

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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

**POSITION STATEMENT OF
EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST**

COME NOW Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) and Evergy Missouri West, Inc. (“Evergy Missouri West”) (collectively, “Evergy”), and for its *Position Statement* 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?

Evergy Position: Yes. On March 13, 2020 the President of the United States issued a Proclamation declaring that “the outbreaks of the coronavirus disease (COVID-19) that has now spread globally” constituted a “national emergency” as of March 1, 2020 under the National Emergencies Act. The Proclamation noted that the Secretary of Health and Human Services had declared a public health emergency on January 31, 2020 under Section 319 of the Public Health Service Act, in response to COVID-19. The Federal Energy Regulatory Commission recognized this declaration in its Statement of Policy issued on April 2, 2020 in Docket No. PL20-5-000. President Trump’s Proclamation referenced the World Health Organization’s announcement on March 11, 2020 that, based upon the “alarming levels of spread and severity” of the disease around the world, the COVID-19 outbreak “can be characterized as a pandemic.”

At Governor Michael L. Parson's direction, the Department of Health and Senior Services ("DHSS") issued a series of orders closing schools, government offices, and businesses to prevent the further spread of COVID-19 through the end of May 2020. See DHSS Order (Apr. 3, 2020); DHSS Order (Apr. 27, 2020). A number of local governments in Evergy's Missouri service territory designated electricity and related energy businesses as "essential" and issued stay-at-home or shelter-in-place orders in April that affected all aspects of economic activity into May. See Fourth Amended Order 20-01, City of Kansas City (Apr. 30, 2020) (effective through May 31, 2020); Fourth Amended Declaration and Order, City of St. Joseph (Apr. 30, 22 2020) (effective through May 31, 2020).

Although governmental restrictions have been relaxed since those orders were issued, the State of Missouri and its local communities have seen increases in both positive cases of COVID-19 and deaths. The Covid-19 Pandemic of 2020 has been extraordinary and virtually unprecedented in modern history. (Ives Direct, pp. 6-7) The Company does not believe that the Commission is required by the USOA to use General Instruction No. 7 in determining whether to grant accounting authority orders ("AAOs") and deferral accounting, and the Commission has authorized the use of deferral accounting on numerous occasions without reference to General Instruction No. 7. There is nothing in Instruction 7 that discusses the establishment of regulatory assets or regulatory liabilities, which is what Evergy has asked the AAO to authorize. The instruction's closing references to Accounts 434 ("Extraordinary income") and 435 ("Extraordinary deductions) have nothing to do with deferral accounting, or regulatory assets or liabilities. These accounts

appear in the section of the USOA relating to “Income Accounts” that contains a series of accounts in the 400’s, beginning with Account 400 (“Operating revenues”). Here the USOA directs where an item of extraordinary revenue or expense should appear “above the line” on a utility’s income statement. See Ives Surrebuttal, Sched. DRI-3 (Accounts 434-435).

By contrast, regulatory assets and regulatory liabilities are found in a different section of the USOA relating to “Balance Sheet Accounts” that contains a series of accounts in the 100’s and 200’s, beginning with Account 101 (“Electric plant in service (Major only).” Here the USOA directs that regulatory assets and liabilities are to appear in either Account 182.3 (“Other regulatory assets”) or Account 254 (“Other regulatory liabilities”) on the balance sheet. (Ives Surrebuttal, pp. 8-9)

2. Should the Commission approve the Application for an 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?

Evergy Position: Yes, the Commission should approve Evergy’s Application for an accounting authority order, as modified by the Company’s surrebuttal testimony.

In surrebuttal testimony, the Company recommends that the issue of carrying costs be deferred until the Company’s next rate case. (Ives Surrebuttal, pp. 36-37; Klote Surrebuttal, pp. 2-3) In addition, in the event the Commission decides not to authorize deferral of all pandemic-related revenue losses, the Company has proposed an alternative (i.e., lost fixed cost recovery) to the deferral of lost revenues (Ives Surrebuttal, pp. 20-22; Klote Surrebuttal, pp. 10-11)

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?

Evergy Position: The Commission should authorize the deferral of all items listed in 2 (a) through 2 (g) above and offset by item (h) above, as requested in Evergy's Application and modified in its surrebuttal testimony. These items will be tracked and deferred for consideration by the Commission for rate recovery in the operating utilities' next general rate cases.

With regard to connectivity costs in item 3d, the Company opposes MIEC/MECG witness Meyer's proposal to exclude connectivity costs from the deferral. Instead, the Commission should defer consideration of this issue until the Company's next rate case. (Klote Surrebuttal, pp. 11-12)

With regard to lost revenues, the Company requests that it be allowed to defer for possible recovery lost revenues that have resulted from load degradation across our Missouri service territory due to effects of the Pandemic. These lost revenues would be calculated as follows: Beginning in March 2020, actual billed monthly base retail revenue for residential, commercial and industrial classes will be compared to monthly revenues determined in the last general rate case for residential, commercial and industrial classes. In addition, actual billed monthly base retail revenue will include the following adjustments:

- An adjustment to weather normalize actual monthly billed sales will remove the effects of weather impacting revenue levels;
- An adjustment for reductions in billed monthly sales revenue recovered through the Missouri Energy Efficiency Investment Act (“MEEIA”) throughput disincentive;
- An adjustment for any new special contract customer related load since the last general rate case order; and
- An adjustment to eliminate the impact of customer growth that is not associated with the pandemic and not included in the last general rate case for Evergy Missouri Metro and Evergy Missouri West, respectively. (Klote Direct, pp. 4-5)

As an alternative, the Commission could order the deferral of pandemic-related lost fixed costs due the pandemic. Evergy and electric utilities in Missouri, much like most electric utilities across the country, recover a significant amount of the fixed costs of their system and operations in providing an essential and required

service to their customers through the variable kWh charge in the rates customers pay. In its simplest form, this means that the impact of lost revenues on shareholders is not just a result of the asymmetrical treatment of fuel costs and revenues, it is a much more significant issue due to many years of policy decisions that do not provide for recovery of fixed system and operations costs through fixed charges. As a result, lost load due to an extraordinary event such as a global pandemic like COVID-19 results in Evergy not adequately or appropriately recovering its fixed costs of operations as a result of policy decisions on customer rate design. The Commission should consider the potential magnitude of impact on Evergy of the policy decisions to recover fixed costs of operation through kWh rates paid by customers when there is an extraordinary event such as COVID-19 driving significant lost load from Evergy's customers and that granting the deferral of lost revenues as requested by Evergy would allow the Commission to fully consider the impact of this under recovery of fixed costs of operations to provide essential service to customers when determining rates in Evergy's next general rate case proceedings. (Ives Surrebuttal, pp. 20-22; Klote Surrebuttal, pp. 10-11)

Evergy will also track offsets to the cost increases it has experienced associated with the COVID-19 pandemic and will reduce the amount of the regulatory asset by any cost reductions caused by COVID-19 from amounts reflected in rates set in our last general rate case. Such offsets will likely include reduction in travel costs, office supplies, reduction in electricity and other costs at Evergy offices, and any related increase in weather normalized residential revenues

adjusted for customer growth since the last general rate case that will occur as a result of more people working from home.

With regard to carrying costs, Evergy agrees with Staff and MECG/MIEC witnesses that the Commission should defer consideration of the level of carrying costs until Evergy's next general rate case. (Klote Surrebuttal, pp. 11-12)

Staff witness Ms. Kliethermes makes the following arguments:

- the Company's calculation of lost revenues are not consistent with Staff's workpapers in the last rate case. (p. 2);
- the Company's weather normalization adjustment was not calculated in the same manner as done in Evergy's last rate case. (p. 9);
- the Company's revenue adjustment only calculates the revenue associated with the KWh adjustment at the margin and not the full-tariffed rate.

These are all rate case issues, and not issues related to whether pandemic-related costs and revenues are extraordinary and should be deferred for possible recovery in the next rate case. The Commission should not get bogged down in the minutia of these arguments in this proceeding. Instead, the Commission should address such concerns if they are raised in the next rate case.

The calculations referred to by Ms. Kliethermes in her testimony are calculations estimating the lost revenue impact provided in data request responses and include averages which have not gone through the thorough analytics that

would be provided in a rate case to support a company's claim for deferral. Yet, the amounts provided in response to data requests do provide the estimate and structural components that would be included in a rate case request. The Company has not recorded any lost revenue deferrals or made any requests in a rate case to date, yet the Company is in agreement with Ms. Kliethermes that rate case consistency in areas such as billing determinants and weather normalization should be used to support a company's calculation in a rate case. If the Commission orders a deferral of lost revenue the Company would work with Staff and their concerns in the next rate case or provide thorough reasoning on why the amount of specificity that Ms. Kliethermes dives into is not necessary. (Klote Surrebuttal, pp. 8-9)

Any issues related to customer growth should also be left for the next rate case. (Klote Surrebuttal, pp. 9-10)

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?

Evergy Position: No. The deferral period should commence on March 1, 2020 and end with the true-up date of the Company's next general rate case provided the Company files its next general rate cases by January 10, 2022. Both EMW and EMM are subject to a base rate freeze until December 6, 2021, by virtue of section 393.1655 RSMo. as a result of their elections to use PISA under section 393.1400 RSMo. It should be noted that Evergy's current plan is to file general rate cases for its Missouri operations in early January 2022 in order to make rates effective no later than December 6, 2022, which is necessary for Evergy to continue making use of fuel adjustment clauses for its Missouri operations. Evergy's position is that it would not be beneficial to the Company and our customers for the Commission to

take action – such as adoption of the sunset provision recommended by Staff and MECG/MIEC – that would cause the Company to file general rate cases earlier than otherwise planned.

If the Commission believes a sunset provision is needed, the Commission should sunset the pandemic deferral authority if Evergy Missouri Metro and Evergy Missouri West do not file general rate cases by January 10, 2022. (Klote Surrebuttal, p. 7)

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?

Evergy Position: Yes. Evergy proposes to file an annual report, with the first report filed no later than May 1, 2021, and no later than May 1 for each succeeding year until the end of the true-up period in each of the operating utilities' next respective general rate case filings, setting forth its costs incurred and revenues lost relating to COVID-19 during the preceding calendar year.

Although the Company is willing and able to provide the information it has proposed to be included in the periodic reports on a quarterly basis, thirty days after the end of the applicable quarter, only information for which deferral authority is granted should be included in the periodic reporting requirement. If the Commission grants authority to defer incremental costs (net of avoided costs) and lost revenue, all related to the pandemic, then it would be reasonable for the Commission to adopt Mr. Meyer's proposal which includes both cost and revenue information. If different deferral authority is granted, then the reporting requirement should be tailored and limited to be consistent with the deferrals

permitted by the Commission's order. In either event, the reporting should continue through the conclusion of the deferral period, which the Company proposes to end at the conclusion of the true-up period in Evergy's next general rate cases, which is expected to be June 30, 2022. (Klote Direct, p. 9: and Klote Surrebuttal, p. 13-18)

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?

Evergy Position: No. The Company already has Evergy's COVID-19 Customer Response Plan that we have fully developed and communicated to assist customers during this pandemic. Evergy has been an industry leader in our response to customers' needs during the COVID-19 pandemic. The Company was one of the first U.S. utilities to announce a voluntary moratorium on disconnection of service for non-payment. That moratorium included waving all charges, fees and deposits typically associated with non-payment or late payment of bills. The Company has continued to lead in development of alternative payment arrangement plans, including being one of only a handful of investor-owned utilities in the United States that offered payment programs offering bill credits for customers who made payment arrangements during the pandemic. These actions in combination with our aggressive customer communication and outreach, has reduced residential arrearages below pre-COVID-19 levels by the end of August. (Caisley Surrebuttal, pp. 2-4)

NHT's recommendations are outside the appropriate scope of this proceeding and should not be adopted. (Ives Surrebuttal, pp. 28-30)

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.

Evergy Position: No. As previously discussed in Issue 6 above, the Company already has a fully developed COVID-19 Customer Response Plan. (Caisley Surrebuttal, pp. 2-4)

OPC's recommendations are outside the appropriate scope of this proceeding and should not be adopted. (Ives Surrebuttal, pp. 28-30; and Ives Surrebuttal, pp. 1-3)

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

Evergy Position: None.

Respectfully submitted,

/s/ Robert J. Hack

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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/ Robert J. Hack

**Counsel for Evergy Missouri Metro and
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