

**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) **File No. EU-2020-0350**
Missouri West for an Accounting Authority)
Order Allowing the Companies to Record)
and Preserve Costs Related)
to COVID-19 Expenses)

STAFF’S STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its *Statement of Positions*, states as follows:

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

Yes. The COVID-19 pandemic has affected daily life in the U.S. to a degree not previously seen from a disease outbreak within living memory. COVID-19 has changed the way many people live and work, and appears to have had significant financial and operating impacts on utilities.

(Kimberly K. Bolin rebuttal, page 6, lines 2-5)

OPC/MECG/SC Issue:

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

At this time, it is unknown what the final incremental costs, revenues and/or savings incurred will be as the COVID-19 pandemic continues for an indefinite period of time. A final assessment of the materiality of the financial impacts of the COVID-19 pandemic to Evergy will be made in its next general rate case proceeding when any request is made to recover the deferral in rates. (Kimberly K. Bolin rebuttal, page 6, lines 7-11)

2. Should the Commission approve the Application for an accounting authority order (“AAO”) permitting Evergy to accumulate and defer to a regulatory asset for consideration of recovery in future rate case

proceedings before the Missouri Public Service Commission (“Commission”) extraordinary costs and financial impacts incurred as a result of the coronavirus disease (“COVID-19”) pandemic?

The Commission should authorize Evergy to defer only those extraordinary costs and financial impacts incurred as a result of the COVID-19 pandemic that Staff recommends in the rebuttal testimony of Staff witness Kimberly K. Bolin. Evergy’s Application includes costs and calculated revenue losses that are not typically authorized for deferral. (See *generally*, Kimberly K. Bolin rebuttal)

3. If the Commission determines that an AAO or other deferral accounting mechanism should be ordered in connection with the COVID-19 pandemic, what items should be deferred?
 - a. Uncollectible expense in excess of amounts included in rates in the most recent general rate cases of Evergy Missouri Metro and Evergy Missouri West, respectively?
 - b. Costs incurred in connection with the one- and four-month Pandemic payment plan incentives that the Commission permitted the Company to implement in Case No. EO-2020-0383 (including credits awarded as incentives and costs related to customer communications)?
 - c. Waived late payment fees / reconnection fees to the extent that they fall short of the amount included in rates?
 - d. Information technology-related costs incurred to enable employees to work from home, including hardware, licensing fees and connectivity costs?
 - e. Costs incurred to protect employees unable to work from home, including cleaning supplies, personal protective equipment, temperature testing, employee sequestration preparation (and employee sequestration if that becomes necessary)?
 - f. Lost revenues associated with the reduction of electric usage during the Pandemic? As an alternative, should the Commission order the deferral of pandemic-related lost fixed cost recovery due to the pandemic?
 - g. Other incremental costs or other unfavorable financial impacts resulting from the Pandemic not presently identified?

- h. What pandemic-related savings should be booked as a regulatory liability or included as an offset to the regulatory asset related to the pandemic- financial impacts?
- i. Should carrying costs be excluded during the deferral period and be considered for inclusion in rates in Evergy's next general rate case?

Staff recommends that the Commission reject the Companies' lost revenue calculation as proposed in Evergy's Application and the direct testimony of Evergy's witnesses Darrin R. Ives and Ronald A Klote. In its surrebuttal testimony, Evergy proposed an alternative approach to recover lost revenues, which it characterizes as "lost fixed costs." Staff did not have an opportunity to respond to this proposal in prefiled testimony. Staff recommends that the Commission reject the Companies' lost revenue calculation and their alternative lost revenue calculation and find that there is no need to include any calculation for lost retail rate revenue in a COVID-19 deferral. If the Commission finds that a lost revenue calculation is needed for that purpose, Staff recommends that:

- Staff's rate case billing determinants per month per rate class should be used to calculate monthly usage and revenue from Evergy West's and Evergy Metro's last rate case;
- the calculation not include the removal of revenue related to customer growth and special contracts;
- the weather normalization adjustment should be performed consistent with the method used in Evergy West's and Evergy Metro's last rate case;
- the appropriate currently effective tariffed rate classes should be used rather than the overly simplistic classifications of Commercial and Industrial for non-residential customers; and
- the current tariff rates per charge type per rate class should be used to calculate any revenue impacts.
- For the alternative proposal Staff also recommends - Both the rate case baseline amounts and the weather-normalized current amounts should be adjusted by multiplying the relevant kWh at each voltage level by the applicable FAC voltage adjustment factor and base factor. (Robin Kliethermes rebuttal, page 11, lines 3-18)

Staff recommends the Commission authorize Evergy to defer the incremental financial impacts of the following:

- Expenses related to the protection of employees and customers such as cleaning supplies, personal protective equipment, and temperature testing;
- Information technology-related expenses incurred to enable employees to work from home including hardware, licensing and connectivity costs
- Bad debt expense in excess of levels included in the cost of service established in the most current rate case;
- Waived late payment fees in excess of amounts included in the cost of service established in the most current rate case;
- Preparation and any actual sequestration of employees;
- Costs related to new assistance programs implemented to aid customer with the payment of electric bills; (Kimberly K. Bolin rebuttal, page 3, lines 9-30)

Inclusion of carrying costs in a deferral has rarely been authorized by the Commission. Since the appropriateness of applying carrying costs to deferrals is essentially a ratemaking determination, Staff recommends the Commission wait until Evergy's next general rate case proceeding to decide the recovery of carrying costs. (Kimberly K. Bolin, rebuttal, page 13, lines 3-6)

4. Should the Commission adopt a sunset provision in connection with the AAO and, if so, how should it be structured? Should any sunset provision include the opportunity for the AAO to be extended?

Staff recommends Evergy's deferral begin March 1, 2020, and end February 28, 2021. Because AAO deferrals should be strictly limited to the duration of extraordinary event impacts, normally there will be a relatively short period of time in which a utility is allowed or is able to defer costs through an AAO application. However, due to the current uncertain duration of the COVID-19 pandemic, Staff's position is that allowing Evergy to defer COVID-19 pandemic costs for an initial 12-month period is reasonable. If Evergy can demonstrate material continuing financial impacts on it related to the COVID-19 pandemic after February 28, 2021, Staff would not be opposed to entering into discussions with Evergy and other parties concerning a possible extension of the deferral at that time, or granting of a new AAO request. (Kimberly K. Bolin rebuttal, page 6, lines 14-23)

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

While some of the recommended reporting items presented in the pre-filed testimony in this matter may be outside the scope of this AAO application, it may be appropriate for the Commission to require certain reporting relevant to the costs and savings that occur as a result of COVID-19 activities. (Natelle Dietrich surrebuttal, page 6, lines 4-10)

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

NHT provides a lot of good information related to the effects of COVID-19 on vulnerable populations. This data and information would be very useful in the Commission's consideration of best practices for recovery of past-due utility customer payments after the COVID-19 Pandemic Emergency in File No. AW-2020-0356 ("Pandemic Docket"). Staff encourages NHT to file this information in the Pandemic Docket because these recommendations are outside the scope of the Commission's consideration of Evergy's present AAO application as they are conditions designed to assist the customer in managing arrearages and not related to the questions of whether the costs that are subject of Evergy's request for special accounting treatment for COVID-19-related costs are extraordinary and material. (Natelle Dietrich surrebuttal, pages 3-4)

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

These recommendations are outside the scope of the Commission's consideration of Evergy's AAO application as they are conditions designed to assist the customer in managing arrearages and not related to the questions of whether the costs that are subject of Evergy's request for special accounting treatment for COVID-19-related costs are extraordinary and material. (Natelle Dietrich surrebuttal, pages 3-4)

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

Staff takes no position on this issue at this time.

WHEREFORE, Staff submits its *Statement of Positions* for the Commission's consideration.

Respectfully submitted,

/s/ Jamie S. Myers

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 16th day of September, 2020, on the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Jamie S. Myers