



**Avista Corp.**

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February 24, 2021

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 – 2020 Supplemental**

Dear Ms. Noriyuki:

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits its Supplemental 2020 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

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levels as their baseline - except Avista as described in Order 34718.<sup>1</sup> 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.

The Company submits this COVID-19 Deferred Accounting 2020 Year-End Supplemental report to update year-end information following the guidance per Commission Order as discussed above. As summarized below, the Company has identified and/or deferred the following direct costs and benefits associated with the COVID-19 pandemic resulting in a net liability balance of \$632,427 for Idaho electric and \$371,248 for Idaho natural gas as of December 31, 2020.

The following table provides a summary of the net benefits as of December 31, 2020.

<b>Idaho COVID Deferral Summary as of 12/31/2020</b>			
<b>Deferral Type</b>	<b>ID E</b>	<b>ID G</b>	<b>Total</b>
Bad Debt Expense	\$ 1,339,505	\$ 382,609	\$ 1,722,114
Term Loan Interest/Fees	164,426	34,470	198,896
Other Direct COVID Costs	110,631	29,432	140,063
<b>Total 182.3</b>	1,614,562	446,511	2,061,073
Other Direct COVID Benefits	(636,878)	(169,430)	(806,308)
CARES Act Tax Benefit	(1,610,111)	(648,329)	(2,258,440)
<b>Total 254</b>	(2,246,989)	(817,759)	(3,064,748)
<b>Total Ending Balance Owed Customers @ 12.31.2020</b>	<b>\$ (632,427)</b>	<b>\$ (371,248)</b>	<b>\$ (1,003,675)</b>

The Company will continue to defer the specific COVID-19 deferred costs and benefits as discussed below on a go-forward basis, impacting the net balances shown, and will update and report these Idaho balances upon filing with the Commission for a prudency review of the net costs or benefits the utility seeks to recover from or rebate to customers.

<sup>1</sup> 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 December 31, 2020, actual bad debt expense incurred for Idaho has exceeded the amount authorized by \$1,339,505 for Idaho electric and \$382,609 for Idaho natural gas. Incremental bad debt expense is being deferred to account 182.3 Regulatory Assets.

### **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 \$164,426 for Idaho electric and \$34,470 for Idaho natural gas as of December 31, 2020 and were deferred to account 182.3 Regulatory Assets.

### **Other Direct COVID Costs**

Other direct costs identified by the Company as of December 31, 2020 include those charged directly to specific pandemic projects set up to capture costs incurred to protect the health and safety of utility employees, including personal protective equipment, janitorial services, cleaning supplies and additional hardware/software and other equipment not capitalized to allow employees to work from home. Idaho's share of these direct costs was calculated to be \$140,063 (or \$110,631 Idaho electric and \$29,432 Idaho natural gas) and was deferred to account 182.3 Regulatory Assets.

### **Other Direct COVID Benefits**

Other direct benefits (reductions in costs as a result of the pandemic) identified by the Company as of December 31, 2020 were identified as employee expenses related to travel and training due to COVID-19 restrictions as well a reduction in fleet fuel consumption at the beginning of the pandemic when crews were at limited capacity. Idaho's share of these direct benefits was calculated to be \$806,308 (or \$636,878 Idaho electric and \$169,430 Idaho natural gas) and has been deferred to account 254 Other Regulatory Liabilities, offsetting deferred expenses.

### **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 \$1,610,111 allocated to Idaho electric and \$648,329 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.

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.

**Late Payment Fees/Reconnection Charges**

The Company's Idaho late fee revenues (electric and natural gas in total) have decreased approximately \$337,000 from March 1, 2020 through December 31, 2020 as compared to the same period in 2019. Due to revenue recognition accounting rules, the Company is tracking these late fees but will not record a deferral until revenue is recorded in 2021. In addition, reconnection charges are also being analyzed and a deferral determination will be made at a later date.

**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 beyond year-end 2020 on a go-forward basis. 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 as necessary.

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 prudence 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](mailto:liz.andrews@avistacorp.com).

Sincerely,

*/s/ Elizabeth Andrews*

Elizabeth Andrews  
Sr. Manager, Revenue Requirements