

**STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD**

IN RE:

**IOWA-AMERICAN WATER
COMPANY COVID-19 REGULATORY
ACCOUNTING**

DOCKET NO. ARU-2020-0123

DOCKET NO. SPU-2020-0003

**COMPLIANCE FILING - COVID-19 REGULATORY ASSET ACCOUNTING AND
REPORTING PROPOSALS**

COMES NOW Iowa-American Water Company ("Iowa-American" or "Company") and submits the following filing in accordance with the Iowa Utilities Board's ("Board") May 1, 2020 order in which the Board authorized rate-regulated utilities to use regulatory accounts for the tracking of financial impacts arising from the COVID-19 health emergency. The Board also opened Docket No. ARU-2020-0123 for Iowa-American to file information regarding the regulatory asset accounts and also required any public utility intending to establish and use such a regulatory asset account to file a proposal for the use of regulatory accounts with the Board for review by May 30, 2020.¹ Specifically, the Board ordered that:

Within 30 days of the date of this order, any public utility intending to establish and use such a regulatory asset account shall file a proposal with the Board identifying the costs, financial assistance, revenue changes, and other matters to be accounted for in the regulatory asset account. The public utility may include in its proposal additional data to be reported. The public utility shall propose appropriate periodic reporting requirements. Such proposals should be filed in the company's designated docket opened above.

In accordance with the Board's orders, Iowa-American submits the following proposal for the use of regulatory accounts and the Company's proposals for periodic reporting to the Board. The

¹ Ordering Clause 3.

Board's May 1, 2020 order and previous orders clearly recognize the unprecedented circumstances of the present global COVID-19 health emergency, and Iowa-American appreciates the leadership and regulatory clarity the Board is providing during a time of great uncertainty.

I. Employee and Customer Safety

To minimize the risk of exposure to COVID-19 for our employees and customers, on March 12, 2020, Iowa-American instituted its business continuity plan to help provide additional stability to our operations that include water services to homes and businesses. In order to assist the essential workers that cannot work remotely, Iowa-American encouraged all employees who are capable of working remotely to do so to the greatest extent possible. Shift scheduling, crew sizes, social distancing, signage, masks, gloves, disinfecting equipment and vehicles after each use and even the nature of work were all adjusted to keep our employees safe. Meter changes were suspended in place of outdoor valve exercising, hydrant maintenance and system mapping.

Iowa-American continues to implement and adjust protective and preventative measures including limiting the amount and nature of contact our employees have with each other and with customers. Some of those measures include the following:

- Suspended all non-essential in-home field appointments;
- Moved field service representatives ("FSRs") to home/remote-based reporting on April 1;
- Rescheduled all customer orders requiring FSR to enter an occupied premise;
- Ordering FSRs to only enter in emergency or business critical situations (leaking meter causing damage), if homeowner has not been in contact with COVID-19. If homeowner has been in contact with COVID-19, a contractor with Level 2 PPE (respirator) will enter to make repairs;
- Focused transmission and distribution work on regulatory compliance and emergency response;
- Meeting all emergencies and critical customer orders while maintaining modified conditions;

- Moving water quality technicians to home/remote-based reporting, and modifying the process for collection of monthly water quality samples; and,
- Provided all water production employees with an individual vehicle and implemented remote control rooms to promote social distancing for system operators and enhanced cross training.

As our state continues to reopen and restrictions are lifted, Iowa-American continues to focus on two major priorities — the health and safety of its employees and its customers. Access to essential utility services was necessary to slow the initial spread of the disease, and the importance of maintaining essential services that permit frequent hand washing and sanitation in residences and elsewhere is strongly recommended to protect public health. While the onset of the virus, the activation of our business continuity plan and a moratorium on disconnections came quickly, returning to normal will be slow and steady and we are likely experience setbacks and restarts.

We understand that this health emergency has influenced and will continue to influence the personal, financial and community health of those we serve. Consequently, Iowa-American intends to take a measured approach to resuming normal collection activities and will delay resuming normal collection activities until at least August 2020.

II. Targeted Customer Assistance Programs

Iowa-American currently offers targeted customer assistance programs to help our most vulnerable customers. Residential customers have the option of paying bills under the Company's budget billing plan, whereby the total service for the succeeding twelve)-month period is estimated in advance, and bills are rendered monthly on the basis of one-twelfth (1/12) of the twelve-month estimate. In addition, the Company offers qualifying customers payment arrangements through installment agreements if they are financially unable to pay a past due water service bill. We are also informing customers about our "H2O Help to Others" emergency

assistance program that is funded by Iowa-American and voluntary customer donations. This program, administered by Community Action of Eastern Iowa, provides supplemental funding to customers who would otherwise have trouble paying their bills. Any individual or family whose water service is being provided by Iowa-American, is in danger of losing their primary source of water and meets the "basic needs" criteria as set by Community Action Agency caseworkers can qualify for assistance.

In addition to our existing targeted customer assistance programs described above, Iowa-American seeks to implement a pilot low-income tariff to provide additional assistance to most vulnerable customers. The proposed pilot program includes the following characteristics:

- Available to all residential customers that meet the Iowa Low Income Home Energy Assistance Program ("LIHEAP") guidelines as determined by the local Community Action Agency;
- Qualified customers will receive a direct discount of 80% of the monthly meter charge based on a 5/8" meter for 12 months. The meter charge is \$14.00 and the resulting discount would be \$11.20;
- 2020 qualifying customers are eligible to receive the discount retroactive to March 13, 2020 in order to approximately coincide with the beginning of the COVID-19 emergency;
- Iowa-American reserves the right to limit the number of participants to 1,500 participants (approximately 2.5% of customers) or \$16,800 monthly. The Community Action Agencies in our area report that they usually serve approximately 330 water customers annually. Even if doubled because of the current circumstances this would be well short of the proposed limit;
- The discounts are directly charged to regulatory assets created in this proceeding; and,
- The pilot program will expire at the sooner of the effective date of new rates in a rate case or three years after the effective date of the tariff or as ordered by the Board.

Given that the earliest foreseeable implementation date for the proposed tariff is August or September, Iowa-American believes that making the tariff and discount effective to March 13 is a vital component to assisting customers dealing with the impacts of COVID-19. When the

Community Action Agency certifies customer eligibility, customers will receive a system-generated notification 45 days prior to their 12-month expiration date notifying them that it is time to recertify.

Iowa-American modeled the program after pilots at Indiana-American Water and Missouri-American Water so that the mechanisms available in our centralized billing system can be leveraged quickly and at minimal expense. While low income tariffs are uncommon in Iowa, they are common at American Water companies including Indiana, Missouri, New Jersey, Pennsylvania, West Virginia and California with varying caps, qualifications and discounts ranging from 20% to 100% of customer and meter charges. This proposal is consistent with Board's May 20th Order² stating that Iowa-American "may decide to waive all or some portion of a customer's past-due amount, or enter into additional payment agreements beyond those required by Utilities Board rules for the past-due amount. If an investor-owned utility waives a portion of a customer's past-due bill, the utility may include those amounts in a regulatory asset account..."

III. Regulatory Assets

As a result of the COVID-19 health emergency, Iowa-American has incurred, and reasonably expects that it will continue to incur, incremental costs. At present, these effects primarily relate to the Company's voluntary shut-off moratorium, suspension of fees and related customer communications. Accordingly, we expect uncollectible accounts expense (e.g., bad debt collections costs and write offs) to increase, but the incremental cost increases cannot yet be quantified until trailing information can be collected and analyzed. The effects of COVID-19 on revenue are also not yet known.

² SPU-2020-0003 Order May 20, 2020 ordering clause 6.

Iowa-American anticipates that the incremental costs that it would not have otherwise incurred but for the COVID-19 emergency should be approved as regulatory assets. These incremental costs include but are not limited to:

- loss of late payment fees;
- loss of reconnection fees;
- loss of revenues due to unpaid bills and a reduction in the commercial customer base resulting from small business closures;
- loss of fixed charges (meter charges and customer charges);
- customer communications expenses;
- customer service system, procedure, and practice implementation costs, including customer service representatives training costs;
- bad debt collections costs and write-offs (uncollectibles expense);
- incremental operating and maintenance expenses for, among other things, signage, additional contracted services to disinfect utility facilities, additional vehicles to maintain social distancing, and additional employee safety and personal protective gear, such as hand sanitizer, particulate masks, gloves and protective eyewear;
- incremental labor and overtime expenses due to high absenteeism;
- extended sick leave pay per the Families First Coronavirus Response Act, Pub. Law 116-127, 134 USC 178, which became effective on March 18, 2020;
- providing remote work capabilities for employees;
- low-income pilot program cost, including administration costs, to assist the most vulnerable Iowans economically impacted by COVID-19; and,
- regulatory compliance costs, such as legal costs and enhanced reporting costs. and related customer communications.

IV. Regulatory Asset Reporting

Iowa-American has incurred COVID-19 incremental costs beginning in March 2020. Iowa-American has established an accounting process to track incremental O&M expenses related to COVID-19 and is requesting that these incremental costs be approved for inclusion in the regulatory asset contemplated in this proceeding. It is important to note that Iowa-American's ability to analyze and report these incremental costs is and will be constrained by the time it

takes to periodically collect and analyze the necessary information. The proposed customer discounts credits will be recorded in the regulatory asset accounts contemplated in this proceeding. Exhibit 1 included in this filing is the proposed tariff. Should the Board approve the program Iowa-American will file the tariff in compliance with the Order to be effective with the first billing day of the following month.

Iowa-American proposes that reports be filed with the Board no later than thirty (30) days after the close of each quarter, with incremental cost information for the previous quarter. The first report will be for the quarter ending June 30, 2020. Reports will be required until the quarter ending December 31, 2021, unless extended by the Board.

Each quarter, the Company will report to the Board its actual loss of late payment fees and reconnection fees as a result of the temporary customer protection measures implemented as a result of the emergency moratorium. The Company will also report the actual costs of providing employees remote work capabilities and the actual costs to implement and maintain its proposed low-income pilot program. All other incremental costs/revenues will be measured by comparing the Company's actual costs to the Company's last authorized costs/revenues from its last rate case.

V. Proposed Regulatory Asset/Liability Offset

It is anticipated that beginning in July 2020, the Davenport floodwall will be fully amortized by the Tax Cut and Jobs Act ("TCJA") rider in excess of the Qualifying Infrastructure Plant surcharge. At that time, the excess TCJA credits will accrue a balance to be refunded to customers after the next TCJA report filed by April 30, 2021. Iowa-American requests that it be authorized to offset the approved incremental costs recorded and reported quarterly as a result of the regulatory asset authorized in this Docket with the TCJA regulatory liability. Should

expenses exceed the TCJA in any period, the amounts will be carried into the next period and the balance reduced by future TCJA credits. Any remaining balance in either regulatory mechanism can be subject to an annual reconciliation or deferred until the Company's next rate proceeding.

Alternative recovery mechanisms may also be contemplated by the Board but would require a new mechanism, tariff, billing programming and many other regulatory steps, reconciliations and reviews. In the end, these additional steps would be taken to recover the same net amounts from two separate recovery mechanisms and would result in unnecessary additional expense and effort. If approved by the Board, Iowa-American will revise the TCJA tariff as a compliance filing to detail the offset consistent with its current language concerning the QIP offset, floodwall amortization and accrual for return to customers.

Iowa-American proposes that the regulatory asset/liability offset be presented to the Board for review with a starting seven-month interval expense period of March 1, 2020 through September 30, 2020 to be filed by October 31, 2020. The intervals thereafter would be six months, such that the second filing would be aligned with the TCJA report filed by April 30 for the period ending March 31. This schedule will remain in effect until modified by another proceeding such as a final order in a rate proceeding, the agreed conclusion of identifiable COVID-19 expenses or until otherwise ordered by the Board.

VI. Conclusion

These are difficult and unprecedented times. Iowa-American thanks the Iowa Utilities Board for its dedication, leadership and guidance throughout this health emergency and is committed to continue working together to navigate these unprecedented times. Taken as a whole, the proposals outlined above will allow Iowa-American to operate efficiently, provide the Company a reasonable opportunity to recover prudently incurred incremental costs resulting

from the COVID-19 health emergency, and mitigate or even avoid additional direct charges to customers. We appreciate the Board's consideration of the Company's proposals.

Dated this 29th day of May 2020.

Respectfully submitted,

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