BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Avista Corporation, d/b/a Avista Utilities For an Order Authorizing Deferral of Costs and Benefits Associated with COVID-19 Public Health Emergency.	)))))))	Docket No. UE-200407 Docket No. UG-200408 AMENDED PETITION OF AVISTA CORPORATION

I. INTRODUCTION

1 In accordance with WAC 480-100-203(3) and WAC 480-90-203(3), Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Commission for an order authorizing it to utilize deferred accounting for the net incremental costs associated with the recent COVID-19 public health emergency as described in this petition.[1] Avista anticipates that the emergency, overall, will result in costs to customers that will exceed potential benefits that the Company seeks to defer for later rate-making treatment.[2]

2 Avista is a utility that provides service to approximately 395,000 electric customers and 258,000 natural gas customers in a 26,000 square-mile area in eastern Washington and northern

[1] Avista filed its original petition on May 4, 2020. Subsequent to the filing the Company participated in Docket U-200281 where extensive discussion occurred relating to the direct costs and benefits that would be tracked according to the proposed deferred accounting petitions filed by Avista and the other utilities. Those changes are reflected in this amended petition.

[2] Certain other jurisdictions across the United States have approved similar accounting treatment, with ultimate recovery of such costs subject to a prudence review in a future proceeding, i.e., Public Utilities Commission of Nevada, Docket No. 20-03021 dated March 27, 2020; Public Service Commission of Wisconsin, Docket No. 5-AF-105, Order 386353 dated March 24, 2020; Public Utility Commission of Texas, Project No. 50664 dated March 26, 2020; and State of Connecticut Public Utilities Regulatory Authority, Docket No. 20-03-15, Motion No. 2 dated March 18, 2020.

Idaho. Avista Utilities also serves approximately 105,000 natural gas customers in Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters. Please direct all correspondence related to this Petition as follows:

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3 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(3)(b).

II. REASONS FOR REQUEST FOR DEFERRED ACCOUNTING OF COVID-19 RELATED COSTS

4 On February 29, 2020, Washington Governor Inslee declared a state of emergency over the COVID-19 pandemic. Avista has suspended all service disconnections and late payment fees in order to help limit the impact on customers as they navigate these difficult economic times. The public health emergency is expected to drive significant accounts receivable write-off expense. Avista also expects to experience other costs related to the emergency that the Company is currently unable to predict. Avista will document all direct costs known to be incurred due to the COVID-19 public health emergency.

5 Due to the unpredictable and unprecedented nature of the emergency, these costs are not currently recovered in rates and are outside normal business risk; accordingly, Avista requests

to defer the costs associated with its COVID-19 response to recover these expenses through deferred accounting as further discussed below.

6 Avista is also seeking authorization for the deferral of the costs because of the potential magnitude and unprecedented nature of the COVID-19 public health emergency. The associated risks of the COVID-19 public health emergency are well outside reasonable business risk for the Company that might otherwise be considered normal "regulatory lag." During this COVID-19 emergency, Avista welcomes, and is fully capable of executing, its obligation to provide safe, reliable electric service to its customers. At the same time, it is important to the ongoing financial health of the Company to have a reasonable opportunity to recover its prudently incurred costs.

7 In response to the COVID-19 pandemic, on October 20, 2020, the Commission issued Order 01 in Docket U-200281 to extend the suspension of disconnection of energy services for nonpayment and adopt related requirements. The impetus for the Order arose from negotiation between the Joint Utilities group and Joint Advocates group on a term sheet intended to ensure "that customers experiencing economic hardship as a result of the COVID-19 pandemic maintain access to essential services after Proclamation 20-23 expires and the moratorium on disconnections and late fees is no longer in effect."[3] In addition the term sheet was intended to address COVID-19 deferred accounting, as described herein. The Joint Utilities and Joint Advocates were able to reach agreement in principle on many facets of a term sheet, but ultimately could not reach consensus on final terms. As a result, Commission Staff proposed a term sheet which the Commission ultimately adopted via Order 01, with several modifications.

[3] U-200281, Order 01, ¶ 3

8 Included within the Commission Staff term sheet were "Staff's position on the types of costs for which it will support deferral treatment," including "direct costs, bad debt, late payment fees, and reconnection charges." [4] The Joint Utilities agreed with many of these recommendations. Per Order 01, the Commission elected to not adopt Staff's view on these items and instead stated "Utilities may incorporate Staff's views into their accounting petitions…Ultimately, the Commission will consider each petition on its merits and render a decision based on the record compiled in each docket."[5] Based on this guidance, the Company proposes the following costs be deferred for future recovery.

1. Direct costs for reasonable measures taken by the Company in response to the COVID-19 pandemic, including incremental costs associated with: personal protective equipment, cleaning supplies and services, contact tracing, medical testing, financing costs to secure liquidity, information technology updates, equipment needed for remote work options, and the administrative needs to implement the term sheet components accepted by the Commission in Docket U-200281, Order 01. Direct costs are net of savings, credits, payments, or other benefits received by the Company from a federal, state, or local government that are directly related to a COVID-19 direct cost, including federal, state, or local tax credits or benefits.

2. Any amount of bad debt expense accrued in 2020, 2021 and 2022 above the bad debt baseline as defined below. While the Company will defer the bad debt expense that is accrued above the baseline being collected from customers today, it will not collect any amount above the actual amount that is written-off. The bad debt expense baseline is the amount that is currently being collected from customers for bad debt, as determined in their last general rate proceeding as of October 1, 2020.

3. For calendar year 2020 the average annual amount of reconnection charges collected over the previous five years (2015-2019) less the actual amount collected by the Company from January 1, 2020 through March 1, 2020 for calendar year 2020.

4. Costs to fund a COVID-19 bill payment assistance program, as described in the Additional Funding for Customer Programs section in Docket U-200281, Order 01.

[4] U-200281, Order 01, ¶25
[5] U-200281, Order 01, ¶26

III. POTENTIAL BENEFITS TO OFFSET COVID-19 COSTS

9 The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27th, 2020. This over $2 trillion economic relief package delivers on the commitment to protecting the American people from the public health and economic impacts of COVID-19. One aspect of the CARES Act allows for companies who have a taxable net operating loss (NOL) for tax years 2018, 2019, and 2020 to carry that loss back to the five prior tax years. Avista is projecting a NOL with its 2019 tax return to be filed and intends to carry it back to all available open 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). Without this provision in the CARES Act, Avista's 2019 NOL would be carried forward at a 21% tax rate, the corporate tax rate in effect beginning in 2018. Avista will therefore receive a permanent rate benefit for the portion of the NOL that is recognized at the 35% tax rate. This benefit is estimated to be approximately $6.5 million (on a system basis). Avista estimates this tax benefit will be allocated to its operating units as follows:

10 **Table 1:**[6]

Estimated Allocation of Tax Benefit Due to CARES Act ($ millions)	
WA ELECTRIC	$2.58
ID ELECTRIC	$1.27
WA NATURAL GAS	$1.20
ID NATURAL GAS	$0.51
OR NATURAL GAS	$0.75
	$6.31

[6] Estimated allocation of tax benefit balances updated from original filing on April 9, 2020. Revised balances based on actual method change deductions from the 2019 federal tax return filed in October 2020.

11 Avista requests to defer these benefits associated with the CARES Act to offset the increased expenses due to COVID-19 through deferred accounting. Other benefits the Company may realize will also be used to offset the increased costs due to Avista's response to the COVID-19 health emergency.

IV. PROPOSED ACCOUNTING TREATMENT

12 Beginning in March 2020, Avista proposes to defer the net costs and benefits associated with COVID-19 public health emergency as described in sections II and III above.. Avista proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), and credit FERC Account 407.4 (Regulatory Credit). The costs as incurred will be debited to various expense accounts. The Company proposes that interest will not accrue on the unamortized balance.

V. ESTIMATED AMOUNTS SUBJECT TO DEFERRAL

13 As the COVID-19 pandemic and associated impacts are developing on a daily basis, the Company is continuously evaluating its response. At this time, the length and magnitude of the COVID-19 emergency response is unknown and the nature of these circumstances are also unprecedented. As such, the Company is unable to provide a cost estimate at this time, but will address the incremental costs associated with this deferral at the time any ratemaking treatment is proposed.

VI. REQUEST FOR RELIEF

14 WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the requested deferred accounting and ratemaking treatment, as described above. Avista is

prepared and able to provide safe, reliable electric service to its customers during this COVID-19 emergency. To maintain the ongoing financial health of the Company during this extraordinary time, Avista requests authorization to defer for later ratemaking treatment its prudently incurred incremental costs, net of benefits, from the COVID-19 public health emergency to a regulatory asset until it can request amortization of the deferred costs in a future Commission proceeding.

DATED this 23rd day of November 2020.

By: ______________________________
Patrick D. Ehrbar
Director of Regulatory Affairs