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IDAHO PUBLIC
UTILITIES COMMISSION

December 29, 2020

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd.
Boise, ID 83714

Re: Case No. GNR-U-20-03 (including Consolidated Case Nos. AVU-E-20-03 and AVU-G-20-03) – Avista COVID-19 Deferred Accounting Report

Dear Ms. Noriyuki:

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits its COVID-19 deferred accounting report, per Commission Order No. 34718 of Case No. GNR-U-20-03 (including Consolidated Case Nos. AVU-E-20-03 and AVU-G-20-03) at page 7:

> … Any utility deferring uncollectible bad debts related to the Emergency must also file a report with the Commission by December 31, 2020 detailing its current deferral amount and projections for additional deferrals if the utility is still suspending disconnections at the time of reporting.

Per Commission Order, at page 10, utilities were granted authority to account for the unanticipated, Emergency-related expenses due to the COVID-19 public health emergency by booking the expenses as regulatory assets (account 182.3) for possible recovery through future rates, under the following conditions: Each utility -

- must analyze the CARES Act NOL provision and apply any benefit to offsetting the deferral account created for Emergency-related expenses. The utilities must also account for the decreases in expenses related to reduced employee travel and training, etc. due to the stay-at-home order, with any reduction in these expenses being applied to offset the deferral account balance;
- may book incremental uncollectible bad debts incurred during the Emergency and stemming from the suspension of late payment fees and disconnections. In determining the incremental amounts to be booked to the regulatory asset, utilities should use 2019

levels as their baseline - except Avista as described in Order 34718.[1] Any amounts above baseline levels may be booked in the regulatory asset account;

- may include in the regulatory asset account the 2019 level of late fees for the period that late fees were waived, representing the revenue from late fees that would have otherwise been received absent the Emergency;
- may book any additional incremental O&M expenses related to the Emergency into the regulatory asset account;
- may track costs related to reduced sales for customer classes that are not included in the FCA – if the utility has an FCA;
- must file a report with the Commission by December 31, 2020 detailing the expenses deferred and any reduced sales revenues tracked;
- may not apply a carrying charge to their Emergency-related deferral accounts during the deferral period; and
- before any utility may recover expenses booked in the regulatory asset account they must come before the Commission for a prudency review of those expenses the utility seeks to recover.

Following the guidance per Commission Order as discussed above, the Company has identified and/or deferred the following direct costs and benefits associated with the COVID-19 pandemic.

CARES Act Tax Benefit

As described in the Supplemental filing on May 1, 2020 in Case No. GNR-U-20-03 (including Consolidated Case Nos. AVU-E-20-03 and AVU-G-20-03), the Company will receive a benefit from carrying back its 2019 NOL to the five prior tax years. The benefit is approximately $7.9M on a system basis, or approximately $1.6 million allocated to Idaho electric and $648,000 allocated to Idaho natural gas. The Company filed the carry back form during Q4 2020 and recorded this benefit as an offset to COVID-19 deferral costs. Idaho's share of this benefit has been deferred to account 254 Other Regulatory Liabilities offsetting deferred expenses.

The Company filed several accounting method changes for tax purposes with its 2019 federal tax return. The IRS Tax Forms 3115, Application for a Change in Accounting Method, were filed with the Commission on October 19, 2020. The method changes provided a significant amount of deductions that resulted in a 2019 net operating loss. Without these method change deductions, the Company would not have recognized a net operating loss and would therefore not have received this benefit. The service allocations from these additional method change deductions are being used to allocate the benefit.

The original allocations as provided in the Supplemental filing were based on the historical allocation of the tax repairs deduction only, since the Company did not have estimates for the other method changes, as a best estimate for the new method change deductions. This allocation has now been updated with the actual method change deductions from the 2019 federal tax return. Therefore, the benefits that are actually available to Idaho customers vary from the amount estimated in the original filing.

[1] Per Order No. 34718 Avista will be allowed to use the levels set in its most recent rate cases: AVU-E-19-04 and AVU-G-17-01.

Bad Debt Expense
The Company's bad debt expense has significantly increased as a result of the COVID-19 pandemic. In order to determine the incremental impact on bad debt expense, the Company compared the actual bad debt expense incurred to the amounts set in each of its jurisdiction's most recent general rate cases. In all instances, bad debt exceeded the levels built into customers' rates. As of October 31, 2020, actual bad debt expense incurred for Idaho has exceeded the amount authorized by approximately $1.6 million for Idaho electric and $475,000 for Idaho natural gas. The Company will supplement this report with final deferred bad debt expense through December 2020 when available during the first quarter of 2021. Incremental bad debt expense is being deferred to account 182.3 Regulatory Assets.

Late Payment Fees/Reconnection Charges
The Company's Idaho late fee revenues (electric and natural gas in total) have decreased approximately $400,000 from March 1, 2020 through November 30, 2020 as compared to the same period in 2019. The Company is currently analyzing revenue recognition accounting rules and has not recorded a deferral for any jurisdiction at this time. In addition, reconnection charges are also being analyzed and a deferral determination will be made at a later date.

Other Incremental Direct Costs
Other pandemic related response increases and reductions in expenses and revenues will continue to be analyzed; no deferral has been recorded in any jurisdiction to date. Based on complete annual data, a determination as to what is appropriate to additionally include in the deferral account 182.3 Regulatory Assets for additional expenses and 254 Other Regulatory Liabilities for additional benefits to customers will be made by the end of the year.

Short-Term Loan Interest/Fees
In April 2020, the Company entered into a short-term credit agreement in the amount of $100 million to provide additional liquidity to the Company due to the pandemic. The incremental interest expense and loan fees associated with obtaining the term loan were analyzed. For Idaho, as short-term debt is excluded in the authorized capital structure and debt costs, actual costs of the term loan, net of interest income, were calculated to be approximately $160,000 for Idaho electric and $34,000 for Idaho natural gas as of November 30, 2020. Additional costs associated with interest expense and loan fees will be recorded for December 2020 of approximately $5,000 for Idaho electric and $1,000 for Idaho natural gas.

Reduced Sales Revenues
The Company does not plan to track or request recovery of costs related to reduced sales for customer classes that are not included in the FCA.

As noted above, all pandemic related response increases and reductions in expenses and revenues will continue to be analyzed through year-end 2020. As a result, additional adjustments to the deferral balances will be recorded for Idaho electric and Idaho natural gas in Account 182.3 Regulatory Assets for additional expenses and 254 Other Regulatory Liabilities for additional benefits to customers by year-end December 2020. The total net deferral balance estimated for 2020 is not available at this time. The Company will supplement this report with actual final deferred balances when available during the first quarter of 2021.

The Company has not applied a carrying charge to its Emergency-related deferred 182.3 Regulatory Asset / 254 Other Regulatory Liabilities balances during the deferral period. And finally, in seeking recovery of Avista's net deferred expenses booked in account 182.3 Regulatory Asset / 254 Other Regulatory Liabilities, Avista will come before the Commission for a prudency review of its deferred expenses in a future proceeding.

Please direct any questions regarding this report to me at 509-495-8601 or liz.andrews@avistacorp.com.

Sincerely,

/s/ *Elizabeth Andrews*

Elizabeth Andrews
Sr. Manager, Revenue Requirements