

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF BRANDY L. WREATH,)
DIRECTOR OF THE PUBLIC UTILITY)
DIVISION, OKLAHOMA CORPORATION) CAUSE NO. PUD 202000050
COMMISSION, FOR AN ORDER OF THE)
COMMISSION AUTHORIZING ACTION IN)
RESPONSE TO COVID-19)



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TESTIMONY OF
BRANDY L. WREATH
MAY 4, 2020

TABLE OF CONTENTS

1	INTRODUCTION.....	3
2	PURPOSE	3
3	EMERGENCY BACKGROUND	4
4	UTILITY MORATORIUM	5
5	DEFERRAL OF COVID RELATED EXPENSES	8
6	BALANCING INTERESTS	11
7	RULE AND TARIFF VARIANCE	12
8	OTHER RELIEF	13
9	RECOMMENDATION	15

INTRODUCTION

1 **Q: Please state your name and your business address.**

2 A: My name is Brandy L. Wreath. My business address is the Jim Thorpe Office Building,
3 Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am the Director of the Public Utility Division (“PUD”) and Consumer Services and the
6 Administrator of the Oklahoma Universal Service Fund (“OUSF”).

7 **Q: Have you previously testified before the Oklahoma Corporation Commission**
8 **(“OCC” or “Commission”), and were your credentials accepted?**

9 A: Yes.

PURPOSE

10 **Q: What is the purpose of your testimony?**

11 A: The purpose of my testimony is to support the utility and consumer relief requested related
12 to the COVID-19- emergency across the state of Oklahoma. This testimony will support
13 the creation of a limited use regulatory asset, deferral of certain expenses, and
14 acknowledgement of utility variance from rules and tariffs in the interest of public safety.

EMERGENCY BACKGROUND

1 **Q: Please describe the current Statewide Emergency that requires this extraordinary**
2 **relief.**

3 A: On March 13, 2020, I issued a call to utilities to voluntarily enact a temporary moratorium
4 on residential disconnects in response to the uncertainty presented by COVID-19 and
5 public safety concerns. Each utility separately responded in the affirmative, and many
6 utilities were in the process of implementing such actions at the time the request was
7 made and consequently ceased disconnections almost immediately.

8 **Q: Please explain why a moratorium was requested of utilities.**

9 A: The primary reason for this request was as a safety measure to protect Oklahoma utility
10 customers and employees. At the onset of the pandemic, little was known regarding how
11 widespread the disease was around the state, and there was and is no vaccine or established
12 effective treatment for those infected. It was important PUD seek to support safety
13 measures

14 **Q: Why didn't PUD wait for the Governor to declare a state of emergency?**

15 A: The OCC, including PUD as a division within OCC, is charged with public safety duties
16 related to the provisioning of utility services. Utilities were providing reports of field
17 workers potential exposure to dangerous conditions, as some customers were reportedly
18 not disclosing the existence of possible infectious conditions at service locations. PUD
19 actively sought to support measures to reduce any risk to the utility workers and any other
20 utility customers they might encounter on other calls,

UTILITY MORATORIUM

1 **Q: Do you believe utilities acted in good faith on your request to voluntarily stop**
2 **disconnections?**

3 A: Yes. By March 16, 2020, the regulated utilities implemented temporary moratoriums
4 on disconnections for non-payment in recognition of issues related to the widespread
5 effects of COVID-19, and the difficulty in implementing safety verification programs.

6 **Q: Please explain any benefits of a voluntary moratorium**

7 A: A voluntary moratorium allows each company to respond to specific issues while
8 addressing their varied situations. Utilities' systems, tariffs, customer base, and expenses
9 vary widely. As a result, the ability of a large investor-owned utility to address concerns
10 will be very different from a small member-owned cooperative. In these instances, a
11 voluntary moratorium allows companies to enact the beneficial policy that best protects
12 their customers, while still ensuring safe and reliable service. Blanket moratoriums do not
13 allow flexibility for providers to avoid potentially detrimental impacts to the system.

14 **Q: Is establishment of a Regulatory Asset an appropriate treatment in this situation and,**
15 **if so, why?**

16 A: Yes. Regulatory assets are meant to book items that have a reasonable certainty of
17 collection in a future cause. These expenses should be allowed, as they are being incurred
18 as a matter of public safety. Sheltering in place safely and healthily requires utility
19 services..

1 **Q: Is it important for utilities to substantiate efforts to collect on bad debt expenses once**
2 **the emergency situation has passed and, if so, why?**

3 A: Yes. It is important for consumers to clearly understand that a moratorium on
4 disconnection does not mean free utility service. Recovery of any account that becomes
5 bad debt expense will still be paid by the remaining customer base, as an option of last
6 resort. Therefore, PUD will require utilities to follow their bad debt collection process
7 once this emergency has passed. This will include offering payment arrangements and
8 possible refusal of new service until past due amounts are paid.

9 **Q: Why does PUD not support a requirement for utilities to just write off all of the debt**
10 **and forgo payment?**

11 A: This would be a completely inappropriate treatment of these types of expenses. First, it
12 would place the burden to pay the debt on those who are already struggling to pay their
13 utility bills by shifting the bad debt to other customer classes such as residential. Second,
14 a utility has a right under the law to collect for services provided. Recovery of expenses
15 are necessary for the provision of safe and reliable electric service. This is a cornerstone of
16 the regulatory process. Based on numerous and continued dialogue with utilities, PUD
17 believes there is a consensus that for public safety, it is necessary to maintain utility
18 services to Oklahoma's residents during this unprecedented time in our recent history.

1 **Q: Should the Commission review the regulatory asset in a future cause rather than pre-**
2 **approving the asset now and, if so, why?**

3 A: Yes, for two reasons. First, there is no way to know the impact of these expenses for each
4 utility, as we are still in the midst of the pandemic. Second, there will be many unique
5 variables for each utility that will need to be considered before regulatory treatment is
6 finalized.

7 **Q: Please describe some of the variables PUD recommends will need to be investigated**
8 **at the time of the request for recovery.**

9 A: PUD believes all parties should have the opportunity to ensure that only necessary and
10 reasonable amounts are passed through in rates. This would include, but not be limited to,
11 the following:

- 12 1. Ensure efforts were made to collect on the bad debt;
- 13 2. Ensure only COVID-19 related bad debts and associated expenses are included;
- 14 3. Ensure the proper return treatment for the regulatory asset;
- 15 4. Develop the appropriate recovery period on a company-by-company basis;
- 16 5. Determine if the incremental bad debt is greater than the normalized level
17 accounted for in rates.

1 **Q: When will it be appropriate for companies to request collection of the regulatory asset**
2 **through rates?**

3 A: PUD recommends that companies file the request for recovery of the asset in the next rates
4 case filed after the end of the COVID-19 emergency.

5 **Q: Please clarify PUD's position as to what expenses should be included in the regulatory**
6 **asset to consider for recovery in rates.**

7 A: Each utility should be authorized to record as a regulatory asset increased bad debt
8 expenses, including bad debts associated with factoring of accounts receivable, costs
9 associated with expanded payment plans, waived fees, and incremental expenses that are
10 directly related to the suspension of or delay in disconnection of service (or the
11 reconnection of service) beginning March 15, 2020, with the issuance of the Governor's
12 Declaration of Emergency.

DEFERRAL OF COVID RELATED EXPENSES

13 **Q: Please explain PUD's request for deferral of other COVID-19 related expenses.**

14 A: PUD acknowledges that there are other COVID-19 related actions being required of the
15 utilities beyond the processing of bad debt expenses. During ongoing discussions, most
16 utilities have reported taking many steps to ensure the continuity of utility service, while
17 protecting utility personnel, customers, and the general public.

1 **Q: Please give some examples of these expenses.**

2 A: Utilities, like all essential companies, are trying to protect their employees and customers.
3 This requires the use of personal protective equipment (PPE) for utility personnel working
4 on critical infrastructure and assisting customers. Companies are also increasing sanitation
5 efforts at facilities, and implementing health-screening processes for all personnel coming
6 in contact with each other or the public. Utilities have also procured temporary facilities
7 for potential sequestration of critical operations personnel. It is important to remember that
8 utility companies do not have the option to shut down services or reduce manpower on
9 critical functions. Therefore, the health and safety of the employees operating the system
10 is paramount.

11 **Q: How does PUD recommend these additional items be handled?**

12 A: PUD recommends the Commission authorize utilities to defer expenses associated with
13 ensuring continuity of service and protecting utility personnel, customers and the general
14 public.

15 **Q: Why is PUD recommending an examination of any potential savings offset of these**
16 **costs?**

17 A: While PUD is extremely supportive of these efforts, it is important to ensure potential
18 savings are used to offset the increased expenses of the company. It is too early in the
19 pandemic to know what, if any, operational savings will be realized. Therefore, a deferral
20 of expenses makes it clear that the Commission: (1) is not bound to granting recovery or
21 to any specific treatment of these items in any future proceeding; and (2) will be

1 considering the effect of any operational savings or other financial impacts that may occur
2 as a result of COVID-19.

3 **Q: Does PUD have any additional recommendations related to these other expenses and**
4 **the process to seek recovery?**

5 A: Yes. First, it must be clear that recovery of these expenses would be optional for each
6 company. Should a company choose to defer any expenses and request recovery, they
7 must clearly track and be able to support all such expenses. Further, the company must also
8 be able to clearly show that the items are directly related to COVID-19 response, and
9 necessary for the provision of safe and reliable gas and electric service. Finally, companies
10 should be prepared to discuss potential savings offsets to the increased costs related to the
11 COVID-19 pandemic.

12 **Q: Please clarify what examples of savings may be considered.**

13 A: The actual booked expenses of a utility may be reviewed to see if any accounts had
14 reductions during the COVID-19 emergency response period. For example, parties may
15 review travel budgets, personnel expenses, or other items that could potentially decrease
16 during the emergency period.

BALANCING INTERESTS

1 **Q: Are measures being taken by PUD to assist Oklahomans impacted by the pandemic**
2 **and, if so, are they being considered in PUD’s recommendations to the Commission?**

3 A: I, like most, know people who have been directly impacted by this very scary virus. I have
4 had many sleepless nights, as I worry about loved ones who are on the frontlines and
5 providing critical services. You don’t need to look far to find someone unsure of what their
6 future will hold. This weighs heavily on me with every action I take and each
7 recommendation I make. I have striven to act swiftly, with all of Oklahoma in mind. I
8 acted quickly to get moratoriums on everyone’s mind. I acted quickly, in my role as OUSF
9 Administrator, to ensure Oklahoma’s eligible hospitals and mental health services had
10 access to much needed internet bandwidth to serve across the state remotely. I continue to
11 hear the fear and worry of many Oklahoma residents, businesses, consumer groups,
12 agencies, and energy producers. There are no easy answers.

13 My recommendations consider that utilities have a legal requirement to maintain services
14 in a safe and reliable manner, and they do not have the option to choose between revenue
15 and safety nor can they close their doors. They cannot refuse to deploy their employees
16 when emergencies strike. They must keep the lights on and the gas flowing. My
17 recommendation simply preserves the opportunity to utilities to seek recovery of some of
18 the expenses related to protecting those providing these critical services, with the
19 understanding that there are no promises or approvals being requested at this time.

RULE AND TARIFF VARIANCE

1 **Q: Please explain the types of relief or support you, as PUD Director, have attempted to**
2 **offer utilities during this pandemic.**

3 A: In response to the emergency, I have worked, and continue to work, with utilities on
4 matters related to public safety and the protection of the public and utility workers. This
5 effort has resulted in letters of non-enforcement being issued for matters such as service
6 installation timing, reconnects, and on-premise work. These letters commit that PUD will
7 not file an enforcement action for variance from Commission rules or terms and conditions
8 related to these matters. These letters are being issued during this emergency time to
9 immediately respond to matters of safety and continued system reliability.

10 **Q: Please explain why these letters were issued rather than seeking emergency relief**
11 **from the Commission.**

12 A: PUD’s position is that a swift response, balanced with efficient use of the Commission’s
13 resources, is critical. As a Director responsible for filing enforcement actions for non-
14 compliance with Commission rules, I believe this is an appropriate way to allow companies
15 to respond to the daily changes in the pandemic response while protecting the public.
16 Continued filing for blanket waivers from the Commission could result in unintended
17 consequences where each company is treated identically when there may be good reason
18 for varied responses.

1 **Q: Please give an example of a situation or process that has warranted issuance of a letter**
2 **of non-enforcement.**

3 A: An example early in the pandemic was the need to cease uncontrolled entry into customers'
4 homes related to connection or reconnection of services. There are certain requirements
5 with respect to how long a utility may have to connect new service, or reconnect a service.
6 It was imperative to support the utilities' decision to not put utility employees and
7 customers at risk of exposure. Utilities need to be able to refuse to enter a home if safety
8 cannot be confirmed. There was another early example where customers with potential
9 exposure misrepresented their status to a company to get a connection of service. This is
10 an unacceptable risk with a potentially deadly virus.

11 **Q: Is PUD asking the Commissioners to waive rules or tariffs in this filing?**

12 A: No. PUD has two requests. First, PUD is asking for acknowledgement that the process of
13 committing to non-enforcement to increase public safety is a reasonable action. Second,
14 PUD is asking for an acknowledgement that specific future waivers may be critical enough
15 to necessitate a filing and Commission order.

OTHER RELIEF

16 **Q: Have any issues arisen or been amplified since the filing of this cause?**

17 A: Yes. PUD has received increased inquiries related to business accounts around the state.
18 There are concerns related to relatively fixed portions of the bill that must be charged each
19 month regardless of usage. One example has been a request to reduce or remove demand

1 charges related to oil and gas production during this debilitating time. There have also been
2 questions raised about retention of customer deposits.

3 **Q: Is PUD requesting any formal additional relief at this time as a result of these**
4 **increasing concerns?**

5 A: No. Any relief granted in this situation would need to be formally vetted with input from
6 all parties to avoid any unintended consequences or harm.

7 Q: Is PUD indicating at this time its intention to continue to address these and other possible
8 concerns?

9 A: Yes. PUD will request a continued collaboration between regulated and unregulated
10 electric providers and other providers of utility services. PUD believes utilities and
11 industry will need to work together to find solutions that help all businesses, while ensuring
12 class specific expenses are not shifted to the many classes of customers, many of which are
13 already suffering financial detriment as a result of the COVID-19 emergency. In particular,
14 the already vulnerable residential class, as well as the citizens of Oklahoma who provide
15 products and services, related food production, distribution and delivery. All sectors of the
16 Oklahoma economy must be protected during this crisis. Therefore, PUD will be
17 requesting ongoing meetings to discuss this very important issue and will welcome input
18 from all stakeholders.

RECOMMENDATION

1 **Q: What is PUD’s recommendation at this time?**

2 **A:** PUD recommends the Commission adopt the proposed Interim Order submitted by PUD.

3 As this pandemic is far from over, it is important that PUD maintain the flexibility to extend

4 the period for the regulatory asset should the emergency situation last beyond the first

5 deadline included in the interim order. Additionally, PUD would like the instant cause to

6 remain available should additional relief be necessary.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge.



—
Brandy L. Wreath

May 4, 2020
Oklahoma City, Oklahoma

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 4th day of May, 2020, a true and correct copy of the above and foregoing was sent electronically to:

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