

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Evergy)
Metro, Inc., Evergy Kansas Central, Inc. and)
Evergy Kansas South, Inc. for an Accounting) Docket No. 20-EKME-454-ACT
Authority Order Allowing the Companies to)
Record and Preserve Costs Related to COVID-)
19 Expenses.)

**STAFF'S REPLY TO CURB'S RESPONSE TO STAFF'S REPORT AND
RECOMMENDATION AND KIC AND KLER'S APPLICATION TO INTERVENE**

The Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), hereby files this Reply to CURB's Response to Staff's Report and Recommendation, and Kansas Industrial Consumers Group, Inc. (KIC) and Kansans For Lower Electric Rates, Inc.'s (KLER) Application for Intervention. Staff supports CURB's recommendation that Evergy be required to track and report any federal or state assistance it receives related to COVID-19 relief. However, Staff does not support KIC/KLER's request for a hearing in this matter because the concerns raised by KIC/KLER will be appropriately addressed at such time when Evergy seeks recovery of costs identified and tracked as part of any accounting authority order (AAO) the Commission may approve in this docket. In support Staff states the following:

BACKGROUND

1. On May 6, 2020, Evergy Metro, Inc. ("Evergy Kansas Metro"), Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (together as "Evergy Kansas Central") (collectively referred to herein as "Evergy") filed an application with the Kansas Corporation Commission for an Accounting Authority Order (AAO) allowing the companies to record and preserve costs related to COVID-19 expenses.

2. On May 20, 2020, Staff filed a Report and Recommendation (Report) recommending the Commission approve Evergy's request for an AAO authorizing Evergy to defer to a regulatory asset all incremental costs (net of any cost decreases) and lost revenue associated with the COVID pandemic.¹ Staff's Report states the deferrals are for accounting purposes only and should continue until Evergy's next general rate case or the official end of the COVID-19 pandemic, whichever occurs sooner.² Additionally, Staff recommended that all costs and lost revenues will be reviewed for prudence and reasonableness; ratepayer recovery will be decided in Evergy's next rate case.³ Staff further recommended that Evergy file certain reports tracking these costs and lost revenues as long as it continues to record entries to the regulatory asset.⁴ Finally, Staff recommended the Commission defer ruling on what rate Evergy should be allowed to accumulate carrying charges on the balance of the AAO deferral, if any, until the next general rate case.⁵

3. On May 27, 2020, CURB filed its Response to Staff's Report and Recommendation supporting the recommendation and further requested the Commission require Evergy to track and report any federal or state assistance it receives related to COVID-19 relief.⁶

4. On May 27, 2020, KIC and KLER filed an Application for Intervention. KIC and KLER oppose the issuance of an Accounting Authority Order, arguing that federal programs already address the issue of economic harm related to COVID-19 and that Kansas law does not

¹ Staff's R&R at 7, (May 20, 2020).

² *Id.* at 7.

³ *Id.*

⁴ *Id.* at 5, 6.

⁵ *Id.* at 7.

⁶ CURB's Response to Staff's R&R at 4, (May 27, 2020).

provide for the recovery from retail ratepayer of “economic losses” and other alleged costs related to the COVID-19 pandemic.⁷ Finally KIC and KLER requested a hearing on these issues.⁸

STAFF’S REPLY

Response to KIC/KLER

5. First, Staff takes no position on KIC and KLER’s petition to intervene. However, with regard to KIC and KLER’s position to deny the AAO and conduct a hearing in this docket, Staff notes that this position is contrary to the positions of a majority of state level jurisdictions across the nation.⁹ As of May 28, 2020, twenty-two (22) state level jurisdictions had already issued orders or enacted legislation allowing utilities to defer COVID-19 costs and/or lost revenues.¹⁰ In fourteen (14) other states, proceedings are pending to develop similar regulatory solutions, and five (5) states have indicated the utilities are to work out extended repayment plans with customers that have accumulated arrearages.¹¹

6. It is important to emphasize that in this docket, the Commission is not being asked and Staff is not recommending that Evergy’s AAO be granted to permit the Company to be “economically made whole” at ratepayer expense.¹² Staff’s recommendation is for the Commission to grant the AAO for accounting purposes only so that a detailed review of the reasonableness of the regulatory asset may take place at the time of Evergy’s next rate case.¹³ At the next rate case, Evergy and others like KIC and KLER will have the opportunity to argue about the treatment of these deferred costs and lost revenues.

⁷ KIC and KLER Application, at 4.

⁸ *Id.* at 2

⁹<https://platform.marketintelligence.spglobal.com/web/client?auth=inherit&ignoreIDMContext=1#news/article?id=58788805&KeyProductLinkType=6>

¹⁰ *Id.*

¹¹ *Id.*

¹² This is quoted in KIC and KLER’s Application but does not appear in Evergy’s Application or Staff’s R&R.

¹³ Staff’s R&R at 2.

7. To be clear, Staff's position, as stated in the Report, is that the approval of the AAO in this docket does not result in Staff, CURB, KIC, KLER or other future intervenors losing any right to argue that these deferred costs and lost revenues should not be recovered from ratepayers.¹⁴ Staff's Report specifically highlights that the proposed regulatory asset tracking deferred costs and lost revenues will be considered for inclusion in rates in Evergy's next rate case.¹⁵ If KIC and KLER assert that certain federal programs and tax benefits exist that will offset any accrued losses, they will certainly have the ability to argue those points in future cases. As such, Staff continues to support the issuance of the AAO and believes a hearing at this time is not necessary.

Response to CURB

8. Regarding CURB's additional recommendation that Evergy be required to track and report any federal or state assistance it receives related to COVID-19 relief, Staff supports CURB's recommendation.

CONCLUSION

9. Staff again, emphasizes that its recommendation to the Commission to grant Evergy's AAO is for accounting purposes only, and that intervenors like KIC and KLER will retain their right to argue about the inclusion and treatment of deferred costs and lost revenues in later cases, therefore, a hearing at this time is not warranted. Additionally, Staff supports CURB's recommendation that Evergy track and report any federal or state assistance it receives related to the COVID-19 pandemic.

¹⁴ *Id.* at 3.

¹⁵ *Id.*

WHEREFORE, Staff respectfully request the Commission consider its Reply to CURB's Response and KIC/KLER's Application and grant an order consistent with Staff's May 20, 2020, Report and Recommendation and the additional recommendation from CURB.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

20-EKME-454-ACT

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff's Reply to CURB's Response to Staff's Report and Recommendation and KIC and KLER's Application to Intervene was served via electronic service this 3rd day of June, 2020, to the following:

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