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UE-200408

Received
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Oct 27, 2023

October 27, 2023

Kathy Hunter
Acting Executive Director and 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 Q3 2023 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 September 30, 2023, the Company has identified and/or deferred the following direct costs and benefits associated with the COVID-19 pandemic resulting in a <u>net asset balance</u> of $2,019,723 for Washington, or a Washington electric net asset of $2,109,590, and a Washington natural gas net liability of $89,867.[1]

The following table provides a summary as of September 30, 2023.

[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.

Washington COVID Deferral Summary as of 9/30/2023			
Deferral Type	**WA E**	**WA G**	**Total**
Bad Debt Expense	$ 1,508,276	$ 766,974	$ 2,275,250
COVID Assistance Program	5,495,044	1,213,633	6,708,677
Term Loan Interest/Fees	286,789	69,766	356,555
Other Direct COVID Costs	248,433	77,955	326,388
Reconnect Fees	97,401	4,552	101,953
Total 186	7,635,943	2,132,880	9,768,823
Other Direct COVID Benefits	(2,257,340)	(709,979)	(2,967,319)
CARES Act Tax Benefit	(3,269,013)	(1,512,768)	(4,781,781)
Total 253	(5,526,353)	(2,222,747)	(7,749,100)
Total Ending Balance at 9.30.2023	**$ 2,109,590**	**$ (89,867)**	**$ 2,019,723**

The Company will continue to defer bad debt COVID-19 related balances, as discussed below through December 31, 2023, 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 September 30, 2023, actual bad debt expense incurred for Washington has exceeded the amount authorized by $8,631,590 (or $6,714,723 for Washington electric and $1,916,867 for Washington natural gas).[2] This balance has been separately recorded as "Bad Debt Expense" and "COVID Assistance Program" as noted in the table above. See also section "COVID Assistance Program Costs" and "American Rescue Plan COVID-19 Grants" below. Incremental bad debt expense is being deferred to account 186 Miscellaneous Deferred Debits.

American Rescue Plan COVID-19 Grants

In 2022, the Washington Legislature appropriated $100 million from the American Rescue Plan for public and private water, sewer, garbage, electric and natural gas utilities arrearages. The funding was intended to be used by utilities to reduce residential customer arrearages accrued between March 1, 2020, and December 31, 2021. Avista applied to the Washington State Department of Commerce to participate in this new program and was awarded just over $6.1 million to provide to customers who accrued arrearages during the time frame noted above. In total, Avista customers received $6,128,247.75. The grants were provided by Avista as payments on customers' accounts, which the Department of Commerce provided reimbursement to Avista for the payments. The effect of these grants is that it significantly reduced customer's arrears and the Company's bad debt expense, resulting in a reduction to the bad debt deferral of $3,058,626 (or $2,649,061 for Washington electric and $409,564 for Washington natural gas) in 2022.

COVID Assistance Program

The following table provides a summary of COVID Assistance Program Costs deferred as of September 30, 2023.

[2] These amounts reflect total bad debt expense only, and exclude administrative costs included in the Washington COVID Assistance Program Summary table.

Washington COVID Assistance Program Summary as of 9/30/2023						
Deferral Type		**WA E**		**WA G**		**Total**
Direct Customer Assistance (Reclassed from Bad Debt)	$	5,206,446	$	1,149,894	$	6,356,340
External Admin Costs		131,629		29,071		160,700
Total COVID Assistance Program Funds Deferred		5,338,075		1,178,965		6,517,040
Internal Admin Costs		156,969		34,668		191,637
Total Ending Balance at 9.30.2023	**$**	**5,495,044**	**$**	**1,213,633**	**$**	**6,708,677**

The Company filed a tariff for its temporary COVID-19 assistance program described in the "UTC Staff Proposed COVID-19 Response Term Sheet" in Docket U-200281 on February 19, 2021, which the Commission approved with an effective date of April 1, 2021. The costs to fund the program, approximately $6.5 million or one percent of the Company's 2019 electric and natural gas Commission Basis Reports, was deferred as funds were provided to customers and external administration fees were expended. As of December 31, 2021, the full amount of the program funds was expended. Funds were distributed to customers in the amount of $6,356,340 (or $5,206,446 Washington electric and $1,149,894 Washington natural gas); the amounts were recorded as a reduction to the bad debt deferral. In additional, external bill payment assistance administration costs incurred by the Community Action Agencies that helped administer the program totaled $160,700 (or $131,629 Washington electric and $29,071 Washington natural gas). Additionally, internal bill payment assistance administration costs of $191,637 (or $156,969 Washington electric and $34,668 Washington natural gas) were deferred resulting in a total COVID Assistance Program deferral of $5,495,044 Washington electric and $1,213,633 Washington natural gas, as shown in the table above. These bill payment assistance costs have been deferred to account 186 Miscellaneous Deferred Debits.

<u>Term Loan Interest/Fees</u>

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-19 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 $286,789 for Washington electric and $69,766 for Washington natural gas as of September 30, 2023. These amounts were deferred to account 186 Miscellaneous Deferred Debits.

<u>Other Direct COVID Costs</u>

Other direct costs identified by the Company as of September 30, 2023 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.

<u>Reconnect Fees</u>

The Company's reconnection charges decreased approximately $101,953 (or $97,401 Washington electric and $4,552 Washington natural gas) in 2020 compared to the average charges for the last four years (2016-2019).[3] Although the order referenced a five-year average, a billing system conversion in 2015 made the accessibility and accuracy of the data unreliable for comparison. Reconnection charges have been deferred to account 186 Miscellaneous Deferred Debits. The Company did not seek to defer foregone reconnection charges beyond 2020 as its Advanced Metering Infrastructure was substantially complete at the end of 2020.

Other Direct COVID Benefits

Other direct benefits (reductions in costs as a result of the pandemic) identified by the Company as of September 30, 2023 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 $2,967,319 (or $2,257,340 Washington electric and $709,979 Washington natural gas) and has been deferred to account 253 Other Deferred Credits, offsetting deferred expenses.

CARES Act Tax Benefits

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.

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

[3] Avista did not seek to defer reconnection charges in 2021 due to the installation of its Advanced Metering Infrastructure (AMI) system and subsequent removal of reconnection charges for customers with AMI meters from its tariff Schedule 70 and 170.