

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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

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 and the normal business costs not recovered due to the reduction in electricity and natural gas use by its customers. As described more fully below, 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.¹

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 Certain other jurisdictions across the United States have approved similar accounting treatment, with ultimate recovery of such revenues and 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. At the same time the Company expects to incur these
additional costs, revenues that are designed to recover Avista's normal business costs could be
reduced significantly due to the statewide Stay-Home Order, which has caused shut downs or
slowdowns of many commercial and industrial businesses throughout Avista's service area.
Avista will document all costs known to be incurred by 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.

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.

III. POTENTIAL BENEFITS TO OFFSET COVID-19 COSTS

7 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:

8 **Table 1:**

Estimated Allocation of Tax Benefit due to CARES Act (\$millions)	
WA Electric	\$ 3.50
ID Electric	\$ 1.89
WA Natural Gas	\$ 0.48
ID Natural Gas	\$ 0.21
OR Natural Gas	\$ 0.42
	<u>\$ 6.50</u>

9 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 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

10 Beginning in March 2020, Avista proposes to defer the net costs and benefits associated with COVID-19 public health emergency and normal business costs not recovered due to reduction in electricity and natural gas use by its customers due to the statewide Stay-Home Order. 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

11 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

12 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 and normal business costs not recovered due to reduction in electricity and natural gas use by its customers to a regulatory asset until it can request amortization of the deferred costs in a future Commission proceeding.

DATED this 3rd day of September 2020



By: _____
Patrick D. Ehrbar
Director of Regulatory Affairs