



Avista Corp.

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December 1, 2020

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 first 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, 2020, the Company has identified the following direct costs and benefits associated with the COVID-19 pandemic.¹

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

¹ As of the filing of this report the Commission has yet to approve the Company’s Deferred Accounting Petitions for deferred accounting of COVID-19 related costs filed in Dockets UE-200407 and UG-200408. The Company’s deferred accounting petitions are scheduled to be discussed at the December 10, 2020 WUTC Open Meeting.

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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 approximately \$300,000 for Washington electric and \$48,000 for Washington natural gas as of September 30, 2020. The Company believes it is prudent to record a deferral of these costs.

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 current estimate of the benefit is approximately \$6.3M on a system basis, or approximately \$2.6 million for Washington electric and \$1.2 million for Washington natural gas. The Company filed the carry back form during Q4 2020 and will record this benefit as an offset to COVID-19 deferral costs.

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.

The original allocations as provided in the original filing on April 9, 2020 were based on the historical allocation of the tax repairs deduction only, since the Company did not have estimates for the other method changes, as a best estimate for the new method change deductions. This allocation has now been updated with the actual method change deductions from the 2019 federal tax return. Therefore, the benefits that are actually available to Washington customers are slightly lower than the amount estimated in the original filing.

Other Direct Costs

Other pandemic related response increases and reductions in expenses and revenues will continue to be analyzed; no deferral has been recorded in any jurisdiction at this time. Based on complete annual data, a determination as to what is appropriate to additionally include in the deferral will be made by the end of the year.

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, 2020, actual bad debt expense incurred for Washington has exceeded the amount authorized by approximately \$3.7 million for Washington electric and \$1.0 million for Washington natural gas. The Company believes it is prudent to record a deferral of these costs.

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. Plans are to finalize the program design and begin offering additional customer assistance early in 2021. Costs associated with the delivery of the program will begin to be deferred once the program is made available 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