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January 29, 2021

Mark L. Johnson
Executive Director & Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Dockets UE-200407 and UG-200408 - Avista COVID-19 Deferred Accounting Quarterly Report

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits its second COVID-19 deferred accounting quarterly report. As described in Order 01 of Docket U-200281 (In the Matter of Response to the COVID-19 Pandemic), and detailed in the "UTC Staff Proposed COVID-19 Response Term Sheet," approved by the Commission, this quarterly report complies with the following condition of the Cost Recovery section:

> *4. Future reporting that itemizes the utility costs in any approved COVID-19 petitions for deferred accounting in the docket approving the petition.*
> *a. The first report should be filed by December 1, 2020, and cover the period between March 1, 2020 and September 30, 2020.*
> *b. Subsequent reports should be required 30 days after the close of each quarter and shall include information from the previous quarter to continue until the conclusion of the proceeding in which the Utility requests recovery of the deferred expenses, or until such time the Commission determines the reports no longer provide benefit.*

As of December 31, 2020, 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 approximately $1.355 million for Washington, or Washington electric of $524,000 and Washington natural gas of $831,000.[1]

[1] The Commission approved the Company's Deferred Accounting Petitions for deferred accounting of COVID-19 related net costs/benefits filed in Dockets UE-200407 and UG-200408 on December 10, 2020, per Order 01.

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

Washington COVID Deferral Summary as of 12/31/2020			
Deferral Type	**WA E**	**WA G**	**Total**
Bad Debt Expense	$ 3,683,983	$ 993,301	$ 4,677,284
Term Loan Interest/Fees	242,929	59,093	302,022
Other Direct COVID Costs	248,433	77,955	326,388
Total 186	4,175,345	1,130,349	5,305,694
Other Direct COVID Benefits	(1,430,172)	(448,771)	(1,878,943)
CARES Act Tax Benefit	(3,269,013)	(1,512,768)	(4,781,781)
Total 253	(4,699,185)	(1,961,539)	(6,660,724)
Total Ending Balance Owed Customers @ 12.31.2020	**$ (523,840)**	**$ (831,190)**	**$ (1,355,030)**

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 these Washington balances in future reports, 30 days after the close of each quarter-end, as required.

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 Washington has exceeded the amount authorized by $4,677,284 (or $3,683,983 for Washington electric and $993,301 for Washington natural gas). Incremental bad debt expense is being deferred to account 186 Miscellaneous Deferred Debits.

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 Washington, short-term debt is included in authorized capital structure and debt costs. Therefore, to determine the debt costs that will be deferred for the COVID term loan borrowing, Avista compared actual costs of short-term borrowing, net of interest income, to the authorized cost of short-term borrowing, resulting in $242,929 for Washington electric and $59,093 for Washington natural gas as of December 31, 2020. These amounts were deferred to account 186 Miscellaneous Deferred Debits.

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. Washington's share of these direct costs is $326,388 (or $248,433 Washington electric and $77,955 Washington natural gas) and was deferred to account 186 Miscellaneous Deferred Debits.

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 as a reduction in fleet fuel consumption at the beginning of the pandemic when crews were at limited capacity. Washington's share of these direct benefits was $1,878,973 (or $1,430,172 Washington electric and $448,771 Washington natural gas) and has been deferred to account 253 Other Deferred Credits, offsetting deferred expenses.

CARES Act Tax Benefit

As described in the Company's original Deferred Accounting Petition filed on April 9, 2020 in Dockets UE-200407 and UG-200408, 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 $3,269,013 for Washington electric and $1,512,768 for Washington natural gas. The Company filed the carry back form during Q4 2020 and recorded this benefit as an offset to COVID-19 deferral costs. Washington's share of this benefit has been deferred to account 253 Other Deferred Credits.

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.

Reconnection Charges

Reconnection charges will be analyzed for 2020 only and a deferral determination will be made at a later date.

Bill Payment Assistance Program Costs

The Company is developing a program proposal to establish a temporary COVID-19 assistance program, in coordination with its Energy Assistance Advisory Group, as described in the "UTC Staff Proposed COVID-19 Response Term Sheet" in Docket U-200281. A programmatic tariff is expected to be filed in February 2021. The costs to fund such program, approximately $6.5 million or one percent of the Company's 2019 electric and natural gas Commission Basis Reports, will be deferred after the program has been approved by the Commission and is being offered to customers.

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