as long as they remain customers and are not terminated due to nonpayment. We also recommend that customers receive monthly bill credits for all made up past due monthly bills.

Ameren Keeping Current and PIPP Cost Comparison

Given the recommendation to move to a Percentage of Income Program (PIPP) to better target those most in need, provide more equitable energy burdens across program participants, and reach the goal of affordable energy, it is important to understand the potential costs of a PIPP. This section provides projections of average participant credits by poverty level and total subsidy costs for various levels of program participation.

Table VII-1 compares the average discount received by participants in Ameren's Keeping Current Program to projected discounts under various PIPP designs.

- The Keeping Current discounts shown are the average discounts that were received by participants in the 2019 evaluation analyses.
- The first PIPP scenario targets a six percent burden for electric heat participants and a three percent burden for alternative heat participants.
- The second PIPP scenario targets a ten percent burden for electric heat participants and a six percent burden for alternative heat participants.
- Each PIPP scenario calculates the average discount with and without a minimum monthly payment and with and without a maximum annual credit. The modelled minimum monthly payment was $25 for electric heat and $10 for alternative heat and the maximum PIPP credit modelled was $2,000 for electric heat and $1,500 for alternative heat households.

The table shows that the modelled PIPP credits are significantly greater than the Ameren Keeping Current Program credits.

- Keeping Current credits averaged $575 for electric heat participants at or below 50 percent of the Federal Poverty Level (FPL) and $199 for Alternative Heat participants at or below 50 percent of the FPL.
- The six percent burden target for Electric Heat participants at or below 50 percent of the FPL provided a mean credit of $1,843 with no minimum payment or maximum credit and a mean credit of $1,484 with the minimum payment and maximum credit.
- The ten percent burden target for Electric Heat participants at or below 50 percent of the FPL provided a mean credit of $1,622 with no minimum payment or maximum credit and a mean credit of $1,332 with the minimum payment and maximum credit.

Differences between the current program structure and the PIPP are smaller for the higher poverty level groups, and the credits for Electric Heat participants between 101 and 150 percent of the FPL are greater under Ameren's current program than under the higher burden PIPP structure.

Table VII-1
Credit Cost per Participant for Keeping Current and PIPP

	Mean Discount					
	≤ 50% FPL		51% - 100% FPL		101% - 150% FPL	
	Electric Heat	Alternative Heat	Electric Heat	Alternative Heat	Electric Heat	Alternative Heat
Observations	**134**	**31**	**215**	**50**	**86**	**25**
Keeping Current (2019 Evaluation)	$575	$199	$445	$217	$443	$219
PIPP (6% Electric Heat Burden, 3% Alternative Heat Burden)						
No Min Payment or Max Credit	$1,843	$1,658	$1,248	$1,207	$761	$907
With Min Payment & Max Credit	$1,484	$1,313	$1,114	$1,071	$730	$890
PIPP (10% Electric Heat Burden, 6% Alternative Heat Burden)						
No Min Payment or Max Credit	$1,622	$1,472	$789	$826	$315	$396
With Min Payment & Max Credit	$1,332	$1,248	$723	$776	$304	$396

Table VII-2 compares the cost of the Keeping Current Program with the projected costs of implementing the PIPP, given the number of Keeping Current participants as of July 2020. The number of participants in each poverty level group was modelled by applying the poverty level group distribution found in the 2019 evaluation to the total number of program participants in July 2020.

The table shows that the projected costs for the PIPP discounts are significantly greater than the costs of the discounts under the current Ameren Keeping Current structure.

- Total credit costs under the current structure are projected to be $681,953 compared to costs of $2.1 million for the six and three percent PIPP burden targets with no minimum payment or maximum credit and $1.8 million with a minimum payment and maximum credit.
- The Keeping Current Program cost $254,725 for electric heat participants at or below 50 percent of the FPL and $19,701 for alternative heat participants at or below 50 percent of the FPL.
- The six percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $816,449 with no minimum payment or maximum credit and projected program costs of $657,412 with the minimum payment and maximum credit.
- The ten percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $718,546 with no minimum payment or maximum credit and projected program costs of $590,076 with the minimum payment and maximum credit.

Differences between the credit costs for the current program structure and the PIPP are smaller for the higher poverty level groups, and the costs for Electric Heat participants between 101 and 150 percent of the FPL are greater under Ameren's current program than under the higher burden PIPP structure.

Table VII-2
Projected Program Costs for Keeping Current and PIPP
With July 2020 Participation Level

	Projected Costs for Program by Poverty Level Group							
	≤ 50% FPL		51% - 100% FPL		101% - 150% FPL		Total Cost	
	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat
# of Participants	443	99	582	137	241	55	1,266	291
Keeping Current	$254,725	$19,701	$258,990	$29,729	$106,763	$12,045	$620,478	$61,475
PIPP (6% Electric Heat Burden, 3% Alternative Heat Burden)								
No Min Pay / Max Cred	$816,449	$164,142	$726,336	$165,359	$183,401	$49,885	$1,726,186	$379,386
Min Pay & Max Cred	$657,412	$129,987	$648,348	$146,727	$175,930	$48,950	$1,481,690	$325,664
PIPP (10% Electric Heat Burden, 6% Alternative Heat Burden)								
No Min Pay / Max Cred	$718,546	$145,728	$459,198	$113,162	$75,915	$21,780	$1,253,659	$280,670
Min Pay & Max Cred	$590,076	$123,552	$420,786	$106,312	$73,264	$21,780	$1,084,126	$251,644

Table VIII-3 compares the cost of the Keeping Current Program with the projected costs of the PIPP if ten percent of income-eligible households (estimated in the Needs Assessment) participate. The top row displays the estimated number of customers that would participate.

- Total credit costs under the current structure are projected to be $2.4 million compared to costs of $22.2 million for the six and three percent PIPP burden targets with no minimum payment or maximum credit and $19.7 million with a minimum payment and maximum credit.
- The program would cost $1,096,468 for electric heat participants at or below 50 percent of the FPL and $460,168 for alternative heat participants at or below 50 percent of the FPL under the Keeping Current structure in place now.
- The six percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $3,514,417 with no minimum payment or maximum credit and projected program costs of $2,829,840 with the minimum payment and maximum credit.
- The ten percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $3,092,992 with no minimum payment or maximum credit and projected program costs of $2,539,991 with the minimum payment and maximum credit.

Table VII-3
Projected Program Costs for Keeping Current and PIPP
With Ten Percent Participation

	Projected Costs for Program by Poverty Level Group							
	≤ 50% FPL		51% - 100% FPL		101% - 150% FPL		Total Cost	
	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat
# of Participants	**1,907**	**2,312**	**2,657**	**3,777**	**3,274**	**4,965**	**7,838**	**11,054**
Keeping Current	$1,096,468	$460,168	$1,182,365	$819,566	$1,450,205	$1,087,423	$3,729,038	$2,367,157
PIPP (6% Electric Heat Burden, 3% Alternative Heat Burden)								
No Min / Max Cred	$3,514,417	$3,833,959	$3,315,936	$4,558,598	$2,491,210	$4,503,618	$9,321,563	$12,896,175
Min Pay & Max Cred	$2,829,840	$3,036,181	$2,959,898	$4,044,953	$2,389,728	$4,419,206	$8,179,466	$11,500,340
PIPP (10% Electric Heat Burden, 6% Alternative Heat Burden)								
No Min / Max Cred	$3,092,992	$3,403,853	$2,096,373	$3,119,637	$1,031,184	$1,966,298	$6,220,549	$8,489,788
Min Pay & Max Cred	$2,539,991	$2,885,875	$1,921,011	$2,930,797	$995,174	$1,966,298	$5,456,176	$7,782,970

Table VII-4 compares the cost of the Keeping Current Program with the projected costs of the PIPP if 25 percent of eligible households participate.

- Total credit costs under the current structure are projected to be $15.2 million compared to costs of $55.5 million for the six and three percent PIPP burden targets with no minimum payment or maximum credit and $49.2 million with a minimum payment and maximum credit.
- The program would cost $2,741,169 for electric heat participants at or below 50 percent of the FPL and $1,150,419 for alternative heat participants at or below 50 percent of the FPL under the Keeping Current structure in place now.
- The six percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $8,786,042 with no minimum payment or maximum credit and projected program costs of $7,074,599 with the minimum payment and maximum credit.
- The ten percent burden target for Electric Heat participants at or below 50 percent of the FPL results in projected program costs of $7,732,480 with no minimum payment or maximum credit and projected program costs of $6,349,977 with the minimum payment and maximum credit.

Table VII-4
Projected Program Costs for Keeping Current and PIPP
With Twenty-Five Percent Participation

	Projected Costs for Program by Poverty Level Group							
	≤ 50% FPL		51% - 100% FPL		101% - 150% FPL		Total Cost	
	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat	Electric Heat	Alt. Heat
# of Participants	4,767	5,781	6,643	9,442	8,184	12,414	19,594	27,637
Keeping Current	$2,741,169	$1,150,419	$2,955,913	$2,048,914	$3,625,512	$2,718,557	$9,322,594	$5,917,890
PIPP (6% Electric Heat Burden, 3% Alternative Heat Burden)								
No Min / Max	$8,786,042	$9,584,898	$8,289,840	$11,396,494	$6,228,024	$11,259,045	$23,303,906	$32,240,437
Min Pay & Max	$7,074,599	$7,590,453	$7,399,745	$10,112,382	$5,974,320	$11,048,015	$20,448,664	$28,750,850
PIPP (10% Electric Heat Burden, 6% Alternative Heat Burden)								
No Min / Max	$7,732,480	$8,509,632	$5,240,933	$7,799,092	$2,577,960	$4,915,746	$15,551,373	$21,224,470
Min Pay & Max	$6,349,977	$7,214,688	$4,802,528	$7,326,992	$2,487,936	$4,915,746	$13,640,441	$19,457,426

MARYLAND DEPARTMENT OF HUMAN SERVICES

Office of Home Energy Programs

Your Home Energy Partner

Critical Medical Needs Program

Navigator Training

Navigator Training Goals

- Understand the Office of Home Energy Programs (OHEP) Critical Medical Needs Program (CMNP)
- Understand how to complete an Office of Home Energy Programs (OHEP) application
- Understand types of benefits and how they help applicants

Training Overview

MARYLAND DEPARTMENT OF HUMAN SERVICES

1. Overview
2. Application Process
3. Income Eligibility
4. Forms and Notices
5. Next Steps

MARYLAND DEPARTMENT OF HUMAN SERVICES

OVERVIEW

OFFICE OF HOME ENERGY PROGRAMS

OHEP Mission

MARYLAND DEPARTMENT OF HUMAN SERVICES

Provide bill assistance to low-income households in the State of Maryland to make energy costs more affordable and to help with the prevention of loss and the restoration of home energy service.

Purpose of CMNP

MARYLAND DEPARTMENT OF HUMAN SERVICES

The purpose of the Critical Medical Needs Program is to:

1. Reduce the barriers to the energy assistance application process for critical medically vulnerable individuals and their households in obtaining state and federal financial assistance for their electric, gas, or other energy source bills;
2. Make referrals, as necessary, to other agencies and organizations when additional resources are necessary for the continuation or restoral of energy service; and
3. Coordinate with the Department of Housing and Community Development for energy efficiency programs, and heating and cooling system repair or replacement programs.

Program Components

MARYLAND DEPARTMENT OF HUMAN SERVICES

	Maryland Energy Assistance Program (MEAP)	Electric Universal Service Program (EUSP)	Arrearage Retirement Assistance (ARA)	Gas Arrearage Retirement Assistance (GARA)
Frequency of Grant	Annual (State fiscal year)	Annual (State fiscal year)	Every 7 years (certain exceptions may apply)	Every 7 years (certain exceptions may apply)
Grant Requirement	Account does not have to be in the Applicant's name	• Account must be in the Applicant's name • Requires Budget Billing	• Applicant must receive EUSP grant to be eligible • Applicant must have a past-due electric balance of at least $300	• Applicant must receive MEAP grant to be eligible • Applicant must have a past-due gas balance of at least $300
How Benefit is Applied	One-time credit to the fuel supplier	• Pays a portion of customer's current electric bill • Grant is applied in monthly credits to electric supplier* See Chapter 1.1.2 for exceptions	• Assists customers with large past-due electric bills, up to $2,000 • Grant is applied as a one-time credit to electric supplier	• Assists customers with large past-due gas bills, up to $2,000 • Grant is applied as a one-time credit to gas supplier
Funding	Federal Low Income Home Energy Assistance Program	• Utility ratepayer fees • Regional Greenhouse Initiative via Maryland Strategic Energy Investment Fund	• Regional Greenhouse Gas Initiative via Maryland Strategic Energy Investment Fund	Federal Low Income Home Energy Assistance Program

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q1. How often can an applicant receive a MEAP (heating) grant?

A. Once every 7 years

B. Once a year

C. Once in a lifetime

D. Whenever it is needed

Q2. How often can an applicant receive an arrearage grant?

A. Once every 7 years

B. Once a year

C. Once in a lifetime

D. Whenever it is needed

Benefit Determination

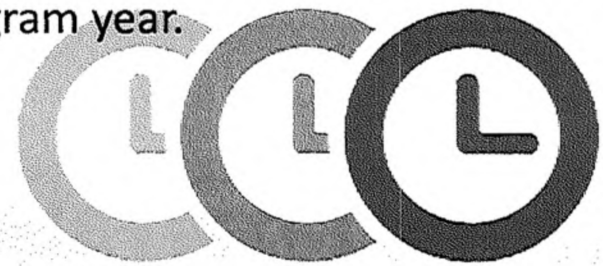
MARYLAND DEPARTMENT OF HUMAN SERVICES

- EUSP and MEAP Benefits are determined by:
  - Household size
  - Total gross household income
  - Energy usage and heating source

- Electric and Gas Arrearage Benefits are determined by:
  - Amount past due, up to $2,000
  - Eligible arrearage amount is confirmed with the utility company

Application Period

- One application – 4 separate benefits plus referrals to energy efficiency (DHCD) and Universal Service Protection Program (USPP)
- May receive benefits once per program year
- Program Year runs July 1st – June 30th
  - Customer applied July 5, 2020 and received benefits and then reapplies February 7, 2021. Customer's second application will be denied because they already received benefits in the same program year.
  - Customer applied March 10, 2020 and received benefits and then reapplies July 7, 2020. Customer's second application is accepted because it is in a new program year.



Application Review

- Boxes must be marked for every program for which the customer wishes to apply.
- If boxes are not marked, OHEP will verify that the customer does not want that particular benefit, which will slow the process.
- If the boxes ARE checked, OHEP will verify eligibility for that benefit.
- OHEP cannot just opt customers in to a program.
- All applications must have a signature and date.

Point in Time Policy

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Customers must apply for all programs at a single point-in-time
  - EUSP (electric)
  - MEAP (heat)
  - Electric Arrearage
  - Gas Arrearage
- Arrearages are the ONLY exception (PIT Waiver)
  - Waiver criteria:
    - Customers must show a decrease in income (resulting in a lower benefit level); OR
    - Household meets OHEP's definition of the "**Vulnerable Population Waiver**"

Vulnerable Population Waiver

DHS
MARYLAND DEPARTMENT OF HUMAN SERVICES

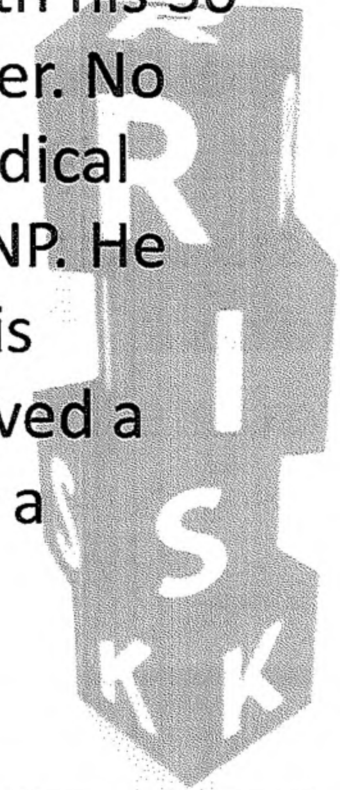
- Electric or Gas Arrearage Retirement Assistance may be received once every 7 years
- "Vulnerable households" who received <$800 within the previous 7 years may be eligible for additional funds.
- Vulnerable households are defined as having:
  - Household member over 65; or
  - Household member under 2; or
  - Household member who is medically fragile.
- The total 7 year benefit may not exceed the $2,000 maximum.

Pop Quiz!

DHS
MARYLAND DEPARTMENT OF HUMAN SERVICES

Q3

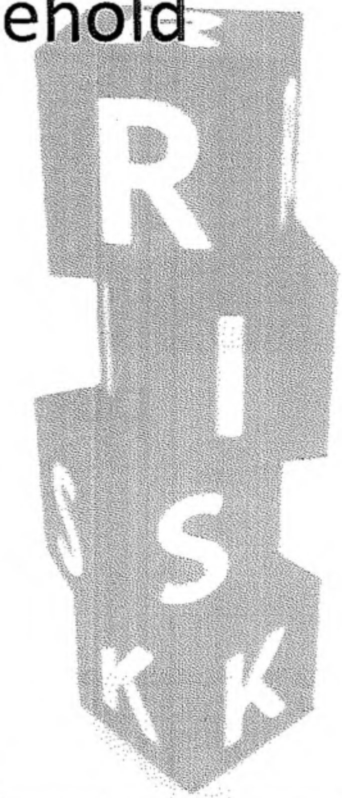
Mr. Philips is applying for Energy Assistance for his household of 3. He is 25 years old and lives with his 30-year-old girlfriend and their 1-year-old daughter. No one in Mr. Philip's household has a serious medical condition that would qualify them for the CMNP. He says he has a past-due balance of $2,500 on his electricity account and you learn that he received a $600 arrearage grant in 2015. Is he eligible for a Vulnerable Population Waiver?



Answer

Q3

Yes. Mr. Phillips' application is eligible for a PIT and VPW waiver because there is a household member under the age of 2.



Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

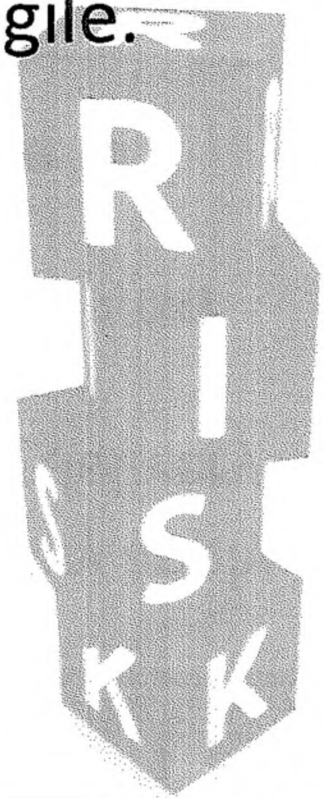
Q4

Mrs. Dorsey and her husband are applying for Energy Assistance. Both Dorseys are retired and receive Social Security benefits as their sole source of income. Two years ago, Mrs. Dorsey was diagnosed with breast cancer and the couple has been struggling to pay their bills ever since. They have received Energy Assistance for the last two years including a $400 arrearage grant last year and have applied this year through the CMNP. Are the Dorseys eligible for a Vulnerable Population Waiver?

Answer

Q4

Yes. By definition, a CMNP applicant is eligible for a VPW because they are medically fragile.



Who Should Apply?

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Any household member 18+ or emancipated may apply
- Maintains the primary residence at the service delivery address on the application
  - Or has met the requirements necessary to apply as proxy on behalf of a qualified Applicant.
- The electric bill must be in the applicant's name to qualify for EUSP and Arrearage grants
- Household members may not become applicants later in the same program year
  - Exception: the original applicant no longer lives in the household
    - Proof of other residence must be obtained

FY21 Income Eligibility Guidelines

MARYLAND DEPARTMENT OF HUMAN SERVICES

(Based on 175% of the Federal Poverty Level)

HOUSEHOLD SIZE	MAXIMUM MONTHLY **GROSS** INCOME STANDARDS
1	$1,861
2	$2,515
3	$3,168
4	$3,821
5	$4,475
6	$5,128
7	$5,781
8	$6,435
For each additional person add	$654

APPLICATION PROCESS

Application Process

MARYLAND DEPARTMENT OF HUMAN SERVICES

1
Navigator sends a complete application to State OHEP via CMNP.OHEP@Maryland.gov

2
State OHEP reviews application; notifies Navigator of application completeness, and places eligible holds on account (30-day/55-day) within 24 hours.

3
State OHEP makes determination of eligibility and benefit amounts for **complete** applications within 48 hours.

4
State OHEP makes commitments to utility and makes arrangements for bulk fuel delivery (if applicable) upon determination of eligibility and benefit amounts.

5
State communicates back to the Navigator with the outcome of the case within 48 hours.

NOTE: Application completeness is important for timely processing. If an application is incomplete, a Request for Additional Information will be sent to the Navigator with 15 days to return the information.

Pre-Screening Process

- Provide customers background information on all OHEP programs
  - Use the application and brochure for reference
- Inform clients of required documents they need for application
  - Use application checklist for reference
- Ensure documents are there before completing the application
  - Use checklist on CMNP Cover Sheet as guide

CMNP Application Cover Sheet

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MARYLAND DEPARTMENT OF HUMAN SERVICES

Office of Home Energy Programs

OFFICE OF HOME ENERGY PROGRAMS
CRITICAL MEDICAL NEEDS PROGRAM APPLICATION COVER SHEET

Navigator's Contact Information

Organization: ____________________

Worker's Name: ____________________

Phone Number: ____________________

E-Mail Address: ____________________

Application Documents

Required Documents for CMNP

- ☐ Application (signed and dated)
- ☐ Applicant's Photo ID
- ☐ SS Cards for all Household Members
- ☐ Utility Bill
- ☐ Proof of Income for all Household Members
- ☐ Proof of Residence
- ☐ Physician's Certification Form

Optional Materials

- ☐ Declaration of Zero Income
- ☐ Household Worksheet
- ☐ Resource Provider Statement
- ☐ Wage Verification Form
- ☐ Landlord Agreement
- ☐ Proxy Authorization

Case Status

☐ Turn-Off Notice ☐ Service Disconnected ☐ Out of Heating Fuel ☐ Broken Heating/Cooling System

Does your organization have additional funds available if OHEP grants do not cover full bill? ☐ Yes ☐ No

Consent to Share Application Information

I confirm that the named client has provided permission for public utilities and social welfare agencies to release information in this form, including benefit amounts, to the organization stated on this Cover Sheet for the limited purpose of facilitating delivery of energy assistance benefits.

Navigator or Applicant's Signature: ____________________ Date: __________

For Office Use Only

OHEP Agency Representative: ____________________

☐ Certified Grant Amounts: EUSP: __________ MEAP: __________ Arrearage: __________

☐ Denied Reason for Denial: ____________________

OHEP REF COV (REV 9/17)

Application Checklist

MARYLAND DEPARTMENT OF HUMAN SERVICES

Photo ID for the Applicant (Please submit one of the following)

- Driver's License or other government issued identification card

Proof of Residence (Please submit one of the following)

- Unexpired driver's license with current address listed
- Current Lease or housing letter (within last 12 months) or rent receipt from landlord with address listed
- Mortgage Statement within last 30 days
- Current Property tax bill or receipt

Proof of ALL Gross Income for All Household Members

- ❑ Wages (Employment)/ Tips/Commission
- ❑ Self-Employment
- ❑ Rental Income
- ❑ Social Security
- ❑ SSI/SSDI
- ❑ Dividends
- ❑ Interest from Savings or Checking Accounts
- ❑ Interest or Dividends received from the redemption of bonds
- ❑ Estate or Trust Fund Income
- ❑ Royalties
- ❑ Temporary Disability Assistance Program (TDAP)
- ❑ Pensions
- ❑ Money/Income from Annuities, IRAs, or other Retirement Accounts
- ❑ Child Support
- ❑ Alimony or Spousal Support
- ❑ Workman's Compensation Benefits
- ❑ Unemployment Insurance Benefits
- ❑ Veteran's Pension
- ❑ Mine Worker's Benefits
- ❑ Armed Forces Dependent Allowance
- ❑ Criminal Injuries Compensation Board Payments
- ❑ Monetary Gifts and Loans, excluding student loans
- ❑ Employee strike funds where there is no employee contribution
- ❑ Payments received by home care providers for adult care
- ❑ Railroad Retirement Benefits

*If any adult household member (18 years or older) has not received any income in the last 30 days, a Declaration of Zero Income form must be signed. If no one in your household has received any income in the last 30 days, a Household Worksheet must be completed. Forms may be found at http://www.dhr.state.md.us/energy or by calling 1-800-332-6347.

Social Security Number Verification for all Household Members

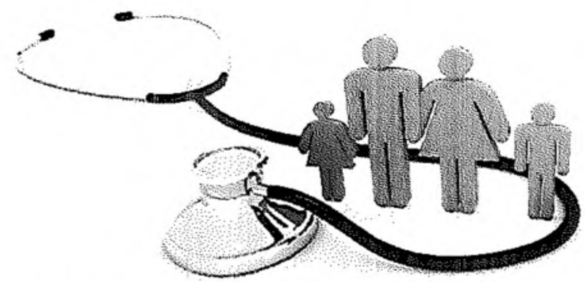
- Social Security Cards or other Federal government-issued documents with name and SSN

Energy Bill Verification

- Most recent electric and heating (if applicable) bills

Physician's Certification

- Required for CMNP process
- Form must be signed (no stamps) by one of the following:
  - Doctor
  - Physician's Assistant
  - Nurse practitioner



- Must be submitted with the Cover Sheet and OHEP application
- Verifies there is a household member with a critical medical need (critical household member must be listed on the application)

Placing Holds on Accounts

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Customers who submit an OHEP application and have a termination notice may receive a 55-day hold on their account if the application is received within 15 days of the issuance of the termination notice.
  - Only one 55-day hold may be received per program year
  - Customers should continue to pay what they can on their account, as the hold does not stop the charges from accruing
- State OHEP will request a 30-day medical hold if necessary

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q5. True or False: Once someone has applied to OHEP and has received a 55 or 30 day extension on their utility account, they do not have to pay anything to their utility company because the utility cannot charge them for usage at that time.

Answer

False. While a 55- or 30-day hold will protect an account from termination, the utility will continue to charge the account for energy being used.

Winter Restrictions

- Between November 1 and March 31, a utility may not terminate a customer's service because of nonpayment in a utility's designated weather station area for that customer in which the forecast temperature made at 6 a.m. is 32°F or below

Redetermination Process

The redetermination process is a streamlined application designed for certain vulnerable households.

Clients are eligible for the redetermination process if:

- They are 65+ or permanently disabled;
- Their income is fixed; and
- They received Energy Assistance last year

If you think your client fits these criteria but are not sure, feel free to ask state OHEP.

Countable Income and Documentation

INCOME AND OTHER ELIGIBILITY SCREENING

Household Members

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Who is counted in the household?
  - Any household member who is currently in the household the day the application is signed
  - All income received in the last 30 days is counted for all household members
- Children who move in/out of the household:
  - Custody order
  - School enrollment, child care, or medical records
  - Child listed on rental lease
  - CARES (State verification system)

Documentation

- Applications must include copies of:
  - Photo ID for the Applicant
  - Proof of Residence
  - Proof of Income for ALL Household Members
  - Social Security Cards for ALL Household Members
  - Copy of Electric/Heating Bill
  - Physician's Certification Form

Income Documentation

- Proof of ALL gross (pre-tax) income for ALL household members is required
  - Calculation is based off of all income received during the past 30 days prior to the date of application
- No expenses are excluded from income except:
  - Medicare payments
  - Medicare Prescription Drug Plan
  - Health insurance premiums deducted from pensions
  - Court-ordered garnishments

Income Inclusions/Exclusions

Inclusions

- Gross wages and tips
- Self-employment
- Social Security/SSI
- Dividend interest
- TCA/TDAP
- Alimony
- Child Support
- Pensions/Annuities

Exclusions

- Assets or the sale of assets
- In-kind contributions
- Employment income for children under the age of 18
- Assistance grants
- Training stipends
- Foster care subsidies
- Earned income tax credits

Wages

- Must have consecutive paystubs for the last 30 days prior to application
  - E.g. One monthly, two bi-weekly, four weekly paystubs
  - LAA may now use YTD to calculate a missing paystub
- Paystubs must show:
  - Employer/Company's Name
  - Employee's Name
  - Pay Period
  - Pay Date/Check Date
  - Gross Pay
- If proper paystubs are not available, the employer must complete a *Wage Verification Form*

Wage Verification Form

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- Must be completed by the employer
- Must be signed by all:
  1. Employer
  2. Employee
  3. Applicant (can be same as employee)

Fixed & Temporary Income

DHS
MARYLAND DEPARTMENT OF HUMAN SERVICES

- Customers who receive a fixed income, including:
  - Pension, Social Security, Temporary Disability (TDAP), SSI/SSDI, Unemployment, etc.
- Acceptable forms of documentation:
  - Recent award letter from state/federal government
  - Bank statement clearly delineating type and amount of income with a deposit in the last 30 days (excluding pensions)
    - NEW SSA/SSI/SSDI only: LAAs may now accept any bank statement in the current calendar year
- Must include personally identifiable information on document

Alimony/Child Support Form

- To be used when there is no formal agreement
  - Court order/decree, print out from DSS Child Support, etc.
- To be signed by the custodial parent **and** the individual paying the support
  - May be signed by custodial parent only if the one paying the support cannot sign

Self-Employment Policy

MARYLAND DEPARTMENT OF HUMAN SERVICES

- IRS Schedule SE
- For applicants who have not filed taxes, but still consider themselves self-employed must provide the following for the last 30 days:
  - Weekly, monthly, and/or quarterly books/statements, ledgers, sales slips, cancelled checks, invoices, bank statements/deposits
- Income Verification of Self-Employment Form
  - This form is required in addition to the IRS tax forms

Zero Income

- Zero Income **Individual**
  - All household members 18 years and older who claim zero income:
    - *Declaration of Zero Income* form must be signed
    - All individuals claiming zero income must be screened for income and verified by the local OHEP agency
- Zero Income **Household**
  - In addition to the Declaration of Zero Income form:
    - *Household Worksheet* must be completed
    - *Resource Provider Statement* form to be completed for any persons or organizations that have provided assistance
      - Government assistance should be documented by award letters

Household Worksheet

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Must be completed by applicant if the **entire household** is reporting zero income in the past 30 days
- States how basic needs are being met for things like:
  - Shelter
  - Food
  - Utility
  - Transportation
  - Other Non-food items (clothes, personal items etc.)
  - Additional comments
- The first three basic needs (shelter, food, and utilities) must be documented and verified

Resource Provider Statement

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Must be completed if the entire household is reporting zero income in the past 30 days and a person or organization outside the household has provided financial support
  - E.g. Church, friend, non-profit organization
- Form is completed by the resource provider, not the applicant
  - E.g. if church gave a charitable donation, the form should be completed by the church

Missing Information

- Customers and Navigators will receive a formal Request for Additional Information for missing documentation
- Notices will indicate the date information must be sent in before application will be denied (15 days from notice date)

Proxy Authorization Form

DHS
MARYLAND DEPARTMENT OF HUMAN SERVICES

- To be used if applicant is physically or mentally unable to complete the application
- Proxy must be 18+ years old
- Must be signed by the applicant, proxy and a witness
- Power of Attorney may also be used to submit an application on someone's behalf

Eligibility Determination Notice

DHS MARYLAND DEPARTMENT OF HUMAN SERVICES

- Notification of eligibility for energy assistance
  - Approved
    - Notice is mailed to the applicant listing benefit amount(s) for electric (EUSP), heating (MEAP), and Arrearage assistance
  - Denied
    - Notice is mailed to the applicant listing reason for denial and customer appeal rights
      - Customer may reapply 30 days from the date of the denial notice
      - Customer may request a fair hearing within 30 days form the date of the denial notice

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q6

Mr. Smith and his wife are applying for Energy Assistance. Mr. Smith is unable to work due to his medical condition and receives SSI Disability Benefits while his wife works at Food Lion. The Smiths last received Energy Assistance in 2008 when they fell on hard times because Mrs. Smith was laid off from her job. Mr. Smith has provided his Navigator with copies of his and Mrs. Smith's IDs, copies of their social security cards, a copy of Mrs. Smith's 4 most recent pay stubs, a copy of their utility bill, a completed application, and a signed Physician's Certification form. Unfortunately, Mr. Smith is not able to find his most recent benefit award letter, instead he has provided a copy of his SSA-1099 tax form for last year. Is the application complete?

Answer

MARYLAND DEPARTMENT OF HUMAN SERVICES

Yes. While the most recent SSI benefit award letter would give the OHEP worker his current monthly payment directly, the OHEP worker can use the 1099 form to calculate Mr. Smith's current monthly benefits.

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q7

Mrs. Johnson is applying for Energy Assistance. She is 75 years old and lives alone in the home she's owned for 30 years. She receives Social Security retirement benefits as her sole source of income. This is her first time applying for Energy Assistance after being diagnosed with cancer earlier this year. Mrs. Johnson is working with a navigator to apply for Energy Assistance through the CMNP. She provided the navigator with her completed application form, her most recent Social Security benefit award letter, a copy of her ID, and a completed Physician's Certification form. Is Mrs. Johnson's application complete?

Answer

Maybe. While Mrs. Johnson has not provided a copy of her Social Security Card or her utility bill, this information may be available within her other documents. Mrs. Johnson's Social Security award letter may include her Social Security number which would allow OHEP to verify her Social Security Number without having the card itself. As for the utility bill, if the address on Mrs. Johnson's ID is the same as the address listed on her application, then no further verification is needed for her address. However, this also assumes that Mrs. Johnson has provided her correct utility account number on her application.

Pop Quiz!

MARYLAND DEPARTMENT OF HUMAN SERVICES

Q8

Ms. Dorsey is applying for Energy Assistance through the CMNP. She rents an apartment with her adult son Clifton. Ms. Dorsey works full time as a teacher, and her son is currently unemployed but not receiving unemployment benefits. Ms. Dorsey has provided her CMNP Navigator with a copy of her ID, both Social Security Cards, a copy of the utility bill, her 2 most recent paystubs (she is paid biweekly), and a completed Energy Assistance Application form. She has not provided any income documents for Clifton, but she did indicate that he is not receiving any income on her application. Is this a complete application?

Answer

No. The OHEP worker will need Clifton to fill out a "Declaration of Zero Income" form in order to certify that he is not receiving any income at this time. Once Clifton signs this form and provides it to the Navigator, the application packet will be complete.

OHEP Processes

IMPACT OF COVID-19

COVID-19 Changes/ Updates

MARYLAND DEPARTMENT OF HUMAN SERVICES

- March 16- October 1: Moratorium on utility disconnections, late fees, and reconnection fees due to COVID-19 pandemic.
- Post moratorium protections from the Maryland Public Service Commission:
  - Turn off notices issued 45 days before disconnection (normally 15 days)
  - Utilities must offer payment plans with minimum terms of 12 months, or 24 months for Energy Assistance recipients. (normally payment plans range 3- 12 months regardless of income)
  - No down payments required for payment plans
  - No penalties for failed payment plan (typically a failed payment plan would preclude customers for 18 months)

What is OHEP Doing

MARYLAND DEPARTMENT OF HUMAN SERVICES

- Early release of MEAP funds.
- Heavy reliance on redetermination process for FY 21.
- Improving forms mailout from the OHEP system.
- Prioritization of Energy Assistance in State DHS call Center.
- Suite of COVID specific informational documents and revised messaging on DHS website.
- LAAs performing outreach to their local communities through traditional and online channels.

What is next?

- OHEP will send you a Confidentiality Certification form in order to issue a Navigator Certificate, which is required to submit CMNP applications.
- OHEP will send you this presentation and important links for reference.
- Once notified, you can submit applications to CMNP.OHEP@Maryland.gov
- OHEP will send you applications and brochures electronically (you may request hard copies)

Additional Information:

dhs.maryland.gov/energy

To access application forms:

dhs.maryland.gov/energy-application

View status of applications at:

www.myohepstatus.org

1-800-332-6347

All CMNP applications and policy questions should be addressed to:

CMNP.OHEP@maryland.gov

DO NOT share this email address with customers

Critical Needs Client Utility Form (BGE)

Navigator: ____________________
Date: ____________ Phone: ____________
Email: ____________________
Type of request (extension, restoration, other):
____

Navigator fill in Client Intake and Service Status

Client Intake

Client Name: ____________________ County/City: ____________
Address: ____________________ Phone: ____________
Utility Acct #: ____________ Name on Account if different from Client: ____________
Children (under 2)?: ☐ Yes ☐ No Seniors in the home (over 65)?: ☐ Yes ☐ No

Medical Condition
Describe: ____________________ Equipment Required?: ☐ Yes ☐ No

Service Status
Turn Off Notice Expiration Date: ____________ Date Service Turned Off (if service is off): ____________
Amount owed to BGE, if known: $____________ Service Used (Gas, Elec., both): ____________
Power On?: ☐ Yes ☐ No

For BGE Personnel

Medical Certification requested on: ____________ Evidence of Fraud: ☐ Yes ☐ No
Evidence of Theft: ☐ Yes ☐ No Details: ____________________

History of grants and programs:
EUSP Bill Assistance: Date: ______ Amount: $______ **EUSP Arrearage:** Date: ______ Amount: $______
MEAP: Date: ______ Amount: $______ **Fuel Fund:** Date: ______ Amount: $______
USPP enrolled?: ☐ Yes ☐ No
Other: Source: ____________________ Date: ______ Amount: $______

Amount owed (on all accounts): $____________________

Payment history (four most recent payments within 12 month period, excluding current payment of assistance):
Date(s): ____________ Amount of Customer Payment $____________
Date(s): ____________ Amount of Customer Payment $____________
Date(s): ____________ Amount of Customer Payment $____________
Date(s): ____________ Amount of Customer Payment $____________

OHEP

Need Appt?: ☐ Yes ☐ No
Arrearage Available?: ☐ Yes ☐ No
If No, Date received: ____________
Amount: ____________
Fuel Fund applied for/referred: ☐ Yes ☐ No
OHEP App Ineligible: ☐ Yes ☐ No
Reason Ineligible: ____________
OHEP Commitment Amounts:
EUSP Bill Assistance ______
Arrearage______ MEAP______

DSS

Need Appt?: ☐ Yes ☐ No
Food Stamps needed?: ☐ Yes ☐ No
EAFC: ____________
Flex Funds: ____________
Adult Services Grant: ____________
Comments: ____________

Office of Aging

Grant?: ____________
Care giver grant: ____________
Comments: ____________

Other Agency Funding

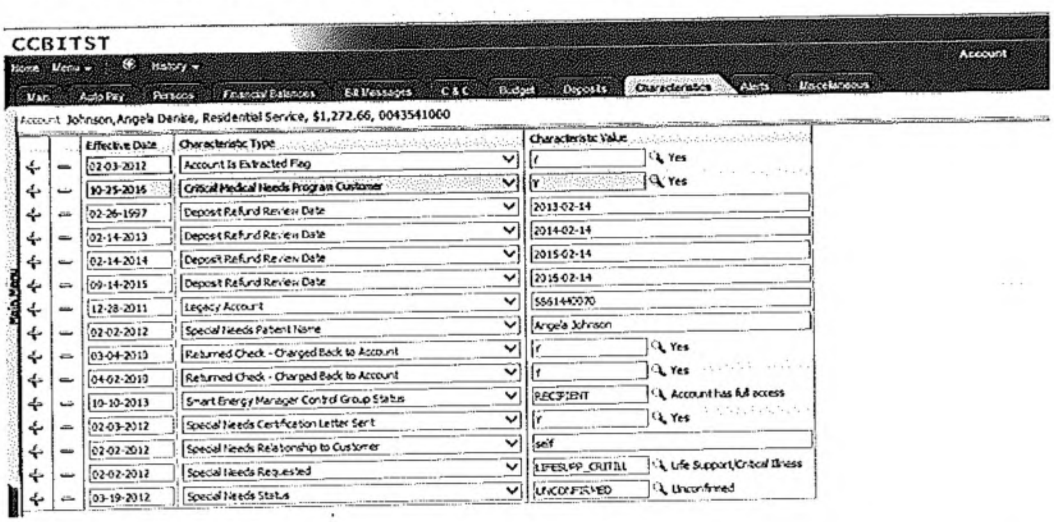
Agency: ____________
Grant Amt: ____________

I confirm that the named client has provided permission for public utilities and social welfare agencies to release the information in this form to this Navigator for the limited purpose of facilitating utility bill payment assistance. **Signature:** ____________________

Navigator Critical Need Process

Emails arrive from Critical Medical Needs Navigators in agency@bge.com in box, seeking an extension or restoral for a customer with medical needs.

1. **Account is NOT currently in Severance and is not coded Special Needs**
   a. **Internet Team:**
      i. Review the account to determine if Special Needs forms have been sent out ***within the last 2 months***
      ii. If the Special Needs forms have never been sent:
         1. Follow the normal process to send Special Needs forms
         2. Reply by email to Navigator to advise of the 30-day hold and requirement to have the form signed by a qualified health care provider[1] and returned within 30 days
      iii. If more than 2 months have passed since forms have been sent
         1. Click the **Collection Process Active** in **Alerts**
         2. Click the **Cancel** button
         3. Click **OK** on warning message
         4. Navigate to the **Account page C&C** tab
         5. In the **Postpone Credit Review Until** field, enter the date 30 days out
         6. Click the **+ sign**. In the **Start Date** field enter today's date. In the **Stop Date** field enter the same date as **the Postpone Credit Review Until** date
         7. In the **Comments** field enter – ***30 day ext provided due to navigator request***
         8. Click **Save**
         9. Navigate to **Customer Contacts**
            a. Locate the **Special Needs Certification New Participant Letter**
         10. Place a checkmark in the **Reprint Letter** box
         11. Click **Save**
      iv. If less than 2 months have passed
         1. Advise the Navigator extension denied
      v. Add a Customer Contact
      vi. **AFTER NOV. 12: Add Critical Medical Needs characteristic (characteristic type "CRITMED") in the Characteristics tab of the Account page *(for tracking purposes)*:**



[1] A licensed physician or certified nurse practitioner

Navigator Critical Need Process

2. **Account is NOT currently in Severance, however the account is already coded Special Needs**
   a. **Internet Team:**
      i. Review the account to determine if a medical extension has been granted within the last 2 months
      ii. If more than 2 months:
         1. Click the **Collection Process Active** in **Alerts**
         2. Click the **Cancel** button
         3. Click **OK** on warning message
         4. Navigate to the **Account page C&C** tab
         5. In the **Postpone Credit Review Until** field, enter the date 30 days out
         6. Click the **+ sign**. In the **Start Date** field enter today's date. In the **Stop Date** field enter the same date as **the Postpone Credit Review Until** date
         7. In the **Comments** field enter – ***30 day ext provided due to Navigator request***
         8. Click **Save**
         9. Advise Navigator of extension date
      iii. If less than 2 months:
         1. Advise the Navigator extension denied
      iv. Add a Customer Contact
      v. Add CRITMED Characteristic ***(tracking purposes)***
3. **Account is in Severance**
   a. **Internet Team:**
      i. Call 4032 to determine if **Severance** can be cancelled
      ii. If over 4 min wait, IM Marvin Guthrie, Kiesha Anyim or Felicia Pearce
   b. **Collections Team**
      i. Review the status of the field activity
      ii. If account is in **Received** or **Assigned** status
         1. Cancel the **Severance** process
         2. Advise the Internet rep the Severance has been called
      iii. If in **Accepted** or **En Route** status
         1. Contact dispatch to have job cancelled
         2. Ensure that the dispatcher has contacted the tech to have the job pulled before prior to ending the call and canceling the job (this will avoid a COIE)
         3. Advise the Internet rep of the status of **Severance**
   c. **Internet Team:**
      i. Reply by email to Navigator to advise of the status of **Severance**
      ii. Add a Customer Contact
      iii. Add CRITMED Characteristic ***(tracking purposes)***
4. **Service OFF**
   a. **Internet Team:**
      i. Review Navigator's request/proposal
      ii. If commitments sufficient for restoral:
         1. Issue order to restore service
         2. Add Customer Contact
         3. Add CRITMED Characteristic ***(tracking purposes)***

Navigator Critical Need Process

iii. If commitments are insufficient
1. Forward e-mail to NavigatorInquiryMailbox@exeloncorp.com

iv. Add a Customer Contact

b. **Collections Team**

i. Review the account to determine if service can be restored

ii. Respond/Contact Navigator directly to advise of decision or what is needed to have service restored

iii. Add Customer Contact

iv. Add CRITMED Characteristic ***(tracking purposes)***

5. **Service OFF due to Theft**

a. **Internet Team**

i. Advise Navigator service off due to Theft and that request will be forwarded to Revenue Protection to calculate charges due

ii. Send an e-mail to TOERevenueProtecti@exeloncorp.com
1. In the subject line include **"Medical Navigator"**
2. Include in the body of the e-mail: Customer's full name, the address where they are trying to receive service, the Navigator's name and e-mail address

b. **Revenue Protection**

i. Calculate charges and respond by email directly to the Navigator within 24 hrs

Maryland Office of People's Counsel

Energy Services Pilot

Background

During the 2015 Maryland General Assembly session, Chairman Middleton and Senator Benson of the Senate Finance Committee requested that OPC, Cindy Carter (Cancer Support Foundation), the Public Service Commission and Maryland utilities[1] meet with Committee members to address concerns about assisting medically vulnerable customers with continuation and restoration of utility services, especially during the winter.

At the meeting, Ms. Carter presented her concerns about current utility practices. OPC provided its perspective, and requested that utilities consider automatic extensions and restorations of service for 30 days, to allow clients to seek assistance for their pending service terminations and service shut-offs.

While there was disagreement over the issue of service extensions and restorations, the utilities in attendance did offer to coordinate with OPC to arrive at a reasonable solution, and the Senators requested that the Companies cooperate with OPC to try to reach some common ground.

BGE Critical Needs Pilot Program

Subsequent to that meeting, OPC, in partnership with the Cancer Support Foundation (CSF), has focused its attention on the development of a pilot program in the BGE service territory. The purpose is to develop and test protocols for (1) the identification of medically vulnerable customers in danger of losing utility service, or who have lost service, (2) the maintenance or restoration of service to customers with critical medical needs, and (3) an efficient process for applying for and obtaining funds to ensure maintenance of service.

OPC and CSF have worked with BGE and other public and private agencies to develop a process to assist with these objectives. Over the past several months, we have worked together to establish a pilot program with navigators from medical services (primarily cancer centers) and hospitals, as well as OHEP and local energy assistance agency programs.

Energy assistance funding is provided through a number of resources: OHEP's EUSP and MEAP, Department of Social Services (DSS) emergency programs and Office on Aging programs. The assistance is offered through teams of agency management personnel, who expedite funding for the critical needs clients with serious medical problems. As of this date, navigators from medical services and hospitals include, but are not limited to. the following:

[1] BGE, Pepco, Delmarva Power, Potomac Edison Company and SMECO attended the meeting.

MD Oncology
Union MedStar
Montgomery Medstar
Mercy
St Joes
Anne Arundel Medical
Johns Hopkins Bayview
St Agnes
University of Md
GBMC
Meal on Wheels
Franklin Square
Franklin Square Breast Center
Northwest
Image Center
DHMH State Cancer Control Center
Upper Chesapeake
Bel Air
Johns Hopkins
BWMC
Union Hospital of Cecil County
University of Maryland's Evelyn Jordan Center
Sinai

Baltimore County, Baltimore City, Harford County , Carroll County, Howard, Anne Arundel and Montgomery County have management teams in place at their OHEP, DSS and Aging Offices to coordinate resources as well as appropriate application assistance.

On-Service Customers. BGE has been willing to provide 30 day extensions for on-service customers who simply notify the Company that they have a critical medical need. BGE then withdraws customers' accounts from termination status, sends customers a PSC Medical Certification Form and issues a new termination notice after the initial 30 day extension if customers' accounts are not addressed with a full payment or payment plan. This BGE protocol exceeds current COMAR regulations, which only require that certification forms be provided *before* an extension is issued. As a practical matter, the Pilot extension assistance results in customers receiving approximately an additional 60 days before actual service termination[2]. This voluntary process has been of assistance to a number of customers.

Off-service customers. BGE has also been willing to respond, through a navigator processing system, within twenty four (24) hours, to assist with immediate restoration of critically ill customers identified through the Pilot program. The service restorations, however, require presentation of a reasonable financial assistance plan, as well as a statement identifying the customer as being critically ill. The restoral assistance is helpful, in that the Company does not require verification of the funding before restoration. However, the availability of this option is constrained at present by the availability of agencies with the expertise and staffing to engage in emergency case management in a 24 hour period. Currently, OPC has been filling that niche, since OPC has a successful track record in providing comprehensive assistance to customers, especially those with critical needs. However, the process requires OPC to be largely available to navigators for guidance in their presentation of cases to the Company. That level of OPC involvement is not sustainable for a full BGE program or an expansion to other utility service territories.

Goals

OPC would like to continue to work with BGE and other utilities to do the following:

- Expand the pilot program to other service territories
- Expand the availability of the process to all customers who meet the medical certification requirements
- Expand training and participation to a wider circle of navigators and agency participants
- Extend the service restoration option to permit immediate restoral of service for customers with critical needs with a commitment to pursue funding assistance.

[2] The 55 day rule would also apply in the event the customer applies for EUSP/MEAP assistance.

Outstanding concerns

- Winter restrictions - Affidavit requirements to ensure that service termination does not constitute a threat to the life or health of the occupants (COMAR 20.31.03.03)

- Smart meter service disconnections – field visits

- Reasonable payment arrangements

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY FOR AN ORDER APPROVING THE ESTABLISHMENT OF A REGULATORY ASSET	))))	CASE NO. 2020-00257

ORDER

On July 29, 2020, Kentucky-American Water Company (Kentucky-American) filed an application, pursuant to KRS 278.220, seeking approval to establish a regulatory asset for certain expenses related to the COVID-19 emergency. On October 28, 2020, Kentucky-American supplemented its application with the monetary amounts for which it sought a regulatory asset, with expenses totaling $1,055,890 as of September 30, 2020. Kentucky-American filed an additional supplement on December 4, 2020, with an updated total of $1,196,603 through October 30, 2020.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) is the only intervenor in this proceeding. Pursuant to a procedural schedule, Kentucky-American responded to one round of data requests. On December 4, 2020, the Commission granted Kentucky-American and the Attorney General's joint request to file briefs and submit this matter for a decision based on the written record. On December 9, 2020, the parties filed their respective briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

A utility must obtain Commission approval for accounting adjustments before establishing any expense as a new regulatory asset. A regulatory asset is created when a utility is authorized to capitalize an expenditure that would be recorded as a current expense under traditional accounting rules. A utility may request recovery of the capitalized amount in future rates, but recovery is subject to Commission review and approval. The authority to establish regulatory assets arises out of the Commission's plenary authority to regulate utilities under KRS 278.040 and its authority to establish a system of accounts for utilities under KRS 278.220.

The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, which was codified as Accounting Standards Codification (ASC) 980, Regulated Operations, provides the criteria for recognition of a regulatory asset.[1] Supplemental to generally accepted accounting principles (GAAP), long-standing Commission precedent provides

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[1] ASC 980-340-25-1 provides, in full, as follows:

> 25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:
>
> > a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
> >
> > b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.
>
> A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

that regulatory assets may be established when a utility incurs (1) an extraordinary, nonrecurring expense that could not have been reasonably anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry-sponsored initiative; or (4) an extraordinary or nonrecurring expense that, over time, will result in a savings that fully offsets the cost.[2]

COVID-19 EMERGENCY

In response to the COVID-19 pandemic and state of emergency declared by Governor Andy Beshear, the Commission initiated an administrative case, Case No. 2020-00085, that, among other things, ordered utilities to suspend disconnections due to nonpayment and waive the assessment of all late payment fees, noting that customers still had the obligation to pay for service received.[3] By Order entered September 21, 2020, the Commission terminated the moratorium on residential disconnections for nonpayment as of October 20, 2020, but found good cause to continue the moratorium on the assessment of late payment fees for residential customers until December 31, 2020.[4] The Commission prohibited utilities from assessing late fees on any past-due residential amounts accrued between March 16, 2020, and December 31, 2020, directing that such residential customer accounts should be considered "on time" for all purposes as long as the customers timely pay their bill for current service and any amount required

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[2] *See* Case No. 2008-00436, *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008).

[3] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 3.

[4] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at 6–7.

under the default or an agreed-upon payment plan.[5] The Commission terminated the moratorium on disconnection and the assessment of late payment fees for nonresidential accounts as of October 20, 2020, finding that commercial and industrial customers had access to forgivable federal loans and other financing options not available to residential customers.[6]

Utilities were expressly permitted to apply and defer carrying charges to past due amounts paid pursuant to a payment plan in order to finance the payment plans for arrearages accumulated between March 16, 2020, and October 1, 2020.[7] The Commission approved such financing costs for deferral accounting, with recovery in a subsequent proceeding either through rate base or as part of capitalization in later proceedings.[8]

PROPOSED REGULATORY ASSET

In its July 29, 2020 application, Kentucky-American requested to defer the following COVID-19 related "lost revenue" and expenses: Reconnection Fees; Forgone Late Payment Fees; Incremental Operating expenses; Uncollectible expense; Term-Loan Interest expense; and Travel/Conference Savings. Kentucky-American also requested to defer "lost revenues" that occurred due to the lower volumetric sales to customers in the various customer classes. However, in subsequent filings and in its brief, Kentucky-American requested to defer only "lost revenue" for reconnection fees and late fees.

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[5] *Id.* at 8.

[6] *Id.* at 12.

[7] *Id.* at 10.

[8] *Id.* at 10–11.

In the application, Kentucky-American requested approval to establish a regulatory asset, but did not provide the amounts that it planned to defer until its October 28, 2020 supplemental filing. In that filing, Kentucky-American requested regulatory asset treatment for $1,055,890 in "lost revenue" and expenses, noting these amounts were current as of September 30, 2020, and that Kentucky-American expected that the amounts that it identified would grow going forward.

On December 4, 2020, Kentucky-American filed an updated accounting summary, that increased its purported lost revenue and expenses to $1,196,603 as of October 30, 2020. The following table compares the requested COVID-19 costs incurred up to September 30, 2020, to the amounts updated to October 30, 2020.

Regulatory Asset Category	Balances as of 09/30/20	Cost Increases	Balances as of 10/30/20
Reconnection Fees	$ 616	$ -	$ 616
Foregone Late Payment Fees	628,277	104,375	732,652
Incremental Operating Expenses	220,044	11,282	231,326
Uncollectible Expense	173,551	35,600	209,151
Term Loan Interest Expense	170,529	16,091	186,620
Travel/Conference Savings	(137,127)	(26,635)	(163,762)
Totals	$ 1,055,890	$ 140,713	$ 1,196,603

PARTIES' ARGUMENTS

The following is a brief description of each individual category in Kentucky-American's requested COVID-19 regulatory asset and each party's position.

Lower Volumetric Sales.

As noted above, Kentucky-American indicated in its application that it would seek to defer "lost revenues" that have resulted from lower volumetric sales to customers in various customer classes,[9] but Kentucky-American did not quantify lost water sale revenues in its supplemental filings or reference the issue in its brief.

The Attorney General argued that the Commission should deny recovery for "lost revenue" due to reduced sales and business closings. The Attorney General maintained that approving recovery for lost sales is equivalent to retroactive ratemaking.[10] The Attorney General further maintained that the record does not support Kentucky-American's claim that it incurred any losses due to changes in volumetric usage.[11] Finally, the Attorney General asserted that businesses closings do not represent "lost revenues" because the costs and revenues associated with the demand were avoided.[12]

Reconnection Fees.

Kentucky-American also requested to defer "lost revenue" from foregone fees resulting from reconnecting service that was disconnected for late payment. On March 13, 2020, when it voluntarily stopped collecting late fees and disconnecting customers for nonpayment, Kentucky-American also voluntarily reconnected customers currently disconnected for nonpayment and waived the reconnection fee.[13] Kentucky-American calculated the "lost revenue" associated with the COVID-19 moratorium on reconnect fees by taking the number of reconnects performed during the moratorium period times

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[9] Application at 3.

[10] Attorney General Brief at 8.

[11] *Id.* at 8–9.

[12] *Id.* at 9.

[13] Application at 2. *See* Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020) Order at 2. Kentucky-American's moratorium on collecting reconnection fees was directed by its parent company, American Water Works Company, Inc.

the associated reconnect fee.[14] Kentucky-American reported that, during the moratorium period, it reconnected 11 customers, waiving the $56 dollar reconnection fee for a total of $616.[15]

The Attorney General did not expressly address reconnection fees in its brief, but did object to Kentucky-American being compensated for fees similar to late fees that should have been waived pursuant to the Commission's March 16, 2020 Order.

Late Fees.

Kentucky-American requested to defer foregone late fees as a "lost revenue."[16] Kentucky-American explained that it discontinued collecting late fees in compliance with the Commission's March 16, 2020 Order in Case No. 2020-00085.[17] Pursuant to a subsequent Order in Case No. 2020-00085, Kentucky-American tracked the "lost revenue" that would have otherwise been collected from late fees. Kentucky-American explained that it tracked late fees based on its assumption that the Commission would authorize deferred accounting to recover "lost revenue."[18] Kentucky-American argued that it complied with the Commission's administrative directive to waive late fees, and thus should be approved to defer the financial impact pursuant to Commission precedent and consistent with other states' utility regulatory agencies.[19]

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[14] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Kentucky-American's Response to Commission Staff's First Request for Information (Case No. 2020-00085 Staff's First Request), Item 7.a.

[15] Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: Reconnection Fees.

[16] Kentucky-American Brief at 7 and 9.

[17] *Id.* at 9.

[18] *Id.*

[19] *Id.* at 5–6.

Kentucky-American disputed that it had to address rate recovery for late fees in this proceeding, arguing that any decision regarding recovery of late fees should occur in a general rate case, and not in this proceeding, in which the only issue is whether a regulatory asset should be established for foregone late fees.[20] However, in light of a recent Commission decision in another proceeding that disallowed late fees,[21] Kentucky-American felt compelled to address future recovery of late fees. Kentucky-American distinguished the facts under which it charges late fees and the other proceeding. Kentucky-American argued that, as the Commission found in Case No. 2012-00155,[22] Kentucky-American's late fees are directly related to costs that Kentucky-American incurs as a result of customers making late payments in accordance with the requirements of 807 KAR 5:006, Section 9(2), unlike the Commission's denial of fees that are designed to be punitive.[23] Kentucky-American disagreed with the Commission's statement in the September 21, 2020 Order in Case No. 2020-00085 that late fees apparently do not encourage customers to make timely payments, contending that even when late fees are suspended, most of Kentucky-American's customers routinely pay their bills on time.[24]

The Attorney General interpreted the Commission's statement in the March 16, 2020 Order in Case No. 2020-00085 that a utility's customers are not relieved of the

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[20] *Id.* at 8.

[21] Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

[22] Case No. 2012-00155, *Tariff Filing of Kentucky-American Water Company to Establish a Late-Payment Fee* (Ky. PSC Nov. 1, 2012).

[23] Kentucky-American Brief at 10.

[24] *Id.* at 11.

obligation to pay for services rendered to apply only to the fixed and variable rates charged for the provision of service.[25] The Attorney General argued that Kentucky-American should not be compensated for late payment fees and other ancillary charges that do not represent payment for the provision of service.[26] The Attorney General further argued that the March 16, 2020 Order required utilities to waive late fees, noting that the Order directed utilities with concerns that the waiver of fees was in conflict of approved tariffs to request an amendment of their tariffs.[27]

The Attorney General challenged Kentucky-American's argument that foregoing late fees inhibits the opportunity for Kentucky-American to earn its allowed rate of return, arguing that Kentucky-American's revenue requirement was calculated based on a lower percentage of customers paying late fees than actually occurred during the COVID-19 emergency.[28] The Attorney General asserted that a detailed analysis was needed to determine whether recovery of foregone late fees fairly compensates Kentucky-American for its costs.[29]

<u>Incremental Operating Expenses</u>.

Kentucky-American tracked Kentucky-American's and the American Water Service Company's (Service Company) incremental operating expense related to COVID-19, including facility preparedness, customer communications, personal

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[25] Attorney General Brief at 2.

[26] *Id.* at 4.

[27] *Id.*

[28] *Id.* at 5.

[29] *Id.* at 6.

protective equipment, temporary housing, emergency water supplies, signage, rental equipment, and remote employee work, including a work from home stipend.[30] The Service Company determined that employees of American Water and its subsidiaries should be paid a $50 stipend as reimbursement for reasonable expenses incurred by employees related to working remotely.[31] The Service Company allocated 4.19 percent of its work from home stipend to Kentucky-American.[32] The incremental operating costs that Kentucky-American tracked as of October 30, 2020, total $231,326.[33]

The Attorney General alleged that Kentucky-American did not implement appropriate measures to control costs during the COVID 19 pandemic.[34] According to the Attorney General, Kentucky-American should have implemented cost control measures such as employee wage freezes, reductions to capital investment, and reductions to charitable contributions or sponsorships.[35] However, the only incremental operating expenses that the Attorney General proposed to deny deferred regulatory asset treatment was the work from home stipend.[36] The Attorney General asserted that Kentucky-American had not provided sufficient evidence to substantiate the necessity of

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[30] Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: Incremental Operating Expense.

[31] Kentucky-American Response to Commission Staff's First Request (Staff's First Request)(filed Nov. 12, 2020), Item 6.

[32] *Id.*

[33] *Id.*

[34] Attorney General Brief at 7.

[35] *Id.* 7–8.

[36] *Id.* at 6.

the work from home stipend, and therefore the Commission should deny recovery of the work from home stipend.[37]

Term-Loan Interest Expense

Citing the impact the COVID-19 pandemic had on the financial market, specifically the market for corporate commercial paper, American Water Capital Corporation (AWCC) entered into a $750 million, 364-day term loan credit facility.[38] AWCC executed a $500 million draw to ensure adequate liquidity for its regulated operating utilities and allocated $19.6 million of the 364-day term loan credit facility to Kentucky American.[39] Kentucky-American explained that there are no prepayment penalties associated with this loan and the term of the loan ends on March 19, 2021.[40] Kentucky-American confirmed that it has not used any of its allocated share of the term loan proceeds.[41]

The Attorney General did not address the Term-Loan Interest expense in his brief.

Uncollectible Expense

Kentucky-American requested to defer $209,151 in Uncollectible expense in the regulatory asset. In response to a data request filed in Case No. 2020-00085, Kentucky-American explained that, if a customer's payment is not received within 90 days of the final bill due date, then Kentucky-American's Customer Relationship & Billing system

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[37] *Id.*

[38] Kentucky-American's Responses to the Staff's First Request (filed Nov. 12, 2020), Item 1.a.

[39] *Id.*

[40] *Id.*, Item 1.c.

[41] *Id.*, Item 9.b.

automatically writes-off the accounts with balances under $50,000.[42] In this proceeding, Kentucky-American contradicted that response, stating that 100 percent of Uncollectible expenses are recorded for those customer balances that are aged beyond 150 days.[43] The Uncollectible expense amount for which Kentucky-American requests to defer includes customer balances greater than 150 days old that are subject to a default payment plan; Kentucky-American stated that if a customer makes a payment against their balance, the payment is recorded as an offset to expense in the subsequent months' Uncollectible expense.[44] Uncollectible expense also includes customer balances for services rendered prior to the current state of emergency, if those balances were greater than 150 days old.[45]

The Attorney General did not address the Uncollectible expense in his brief.

Travel/Conference Savings.

Kentucky-American identified cost savings related to travel and conferences for both Kentucky-American and Service Company costs that have occurred since COVID-19 travel restrictions went into effect.[46] To determine the cost savings related to travel and conferences, Kentucky-American compared the actual costs for travel and conferences for the period of the COVID-19 state of emergency to the same period of the

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[42] Kentucky-American's Responses to Case No. 2020-00085 Staff's First Request (filed July 21, 2020), Item 7.a.

[43] Kentucky-American's Responses to the Staff's First Request (filed Nov. 12, 2020), Item 8.a.

[44] *Id.*

[45] *Id.*, Item 8.a.

[46] Kentucky-American Water Company's Notice of Filing of Updated Information (filed Dec. 4, 2020), Excel Workbook: KAW_N_ATT_120420, Tab: TravelConference Savings.

prior year.[47] Kentucky-American's cost comparison resulted cost savings offset to the requested regulatory of ($163,762) as of October 2020.[48]

The Attorney General did not address travel and conference savings in his brief.

DISCUSSION AND FINDINGS

Lower Volumetric Sales.

A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that, under traditional accounting rules, would be recorded as a current expense. "Lost revenues" are not incurred costs that would otherwise be charged as an expense, and therefore do not meet the criteria under ASC 980-340-25-1 for recognition of a regulatory asset.[49] To meet the recognition criteria, these amounts would need to qualify as alternative revenue program, for which there are specific requirements under ASC 980-605 related to accounting recognition as revenues and a regulatory asset. ASC 980-605-25-1 and 25-2 segregate the major alternative revenue programs into two categories, Type A and Type B. As ASC 980-605-25-2 explains:

> - "Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the [rate-regulated] utility for demand-side management initiatives." Examples include no-growth plans and similar conservation efforts.
>
> - "Type B programs provide for additional billings (incentive awards) if the [rate-regulated] utility achieves

[47] *Id.*

[48] *Id.*

[49]https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/pur-covid-update-september2020.pdf

certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service."[50]

The Commission concludes that Kentucky-American's claimed "lost revenues" do not met the requirements that would allow for GAAP recognition as a regulatory asset;therefore, Kentucky-American's request to establish its claimed "lost revenues" as a regulatory asset should be denied.

Reconnection Fees.

Kentucky-American voluntarily waived reconnection fees for those customers disconnected for late payment when the state of emergency began. While Kentucky-American argued that the moratorium on the collection of reconnection fees represents "lost revenue" to Kentucky-American, because the reconnection fees are cost based, the more appropriate request would be to defer the expenses related to the reconnections. As discussed above, "lost revenues" do not met the requirements that would allow for GAAP recognition as a regulatory asset, and therefore Kentucky-American's request to establish a regulatory asset to defer waived reconnection fees should be denied. Additionally, assuming that Kentucky-American's reconnection fee accurately reflects the expenses associated with reconnections, the amount of the expense is $616, an obviously immaterial amount to Kentucky-American.

Late Fees.

The Uniform System of Accounts for Water Companies Class A and B requires late fees to be recorded as Other Water revenue in Account No. 470- Forfeited Discounts. Kentucky-American argued that the late fees for which it requests deferral represent "lost

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[50]https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/us-er-power-utilities-accounting-financial-reporting-and-tax-research-guide.pdf

revenue." As discussed above, Kentucky-American's claimed "lost revenues" do not met the requirements that would allow for GAAP recognition as a regulatory asset, and therefore Kentucky-American's request to establish a regulatory asset for the recovery of its "lost revenues" from forfeited late fees should be denied.

Kentucky-American argued that by the Commission directing utilities to track "lost revenue" associated with uncollected late fees the Commission somehow established a program or mechanism by which Kentucky-American could subsequently recover the "lost revenue" from uncollected late fees. To the extent that Kentucky-American believes that this was the Commission's intent, the Commission hereby clarifies that it was not. The Commission's direction in its September 21, 2020 Order in Case No. 2020-00085 to continue to track this "lost revenue" was to ensure that the utilities could respond to subsequent requests for information regarding "lost revenue" due to forfeited late fees. Kentucky-American's proposed regulatory asset, therefore, cannot meet the condition necessary to collect "lost revenues" in ASC 980-605-25-4(a) that: "The program is established by an order of the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic." The Commission neither (1) established such a program; (2) nor provided for any automatic adjustment of rates. Notwithstanding the findings above that Kentucky Power's regulatory asset should be denied pursuant to GAAP principles, the Commission finds it should also be denied because it does not meet the criteria of ASC 980-605-25-4.

Even if Kentucky-American could defer the waived late fees as a regulatory asset, the Commission would not approve recovery for late fees under the facts presented. In the September 21, 2020 Order in Case No. 2020-00085, the Commission ordered that utilities consider residential customer accounts with arrearages subject to a payment plan as current for all purposes so long as those customers timely pay their bill for current service and the amount required under the default or alternative, agreed-upon payment plan.[51] Here, there is no evidence that Kentucky-American excluded from its late fee calculation those customer accounts that are deemed current pursuant to the Commission Order.

Additionally, in the September 21, 2020 Order, the Commission allowed utilities to apply and defer carrying charges to past-due amounts paid pursuant to a payment plan in order to finance the payment plans for arrearages accumulated between March 16, 2020, and October 1, 2020.[52] The Commission approved such financing costs for deferral accounting, with recovery in a subsequent proceeding either through rate base or as part of capitalization in later proceedings. Insofar as a utility incurred expenses to finance the late payment or arrearage of utility service, that cost will be appropriately reflected in the financing costs in the deferral accounting previously approved by the Commission. Each utility, including Kentucky-American, was offered the opportunity to apply those financing costs.

Finally, the Commission carefully chose its language when it directed utilities to "waive"[53] late payment fees for residential customers. In directing that late payment fees

[51] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at ordering paragraph 5.

[52] *Id.* at 10.

[53] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at ordering paragraph 2.

be waived, the Commission was directing utilities to forego collecting late payment fees because such fees were not in effect for past-due residential amounts accrued between March 16, 2020, and December 31, 2020, and for past-due nonresidential amounts accrued between March 16, 2020, and October 1, 2020.

The Commission's authority to waive late payment fees arises from its plenary authority pursuant to KRS Chapter 278, exclusive jurisdiction over utility rates and services pursuant to KRS 278.040(2), and the legislative intent to provide economic relief during extraordinary times. As the Kentucky Supreme Court has explained,[54] the General Assembly granted the Commission general powers and plenary authority arising from the Commission's exclusive jurisdiction to regulate utility rates and service under KRS 278.030 and KRS 278.040. In codifying KRS 278.170(2), the General Assembly recognized that utilities may be allowed to provide service at free or reduced rate service "for the purpose of providing relief in case of flood, epidemic, pestilence, or other calamity." Thus, in directing utilities to waive late fees, the Commission's intent was to provide relief to utility customers impacted by the calamitous nature of the COVID-19 pandemic.

Although the Commission utilized its generalized and specific authority to direct that late payment fees be waived, the Commission also expressly stated that customers were not relieved "from the obligation to pay for service rendered," such as monthly billing for electric, gas, water, or sewer service usage.[55] The Commission also permitted utilities

[54] *Public Serv. Comm'n v. Commonwealth ex rel. Conway*, 324 S.W.3d 373, 380-383 (Ky. 2010).

[55] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5.

to apply and defer carry charges arising from the expense of financing payment plans for arrearages accumulated during the COVID-19 emergency, with recovery in a subsequent proceeding.[56] Thus, the Commission balanced the interests of utilities and consumers in actions taken in response to the COVID-19 pandemic,

Incremental Operating Expenses.

Historically the Commission has denied regulatory asset treatment for expenses deemed immaterial.[57] As discussed above, Commission precedent has established categories of expenses appropriate for regulatory asset treatment, including "extraordinary, non-recurring expenses." The Commission previously determined that immaterial expenses cannot be considered extraordinary based on our finding that

[56] Case No. 2020, 00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020), Order at 10.

[57] *See* Case No. 2000-00120, *Application of Kentucky-American Water Company to Increase Its Rates* (Ky. PSC Nov. 27, 2000), final Order at 20–22 and Case No. 2008-00440, *Request of Kentucky-American Water Company for Approval to Defer Certain Expenses as Regulatory Assets* (Ky. PSC Aug. 26, 2009). Case No. 2006-00472, *General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.* (Ky. PSC July 7, 2007); Case No. 2008-00456, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 22, 2008); Case No. 2008-00457, *Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 22, 2008); Case No. 2009-00168, *Application of Columbia Gas of Kentucky, Inc. to Establish a Regulatory Asset Related to Pension and Other Post-Retirement Benefit Expenses* (Ky. PSC Dec. 23, 2009); Case No. 2009-00174, *Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Sept. 30, 2009); Case No. 2009-00175, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Sept. 30, 2009); Case No. 2009-00352, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Three Major Event Storms in 2009* (Ky. PSC Dec. 22, 2009); Case No. 2011-00380, *Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Dec. 27, 2011); Case No. 2012-00445, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Four 2012 Major Storm Events* (Ky. PSC Jan. 7, 2013); Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the Two 2015 Major Storm Events* (Ky. PSC Dec. 12, 2016); Case No. 2018-00304, *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets* (Ky. PSC Dec. 20, 2018); and Case No. 2018-00416, *Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset* (Ky. PSC Mar. 25. 2019).

materiality is synonymous with the term extraordinary, and, pursuant to precedent, if an expense is not extraordinary, then it cannot be material.

Kentucky-American argues that these incremental expenses are extraordinary nonrecurring expenses. However, the requested incremental operating expenses of $231,326 represents only 0.65 percent of the Kentucky-American reported operating expenses for the calendar year ending December 31, 2019, of $35,857,247.

For the reasons discussed above, the Commission finds that Kentucky-American has failed to establish that the incremental operating expenses are material to Kentucky-American's financial position, and therefore, Kentucky-American's request to establish a regulatory asset for the recovery of its incremental operating expenses should be denied.

Term-Loan Interest Expense.

Given the uncertainty of the financial markets at the onset of the COVID-19 pandemic, the Commission notes that AWCC's decision to obtain a $500 million draw on its 364-day term loan credit facility might have been a reasonable action. However, as the pandemic progressed, the $19.6 million dollars allocated to Kentucky-American were not used and remain in Kentucky-American's cash reserves. Kentucky-American did not adequately explain why the $19.6 million debt allocation was not returned to AWCC within the first few months once Kentucky-American realized that the pandemic's impact on the financial markets had not materialized, particularly as there is no prepayment penalty.

For the reasons discussed above regarding materiality, Kentucky-American failed to establish that the Term-Loan Interest expense is material to its financial position and warrants deferral accounting. Kentucky-American's requested Term-Loan Interest expense of $186,620 represents only 1.42 percent of the Interest expense Kentucky-

American reported in the calendar year ending December 31, 2019, of $13,165,898. Additionally, Kentucky-American did not demonstrate that the allocation of the AWCC loan was necessary given that the loan proceeds remain in a cash reserve account untouched and that the associated interest expense is not material. For these reasons the Commission finds that Kentucky-American's request to establish a regulatory asset for the recovery of its Term-Loan Interest expense should be denied.

Uncollectible Expense.

Given that customer balances are not written off as uncollectible until they reach 150 days past due, the Commission believes that the balances written off between March and July are predominately for services rendered before the COVID-19 state of emergency was declared. In responding to data requests, Kentucky-American failed to identify the amount of its uncollectibles that were for customer balances for services that were provided prior to March 2020. Further, the September 21, 2020 Order in Case No. 2020-00085 required that residential accounts be deemed "on time" if the customer remained current and made payments towards the payment plan. Kentucky-American failed to identify or eliminate the uncollectible accounts that are or will be subject to the customer default payment plans and thus these accounts should be excluded.

After eliminating the accounts outside the disconnect moratorium and those balances deemed "on time" pursuant to Case No. 2020-00085, Kentucky-American has failed to establish that the remaining Uncollectible expense is material to its financial position and therefore warrants deferral accounting. The Commission finds that Kentucky-American's request to establish a regulatory asset for the recovery of its Uncollectible expense should be denied.

Travel/Conference Savings.

Because the Commission has found that Kentucky-American's requested regulatory asset should likewise be denied, we find that Kentucky-American's proposed expense offset should be denied as well.

CONCLUSION

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky-American's request to establish a regulatory asset should be denied.

IT IS THEREFORE ORDERED that:

1. Kentucky-American's application to establish a regulatory asset for expenses related to COVID-19 is denied.

2. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED

DEC 30 2020 bsb

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Linda C. Bridwell

Executive Director

*Angela M Goad
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

*John G Horne, II
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Lindsey W Ingram, III
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Mary Ellen Wimberly
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*J. Michael West
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204