



December 8, 2020

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

Transmitted via email

*Re: Dockets UE-200780, UG-200781, UE-200407, UG-200408, UE-200234, UG-200479,
and UG-200264*

Dear Mr. Johnson:

Thank you for the opportunity to comment on the deferred accounting petitions dockets filed by Avista Utilities (UE-200407 and UG-200408), Cascade Natural Gas (UG-200479), NW Natural (UG-200264), Pacific Power (UE-200234), and Puget Sound Energy (UE-200780 and UG-200782). The NW Energy Coalition is an alliance of approximately 100 environmental, civic, and human service organizations, progressive utilities, and businesses working for clean and affordable energy in the Northwest.

The NW Energy Coalition was a member of the workgroup in Docket U-200281 at the Utilities and Transportation Commission (UTC or Commission), which brought together the Washington investor-owned utilities and consumer advocates to discuss needed energy utility consumer protections and programs in light of the COVID-19 pandemic. Through that proceeding, the Commission authorized a number of consumer protections, including a suspension on utility disconnections for non-payment until at least April 30, 2021, and a suspension on late fees until at least October 27, 2021; these protections will be reviewed in docket U-200281 in February 2021, in light of the then-current state of the public health pandemic and economy recovery. The docket also authorized a number of new consumer programs to help customers with energy bills, including additional funding to customer assistance programs.

In the dockets before the Commission on December 10, 2020, the Commission will consider whether any costs associated with the COVID-19 pandemic should be deferred, likely for later consideration of recovery in a general rate case. While these deferral dockets may seem relatively routine in the larger scheme of the COVID-19 pandemic and its impacts on customers, how the Commission acts now is important given its role as an economic regulator for these companies. As the Commission well knows, many customers are needing to balance competing bills for food, medicine, childcare, housing, and utilities, while also facing limited workforce options, restrictions on social gathering, and new management of virtual school. There is no question that the COVID-19 pandemic is having a stark impact on many customers' lives and livelihoods—particularly on customers who were already struggling. The question is whether

and how much energy utilities are sharing in that burden, and these dockets start of that conversation that could lead to further regulatory action and decisions.

As the Commission considers these petitions, the NW Energy Coalition would like to offer the following comments for consideration:

- **Any petitions for accounting deferral should be narrowly scoped.** Unlike a windstorm and its resulting damage, for which deferral accounting is often used, the COVID-19 pandemic is a long-term event, with lasting and evolving effects across our economy and in utility operations. There are likely offsetting costs and savings happening at different times and across utility operations, and it may be difficult to fully track these ongoing and iterating costs. These petitions should be very narrowly scoped.
- We point to the joint comments of the Attorney General’s Public Counsel Unit and the Energy Project for specifics¹, but we would like to particularly underline that the NW Energy Coalition does not believe that the below items should be tracked and deferred:
 - **Direct costs, labor costs, and unspecified other costs:** There may be long-term changes to utility operations as a result of the pandemic that are difficult to anticipate at this time (e.g., permanent or primary work-at-home for some utility employees and the resulting impacts on remote technologies and office space usage; reduced travel due to more online conferences). As a result, we believe that direct and labor costs associated with the pandemic should not be tracked and deferred. If the Commission does allow some deferral of these direct costs, there should be as much emphasis on savings associated with changes in operations. Any unspecified “other” costs should also not be deferred, in keeping with the principle that deferral petitions should be narrowly scoped.
 - **Lost Revenues:** Currently, no utility is requesting deferral of any lost sales revenue associated with the pandemic, but as a principle, we do not believe that there should be any deferral for lost revenues, except within the scope of existing approved revenue decoupling mechanisms.
 - **Late Fees and Reconnection Fees:** Under Governor Inslee’s Proclamation 20-23.02, issued April 17, 2020, and the proclamation’s subsequent iterations, utilities in the state of Washington are prohibited from “Charging fees for late payment or reconnection of energy, telecommunications, or water service.” This proclamation is currently in effect until December 31, 2020.² To allow utilities to track and defer these costs seems like it would go against this directive and allows collection of these fees from customers, just in a different manner. The staff memo for this open meeting seems to acknowledge this issue, while still recommending that these costs be deferred: “[I]t is far from certain that

¹ Joint Response of the Office of the Washington Attorney General Public Counsel Unit and The Energy Project. Filed November 19, 2020 with the Utilities and Transportation Commission in Dockets UE-200780/UG-200781; UE-200407/UG-200408; UE-200234; UG-200479; UG-200264.

² Inslee, Jay. *Proclamation 20-23.12*. Issued November 10, 2020.

https://www.governor.wa.gov/sites/default/files/proclamations/proc_20-23.12.pdf

deferrals for those items will be appropriate for cost recovery.... But that is an issue for another day.” The Commission should not permit this deferral at this time.

- **Carrying Charges:** One utility (PacifiCorp) is specifically requesting that carrying charges on deferral balances be allowed, at the average rate of return approved in their last rate case. To earn a return on these deferral balances—which would largely be made up of costs and expenses to help customers unable to pay their energy bills—seems antithetical to serving the public interest.
- **An earnings test should be applied to these accounting deferrals.** As the Joint comments of Public Counsel and The Energy Project elaborate, deferred accounting allows a utility to defer specific costs until these costs can be built into new rates, on the premise that to incur these costs now would harm current earnings. However, as noted above, there may be offsetting savings to any incremental costs and some of these effects may be difficult to discern through piecemeal tracking. An earnings test would help ameliorate this concern.
- **There should be a clear language in any Commission order that costs that are allowed to be deferred does not guarantee recovery of these costs.** Staff has stated this principle clearly in its open meeting memo: “Staff notes that the deferred accounting utilities request will not affect rates at this time. Any amounts that utilities later request for rate recovery will be subject to a prudence review. Upon any request for rate recovery, utilities must demonstrate that the costs were incremental, prudently incurred, not offset by cost savings, resulted from extraordinary circumstances, and presented the utility with extraordinary hardship.” However, in using deferred accounting, there is an expectation based on accounting principles that recovery of these costs is probable. In its order, the Commission should be very explicit that this principle may not hold in these extraordinary circumstances.

Thank you for the opportunity to provide comment.

Sincerely,

Amy Wheelless, Senior Policy Associate
NW Energy Coalition