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| Exhibit No.: | _____ |
| Issue(s) | Lost Revenues/ COVID-19 Related Expenses/ Bad Debt Expenses |
| Witness/Type of Exhibit: | Marke/Rebuttal |
| Sponsoring Party: | Public Counsel |
| Case No.: | EU-2020-0350 |

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. EU-2020-0350

August 17, 2020

**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)

VERIFICATION OF GEOFF MARKE

Geoff Marke, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my rebuttal testimony in the above-captioned case.

3. My answer to each question in the attached rebuttal testimony is true and correct to the best of my knowledge, information, and belief.



Geoff Marke
Chief Economist
Office of the Public Counsel

TABLE OF CONTENTS

| Testimony | Page |
|---------------------------|-------------|
| Introduction | 1 |
| Lost Revenues | 3 |
| COVID-19 Related Expenses | 10 |
| Bad Debt Expenses | 14 |

REBUTTAL TESTIMONY
OF
GEOFF MARKE
EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO
AND EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST
CASE NO. EU-2020-0350

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. I have been in my present position with OPC since 2014 where I am responsible for economic
7 analysis and policy research in electric, gas, and water utility operations.

8 **Q. Have you testified previously before the Missouri Public Service Commission?**

9 A. Yes. A listing of the Commission cases in which I have previously filed testimony and/or
10 comments is attached in Schedule GM-1.

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. My testimony responds to the testimony of Evergy Missouri Metro and Evergy Missouri West
13 (“Evergy”) witnesses Darrin R. Ives and Ronald A. Klote’s request for an Accounting
14 Authority Order (“AAO”) to allow Evergy to record and preserve costs related to COVID-19.

15 **Q. What is Evergy requested AAO include?**

16 A. Evergy’s AAO request can be seen as applying to three separate cost categories.
17 Importantly, Evergy is requesting carrying costs be applied across the board to each
18 category. The categories include:

- 19 1. Lost revenues;
- 20 2. Bad debt expenses; and
- 21 3. COVID-19 related expenses

1 For purposes of this testimony “lost revenues” and “bad debt expenses” are classified as
2 indirect costs. These are costs that have deviated from the normalized amounts reflected in
3 base rates due to the pandemic-related recession. On the other hand, “COVID-19 related
4 expenses” are classified as direct costs, or costs incurred to minimize COVID-19 exposure,
5 examples include purchases of personal protection equipment for employees, such as masks,
6 gloves, face shields and sanitizers. I discuss each of these costs as well as the beneficial offsets
7 at length in my testimony along with their applicability to the Commission’s historical AAO
8 criteria.

9 **Q. What is your position?**

10 A. My primary position is for the Commission to reject the AAO request as presently requested.
11 Evergy has not demonstrated that it has exceeded the materiality threshold historically utilized
12 by the Commission. Moreover, due to Evergy’s privileged status in being the sole provider of
13 essential electric service in its service territories, Evergy has been, and will continue to be,
14 overwhelmingly insulated from the same economic downturn relative to the examples of the
15 customers cited in its direct testimony. Existing rates also already compensate Evergy
16 shareholders with a healthy equity risk premium that factors uncertainty and extraordinary
17 events as it applies to a natural monopoly with its risk profile. Unlike the Royals baseball team,
18 Macy’s or the casino’s that Mr. Ives speaks to, Evergy’s unique franchised status and the
19 essential service it provides allows for a categorically lower risk threshold than what its
20 struggling, captive customers are experiencing.¹ In addition to my testimony, OPC witnesses
21 Schallenberg and Murray address both the accounting and financial risk exposure in greater
22 detail.

23
24

¹ Case in point, a total of 424 companies have gone bankrupt this year as of Aug. 9. This exceeds the number of
filings during any comparable period since 2010. See also, Irum, T & Hudgins, C. (2020) US bankruptcies on track to
hit 10-year high as pandemic rages on. *S&P Global*. [https://www.spglobal.com/marketintelligence/en/news-
insights/latest-news-headlines/us-bankruptcies-on-track-to-hit-10-year-high-as-pandemic-rages-on-59745245](https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-bankruptcies-on-track-to-hit-10-year-high-as-pandemic-rages-on-59745245)

1 **Q. What will your testimony address?**

2 A. I speak to each of the three cost categories and provide the Commission with the proper
3 regulatory and social context for these “asks”. The testimony will expound on risk
4 considerations, the uncertainty surrounding COVID-19, and the social economic obligations I
5 believe a regulated utility providing an essential service should strive for in serving the public
6 interest in the midst of this global pandemic.

7 **Q. Does your testimony provide any secondary positions for the Commission’s
8 consideration?**

9 A. Yes, although my primary recommendation is that the Commission reject the AAO request as
10 filed, I also believe that several consumer safeguards can result in at least some equitable risk
11 sharing of ratepayer-shareholder-management outcomes, and recommend the Commission
12 adopt them if the Commission elects to provide some measure of relief to Evergy. Those
13 secondary recommendations are limited to COVID-19 and bad debt related expenses.

14 I have no secondary recommendation as it pertains to Evergy’s request for lost revenues.

15 Accounting for the lost revenues from electricity sales that hypothetically may have
16 occurred but-for COVID-19 for future rate consideration is just one step away from
17 decoupling. Evergy is not entitled nor should it be allowed to burden its struggling
18 customers further with a decoupling risk adjustment that further shifts risk from
19 management and shareholders onto ratepayers in the form of lost revenues.

20 **II. LOST REVENUES**

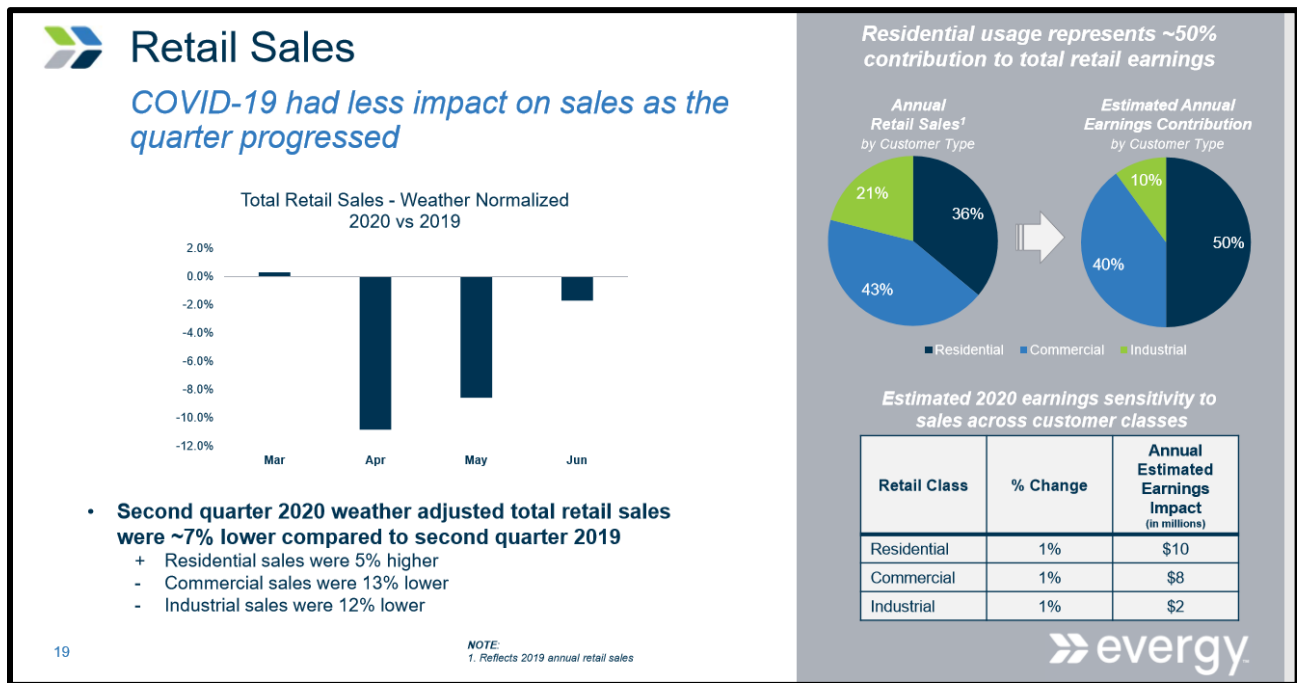
21 **Q. Why should the Commission reject Evergy’s request to defer lost revenues into an AAO?**

22 A. A non-exhaustive list of reasons is as follows:

23 First, the request for lost revenues does not meet the Commission’s historical materiality
24 threshold as articulated in OPC witness Schallenberg’s testimony. In fact, despite a U.S.
25 economy that experienced 20 consecutive weeks of over 1 million unemployment claims,
26 Evergy Inc. management experienced a 15.8% return on year-end equity as of June 30, 2020.

Second, rates already include a risk premium to reflect operational uncertainty as further articulated in OPC witness Murray’s testimony. Further insulating a natural monopoly with lost revenue deferral when it is not having a material impact on the Company’s financial position runs counter to sound economic regulation, given that regulation is supposed to serve as proxy for the market. Right now, “the market” is experiencing much greater fluctuations in risk and uncertainty than Evergy, because of Evergy’s unique franchised status and already accounted for risk premium. Importantly, that risk and uncertainty has swung more favorable for the Company since the filed testimony as reflected in its most recent 2nd Quarter Earnings Presentation and shown in Figure 1.

Figure 1: 2nd Quarter Evergy Earnings Call, Retail Sales: “COVID-19 had less impact on sales as the quarter progressed”²



Third, Evergy has continued to operate a business-as-usual approach with its demand side management (DSM) programs. It has not asked to freeze its MEEIA portfolio or its recovery

² Evergy (2020) Sustainability Transformation Plan: Second Quarter 2020 Results. August 5 <https://investors.evergy.com/static-files/c9951e42-61e6-425a-b899-9fd4d2955389> slide 19.

1 through the MEEIA surcharge in recognition of the economic uncertainty surrounding
2 COVID-19. Ratepayers have continued to pay the MEEIA surcharge but Evergy has also
3 accepted the risk that it may not meet its approved targets or earnings opportunity. As a result,
4 risk-reward symmetry has been maintained.

5 In April, at the onset of COVID-19 I personally approached both Staff and each of our electric
6 investor-owned utilities on whether the Commission-approved MEEIA and/or energy
7 efficiency programs (in the case with Liberty Utilities) needed to be frozen or altered in light
8 of the shelter-in-place standards and the economic fall-out within the economy. A copy of my
9 email on 4/13/2020 is as follows:

10 All:

11 Here is a brief outline of discussion points for tomorrow's discussion. Wanted to
12 give you heads up as to what I was thinking.

13
14 Thanks,
15 Geoff

16
17 EE discussion points

- 18 1.) Ratepayer concerns
19 a. Unemployment
20 b. Safety
21 c. Priorities in spending habits
22 d. Customer arrearages and costs
23 e. Need for program—loss of load
24 2.) Implementation concerns
25 a. Safety
26 3.) Utility concerns
27 a. Earnings opportunity
28 b. Affordability
29 c. Safety

30 Options:

- 31 1.) Business as normal
32 a. Customers continue to pay surcharge;
33 b. Programs continue to operate; and
34 c. Earnings targets remain as is
35 2.) Suspend EE delivery, EM&V and surcharge
36 a. Resume when agreed-to thresholds are reached (e.g., single-digit
37 employment, self-distancing removed, etc...).

1 3.) Something else?

2 a. IRP and “conditions” change such that new portfolio is necessary

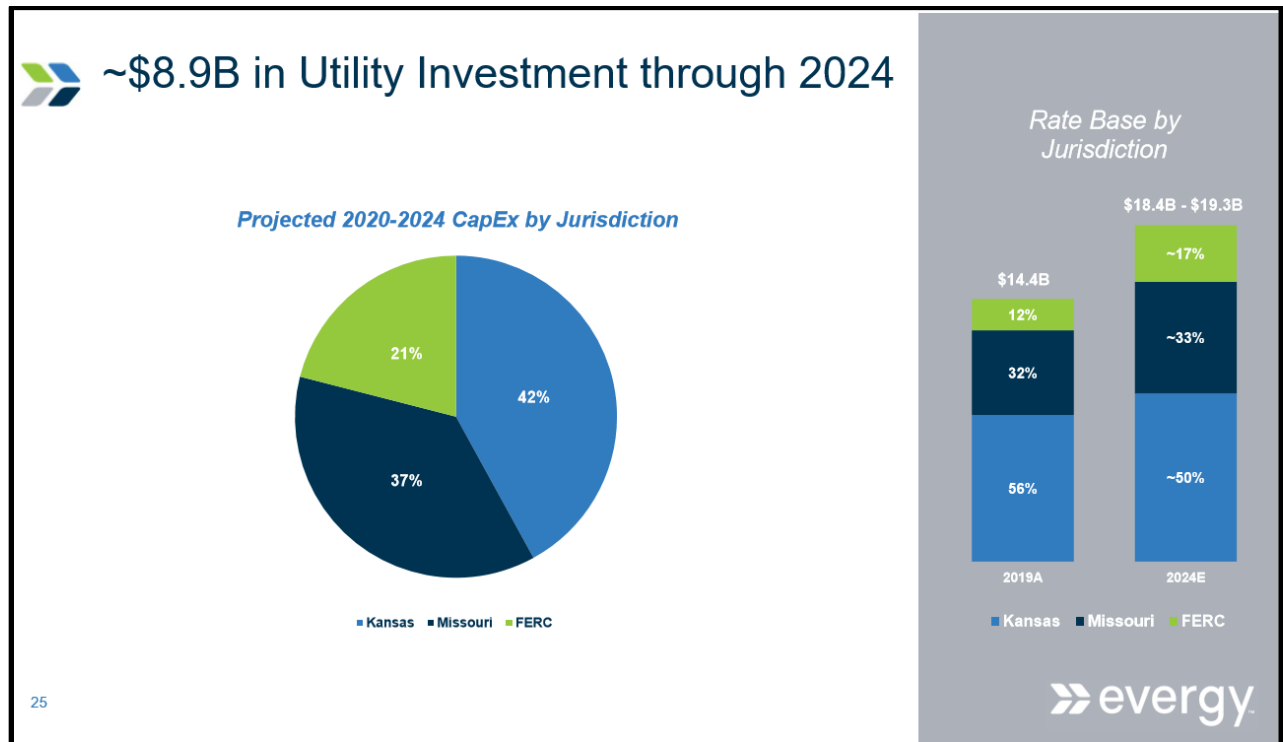
3 My rationale for sending that email was three-fold: 1.) To address the health risks inherent with
4 providing DSM program activity in closed spaces; 2.) Explore whether or not it would be
5 reasonable to alleviate the cost burden of the MEEIA surcharge temporarily while shelter-in-
6 place standards were being exercised, jobs were being lost and the disconnection moratorium
7 was in effect; and 3.) that the utilities DSM targets and, by extension, its earnings opportunity
8 may be negatively impacted as a result of the pandemic. Ultimately, it was decided collectively
9 that programs and collections would continue as designed as the utilities were confident that
10 no extraordinary intervention should occur. As a result, Evergy and Ameren elected to risk not
11 meeting their agreed-to targets and customers experienced no temporary relief in paying their
12 MEEIA surcharge. To be clear, even though I believe that ratepayers would have benefited
13 from the relief and saw no compelling reason to not pause programs for a short period, I
14 ultimately supported this decision because there was a symmetrical risk/reward tradeoff
15 between ratepayers and the Company. That is *not* the case with this proposal that is clearly
16 one-sided and unfair.

17 Fourth, contrary to the situation surrounding MEEIA, Evergy’s recently announced increase
18 in capital expenditures (CAPEX) is at odds with its request for the Commission to provide risk
19 relief intervention in the form of lost revenues. Only an insulated natural monopoly could
20 publically announce that it has “found” an additional \$6,254,000,000 more dollars in CAPEX
21 to spend less than five months in the middle of global economic recession, while also asking
22 the Commission for relief to defer lost revenues. Companies operating in the free market, in
23 the middle of an economic recession and “losing” revenues do not double-down and invest
24 more money exacerbating their cost of service. If they did, they would risk the solvency of
25 their company. Not so for a natural monopoly.

26 On March 2, 2020, Evergy Metro and West each filed revisions to its 5-year capital investment
27 plans (Case Nos: EO-2019-0045 and EO-2019-0047) enabled by its election of Plant-In-
28 Service-Accounting (“PISA”) legislation. The combined two-utility, 5-year PISA investment

1 was for approximately \$2,636,000,000 from 2020 to 2024. In less than five months in the
2 middle of global pandemic and economic recession, Evergy’s most recent 2nd quarter earnings
3 call revealed that Evergy management has found an additional \$6,254,000,000 in CAPEX
4 investment it plans on asking ratepayers to shoulder during that same time period. This increase
5 in CAPEX can be seen in Figure 2.³

6 Figure 2: Revised Utility Investment through 2024⁴



7
8 Evergy wants to have it both ways: build out rate base when customers are cutting back, but
9 highlight the “extraordinariness” of the COVID-19 recession if it means it can reduce risk to
10 its bottom line by shifting it back on to its customers.

³ Admittedly, the \$6 billion plus in additional CAPEX will include Kansas as well. Details as to how these investments are to be allocated have not materialized. However, it would be surprising to learn that all of the additional planned CAPEX will occur in Kansas, especially considering Evergy is prohibited from changing its Kansas rates until 2023.

⁴ ⁴ Evergy (2020) Sustainability Transformation Plan: Second Quarter 2020 Results. August 5 <https://investors.evergy.com/static-files/c9951e42-61e6-425a-b899-9fd4d2955389> slide 25.

1 Fifth, Evergy had an opportunity to elect PISA or decoupling. Although I am not an attorney,
2 my understanding is that PISA’s enacting legislation provided that electric utilities could either
3 elect PISA or a decoupling mechanism; not both. Evergy elected PISA. They should not get
4 the benefit of PISA along with an AAO that is a mere step away from decoupling just because
5 they experienced “some” of the economic fallout that the rest of its customers are experiencing.
6 Consider for a moment, that in the rare cases where the Commission has awarded decoupling
7 mechanisms to gas utilities, it has come with important consumer safeguards that do not allow
8 for lost revenues due to economic recessions such as what Evergy is requesting here. For
9 example, in Liberty Gas’s most recent rate case (Case No: GR-2018-0013) the Commission-
10 approved non-unanimous stipulation and agreement speaks to the conditions governing the
11 adoption of the Weather Normalization Adjustment Rider (“WNAR”) or weather decoupling
12 mechanism. The pertinent language states:

13 Adoption of a Weather Normalization Adjustment Rider (“WNAR”), in the form
14 attached to the rebuttal testimony of Staff witness Michael Stahlman, with
15 modifications to make the WNAR applicable to both the Company’s Residential and
16 Small General Service (“SGS”) classes and subject to the following terms, which,
17 where appropriate, are reflected in the specimen tariff sheets set forth in Attachment
18 1;

- 19
- 20 i. An initial notification to customers informing them of the decoupling process
21 by mail; public notification for any future adjustments; and a detailed
22 explanation of the process and adjustments on the Company’s website;
23
- 24 ii. Any given upward adjustment shall not be in excess of 5 cents per Ccf with
25 excess under-recovery carried over to future adjustments;
- 26
- 27 iii. **In the event of an economic recession**, as defined by the National Bureau
28 of Economic Research (“NBER”) which includes “a significant decline in
29 economic activity spread across the economy, lasting more than a few
30 months, normally visible in real GDP, real income, employment, industrial
31 population, and wholesale-retail sales” any revenue loss attributable to the
32 economic recession will not be adjusted for in the WNAR, recognizing that

1 the WNAR has already been designed to adjust only for the impact of
2 weather on customer usage. (emphasis added)

3 **Q. But what about Kansas? The Kansas Corporation Commission (“KCC”) awarded**
4 **Evergy an AAO for lost revenues. Shouldn’t Missouri follow Kansas’ lead?**

5 A. Missouri is not Kansas. The KCC’s decision to approve deferral of lost revenues needs to be
6 understood in its appropriate context. The KCC also froze Evergy’s rates until 2024. Missouri
7 ratepayers received no such benefit from the Westar/KCPL merger. To be clear, the KCC noted
8 that deferral of lost revenues is not a guarantee of future recovery. This is also true for the few
9 states that have explicitly opined in favor of deferral for lost revenues.

10 **Q. Has anyone explicitly denied a utility’s request for lost revenue deferral?**

11 A. Most COVID-19 related deferrals do not include lost revenues. But to provide an illustrative
12 example of a state that did reject lost revenues the Commission can look at Indiana.⁵ A
13 *UtilityDive* article entitled: “Regulators reject utility moves to recover revenue lost to COVID-
14 19 as analysts, advocates see trend continuing” the article provides the following three bulleted
15 points:

- 16 • A June 29 order from the Indiana Utility Regulatory Commission denied a multi-
17 utility request to defer costs and losses associated with COVID-19, and to recover
18 the lost revenue with temporary rate increases.
- 19 • The Wisconsin Public Service Commission has stopped similar actions, while
20 leaders in Michigan and Virginia have also expressed disapproval of revenue
21 recovery efforts by utilities.
- 22 • 'Absurd' requests by utilities to pass COVID-19 losses to consumers are unlikely to
23 get purchase with regulators in the near future, though long-term impacts may be
24 discussed in future rate cases, consumer advocates predict.⁶

⁵ See GM-2 for the Indiana Order.

⁶ Penrod, E. (2020) “Regulators reject utility moves to recover revenue lost to COVID-19 as analysts, advocates see trend continuing” *UtilityDive*. <https://www.utilitydive.com/news/regulators-reject-utility-moves-to-recover-revenue-lost-to-covid-19-as-anal/580899/>

1 The article quotes the Indiana Commission order by stating:

2 The Indiana Utility Regulatory Commission rejected this proposal, citing the
3 utilities' obligation to provide "safe, reliable service" in exchange for "just and
4 reasonable rates." "Asking customers to go beyond their obligation and pay for
5 services they did not receive is beyond reasonable utility relief based on the facts
6 before us," the order states.⁷

7 **III. COVID-19 RELATED EXPENSES**

8 **Q. Why should the Commission reject Evergy's request to defer COVID-19 related**
9 **expenses into an AAO?**

10 A. Not that COVID-19 related expenses couldn't be proper for an AAO, but Evergy's request
11 lacks specificity, particularly in regards to reporting (more on that in the next section). It omits
12 clearly identifiable offsets for consideration, and the termination date is unreasonably long
13 given the uncertainty of the environment. As proposed, it would be too easy to shift "other
14 costs" to the tracker that are not germane to COVID-19 and could very well be in place beyond
15 the pandemic's "high risk" duration.

16 Direct costs related to COVID-19 are not material by themselves today. It is uncertain whether
17 they ever will be barring an unforeseen event (e.g., a mass quarantine at power plant) given
18 that most of the direct costs for COVID-19 related safety measures center on employees
19 coming into close quarter contact with customers. The primary example that comes to mind
20 are meter readers, especially if said meter is inside a domicile. This is not a concern for Evergy.
21 Evergy's customers have paid hundreds of millions of dollars to have the "benefit" of not
22 having to worry about a meter reader approach their premise because of AMI hardware and
23 billing software investments.

24 It should be understood that Evergy has an obligation to reduce its discretionary expenses to
25 minimize cost impacts to ratepayers just like every other business is doing. My fear is that
26 absent an order directly requiring it to, it won't. An approved Evergy AAO for COVID-19
27 related costs must include realized operational and capital offsets to provide symmetrical

⁷ Ibid.

1 benefits to its captive customers. A non-exhaustive list of cost savings that the Commission
2 could tie into Evergy's AAO include:

- 3 • Use of Short-term debt;
- 4 • Reduced allocation of costs from shared services or parent organizations due to cost
5 reductions experienced at those entities;
- 6 • Reduced O&M including travel, office expenses, power and supplies;
- 7 • Reduced income and revenue taxes;
- 8 • Deferral of capital projects that will not affect reliability or safety;
- 9 • Any federal or state assistance Evergy receives related to COVID-19 relief;
- 10 • Reduced salaries and wages to reflect reduced labor expenses (e.g from reduced
11 overtime, furloughs, scaled back services);
- 12 • Reduced incentive pay or employee bonuses to reflect current economic
13 circumstances; and
- 14 • Reduced chief executive officer ("CEO") and named executive officers ("NEO")
15 compensation.

16 To that end, I also recommend that within two weeks of Commission approval and on a
17 quarterly basis until the Commission designated termination date, Evergy West and Evergy
18 Metro be required to file separate quarterly reports in this docket and submitted within 15
19 days of the end of each quarter with the following information:

- 20 • A detailed identification of monthly weather normalized revenue by customer class,
21 during the pandemic;
- 22 • A detailed identification of revenue changes by customer class, both increases and
23 decreases, during the COVID-19 pandemic;
- 24 • The impact COVID-19 has had on Evergy's capital expenditure program during the
25 previous quarter;
- 26 • Any issuances of short-term and long-term debt during the previous quarter and the
27 all-in costs at which that financing was issued;

- 1 • The embedded cost of short-term debt for that quarter;
- 2 • Updated and most recent credit metrics calculated by Evergy or provided to the
- 3 Company by nationally recognized credit rating agencies;
- 4 • Any correspondence with nationally recognized credit rating agencies and equity
- 5 analysts during the previous quarter;
- 6 • Copies of credit rating agencies and equity analysts' reports published during the
- 7 previous quarter;
- 8 • A list of reductions and their cost savings (to date) made to capital, operational and
- 9 discretionary expenses as articulated above in this testimony to minimize cost
- 10 impacts to ratepayers; and
- 11 • A list of COVID-19 related expenses and their respective amount that the Company
- 12 incurred to ensure safe and reliable service.

13 If the KCC order granting Evergy's AAO request is to be a guide for anything, then this
14 Commission should consider the same or similar reporting requirements I recommend here.

15 **Q. Are other large publically traded companies' CEO and NEO's compensations being**
16 **reduced to reflect a "we are all in this together" philosophy of shared misery?**

17 A. Yes. The website, *The Conference Board*, in collaboration with the research outfit of Semler
18 Brossy and ESGUAGE have been monitoring SEC Form 8-K and 10-Q filings by Russell 3000
19 companies. They have identified (as of July 10th) 636 companies whose leadership (defined as
20 some variation of CEO, other NEOs, other Senior Executives, and/or Board of Directors) have
21 implemented a pay reduction in the form of some combination of a cut to base salaries, annual
22 bonuses and/or board cash retainers.⁸ That is, these 636 companies' leadership recognized that
23 it was in its private interest to produce costs savings in any way possible. I see no compelling

⁸ Emanuel, M. et al (2020) Executive and Director Compensation Reductions in the COVID-19 Era: An ongoing review of Russell 3000 disclosures. *The Conference Board*. <https://conferenceboard.esgauge.org/covid-19/payreductions>

1 reason why this competitive market example should not be at play here in serving the “public
2 interest” when we look at an insulated public utility.

3 Consider for a moment that Evergy CEO Terry Bassham has been compensated with more
4 than \$17 million dollars in the past three years according to the Energy and Policy Institute as
5 shown in Table 1.⁹

6 Table 1: Terry Bassham’s 3-year compensation¹⁰

| Utility | CEO | 2017 | 2018 | 2019 | 2017-2019 |
|---------------|--------|-------------|-------------|-------------|--------------|
| Terry Bassham | Evergy | \$5,187,320 | \$6,843,344 | \$5,793,975 | \$17,824,639 |

7 For comparative purposes, consider that his three-year compensation alone would offset
8 Evergy’s request, and that this salary is less than the publically supported salary of the
9 University of Missouri’s head football coach.¹¹

10 **Q. Has Evergy’s senior leadership voluntarily reduced their compensation like the other 636
11 financially struggling companies identified in the data set?**

12 **A.** Not according to OPC-DR 2012 and 2013.¹²

13 If Evergy wants to compare its situation to its competitive market counterparts it should at least
14 walk the walk in terms of cost reductions it can control—just like its competitive market
15 counterparts.

16 ⁹ Note that this salary does not include shares in Company stock worth over \$11 million.

¹⁰ Smyth, J. (2020) Utility CEOs received over \$1 billion in executive compensation from 2017-2019. Energy and Policy Institute. <https://www.energyandpolicy.org/utility-ceo-compensation-2017-2019/>

¹¹ Matter (2019) Drinkwitz’s contract as Mizzou football coach will pay \$4 million a year. *St. Louis Post Dispatch*. https://www.stltoday.com/sports/college/mizzou/drinkwitzs-contract-as-mizzou-football-coach-will-pay-4-million-a-year/article_4f6d5e1e-2fc2-50cb-a9ca-ea8c9ebfdb2f.html

¹² See GM-3 and GM-4.

1 **III. BAD DEBT EXPENSES**

2 **Q. Why should the Commission reject Evergy's request to defer bad debt related expenses**
3 **into an AAO?**

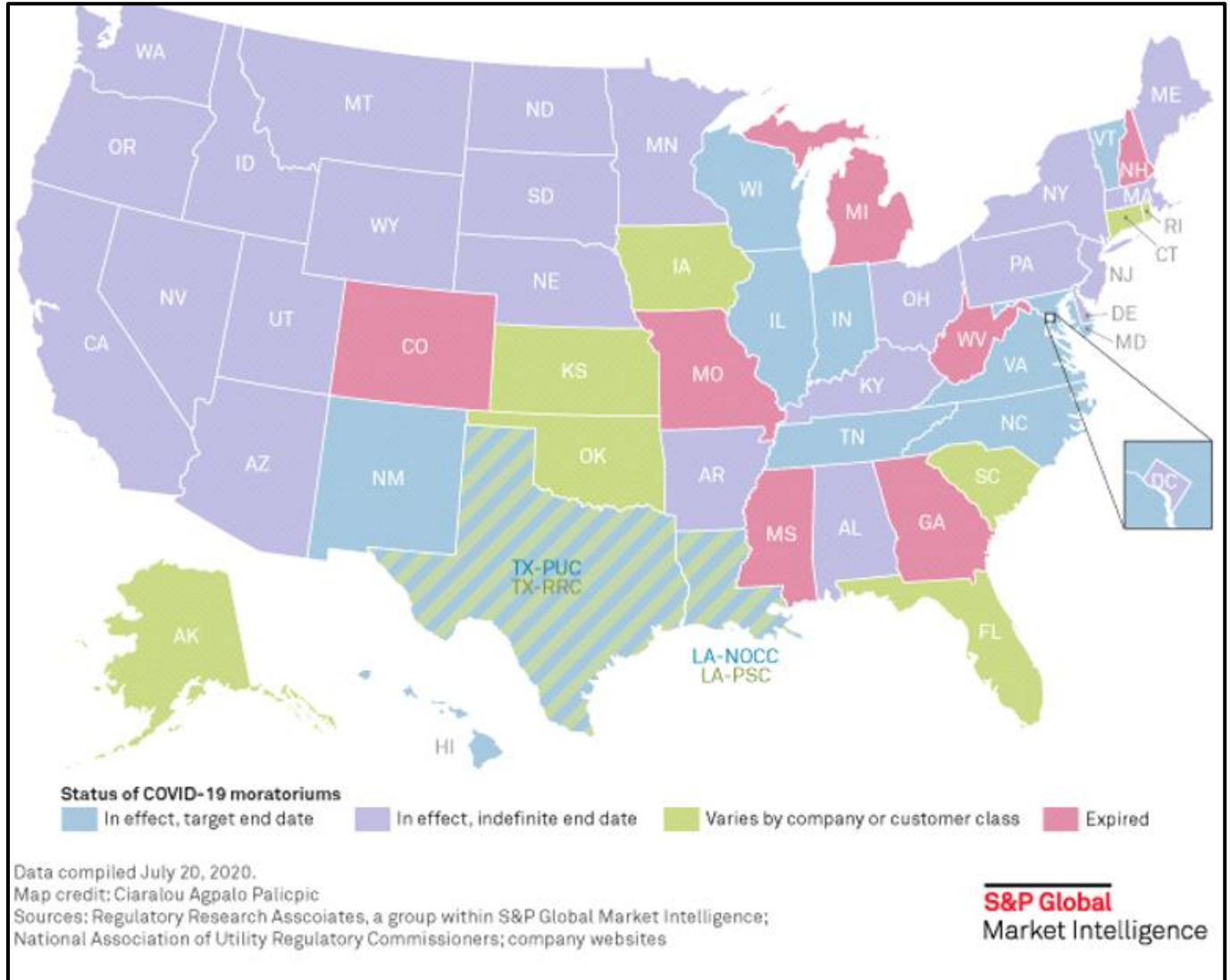
4 A. Because it has not gone far enough in providing long-lasting, meaningful payment plan
5 incentives and related customer protections.

6 Let me be clear; Evergy was correct to suspend disconnections from March onward during the
7 early stages of the COVID pandemic, but customers must be afforded greater options to help
8 ensure continued essential services before granting an AAO.

9 **Q. Can you provide some context for utility disconnection practices across the United States**
10 **during the past five months?**

11 A. Yes. To blunt the spread of COVID-19, most of the U.S. was on mandated lockdown with
12 moratoriums in place to prevent utility disconnection beginning in March. The
13 disconnection moratoriums were (or are still) in place for all investor-owned electric utilities
14 across the United States either because of direct government order or self-imposed by the
15 utility management. Figure 3 provides a visual breakdown of utility disconnection
16 moratorium status across the United States as of July 20, 2020 per S&P Global.

1 **Figure 3: Status of US COVID-19 utility service disconnection moratoriums¹³**



2
3 **Q. Do you believe the self-imposed disconnection moratorium should still be in place?**

4 A. No. I support Everyg's decision to lift the disconnection moratorium out of fear that customer's
5 bad debt will increase to levels that may prove too difficult to overcome if left in place. This is
6 a balancing act that requires constant attention. To be clear, this is my position today based on

¹³ Federico, L. (2020) "As COVID-19 Wears On, Regulators Examine Moratorium Extensions, Cost Recovery" *S&P Global* <https://www.spglobal.com/marketintelligence/en/news-insights/blog/as-covid-19-wears-on-regulators-examine-moratorium-extensions-cost-recovery>

1 the available evidence before me and could very well change if future information supports it.
2 No doubt, many customers are experiencing harsh economic realities including lost
3 employment, decreased salaries and/or increased expenditures. However, based on the
4 Company's weekly empirical arrearage amounts it appears that many customers, if given the
5 choice, would elect to not pay their electric bill if they knew they could put it off. This is
6 entirely rationale behavior when a household budget is constrained and needs are prioritized to
7 make ends meet, but the disconnection moratorium has had the unintended effect of
8 discouraging some customers from seeking out available assistance. For example, Low-
9 Income Home Energy Assistance Program ("LIHEAP") applications have been below historic
10 averages throughout the summer despite the recession. Consequently, federal funding (which
11 was increased because of the CARES Act) to help alleviate the financial stress related to utility
12 service has gone unspent relative to what one would expect.

13 We need customers to address their obligation to cover their cost of service especially if there
14 is outside funding that is available for them to do it. That being said, I recognize that not all
15 customers are eligible for LIHEAP funding and that from a public health perspective, it may
16 be necessary to impose a disconnection moratorium again in the future (e.g., if a locality were
17 to impose shelter-in-place orders). Because of the uncertainty surrounding both the pandemic
18 and the economy we need to be flexible and adapt bad debt and disconnection policy when and
19 where appropriate. I believe the secondary recommendations outlined later in my testimony
20 will help work towards accomplishing that objective.

21 **Q. What has Evergy done to date when it comes to bad debt and customer-side payment**
22 **arrangements?**

23 A. Evergy has stepped up its customer outreach, particularly for high-risk customers that include
24 low-income, the elderly and medical needs customers who have accumulated large arrearages
25 for payment plans and outside assistance. I have had the opportunity to monitor this activity
26 for the past five months and I believe Evergy has done commendable work in this area.

1 The second activity that Everygy should be praised for is its willingness to think outside-the-
2 box when it comes to proposing an incentive payment plan to induce customer collections. In
3 Case No: EO-2020-0383, the Commission approved two limited COVID-19 payment options
4 including a “Pay Now” option that contributed up to 10% or up to \$100 in bad debt forgiveness
5 and a 4-month payment plan with up to \$100 in bill credits. Additionally, the Company
6 effectively extended its Cold-Weather rule payment plan of 12 months for customers who need
7 more time.

8 I consider the Company’s incentive payment plans real progress in terms of their conceptual
9 idea—namely a carrot instead of a stick. However, their design has proven to be less than
10 effective in practice.

11 **Q. What do you mean?**

12 A. The two “incentive” payment arrangements have resulted in only a very small number of
13 customers receiving the financial incentives, namely those who have disposable income to
14 meet their bad debt over a short period. Table 2 provides program participation numbers as of
15 July 15.

16 Table 2: Payment Arrangement Credits by Program, Utility and Month

| Program | June | July | Total |
|------------------|-------------|-------------|--------------|
| One-Month West | 37 | 60 | 97 |
| One-Month Metro | 37 | 67 | 104 |
| Four-Month West | 149 | 220 | 369 |
| Four-Month Metro | 230 | 329 | 559 |
| Totals | 453 | 676 | 1,129 |

17
18 Assuming that all of the four-month participants continue their arrangements and no new
19 participants, this would result in a total of \$112,900 in “incentive” revenue or \$100 for each of
20 the 1,129 customers to help outstanding bad debt. These low participation numbers are
21 concerning and I believe are due to the narrow payment parameters. It is highly likely that the

1 one-month participants are “free riders.” That is, customers who would have paid their utility
2 bill regardless of the incentive.

3 **Q. Will these “incentive” amounts be collected below (shareholders) or above (ratepayers)**
4 **the line?**

5 A. That has not been determined at this point.

6 **Q. Do you have other concerns surrounding the payment plans as the Company has**
7 **designed?**

8 A. Yes. The “incentive” payment plans and non-incentive 12-month plan enrollment window will
9 expire at the end of August. For perspective, Evergy is requesting accounting relief for at least
10 the next two years while customer incentive relief expires in two weeks. This hardly seems fair
11 or in the public interest as the economic recession is not likely to subside before Labor Day.

12 **Q. What does the term “public interest” mean to you within the context of this case?**

13 A. I believe it means that “we”, the customers, shareholders and Evergy management *are* in this
14 together. That should be recognized, to the extent possible, in an equitable sharing of the risks,
15 misery, and uncertainty that *we* are experiencing.

16 To quote Evergy CEO Terry Bassham’s concluding message to the Evergy community at large
17 as it pertains to the COVID-19 pandemic on the Company’s YouTube channel:

18 “I’m here to let you know that Evergy employees are working every day for you. And
19 they are proud of what they do. And I’m proud to be with them working for you.

20 **We are in this together... We are going to power through this... together.**

21 (emphasis added).¹⁴

22
23
24
25

¹⁴ Bassham, T. (2020) “We’re here for you. A message from our CEO, Terry Bassham” *Evergy*.
<https://www.youtube.com/watch?v=Cjk7gXZsuj8&feature=youtu.be>

1 **Q. What are your recommendations regarding bad debt and payment plans?**

2 A. First, I recommend that the disconnection and reconnection fees be waived for the duration of
3 any approved AAO. Evergy's policy on disconnection and reconnection fees should be
4 amended regardless of the pandemic as it has AMI, which should greatly reduce or eliminate
5 the true cost of service associated with the disconnection/reconnection process. I may not have
6 that same recommendation for a utility that cannot remotely disconnect a customer.

7 Second, I recommend that Evergy cease full credit reporting on its customers for the duration
8 of an AAO. Evergy should minimize maintaining "stick" policies to encourage arrearage
9 management to the extent possible. Full credit reporting has little empirical support in the
10 utility sector anyway.¹⁵ There *may* be a place for such a practice during the normal course of
11 business, but it is inappropriate now.

12 Third, it is my understanding that Evergy intends to waive late payment fees and deposits until
13 December 31, 2020. I support this policy and am inclined to recommend that late payment fees
14 and deposits be waived for the duration of any approved AAO as well. I also would not be
15 opposed to reexamining whether this policy should be reinstated at a future point during the
16 duration of an AAO based on further empirical data or emerging best practices.

17 Fourth, I recommend that within two weeks of Commission approval and on a quarterly
18 basis until the Commission designated termination date, Evergy West and Evergy Metro be
19 required to file separate quarterly reports in this docket and submitted within 15 days of the
20 end of each quarter with the following information:

- 21 • The number of customers, by customer class;
- 22 • The number of customers, by customer class, voluntarily disconnected by month;
- 23 • The number of customers, by customer class, involuntarily disconnected by month;
- 24 • Number of utility reconnections, reported by month;

¹⁵ Burr, S. & V. Carlson (2007) Utility payments as alternative credit data: A reality check. Brookings Institute.
https://www.brookings.edu/wp-content/uploads/2016/06/20070319_alternativecredit.pdf

- 1 • Number of customers on a utility payment plan, by payment plan type (including
2 budget billing), by month;
- 3 • Total \$ amount of arrearages by customer class;
- 4 • The number of accounts in arrearage by customer class in increments of \$100 (e.g.,
5 less than \$100, \$101 to \$200, etc...) by month;
- 6 • The range of arrearage amounts by customer class (i.e., current high and low dollar
7 amount) and the mean average;
- 8 • The percentage of involuntary disconnections by customer class by four-digit zip
9 code area along with the supporting numbers (i.e., number of accounts relative to
10 number of accounts involuntarily disconnected) by month;
- 11 • A quantification of total past-due customer arrearages and number of customers
12 experiencing arrearages, that are thirty, sixty, and ninety days or more late in
13 payment, reported by month; and

14 Costs should be tracked by month in the initial and later quarterly reports. These reporting
15 parameters will help ensure a thorough account of the expenses and benefits incurred and
16 provide meaningful metrics to indicate if further actions are necessary regarding customer
17 disconnections.

18 Fifth, I recommend that Evergy expand its 12-month payment through the duration of an AAO.
19 A longer payment duration is not unusual for many utilities and the current economic climate
20 suggests that many households will likely need longer than 12 months to return to normal.

21 Sixth, Evergy should be required to modify its incentive program to include a matching of
22 dollar-for-dollar on bad debt and arrearage accumulated as of the date entered into the
23 payment arrangement. That is, customers electing to participate in this incentive program
24 would have to maintain payments on their current bill but each dollar they paid towards
25 their arrearage would be matched by the Company. Eligible customers would include
26 customers below 200% poverty and/or customers who can prove they were laid off since
27 March. If a customer cannot meet their current monthly bill they would be removed from

1 the incentive program. These incentive-matching dollars should be booked below-the-line
2 to hold other customers harmless. I also would not be opposed to reexamining whether this
3 incentive plan should be modified at a future point during the duration of an AAO based on
4 further empirical data or emerging best practices.

5 **Q. Has the Commission approved anything like your sixth recommendation before?**

6 A. Yes. As part of Liberty Utilities acquisition of the Empire District Electric Company in Case
7 No: EM-2016-0213 the Commission-approved a stipulation and agreement entered into by
8 OPC and Liberty Utilities which included condition #21 on page 7 that states:

9 For existing (as of the date of the approved stipulation) bad debt and arrearage
10 related to customers who received benefits through a low income program will be
11 matched by the Company (below the line) dollar (customer) for dollar (Company)
12 assuming that the customer account remains current for a period of at least 12
13 months after reconnection. This program shall be in place for a period of 18 months
14 from the Transaction.

15 From my perspective an extension of the payment plans and matching of incentives under
16 the parameters I described along with the other five recommendations is a more than
17 reasonable concession for Evergy to make for its request as it pertains to bad debt deferral
18 in the middle of an economic recession and a global pandemic. Customers should have a
19 greater incentive to stay current and pay down their bill. Federal assistance funds are spread
20 to more households and the Company should have more customers who will stay on to the
21 system than they otherwise would.

22 **Q. Do you have any final comments to make?**

23 A. The risk reward premium enjoyed by shareholders for electing to invest in Evergy as opposed
24 to Macy's has already been accounted for in the Company's approved ROE. Further departure,
25 especially under these circumstances, departs from sound economic regulatory standards and
26 inevitably elicits the question of whether the State of Missouri should just instead assume
27 public ownership and operation of the utility if the Company can use deferral accounting to
28 further shield itself from risk exposures that don't even meet the minimum materiality
29 threshold.

1 Missouri is not Kansas. Evergy's Missouri ratepayers do not have the privilege of having a rate
2 freeze due to the Company's latest merger. And based on Evergy's latest earnings call,
3 Missouri's ratepayers (those that can still pay) are no doubt going to be asked to shoulder even
4 greater costs in the near future for the Company's sudden newly identified aggressive CAPEX
5 spend in the near-future. If the Company is serious about its claim that "we are all in this
6 together" then it should drop the lost revenue request and work with stakeholders towards
7 adopting the secondary recommendations I have articulated in this testimony. Absent a suitable
8 agreement amongst the parties providing for a sharing of risk between Evergy and its
9 customers, I recommend that the Commission reject Evergy's request for deferral of lost
10 revenues and condition any approval of COVID-19 related expenses and bad debt expenses on
11 the secondary recommendations I have outlined.

12 **Q. Does this conclude your testimony?**

13 **A. Yes.**

**CASE PARTICPATION OF
GEOFF MARKE, PH.D.**

| Company Name | Employed Agency | Case Number | Issues |
|---|--------------------------------|------------------------------|--|
| Evergy Missouri West & Evergy Missouri Metro | Office of Public Counsel (OPC) | EU-2020-0350 | Rebuttal: Authorized Accounting Order for: Lost Revenues /COVID-19 Expenses / Bad Debt Expense |
| Empire District Electric Company | OPC | EO-2020-0284 | Memorandum: Customer Savings Plan / Stateline Combined Cycle Upgrade / DSM / COVID-19 Impact on Modeling / Executive Order on Securing the US Bulk-Power System / SPP Effective Load Carrying Capability / All-Source RFP |
| Evergy Missouri West | OPC | EO-2020-0281 | Memorandum: Wind Power PPAs / DSM / COVID-19 Impact on Modeling / Executive Order on Securing the US Bulk-Power System / SPP Effective Load Carrying Capability / Utility-Scale Solar / All-Source RFP |
| Evergy Missouri Metro | OPC | EO-2020-0280 | Memorandum: Wind Power PPAs / DSM / COVID-19 Impact on Modeling / Executive Order on Securing the US Bulk-Power System / SPP Effective Load Carrying Capability / Utility-Scale Solar / All-Source RFP |
| Empire District Electric Company | OPC | ER-2019-0374 | Direct: Cost and Quality of Service, Stranded Asset, AMI/CIS deployment Rebuttal: Customer Experience / Weather Normalization Rider / Energy Efficiency / Low-Income Pilot Program Rebuttal: Class Cost of Service / Rate Design / Low Income Pilot Program Surrebuttal: Cost and Quality of Service / Reliability Metrics / Asbury Power Plant / Rate Design & CCOS / DSM Programs |
| Union Electric Company d/b/a Ameren Missouri | OPC | EA-2019-0371 | Rebuttal: Solar + Storage |
| Union Electric Company d/b/a Ameren Missouri | OPC | ER-2019-0335 | Direct: Keeping Current Bill Assistance Program Rebuttal: Smart Energy Plan, Keeping Current, Coal Power Plants, CCOS, Rate Design, Pure Power RECs Surrebuttal: Coal Power Plants |
| Rule Making | OPC | AW-2020-0148 | Memorandum: Residential Customer Disconnections and Data Standardization |
| Empire District Electric Company /Kansas City | OPC | EO-2020-0047 EO-2020-0046 | Memorandum: Additive Manufacturing, Cement Block Battery Storage, Virtual Power |

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| Power & Light & KCP&L Greater Missouri Operations Company/Union Electric Company d/b/a Ameren Missouri | | EO-2020-0045 EO-2020-0044 | Plant, Customer-Side Renewable Generation, Historical Review of energy forecasts (KCPL, GMO and Empire-Specific) and Rush Island and Labadie Power Plant Environmental Retrofits (Ameren specific) |
| Union Electric Company d/b/a Ameren Missouri | OPC | EA-2019-0309 | Rebuttal: Need for the Wind Project/ Economic Valuation / Pre-Site Energy Assessment Omissions |
| KCP&L Greater Missouri Operations Company & Kansas City Power and Light Company | OPC | EO-2019-0132 | Rebuttal: Response to KCPL’s MEEIA application, Equitable Energy Efficiency Baseline, WattTime: Automated Emissions Reduction, PAYS, Urban Heat Island Mitigation Surrebuttal: Market Potential Study, Single Family Low-Income |
| KCP&L Greater Missouri Operations Company | OPC | EC-2019-0200 | Surrebuttal: Deferral Accounting and Stranded Assets |
| Union Electric Company d/b/a Ameren Missouri | OPC | ED-2019-0309 | Memorandum: on the “Aluminum Smelter Rate” |
| KCP&L Greater Missouri Operations Company | OPC | EO-2019-0067 | Rebuttal: Renewable Energy Credits |
| Union Electric Company d/b/a Ameren Missouri | OPC | EO-2019-0314 | Memorandum: Notice of Deficiency to Annual IRP Update |
| Rule Making | OPC | WX-2019-0380 | Memorandum: on Affiliate Transaction Rules for Water Corporations |
| Working Case: Evaluate Potential Mechanisms for Facilitating Installation of Electric Vehicle Charging Stations | OPC | EW-2019-0229 | Memorandum: on Policy Surrounding Electric Vehicles and Electric Vehicle Charging Stations |
| Rule Making | OPC | EX-2019-0050 | Memorandum on Solar Rebates and Low Income Customers |
| Union Electric Company d/b/a Ameren Missouri | OPC | GR-2019-0077 | Direct: Billing Practices Rebuttal: Rate Design, Decoupling, Energy Efficiency, Weatherization, CHP |
| Empire District Electric Company | OPC | EA-2019-0010 | Rebuttal: Levelized Cost of Energy, Wind in the Southwest Power Pool Surrebuttal: SPP Market Conditions, Property Taxes, Customer Protections |
| Empire District Electric Company /Kansas City Power & Light & KCP&L Greater Missouri Operations Company/Union Electric | OPC | EO-2019-0066 EO-2019-0065 EO-2019-0064 EO-2019-0063 | Memorandum: Additive Manufacturing and Cement Block Battery Storage (IRP: Special Contemporary Topics) |

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| Company d/b/a Ameren Missouri | | | |
| Working Case: Allocation of Solar Rebates from SB 564 | OPC | EW-2019-0002 | Memorandum on Solar Rebates and Low Income Customers |
| Rule Making Workshop | OPC | AW-2018-0393 | Memorandum: Supplemental Response to Staff Questions pertaining to Rules Governing the Use of Customer Information |
| Union Electric Company d/b/a Ameren Missouri | OPC | ET-2018-0132 | Rebuttal: Line Extension / Charge Ahead – Business Solutions / Charge Ahead – Electric Vehicle Infrastructure Supplemental Rebuttal: EV Adoption Performance Base Metric |
| Union Electric Company d/b/a Ameren Missouri | OPC | EO-2018-0211 | Rebuttal: MEEIA Cycle III Application Surrebuttal: Cost Effectiveness Tests / Equitable Energy Efficiency Baseline |
| Union Electric Company d/b/a Ameren Missouri | OPC | EA-2018-0202 | Rebuttal: Renewable Energy Standard Rate Adjustment Mechanism/Conservation Surrebuttal: Endangered and Protected Species |
| Kansas City Power & Light & KCP&L Greater Missouri Operations Company | OPC | ER-2018-0145 ER-2018-0146 | Direct: Smart Grid Data Privacy Protections Rebuttal: Clean Charge Network / Community Solar / Low Income Community Solar / PAYS/ Weatherization/Economic Relief Pilot Program/Economic Development Rider/Customer Information System and Billing Rebuttal: TOU Rates / IBR Rates / Customer Charge / Restoration Charge Surrebuttal: KCPL-GMO Consolidation / Demand Response / Clean Charge Network / One CIS: Privacy, TOU Rates, Billing & Customer Experience |
| Union Electric Company d/b/a Ameren Missouri | OPC | ET-2018-0063 | Rebuttal: Green Tariff |
| Liberty Utilities | OPC | GR-2018-0013 | Surrebuttal: Decoupling |
| Empire District Electric Company | OPC | EO-2018-0092 | Rebuttal: Overview of proposal/ MO PSC regulatory activity / Federal Regulatory Activity / SPP Activity and Modeling / Ancillary Considerations Surrebuttal Response to parties Affidavit in opposition to the non-unanimous stipulation and agreement |
| Great Plains Energy Incorporated, Kansas City Power & Light Company, KCP&L | OPC | EM-2018-0012 | Rebuttal: Merger Commitments and Conditions / Outstanding Concerns |

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| Greater Missouri Operations Company, and Westar Energy, Inc. | | | |
| Missouri American Water | OPC | WR-2017-0285 | <p>Direct: Future Test Year/ Cost Allocation Manual and Affiliate Transaction Rules for Large Water Utilities / Lead Line Replacement</p> <p>Direct: Rate Design / Cost Allocation of Lead Line Replacement</p> <p>Rebuttal: Lead Line Replacement / Future Test Year/ Decoupling / Residential Usage / Public-Private Coordination</p> <p>Rebuttal: Rate Design</p> <p>Surrebuttal: Affiliate Transaction Rules / Decoupling / Inclining Block Rates / Future Test Year / Single Tariff Pricing / Lead Line Replacement</p> |
| Missouri Gas Energy / Laclede Gas Company | OPC | GR-2017-0216 GR-2017-0215 | <p>Rebuttal: Decoupling / Rate Design / Customer Confidentiality / Line Extension in Unserved and Underserved Areas / Economic Development Rider & Special Contracts</p> <p>Surrebuttal: Pay for Performance / Alagasco & EnergySouth Savings / Decoupling / Rate Design / Energy Efficiency / Economic Development Rider: Combined Heat & Power</p> |
| Indian Hills Utility | OPC | WR-2017-0259 | Direct: Rate Design |
| Rule Making | OPC | EW-2018-0078 | Memorandum: Cogeneration and net metering - Disclaimer Language regarding rooftop solar |
| Empire District Electric Company | OPC | EO-2018-0048 | Memorandum: Integrated Resource Planning: Special Contemporary Topics Comments |
| Kansas City Power & Light | OPC | EO-2018-0046 | Memorandum: Integrated Resource Planning: Special Contemporary Topics Comments |
| KCP&L Greater Missouri Operations Company | OPC | EO-2018-0045 | Memorandum: Integrated Resource Planning: Special Contemporary Topics Comments |
| Missouri American Water | OPC | WU-2017-0296 | <p>Direct: Lead line replacement pilot program</p> <p>Rebuttal: Lead line replacement pilot program</p> <p>Surrebuttal: Lead line replacement pilot program</p> |
| KCP&L Greater Missouri Operations Company | OPC | EO-2017-0230 | Memorandum on Integrated Resource Plan, preferred plan update |
| Working Case: Emerging Issues in Utility Regulation | OPC | EW-2017-0245 | <p>Memorandum on Emerging Issues in Utility Regulation /</p> <p>Presentation: Inclining Block Rate Design Considerations</p> <p>Presentation: Missouri Integrated Resource Planning: And the search for the “preferred plan.”</p> |

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| | | | Memorandum: Draft Rule 4 CSR 240-22.055 DER Resource Planning |
| Rule Making | OPC | EX-2016-0334 | Memorandum on Missouri Energy Efficiency Investment Act Rule Revisions |
| Great Plains Energy Incorporated, Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, and Westar Energy, Inc. | OPC | EE-2017-0113 / EM-2017-0226 | Direct: Employment within Missouri / Independent Third Party Management Audits / Corporate Social Responsibility |
| Union Electric Company d/b/a Ameren Missouri | OPC | ET-2016-0246 | Rebuttal: EV Charging Station Policy Surrebuttal: EV Charging Station Policy |
| Kansas City Power & Light | | ER-2016-0156 | Direct: Consumer Disclaimer Direct: Response to Commission Directed Questions Rebuttal: Customer Experience / Greenwood Solar Facility / Dues and Donations / Electric Vehicle Charging Stations Rebuttal: Class Cost of Service / Rate Design Surrebuttal: Clean Charge Network / Economic Relief Pilot Program / EEI Dues / EPRI Dues |
| Union Electric Company d/b/a Ameren Missouri | OPC | ER-2016-0179 | Direct: Consumer Disclaimer / Transparent Billing Practices / MEEIA Low-Income Exemption Direct: Rate Design Rebuttal: Low-Income Programs / Advertising / EEI Dues Rebuttal: Grid-Access Charge / Inclining Block Rates / Economic Development Riders |
| KCP&L Greater Missouri Operations Company | OPC | ER-2016-0156 | Direct: Consumer Disclaimer Rebuttal: Regulatory Policy / Customer Experience / Historical & Projected Customer Usage / Rate Design / Low-Income Programs Surrebuttal: Rate Design / MEEIA Annualization / Customer Disclaimer / Greenwood Solar Facility / RESRAM / Low- Income Programs |
| Empire District Electric Company, Empire District Gas Company, Liberty Utilities (Central) Company, Liberty Sub- Corp. | OPC | EM-2016-0213 | Rebuttal: Response to Merger Impact Surrebuttal: Resource Portfolio / Transition Plan |

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| Working Case: Polices to Improve Electric Regulation | OPC | EW-2016-0313 | Memorandum on Performance-Based and Formula Rate Design |
| Working Case: Electric Vehicle Charging Facilities | OPC | EW-2016-0123 | Memorandum on Policy Considerations of EV stations in rate base |
| Empire District Electric Company | OPC | ER-2016-0023 | Rebuttal: Rate Design, Demand-Side Management, Low-Income Weatherization Surrebuttal: Demand-Side Management, Low-Income Weatherization, Monthly Bill Average |
| Missouri American Water | OPC | WR-2015-0301 | Direct: Consolidated Tariff Pricing / Rate Design Study Rebuttal: District Consolidation/Rate Design/Residential Usage/Decoupling Rebuttal: Demand-Side Management (DSM)/ Supply-Side Management (SSM) Surrebuttal: District Consolidation/Decoupling Mechanism/Residential Usage/SSM/DSM/Special Contracts |
| Working Case: Decoupling Mechanism | OPC | AW-2015-0282 | Memorandum: Response to Comments |
| Rule Making | OPC | EW-2015-0105 | Missouri Energy Efficiency Investment Act Rule Revisions, Comments |
| Union Electric Company d/b/a Ameren Missouri | OPC | EO-2015-0084 | Triennial Integrated Resource Planning Comments |
| Union Electric Company d/b/a Ameren Missouri | OPC | EO-2015-0055 | Rebuttal: Demand-Side Investment Mechanism / MEEIA Cycle II Application Surrebuttal: Potential Study / Overearnings / Program Design Supplemental Direct: Third-party mediator (Delphi Panel) / Performance Incentive Supplemental Rebuttal: Select Differences between Stipulations Rebuttal: Pre-Pay Billing |
| The Empire District Electric Company | OPC | EO-2015-0042 | Integrated Resource Planning: Special Contemporary Topics Comments |
| KCP&L Greater Missouri Operations Company | OPC | EO-2015-0041 | Integrated Resource Planning: Special Contemporary Topics Comments |
| Kansas City Power & Light | OPC | EO-2015-0040 | Integrated Resource Planning: Special Contemporary Topics Comments |
| Union Electric Company d/b/a Ameren Missouri | OPC | EO-2015-0039 | Integrated Resource Planning: Special Contemporary Topics Comments |

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| Kansas City Power & Light | OPC | ER-2014-0370 | Direct (Revenue Requirement): Solar Rebates Rebuttal: Rate Design / Low-Income Weatherization / Solar Rebates Surrebuttal: Economic Considerations / Rate Design / Cyber Security Tracker |
| Rule Making | OPC | EX-2014-0352 | Memorandum Net Metering and Renewable Energy Standard Rule Revisions, |
| The Empire District Electric Company | OPC | ER-2014-0351 | Rebuttal: Rate Design/Energy Efficiency and Low-Income Considerations |
| Rule Making | OPC | AW-2014-0329 | Utility Pay Stations and Loan Companies, Rule Drafting, Comments |
| Union Electric Company d/b/a Ameren Missouri | OPC | ER-2014-0258 | Direct: Rate Design/Cost of Service Study/Economic Development Rider Rebuttal: Rate Design/ Cost of Service/ Low Income Considerations Surrebuttal: Rate Design/ Cost-of-Service/ Economic Development Rider |
| KCP&L Greater Missouri Operations Company | OPC | EO-2014-0189 | Rebuttal: Sufficiency of Filing Surrebuttal: Sufficiency of Filing |
| KCP&L Greater Missouri Operations Company | OPC | EO-2014-0151 | Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) Comments |
| Liberty Natural Gas | OPC | GR-2014-0152 | Surrebuttal: Energy Efficiency |
| Summit Natural Gas | OPC | GR-2014-0086 | Rebuttal: Energy Efficiency Surrebuttal: Energy Efficiency |
| Union Electric Company d/b/a Ameren Missouri | OPC | ER-2012-0142 | Direct: PY2013 EM&V results / Rebound Effect Rebuttal: PY2013 EM&V results Surrebuttal: PY2013 EM&V results Direct: Cycle I Performance Incentive Rebuttal: Cycle I Performance Incentive |
| Kansas City Power & Light | Missouri Public Service Commission Staff | EO-2014-0095 | Rebuttal: MEEIA Cycle I Application testimony adopted |
| KCP&L Greater Missouri Operations Company | Missouri Division of Energy (DE) | EO-2014-0065 | Integrated Resource Planning: Special Contemporary Topics Comments |
| Kansas City Power & Light | DE | EO-2014-0064 | Integrated Resource Planning: Special Contemporary Topics Comments |
| The Empire District Electric Company | DE | EO-2014-0063 | Integrated Resource Planning: Special Contemporary Topics Comments |
| Union Electric Company d/b/a Ameren Missouri | DE | EO-2014-0062 | Integrated Resource Planning: Special Contemporary Topics Comments |
| The Empire District Electric Company | DE | EO-2013-0547 | Triennial Integrated Resource Planning Comments |

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| Working Case: State-Wide Advisory Collaborative | OPC | EW-2013-0519 | Presentation: Does Better Information Lead to Better Choices? Evidence from Energy-Efficiency Labels Presentation: Customer Education & Demand-Side Management Presentation: MEEIA: Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis |
| Independence-Missouri | OPC | Indy Energy Forum 2014 | Presentation: Energy Efficiency |
| Independence-Missouri | OPC | Indy Energy Forum 2015 | Presentation: Rate Design |
| NARUC – 2017 Winter, Washington D.C. | OPC | Committee on Consumer Affairs | Presentation: PAYS Tariff On-Bill Financing |
| NASUCA – 2017 Mid-Year, Denver | OPC | Committee on Water Regulation | Presentation: Regulatory Issues Related to Lead-Line Replacement of Water Systems |
| NASUCA – 2017 Annual Baltimore, | OPC | Committee on Utility Accounting | Presentation: Lead Line Replacement Accounting and Cost Allocation |
| NARUC – 2018 Annual, Orlando | OPC | Committee on Consumer Affairs | Presentation: PAYS Tariff On-Bill Financing Opportunities & Challenges |
| Critical Consumer Issues Forum (CCIF)—New Orleans | OPC | Examining Polices for Delivering Smart Mobility | Presentation: Missouri EV Charging Station Policy in 4 Acts: Missouri Office of the Public Counsel Perspective |
| Michigan State, Institute of Public Utilities, 2019 | OPC | Camp NARUC: Fundamentals | Presentation: Revenue Requirement |
| NARUC/US AID, Republic of North Macedonia, Skopje 2019 | OPC | NARUC /US AID: Cybersecurity | Presentation: Case Study: The Missouri Experience, Cybersecurity and Data Privacy https://pubs.naruc.org/pub.cfm?id=9865ECB8-155D-0A36-311A-9FEFE6DBD077 (see page 8) |
| Kansas, Clean Energy Business Council (“CEBC”), 2020 | OPC | Climate and Energy Project | Presentation: Energy Efficiency and Pay as You Save (PAYS) |
| Advancing Renewables in the Midwest 2020 | OPC | University of Missouri | Presentation: The Heat is On: Urban Heat Island Mitigation through Unconventional Demand Side Management |
| Michigan State, Institute of Public Utilities, 2020 | OPC | Camp NARUC: Fundamentals | Presentation: Fundamentals of Economic Regulation / Performance Base Regulation |

ORIGINAL

| Commissioner | Yes | No | Not Participating |
|--------------|-----|----|-------------------|
| Huston | √ | | |
| Freeman | √ | | |
| Krevda | √ | | |
| Ober | √ | | |
| Ziegner | √ | | |

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF DUKE ENERGY INDIANA,)
 LLC, INDIANA GAS COMPANY D/B/A VECTREN ENERGY)
 DELIVERY OF INDIANA, INC., INDIANA MICHIGAN POWER)
 COMPANY, INDIANA NATURAL GAS CORPORATION,)
 INDIANAPOLIS POWER & LIGHT COMPANY, MIDWEST)
 NATURAL GAS CORPORATION, NORTHERN INDIANA)
 PUBLIC SERVICE COMPANY, LLC, OHIO VALLEY GAS CORP.)
 AND OHIO VALLEY GAS, INC., SOUTHERN INDIANA GAS &)
 ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY)
 OF INDIANA, INC., AND SYCAMORE GAS COMPANY FOR (1))
 AUTHORITY FOR ALL JOINT PETITIONERS TO DEFER AS A)
 REGULATORY ASSET CERTAIN INCREMENTAL EXPENSE)
 INCREASES AND REVENUE REDUCTIONS OF THE UTILITY)
 ATTRIBUTABLE TO COVID-19; AND (2) THE)
 ESTABLISHMENT OF SUBDOCKETS FOR EACH JOINT)
 PETITIONER IN WHICH EACH JOINT PETITIONER MAY)
 ADDRESS REPAYMENT PROGRAMS FOR PAST DUE)
 CUSTOMER ACCOUNTS, APPROVAL OF NEW BAD DEBT)
 TRACKERS, AND/OR DETAILS CONCERNING THE FUTURE)
 RECOVERY OF THE COVID-19 REGULATORY ASSET)

CAUSE NO. 45377
(Consolidated under
Cause No. 45380)

PETITION OF INDIANA OFFICE OF UTILITY CONSUMER)
 COUNSELOR FOR GENERIC INVESTIGATION INTO COVID-19)
 IMPACTS TO BE CONDUCTED OVER TWO PHASES;)
 EMERGENCY RELIEF PURSUANT TO IND. CODE § 8-1-2-113)
 TO RELIEVE INDIANA RATEPAYERS OF THE THREAT OF)
 UTILITY SERVICE DISCONNECTION AND PAYMENT)
 ARREARAGES DURING GLOBAL HEALTH AND ECONOMIC)
 CRISIS)

CAUSE NO. 45380
APPROVED: JUN 29 2020

PHASE 1 AND INTERIM EMERGENCY ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Chair
Loraine L. Seyfried, Chief Administrative Law Judge

On May 27, 2020, the Commission issued an Order (“May 27 Order”) under this consolidated Cause notifying all jurisdictional Indiana utilities of its decision to conduct a generic investigation to consider and address the impacts of the Coronavirus Disease of 2019 (“COVID-19”) and the Indiana

Governor's COVID-19 Executive Orders on the rates and provision of utility service by all jurisdictional Indiana utilities and on their ratepayers.

Because Cause Nos. 45380 and 45377 had been consolidated, the Commission determined that the issues to be considered would include those raised by the Indiana Office of Utility Consumer Counselor ("OUCC") as well as those raised by Duke Energy Indiana, LLC, Indiana Gas Company, Inc., Indiana Natural Gas Corporation, Indiana Michigan Power Company, Indianapolis Power & Light Company, Midwest Natural Gas Corporation, Northern Indiana Public Service Company, LLC, Ohio Valley Gas Corp. and Ohio Valley Gas, Inc., Southern Indiana Gas & Electric Co., and Sycamore Gas Company ("Joint Utility Petitioners"). The Commission further determined it would be appropriate to address both the OUCC's and Joint Utility Petitioners' specific requests for immediate and subsequent relief through their proposed two-phase approach.

Phase 1, which is the subject of this Order, is to address:

(1) the OUCC's request to stay disconnections of utility service, waive certain utility fees (e.g., late fees, convenience fees, deposits, and reconnection fees), and expand the use of customer payment arrangements; and

(2) various requests for regulatory accounting authority related to:

(a) revenue impacts associated with the service disconnection moratorium, waiver of fees, and expanded customer payment arrangements;

(b) uncollectible or bad debt expense associated with customers' inability to pay utility bills;

(c) increased operating and maintenance costs;

(d) financing costs and pension expenses; and

(e) revenue impacts due to customer load reductions.

The May 27 Order established a briefing schedule to allow the parties and interested jurisdictional Indiana utilities the opportunity to respond to these Phase 1 requests. All responses were due June 10, 2020 and all replies were due June 18, 2020. The Commission also requested information concerning utility customer assistance measures currently in place and plans for after the disconnection moratorium expires. In addition, the Commission has received hundreds of letters and other correspondence from Indiana Legislators, local officials, and the general public concerning the issues in this proceeding.

1. Disconnections, Utility Fees, and Customer Payment Arrangements. The OUCC, in its May 8, 2020 Verified Petition in Cause No. 45380, requested the Commission to require all jurisdictional Indiana utilities to stay disconnections of utility service that are pending or imminent with the expiration of the moratorium on utility service disconnections under Indiana Governor

Holcomb’s Executive Order 20-25, as well as waive certain utility fees (e.g., late fees, convenience fees, deposits, and reconnection fees) and expand the use of customer payment arrangements.¹

Responses to the OUCC’s request were filed by the Joint Utility Petitioners, Indiana Industrial Group, Sierra Club, Citizens Action Coalition (“CAC”), Indiana Community Action Association (“INCAA”), Board of Commissioners of LaPorte County (“LaPorte County”), and the Joint Municipal and Non-Profit Utility Group (“MNUG”). Except for the Joint Utility Petitioners and MNUG, the other intervenors generally supported the OUCC’s request. Sierra Club, CAC, and INCAA also recommended that the Commission consider additional customer protections than what was requested by the OUCC. Replies were filed by the OUCC, Joint Utility Petitioners, CAC, INCAA, LaPorte County, and MNUG.

The Joint Utility Petitioners, while questioning the Commission’s authority under Ind. Code § 8-1-2-113 to grant the OUCC’s request, argued that any departure from existing rules and practices should be limited to the residential class of customers to which the Commission’s rules concerning deposits and disconnections apply. They asserted that, unlike residential customers, their commercial and industrial customers were eligible to receive grants from the federal government that were specifically earmarked to pay utility bills. The Joint Utility Petitioners proposed that: (1) utility disconnections for nonpayment by residential customers continue to be stayed until July 31, 2020; (2) waiver of late fees, convenience fees, and reconnection fees for residential customers be stayed from the date of this Order to July 31, 2020; and (3) expanded customer payment arrangements that allow arrearages to be paid off over a period up to six months be offered.

MNUG asserted that the Commission lacks jurisdiction over a municipal utility’s terms and conditions of service, such as disconnections/reconnections, payment arrangements, and waiver of fees and therefore, any Commission order would not apply to them. They further argued that the indefinite continuation of the OUCC’s requested customer protections are not financially sustainable for municipal and small non-profit utilities and argued a need for flexibility in working with their customers.

In accordance with our May 27 Order, many of our jurisdictional Indiana utilities provided a list of measures each utility has in place to assist customers during this COVID-19 pandemic and their plans to continue such assistance in the future when the disconnection moratorium is lifted. While some responses were more detailed than others, we were greatly encouraged by the responses to see the measures that are being taken by many of the utilities to assist their customers in arranging payment plans to ensure those that have fallen behind on their bills can remain connected to essential utility service once the disconnection moratorium is lifted.²

While many of the utilities have taken action pursuant to the Governor’s Executive Orders, the Joint Utility Petitioners question our authority to address those same matters. Under Ind. Code § 8-1-2-113(a),

¹ Executive Order 20-28 extended the disconnection moratorium through June 30, 2020, and encouraged utilities and municipalities to work with customers to establish reasonable payment arrangements for past due amounts.

² For example, see Citizen Energy Group’s June 15, 2020 filing.

[t]he Commission may, when it considers necessary to prevent injury to the business or interests of the people or any public utility of this state in case of any emergency to be judged by the commission, temporarily alter, amend, or with the consent of the public utility concerned, suspend any existing rates, service practices, schedules, and order relating to or affecting any public utility or part of any public utility in this state.

While the Commission recognizes that a plain reading of this statute appears to require a public utility's consent to the Commission's suspension of an existing rate or service practice, we do not agree that the statute requires a utility's consent to temporarily alter or amend an existing rate or service practice when the Commission considers such to be in the public interest and necessary to prevent injury to the business or interests of the people or any public utility of Indiana. *State ex rel. Indianapolis Traction & Terminal Co. v. Lewis, et al.*, 120 N.E. 129 (Ind. 1918) (holding the emergency law should be liberally construed with a view to public welfare).

On March 6, 2020, Governor Holcomb issued Executive Order 20-02 declaring a public health emergency due to COVID-19. Soon thereafter, on March 19, 2020, Governor Holcomb issued Executive Order 20-05 declaring utility service to be an essential service and prohibiting Indiana utilities from discontinuing services to residents and businesses during the public emergency, which continues today. As reflected in the parties' filings, the COVID-19 pandemic has created a sudden and substantial impact on Indiana's economy, its residents, businesses, and utilities. An increased number of Hoosiers and Hoosier businesses are experiencing financial strain as evidenced by the elevated unemployment rates and business closures (both temporary and permanent). The parties' filings also demonstrate that Hoosiers, businesses, and utilities are all experiencing to some degree an increase in expenses for COVID-19 related issues.

Although it is far from certain when the COVID-19 pandemic will end or when the impacts from it will be fully realized, Governor Holcomb has established a roadmap to help put Indiana "Back on Track." Indiana is continuing to make progress in reopening its economy and is currently in the Fourth stage, preparing to enter into the Fifth and final stage.

As of the date of this Order, the disconnection moratorium has not been extended beyond June 30, 2020. If the disconnection moratorium is not extended beyond June 30, we find an emergency exists necessitating additional action to prevent injury to Hoosiers and Hoosier businesses. Specifically, we find that jurisdictional Indiana utility disconnection practices should be temporarily amended to prohibit disconnection of any customer for 45 days, until after August 14, 2020. We further find that because the COVID-19 pandemic has materially impacted a large number of residential customers as well as businesses, this amended disconnection practice shall apply to all customer classes of the utility.³ While we understand that the COVID-19 pandemic has caused significant financial difficulties for some customers, the economy is beginning to open and we are therefore hesitant at this time to extend beyond August 14, 2020, any prohibition on disconnections

³ We are aware, as supported by the parties' filings, that both individuals and businesses have been recipients of federal, state, and community aid intended to assist with COVID-19 related financial issues, including utility bills.

that could result in higher unpaid balances that ultimately may be more difficult for affected customers to pay down. We note that the winter disconnection moratorium began on December 1, 2019, and many utilities extended that moratorium on their own initiative prior to the issuance of the Governor's Executive Order 20-05, which has resulted, in effect, a disconnection moratorium of approximately eight months.⁴ In addition, any incremental cumulative unpaid balances not eventually paid by affected customers creates a new system-wide cost that must be absorbed by the utility or paid by unaffected customers. Temporarily prohibiting disconnections until August 14, 2020 is a balanced solution that allows both customers and utilities additional time to enter into reasonable payment arrangements to address any arrearages that may have accumulated and maintain essential utility services for the benefit of all customers, the utilities, and other stakeholders. It also affords us the opportunity to gain a better understanding of the situation through receipt of the information requested further below and in our May 27 Order, which will inform our decisions going forward.

During this time, we also find that utility tariff rates and charges approved pursuant to Commission rules and applicable orders shall be temporarily amended to exclude the collection of late fees, convenience fees, deposits, and reconnection fees.⁵ The Commission has included the collection of deposits, which was supported by the OUCC, CAC, and INCAA, because the deposits can be a significant barrier to customers obtaining or continuing to receive service. Utility practices shall be further temporarily amended to specifically require implementation of more flexible and extended payment arrangements. At a minimum, jurisdictional Indiana utilities shall offer payment arrangements with a period of at least six months from the expiration of the moratorium over which arrearages may be paid. This effectively doubles the requirement in the Commission's rules that provides for a three-month minimum over which arrearages may be paid. Nothing in this Order prohibits a utility from offering a payment plan that provides for a payment period of greater than six months. However, a utility's payment plan offers are to be non-discriminatory between customers and address all arrearages, whether from the winter moratorium or public health emergency, in a single payment plan.

While we decline at this time to order specific utility management decisions by further amending utility service practices, we fully expect and encourage jurisdictional Indiana utilities to make all reasonable efforts to reach out, communicate (through phone calls, text messaging, email, U.S. mail, and the utility's website), and engage with their customers as soon as possible so that utility service can be maintained. Utilities are also encouraged to offer other additional payment arrangements that were identified in the June 15, 2020, jurisdictional Indiana utility filings, such as use of deposits to pay existing balances, no limits on the number of payment arrangements for customers that have fallen in arrears, and smaller required payments of outstanding balances. We also encourage the utilities to collaborate with interested stakeholders, such as the OUCC, CAC, Sierra Club, and INCAA to identify other customer assistance practices and measures that could be implemented.⁶

⁴ December 1, 2019 to August 14, 2020.

⁵ Because utility service practices and tariff rates and charges are being temporarily amended in this Order, such amendments do not need to be filed with the Commission's technical staff, but instead should be clearly communicated to customers through the utility's website and other means of customer communications.

⁶ The scheduling of a Technical Conference to facilitate such collaboration among interested parties may also be

Although the Commission does not have jurisdiction over all utilities operating in Indiana, we encourage those utilities not subject to the Commission's jurisdiction regarding the relief ordered herein to consider implementing the practices set forth in this Order.⁷

Because the COVID-19 pandemic is ongoing, our decision today is subject to further revision, either on the Commission's own initiative or at a party's request, should circumstances change that warrant additional action. In an effort to monitor ongoing efforts of utilities and customers to enter into reasonable payment arrangements, we find that jurisdictional Indiana utilities shall provide updates on their efforts. The first update shall be filed under this Cause on or before July 15, 2020, with a second update filed on or before July 27, 2020 (to coincide with the filing of the information requested in our May 27, 2020 Order), and then monthly thereafter. Such update shall include a description of the utility's efforts to contact delinquent customers since Governor Holcomb's issuance of Executive Order 20-05 on March 19, 2020 and sufficient data from which to allow the Commission to determine the utility's progress in getting delinquent customers to enter into payment arrangements. We will also continue to monitor the customer complaints received by the Commission's Consumer Affairs Division, which often include complaints about non-jurisdictional as well as jurisdictional Indiana utilities, along with any further developments in the COVID-19 pandemic and future developments in the Governor's Back on Track plan.

2. Regulatory Accounting. Both the OUCC and the Joint Utility Petitioners recommended the Commission authorize certain regulatory accounting, such as the use of regulatory assets and liabilities, for COVID-19 related impacts. More specifically, the OUCC recommends that the Commission authorize the use of regulatory accounting for any impacts associated with any required stay of disconnections, waiver of certain utility fees, and expanded payment arrangements. In addition to this authorization, the Joint Utility Petitioners seek authorization to use regulatory accounting for: (1) uncollectible or bad debt expense associated with customers' inability to pay utility bills; (2) increased operating and maintenance costs; (3) financing costs and pension expenses; and (4) revenue impacts due to customer load reductions.

The OUCC, Joint Utility Petitioners, Indiana Industrial Group, Sierra Club, CAC, INCAA, LaPorte County, and MNUG filed responses to the regulatory accounting requests.⁸ Replies were filed by the OUCC, Joint Utility Petitioners, CAC, INCAA, LaPorte County and MNUG. While there was general support for the OUCC's requested regulatory accounting authority, the OUCC and all intervenors except MNUG opposed the additional regulatory accounting requests of the Joint Utility Petitioners. MNUG, noting that some view the Joint Utility Petitioners' request as having the potential to create further economic distress for customers struggling to pay bills and keep businesses open, indicated that its member utilities were not asking for any regulatory relief at this time.

considered in Phase 2.

⁷This Order is intended to apply only to those utilities subject to the Commission's jurisdiction as set forth in Indiana law and interpreted by the courts. As noted by MNUG, we recognize that municipal utilities are not subject to the general grant of authority to the Commission or the Commission's rules and regulations governing utility service. *See Anderson v. Pub. Serv. Comm'n of Ind.*, 397 N.E.2d 303 (Ind. Ct. App. 1979).

⁸CAC and INCAA joined in the response of the OUCC and Indiana Industrial Group.

The purpose of utility regulation is to ensure utilities, which provide an essential public service, recover their costs and have a reasonable opportunity to earn a fair rate of return. *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944). It is not a guarantee that a utility will make a profit or receive certain revenues. The ratemaking process of setting just and reasonable rates involves a balancing of investor and consumer interests. The Commission has the responsibility of balancing the right of the utility's investors to recover costs and the opportunity to earn a fair rate of return against the right of the public to pay no more than reasonable rates for the utility's service. Typically, this balancing occurs during a base rate case when the entirety of the utility's expenses and revenue requirements can be evaluated.

A request for regulatory accounting authority, which is a type of single-issue ratemaking and generally prohibited, is a request for extraordinary relief.⁹ We have previously held that,

[i]n considering such requests, it is necessary to consider the balance struck between the utility and its ratepayers by approving such a request. For example, the gravity of the financial event involved and its impact upon the utility is appropriate to consider, as well as the impact such accounting and/or ratemaking treatment will have upon the utility's ratepayers. Further, it is necessary for the utility requesting such extraordinary treatment to be able to demonstrate with convincing evidence that the financial event is in fact occurring, and that such financial impact is fixed, known and measurable. If all of these elements are established, a utility might receive approval for such an extraordinary request.

Ind. Mich. Power Co., Cause No. 40980 at 7 (IURC Nov. 12, 1998). *See also, Duke Energy Ind., Inc.*, Cause No. 43743 (IURC Oct. 19, 2011). While any authorization to establish a deferred regulatory asset has no immediate impact on a utility's rates, it does carry with it a general presumption that such costs, if determined to be reasonable and necessary, are entitled to future recovery in rates. Accordingly, it is in this context that we evaluate the OUCC's and Joint Utility Petitioners' requests.

It is generally undisputed that the COVID-19 pandemic is an unprecedented and extraordinary event. However, because the event is still occurring and the timeframe for its end uncertain, we cannot begin to understand the gravity or longer-term financial impact the event will have on utilities and their customers. Consequently, while the COVID-19 pandemic may be an extraordinary event, we find we lack sufficient evidence at this time to determine what, if any, extraordinary treatment is warranted beyond the limited relief requested by the OUCC. Therefore, except for the limited relief requested by the OUCC, we find no emergency exists at this time that necessitates the authorization of the additional regulatory accounting by July 15, 2020, as requested by the Joint Utility Petitioners for the reasons set forth further below.

⁹ When regulatory asset accounting is permitted, retroactive ratemaking takes place. However, there are exceptions to the prohibition against retroactive ratemaking for extraordinary events, such as a severe storm. *PSI Energy, Inc.*, Cause No. 39195 (IURC Feb. 26, 1992).

Given Governor Holcomb’s declaration of a public health emergency and issuance of Executive Orders prohibiting utility disconnections, along with the Commission’s decision above that an emergency situation exists so as to necessitate a modification to certain utility practices and charges, we find it appropriate and reasonable to authorize jurisdictional Indiana utilities to use regulatory accounting for any impacts associated with any prohibition on utility disconnections, waiver or exclusion of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees), and the use of expanded payment arrangements to aid customers.¹⁰ Such regulatory accounting authority may include costs incurred beginning on March 6, 2020, the date of Governor Holcomb’s emergency declaration. During this period of significant financial crisis, ratepayers have directly benefitted from the disconnection moratorium and the non-payment of certain utility fees as a result of specific government direction. In addition, although the quantification of these costs is largely unknown at this time, they are generally limited in scope and the prudence and reasonableness of the final amounts will be analyzed when making our final determination of the amounts that will be included for cost recovery.¹¹ We also find that the jurisdictional Indiana utilities should be authorized regulatory accounting treatment for COVID-19 related uncollectible and incremental bad debt expense.

With regard to the Joint Utility Petitioners’ request for regulatory authority related to increased operation and maintenance¹² (“O&M”) and pension expense, we decline to approve these requests in Phase 1. We find these requests distinguishable from that approved above because the costs, and any savings that may be found to offset them, are not the direct result of a specific emergency government direction. At this time, we lack sufficient evidence demonstrating these expenses have created or will create any substantial financial burden on the utility or that the expenses are in any way so significant as to warrant extraordinary relief. Without knowing the extent of the financial impact, it is difficult to balance the interests of the utility and its customers. And because deferred regulatory accounting carries with it a presumption of cost recovery, if reasonable and prudent, we must be cautious in authorizing utilities that extraordinary relief. Consequently, we find this request is better addressed in Phase 2 and/or through an individual utility’s request for a subdocket wherein evidence of the impact of any costs or offsetting savings can be presented and considered in an evidentiary hearing.

Regarding Joint Utility Petitioners’ request for regulatory accounting authority related to financing costs, we agree with the OUCG that such relief is unnecessary and premature. Given the limited accounting authority authorized herein, we see no reason to include any carrying/finance costs associated with those deferrals.

Finally, with regard to the Joint Utility Petitioners’ request for regulatory accounting authority for lost revenues due to customer load reductions, we fail to see how creation of a regulatory asset for lost revenues would be in the public interest under current circumstances absent a

¹⁰ Impacts, if any, related to the exclusion of late fees may be recorded, but utilities may not record or recover late fees not assessed.

¹¹ The burden of proof remains on the utility when seeking to recover any amounts in rates.

¹² Including COVID-19 related labor costs, non-labor material costs, non-labor remote working-related expense, non-labor costs associated with sequestration, and non-labor communication costs.

financial emergency to the utility that impacts its ability to provide safe and reliable service. No such financial emergency evidence has been provided here. As the OUCC and other intervenors point out, the Joint Utility Petitioners have provided no demonstration of the financial impact that decreased loads are having on utility operations or, more specifically, how such impacts have affected their access to capital markets.

Under the regulatory compact, at a base level, utilities are obligated to provide safe, reliable service and customers are obligated to pay just and reasonable rates for any such service they receive. The balance of this Order seeks to work toward allowing customers to meet their obligation while providing utilities the reasonable relief they need to help such customers do so. However, asking customers to go beyond their obligation and pay for service they did not receive is beyond reasonable utility relief based on the facts before us. A utility's customers are not the guarantors of a utility earning its authorized return. Instead, utilities are given the opportunity to recover their costs and a fair rate of return, which includes a certain level of risk attributable to variable sales. The approvals herein are intended to support the revenue recovery by utilities for the service they have provided pursuant to their approved rate designs by supporting a customer's ability to eventually pay for services received. We decline to move beyond this recovery based upon the facts presented.

Accordingly, we deny Joint Utility Petitioners' request for regulatory accounting related to lost revenues related to customer load reductions.

3. Other Matters. Although the Commission granted the OUCC's request to commence this investigation to address both immediate and future COVID-19 related issues, including the Joint Utility Petitioners' requests, a jurisdictional Indiana utility's decision not to seek rate relief at this time or participate in Phase 2 of this proceeding does not preclude that utility from seeking cost recovery or other related rate relief at any time in the future through existing regulatory avenues, such as through the filing of a base rate case.

In addition, any information required to be reported by this Order or our May 27 Order may be modified or terminated at the direction of the Presiding Officers.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. If the statewide utility disconnection moratorium is not extended beyond June 30, 2020, all jurisdictional Indiana utilities shall comply with the temporarily amended utility practices and tariff rates and charges set forth herein. Utility service disconnections are prohibited through August 14, 2020, along with the collection of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees). Jurisdictional Indiana utilities shall offer extended payment arrangements to all customers.

2. All jurisdictional Indiana utilities are authorized to use regulatory accounting for COVID-19 related impacts directly associated with any prohibition on utility disconnections, collection of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees),

and the use of expanded payment arrangements, as well as COVID-19 related uncollectible and incremental bad debt expense.

3. Joint Utility Petitioners' request for regulatory accounting authority for O&M expense, financing costs, pension expense, and lost revenues related to customer load reductions is denied as set forth herein.

4. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR; OBER CONCURS WITH OPINION:

APPROVED: JUN 29 2020

I hereby certify that the above is a true and correct copy of the Order as approved.



**Mary M. Becerra,
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF DUKE ENERGY INDIANA,)
 LLC, INDIANA GAS COMPANY D/B/A VECTREN ENERGY)
 DELIVERY OF INDIANA, INC., INDIANA MICHIGAN POWER)
 COMPANY, INDIANA NATURAL GAS CORPORATION,)
 INDIANAPOLIS POWER & LIGHT COMPANY, MIDWEST)
 NATURAL GAS CORPORATION, NORTHERN INDIANA)
 PUBLIC SERVICE COMPANY, LLC, OHIO VALLEY GAS) CAUSE NO. 45377
 CORP. AND OHIO VALLEY GAS, INC., SOUTHERN INDIANA) (Consolidated under
 GAS & ELECTRIC COMPANY D/B/A VECTREN ENERGY) Cause No. 45380)
 DELIVERY OF INDIANA, INC., AND SYCAMORE GAS)
 COMPANYFOR (1) AUTHORITY FOR ALL JOINT)
 PETITIONERS TO DEFER AS A REGULATORY ASSET)
 CERTAIN INCREMENTAL EXPENSE INCREASES AND)
 REVENUE REDUCTIONS OF THE UTILITY ATTRIBUTABLE)
 TO COVID-19; AND (2) THE ESTABLISHMENT OF)
 SUBDOCKETS FOR EACH JOINT PETITIONER IN WHICH)
 EACH JOINT PETITIONER MAY ADDRESS REPAYMENT)
 PROGRAMS FOR PAST DUE CUSTOMER ACCOUNTS,)
 APPROVAL OF NEW BAD DEBT TRACKERS, AND/OR)
 DETAILS CONCERNING THE FUTURE RECOVERY OF THE)
 COVID-19 REGULATORY ASSET)

PETITION OF INDIANA OFFICE OF UTILITY CONSUMER)
 COUNSELOR FOR GENERIC INVESTIGATION INTO COVID-)
 19 IMPACTS TO BE CONDUCTED OVER TWO PHASES;) CAUSE NO. 45380
 EMERGENCY RELIEF PURSUANT TO IND. CODE § 8-1-2-113)
 TO RELIEVE INDIANA RATEPAYERS OF THE THREAT OF)
 UTILITY SERVICE DISCONNECTION AND PAYMENT)
 ARREARAGES DURING GLOBAL HEALTH AND ECONOMIC)
 CRISIS)

CONCURRING OPINION OF DAVID L. OBER

I agree with the majority in rejecting the request by Joint Utility Petitioners for regulatory accounting authority for O&M expense, financing costs, pension expense, and lost revenues related to customer load reductions. I further agree that it is reasonable to authorize the use of regulatory accounting for any impacts associated with any required stay of disconnections, waiver of certain utility fees, and expanded payment arrangements. However, I write separately to address the service disconnection moratorium.

The COVID-19 pandemic is an unprecedented real shock to the global economy. The effects of the pandemic have been jarring and the full impact of this emergency is indeterminable.

The response by Governor Holcomb and his administration is to be greatly commended, for without the quick action that was taken the negative impacts would have been far worse. Many Hoosiers are experiencing unemployment, reduced hours and wages, and support programs that are struggling to stay abreast of the growing need for assistance. It is easy to conflate the reopening of sections of the economy with economic recovery; however, the shape and pace of the economic recovery remains opaque.

Therefore, it is premature to suppose that on some date certain the recovery will be such that utilities can resume normal operations with respect to their customers. Indeed, this Commission in its May 27 Order (at 3) noted that,

it would be unreasonable to expect that the financial, health, and other hardships currently being experienced as a result of the COVID-19 pandemic would immediately disappear upon expiration of any public health declaration or disconnection moratorium.

The Joint Utility Petitioners and other jurisdictional Indiana utilities participating in this proceeding are not due to file certain informational data that was requested in the May 27 Order until June 29, 2020.¹ Upon receiving this information and the subsequent filings requested in this Order, I expect that the Commission will have an opportunity prior to August 14, 2020—when the temporary prohibition on utility disconnections outlined in this Order ends—to reassess and determine the reasonableness of extending the moratorium further based on state economic conditions and the efficacy of actions taken by utilities to enter into favorable payment arrangements with customers to reduce arrearages.

We are beginning the warmest months of the year when utility usage increases and access to service is critical. Disconnecting essential utility service for those whose economic security has been harmed during the public health emergency is unconscionable and only adds to the already significant human cost of the COVID-19 pandemic.

Subject to the comments herein, I concur with the majority in this Order.

¹ In the May 27 Order, the Commission requested monthly reports providing information for the previous month. That information is due to be submitted on June 27, 2020, which falls on a weekend and, per Commission rules, is not due until the next business day, which is June 29, 2020 (the date of this Order).

Evergy MO Metro and MO West
Case Name: 2020 Evergy MO Covid AAO
Case Number: EU-2020-0350

Response to Marke Geoff Interrogatories - OPC_20200710
Date of Response: 7/29/2020

Question:2012

Please identify any and all Evergy Inc. CEO/president (Terry Bassham) executive compensation and incentive/bonus plan adjustments made since March 1st, 2020, including the date said adjustment were made. If no such adjustments have been made, please explain why.

Response:

No adjustments have been made at this time because the length of the pandemic and its overall impact on Evergy remain unclear.

Response provided by Brenna Mannell, Director Performance Mgmt & Compensation

Attachment: Q2012_Verificaiton.pdf

Evergy MO Metro and MO West
Case Name: 2020 Evergy MO Covid AAO
Case Number: EU-2020-0350

Response to Marke Geoff Interrogatories - OPC_20200710
Date of Response: 7/29/2020

Question:2013

Please identify any and all Evergy Inc. named executive officers executive compensation and incentive/bonus plan adjustments made since March 1st, 2020, including the date said adjustments were made. If no such adjustments have been made, please explain why.

Response:

No adjustments have been made at this time because the length of the pandemic and its overall impact on Evergy remain unclear.

Response provided by Brenna Mannell, Director Performance Mgmt & Compensation

Attachment: Q2013_Verification.pdf