.
12. Poles and fixtures used wholly for telephone or telegraph wire.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries
17. Switchboards.
18. Telautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

398 Miscellaneous equipment.

This account shall include the cost of equipment, apparatus, etc., used in the utility operations, which is not includible in any other account of this system of accounts.

ITEMS

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Employees' recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operators' cottage furnishings.
8. Other miscellaneous equipment.

NOTE: Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

399 Other tangible property.

This account shall include the cost of tangible utility plant not provided for elsewhere.

399.1 Asset retirement costs for general plant.

This account shall include asset retirement costs on plant included in the general plant function.

Income Chart of Accounts

1. UTILITY OPERATING INCOME

400 Operating revenues.
401 Operation expense.
402 Maintenance expense.
403 Depreciation expense.
404 Amortization of limited-term electric plant.
405 Amortization of other electric plant.
406 Amortization of electric plant acquisition adjustments.

407 Amortization of property losses, unrecovered plant and regulatory study costs.
407.3 Regulatory debits.
407.4 Regulatory credits.
408 [Reserved]
408.1 Taxes other than income taxes, utility operating income.
409 [Reserved]
409.1 Income taxes, utility operating income.
410 [Reserved]
410.1 Provisions for deferred income taxes, utility operating income.
411 [Reserved]
411.1 Provision for deferred income taxes—Credit, utility operating income.
411.3 [Reserved]
411.4 Investment tax credit adjustments, utility operations.
411.6 Gains from disposition of utility plant.
411.7 Losses from disposition of utility plant.
411.8 Gains from disposition of allowances.
411.9 Losses from disposition of allowances.
412 Revenues from electric plant leased to others.
413 Expenses of electric plant leased to others.
414 Other utility operating income.

2. OTHER INCOME AND DEDUCTIONS

A. OTHER INCOME

415 Revenues from merchandising, jobbing, and contract work.
416 Costs and expenses of merchandising, jobbing, and contract work.
417 Revenues from nonutility operations.
417.1 Expenses of nonutility operations.
418 Nonoperating rental income.
418.1 Equity in earnings of subsidiary companies (Major only).
419 Interest and dividend income.
419.1 Allowance for other funds used during construction.
420 Investment tax credits.
421 Miscellaneous nonoperating income.
421.1 Gain on disposition of property.

B. OTHER INCOME DEDUCTIONS

421.2 Loss on disposition of property.
425 Miscellaneous amortization.
426 [Reserved]
426.1 Donations.
426.2 Life insurance.
426.3 Penalties.
426.4 Expenditures for certain civic, political and related activities.
426.5 Other deductions.
Total other income deductions.
Total Other Income and Deductions.

C. TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS

408.2 Taxes other than income taxes, other income and deductions.
409.2 Income tax, other income and deductions.
409.3 Income taxes, extraordinary items.
410.2 Provision for deferred income taxes, other income and deductions.
411.2 Provision for deferred income taxes—Credit, other income and deductions.
411.5 Investment tax credit adjustments, nonutility operations.
420 Investment tax credits.
Total taxes on other income and deductions.
Net other income and deductions.

3. INTEREST CHARGES

427 Interest on long-term debt.
428 Amortization of debt discount and expense.
428.1 Amortization of loss on reacquired debt.
429 Amortization of premium on debt-Cr.
429.1 Amortization of gain on reacquired debt—Credit.
430 Interest on debt to associated companies.
431 Other interest expense.
432 Allowance for borrowed funds used during construction—Credit.

4. EXTRAORDINARY ITEMS

434 Extraordinary income.
435 Extraordinary deductions.

Income Accounts

400 Operating revenues.

There shall be shown under this caption the total amount included in the electric operating revenue accounts provided herein.

401 Operation expense.

There shall be shown under this caption the total amount included in the electric operation expense accounts provided herein. (See note to operating expense instruction 3.)

402 Maintenance expense.

There shall be shown under this caption the total amount included in the electric maintenance expense accounts provided herein.

403 Depreciation expense.

A. This account shall include the amount of depreciation expense for all classes of depreciable electric plant in service except such depreciation expense as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

B. The utility shall keep such records of property and property retirements

430 Interest on debt to associated companies.

A. This account shall include the interest accrued on amounts included in account 223, Advances from Associated Companies, and on all other obligations to associated companies.

B. The records supporting the entries to this account shall be so kept as to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest and the principal amount of the advances or other obligations on which the interest is accrued.

431 Other interest expense.

This account shall include all interest charges not provided for elsewhere.

ITEMS

1. Interest on notes payable on demand or maturing one year or less from date and on open accounts, except notes and accounts with associated companies.
2. Interest on customers' deposits.
3. Interest on claims and judgments, tax assessments, and assessments for public improvements past due.
4. Income and other taxes levied upon bondholders of utility and assumed by it.

432 Allowance for borrowed funds used during construction—Credit.

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in Electric Plant Instruction 3(17).

434 Extraordinary income.

This account shall be credited with gains of unusual nature and infrequent occurrence, which would significantly distort the current year's income computed before Extraordinary Items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in account 409.3, Income Taxes, Extraordinary Items. (See General Instruction 7.)

435 Extraordinary deductions.

This account shall be debited with losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income computed before Extraordinary Items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in account 409.3, Income Taxes, Extraordinary Items. (See General Instruction 7.)

Retained Earnings Chart of Accounts

433 Balance transferred from income.
436 Appropriations of retained earnings.
437 Dividends declared—preferred stock.
438 Dividends declared—common stock.
439 Adjustments to retained earnings.

Retained Earnings Accounts

433 Balance transferred from income.

This account shall include the net credit or debit transferred from income for the year.

436 Appropriations of retained earnings.

This account shall include appropriations of retained earnings.

ITEMS

1. Appropriations required under terms of mortgages, orders of courts, contracts, or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437 Dividends declared—preferred stock.

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall be segregated for each class and series of preferred stock as to those payable in cash, stock, and other forms. If not payable in cash, the medium of payment shall be described with sufficient detail to identify it.

438 Dividends declared—common stock.

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

CITY OF FOUNTAINS
HEART OF THE NATION

KANSAS CITY
MISSOURI

QUINTON D. LUCAS
Mayor

Fourth Amended Proclamation Declaring a State of Emergency
Arising from the Imminent Threat of the spread of 2019 novel coronavirus (COVID-19)

WHEREAS, Section 50-155, Code of Ordinances, grants the Mayor, the authority to proclaim a state of emergency whenever in the Mayor's judgment a state of major emergency or disaster is imminent or exists; and

WHEREAS, in December 2019, a novel coronavirus, now designated COVID-19, was detected in Wuhan, China; and

WHEREAS, symptoms of COVID-19 include fever, cough, and shortness of breath, and can range from mild to severe illness and death; and

WHEREAS, on January 30, 2020, the World Health Organization (WHO) Director General declared the outbreak of COVID-19, as a Public Health Emergency of International Concern, advising countries to prepare for the containment, detection, isolation and case management, contact tracing and prevention of onward spread of the disease; and

WHEREAS, on March 5, 2020, the WHO Director General urged aggressive preparedness and activation of emergency plans to aggressively change the trajectory of this epidemic; and

WHEREAS, on March 11, 2020, the WHO declared COVID-19 a global pandemic; and

WHEREAS, the COVID-19 spread into the United States in February 2020; and

WHEREAS, as of August 12, 2020, the CDC reported there have been over 5,200,000 cases of COVID-19 in the United States, including over 166,000 deaths; and

WHEREAS, as of August 12, 2020, the Missouri Department of Health and Social Services confirmed 7,077 cases of the COVID-19 illness in Kansas City, Missouri, over 23,000 in the Kansas City metropolitan area (Jackson, Clay and Platte in Missouri; Wyandotte and Johnson in Kansas) and 62,530 cases in the state of Missouri; and

WHEREAS, the continued spread of COVID-19 constitutes a natural calamity and presents an imminent threat of widespread illness, which requires emergency action; and

WHEREAS, on March 12, 2020, Kansas City Mayor Quinton Lucas issued a Proclamation declaring a state of emergency in the City due to health and public safety concerns related to COVID-19 in Kansas City; and

WHEREAS, on March 21, 2020, an Amended Proclamation was issued by Mayor Quinton Lucas; and

WHEREAS, on April 16, 2020, a Second Amended Proclamation was issued by Mayor Quinton Lucas; and

WHEREAS, on April 30, 2020, a Third Amended Proclamation was issued by Mayor Quinton Lucas; and

WHEREAS, each of the proclamations have authorized Mayor Quinton Lucas to issue a series of orders to protect the City of Kansas City, Missouri designed to arrest the contraction and spread of COVID-19 and to promote the health and safety of Kansas City residents; and

WHEREAS, it is prudent to amend the Third Amended Proclamation dated April 30, 2020 to extend the date for the current state of emergency to effectively combat the spread of COVID-19; and

WHEREAS, the City wishes to employ all means available under the law to protect public life, health, safety and property to limit the development, contraction and spread of COVID-19 creating this emergency; NOW, THEREFORE,

IT IS HEREBY PROCLAIMED:

That a State of Emergency exists in the City of Kansas City, Missouri, beginning at 12:00 p.m. on Thursday, March 12, 2020, and lasting until 12:01 a.m. on Saturday, January 16, 2021, because of the threat of the spread of COVID-19.

IT IS FURTHER PROCLAIMED AND ORDERED that in addition to all other powers granted by the laws of this state and the Charter and ordinances of the city, the Mayor is authorized to take the following actions to protect life and property:

(1) To temporarily waive routine administrative and budgetary requirements that may impede the effective delivery of essential public services;

(2) To order the evacuation of areas where there is a threat to public health and safety, and to designate any public place, public street, thoroughfare, boulevard or parking area and any other place closed to motor vehicles, persons and pedestrian traffic;

(3) To impose a curfew upon all or any portion of the city as designated therein as the mayor may deem advisable during such hours of the day or night as the mayor determines necessary in the interest of the public safety and welfare, and during which all persons shall remove themselves to their places of residence and remain off and away from the public streets, sidewalks, parkways, parks and all other public or open places, and no persons shall assemble, gather, loiter or otherwise congregate in any manner in groups, assemblies or meetings in any place for any purpose whatsoever; provided, however, that persons performing medical services, essential public utility services, public officials, police officers, firefighters, and all other persons explicitly enumerated in such proclamation may be exempted from curfew;

(4) To order the closing of any and all business establishments throughout the city or any portion thereof during the period for which the state of emergency exists or during the curfew hours;

(5) To order all regular, special and auxiliary police officers, firefighters and other conservators of the peace to report for duty assignment, such reporting to be in accordance with prearranged plans or under the direction of lawful authority; and

(6) To issue orders deemed necessary to protect life and property and to preserve critical resources within the purposes of this ordinance.

IT IS FURTHER ORDERED that any and all orders and amended orders issued by Mayor Quinton Lucas pursuant to any of the March 12, 2020, March 21, 2020, April 16, 2020, and April 30, 2020 state of emergency proclamations and any orders issued pursuant to this August 13th, 2020 Fourth Amended Proclamation that are in effect as of this day, shall remain and be in force until altered, modified, superseded, or repealed.

Authenticated as Adopted

This 13th day of August, 2020

Quinton D. Lucas
Mayor

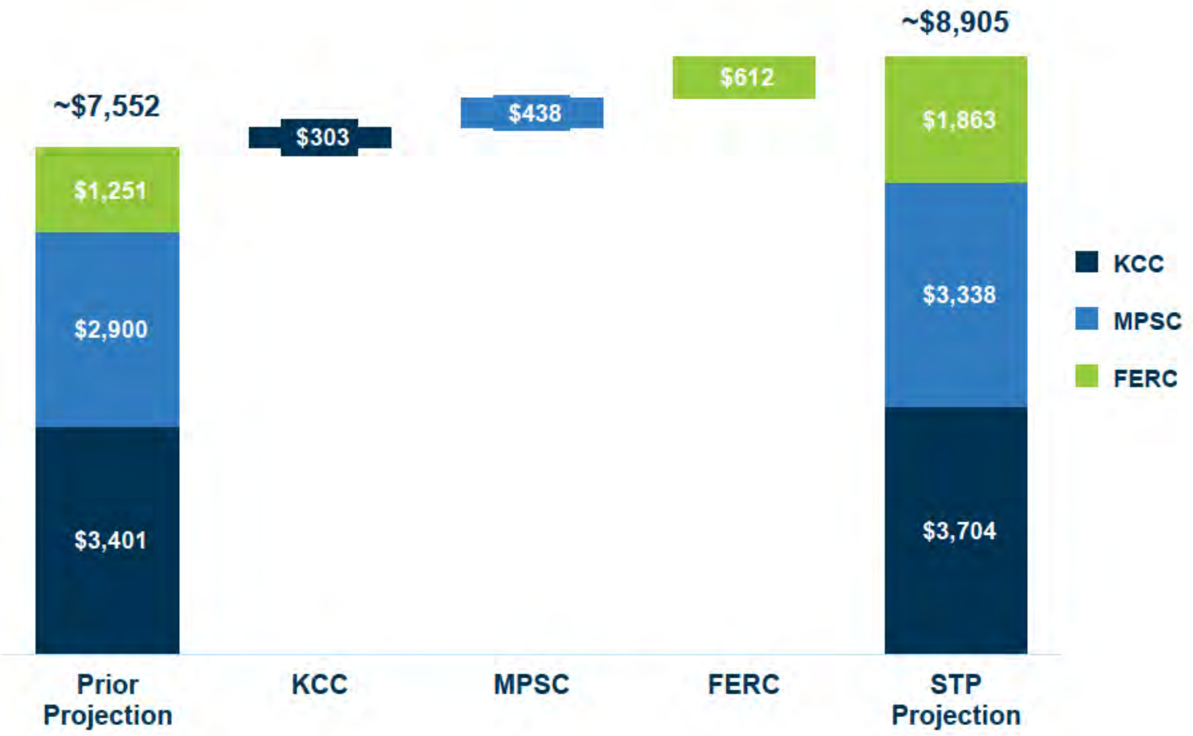
Filed with me, the City Clerk of the City of Kansas City, Missouri, this 13 day of August, 2020, by Mayor Quinton D. Lucas, whose signature I hereby attest.

Marilyn Sanders
City Clerk

Through Critical Infrastructure Investments and an Accelerated Transition to Cleaner Energy…

Incremental $1.4B in STP capital spend vs. prior plan funds value-added investments

Change in Five-Year Capital Plan Ending 2024
$ in millions



Key Highlights of CapEx plan:

- ***Over $2.9B of Missouri CapEx expected to qualify for Plant In Service Accounting (PISA)***
- ***~$675M of potential renewable investment, which will be evaluated and finalized through the Long-Term Energy Planning (LTEP) Stakeholder process***