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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF DEFERRED)	
ACCOUNTING OF INCREMENTAL COSTS)	CASE NO. GNR-U-20-03
ASSOCIATED WITH THE COVID-19 PUBLIC)	
HEALTH EMERGENCY)	COMMENTS OF THE
)	COMMISSION STAFF
)	

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation (“Avista”), Falls Water Company (“Falls Water”), Gem State Water Company (“Gem State”), Idaho Power Company (“Idaho Power”), and PacifiCorp dba Rocky Mountain Power’s (“PacifiCorp”) consolidated Applications for a deferred accounting order for incremental costs associated with the COVID-19 public health emergency.

BACKGROUND

On March 13, 2020, Idaho Governor Brad Little issued a Proclamation declaring a state of emergency and providing directives to combat the spread of SARS-CoV-2 (“COVID-19”), provide essential services and limit public exposure (the “Emergency”). Thereafter, several Idaho public utilities — including Idaho Power, PacifiCorp, Falls Water, Gem State Water, and Avista— applied to the Commission for orders authorizing them to account for certain unanticipated, Emergency-related expenses by booking them as regulatory assets for possible recovery through rates that would be set in future proceedings. The utilities do not seek to increase rates at this time. *See* Case Nos. AVU-E-20-03 and AVU-G-20-03 (Avista electric and

gas expenses); FLS-W-20-02 (Falls Water); GSW-W-20-01 (Gem State); IPC-E-20-19 (Idaho Power), and PAC-E-20-04 (PacifiCorp).

Given the Emergency and the similarities in the utilities' applications for an accounting order to address Emergency-related costs (collectively, the "Application"), Commission Staff recommended the Commission consolidate the above-cited cases into a general docket to address whether and to what extent the utilities should be authorized to defer incremental Emergency-related expenses in a regulatory asset account for possible future recovery. Staff recommended the docket be processed by Modified Procedure. The Commission then decided to open this generic docket and consolidate the above-cited cases for purposes of issuing a single order that would apply to each of the utilities that had filed an application. The Commission also specified that besides Avista, Idaho Power, PacifiCorp, Falls Water, and Gem State, any utility submitting timely comments in the case requesting deferred accounting treatment would be eligible for any deferred accounting treatment authorized by the final order in this case.

STAFF REVIEW

On a case-by-case basis, the Commission has generally allowed deferred accounting treatment for expenses that are extraordinary and unusual in nature or mandated by a regulatory authority and which provide benefits to customers. To date, the COVID-19 virus has infected nearly 1.5 million Americans causing over 80,000 deaths in this country. In Idaho, there have been more than 2,300 confirmed cases reported and 70 confirmed deaths. On March 25, 2020, Idaho Governor Brad Little and the Director of the Idaho Department of Health and Welfare issued an Order to Self-Isolate ("Stay-Home Order") for the State of Idaho through April 15, 2020 which was later extend through April 30, 2020. The Emergency has caused a significant upturn in layoffs and a record number of people filing for unemployment benefits. In response to the emergency and recognizing the hardships faced by many customers, utilities in Idaho suspended service disconnections for non-payment and waived late fees for customers.

The COVID-19 public health emergency is an unprecedented event that has and will continue to cause utilities to incur significant incremental expenses while simultaneously experiencing a decrease in revenues from lower than anticipated sales to commercial and industrial customers. The incremental costs were not anticipated when the Commission set the utilities' revenue requirement and base rates. Given the unprecedented nature of the Emergency, Staff believes the utilities should be authorized to create a regulatory asset in FERC Account

182.3 (Other Regulatory Assets) to defer Emergency related costs for recovery in a future proceeding. Separate sub-accounts should be maintained to facilitate Staff's audit of these expenses in a future rate case. Recovery of reasonable and prudent expenses along with the amortization period used for recovery should be determined at that time. As the Commission has previously noted on numerous occasions, a deferred accounting order provides the utility the opportunity to recover prudently incurred costs. It does not automatically constitute Commission approval to recover these costs from ratepayers, absent a determination of prudence.

At this point, utilities are unable to estimate the incremental costs that may be incurred in responding to the Emergency. All utilities expect an increase in bad debt expense resulting from higher than average levels of write-offs of uncollectible accounts associated with the suspension of disconnects and late payment fees. PacifiCorp proposes using calendar year 2019 as its baseline for bad debt expense. Application at 3. While bad debt expense can fluctuate from year to year, Staff believes that calendar year 2019 bad debt expense is a reasonable baseline and bad debt in excess of this baseline should be recorded into the deferral account.

Additional Operations and Maintenance ("O&M") expenses may be incurred to protect the health and safety of utility employees. This may include personal protective equipment, sanitizer, cleaning supplies, and additional hardware/software and other equipment not capitalized to allow employees to work from home in compliance with the Stay-Home Order. When seeking recovery, it is incumbent upon the utilities to illustrate prudence of these incremental expenditures.

Staff is aware that some cost categories have been reduced because of the Emergency, including, but not limited to, employee training and travel and fuel expense for fleet vehicles. Staff recommends that utilities quantify any cost reductions due to the Emergency to be used to offset the deferral balance before seeking recovery.

Late Payment Fees

The utilities have suspended late payment fees and fees associated with disconnection and reconnection of service. These fees are considered revenue and are used to offset a utility's revenue requirement during a general rate case. Staff does not believe the utilities should recover waived fees due to the Emergency. Absent the Emergency, the utilities would not have received any additional revenue from these fees and therefore should not be able to defer any lost revenue associated with the suspension of these fees. However, not all waived fees would have

been a result of the Emergency. Utilities generally have a base level of fees received in the normal operations of business. Staff believes it is appropriate for the utilities to include the 2019 level of fees in the regulatory asset. Including this base level in the regulatory asset is a reasonable method to account for the fees that have been waived not because of the Emergency, but in the normal course of business.

Reduction in Customer Usage

Avista and Idaho Power have also requested authorization to defer, for future amortization, costs not recovered due to a reduction in usage by its customers, specifically commercial and industrial (“C&I”) customers, due to the statewide Stay-Home Order. See Avista Application at 4; Idaho Power Application at 5. Both Avista and Idaho Power have Fixed Cost Adjustment (“FCA”) mechanisms that compensate the utility for a reduction in customer use for certain classes. Staff interprets this request from the utilities as an effort to recover lost revenues or to implement a de facto decoupling mechanism to recover fixed costs included in the volumetric rate for the C&I customers. Staff opposes any mechanism that would allow utilities to collect lost revenue from the customers whose operations have been shut down due to the Emergency. Additionally, Staff has repeatedly raised concerns in FCA cases about utilities recovering fixed costs beyond the intended purpose of the mechanism. By allowing fixed cost recovery associated with reduced load from C&I customers due to the Emergency, the problems Staff identifies with the current FCA mechanisms could potentially be exacerbated.

On April 30, 2020, IDACORP, Inc. (the parent company of Idaho Power), issued its Quarterly Report to shareholders. The report states that:

IDACORP affirms its previously reported full year 2020 earnings guidance in the range of \$4.45 to \$4.65 per diluted share, also affirming that Idaho Power does not expect to utilize in 2020 any of the additional tax credits available under its Idaho earnings support mechanism and assuming normal weather conditions for the remainder of the year. This guidance also includes those considerations related to COVID-19...

In Order No. 34071, the Commission approved a settlement stipulation modifying and extending Idaho Power’s earning support mechanism. If Idaho Power’s return on equity (“ROE”) falls below 9.4%, Idaho Power can amortize Accumulated Deferred Investment Tax Credits (“ADITC”) to achieve a minimum of 9.4% ROE for shareholders. Given that IDACORP’s

quarterly report confirms Idaho Power does not expect to use ADITC in 2020, its shareholders have more protection than C&I customers.

Carrying Charge

Idaho Power and PacifiCorp requested the ability to accrue interest on the deferred balance at the customer deposit rate (currently 2%). Avista explicitly stated it did not intend to accrue interest on the deferral balance, while Gem State and Falls Water were silent on the issue. Absent the authority to create a regulatory asset account, these expenditures would have been expensed as incurred and not recoverable from customers. This Commission has routinely denied carrying charges on deferral balances that would have been otherwise unrecoverable. Staff believes the opportunity to recover the Emergency related expenses is sufficient for the utilities, and recommends the Commission deny a carrying charge on the deferred expenses.

Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

On March 27, 2020, President Trump signed into law the CARES Act delivering more than \$2 trillion in economic relief and stimulus to the country. The CARES Act includes a provision that allows companies with a taxable net operating loss (“NOL”) for tax years 2018, 2019, and 2020 to carry that loss back to the five prior tax years. The NOL carryback to years prior to 2018 will reduce taxable income that was previously taxed at the 35% corporate tax rate (the rate in effect during those tax years). Avista has identified tax benefits of \$1.89 million and \$0.21 million for its Idaho electric and gas jurisdictions, respectively. Avista has indicated it will use that benefit to offset the regulatory asset account. Staff recommends that all utilities should determine the applicability of this CARES Act NOL carryback provision and that any benefit be used to offset the regulatory asset account with any remaining benefit to be returned to customers at a later date.

Additional Comments

In Order No. 34643, the Commission directed other utilities that wished to have Emergency-related deferred accounting authority decided in this docket to file comments requesting that authority. On May 5, 2020, SUEZ Water Idaho, Inc. (“SUEZ”) filed comments requesting deferred accounting authorization. On May 12, 2020, Intermountain Gas Company (“Intermountain”) filed the same. Staff recommends that the Commission’s Order in this case

also apply to SUEZ, Intermountain and any other utility filing timely comments requesting such authority.

STAFF RECOMMENDATIONS

The COVID-19 Public Health Emergency is an unprecedented event that caused utilities in Idaho to incur incremental costs that were not included in base rates when revenue requirements were set. Accordingly, Staff recommends that the Commission authorize utilities seeking authority in this docket to establish a regulatory asset in sub-account of FERC Account 182.3 to defer:

1. Incremental bad debt expense resulting from higher than average levels of write-offs of uncollectible accounts associated with the suspension of disconnects and late payment fees,
2. The 2019 base level of late payment fees and fees associated with disconnects and reconnects, and
3. Any incremental O&M expenses incurred because of the Emergency.

Additionally, Staff recommends the Commission reject any proposals to defer costs associated with decreased sales to customers, and limit the deferral to the items listed above. Staff also recommends that utilities identify any cost reductions to offset the regulatory asset, including the tax provision of the CARES Act. Finally, Staff recommends no carrying charge be allowed on the deferred amounts.

Approval of the regulatory asset allows utilities the opportunity to recover prudently incurred costs. It should not guarantee recovery, and the utilities must be able to provide evidence that all deferred expenses are reasonable and prudent. Recovery of the deferred expenses and the amortization period for recovery should be determined in a future proceeding.

Respectfully submitted this 14th day of May 2020.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14th DAY OF MAY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-U-20-03, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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