Puget Sound Energy COVID-19 Cost Deferral Petition
Dockets UE-200780 and UG-200781

Avista Corporation COVID-19 Cost Deferral Petition
Dockets UE-200407 and UG-200408

Pacific Power & Light Company COVID-19 Cost Deferral Petition
Docket UE-200234

Cascade Natural Gas Corporation COVID-19 Cost Deferral Petition
Docket UG-200479

NW Natural COVID-19 Cost Deferral Petition
Docket UG-200264

DECLARATION OF LISA W. GAFKEN

IN SUPPORT OF JOINT RESPONSE OF

THE OFFICE OF THE WASHINGTON ATTORNEY GENERAL

PUBLIC COUNSEL UNIT

AND

THE ENERGY PROJECT

Exhibit No. 1:

Advocates' Proposed Revisions to Staff Term Sheet

(Redline and Clean versions)

Advocates' Proposed Revisions to Staff Term Sheet
Clean Version

Advocates' Proposed Revisions to Staff Term Sheet Bullets:

The following requirements shall govern any authorized accounting deferral of COVID-19 financial impacts, and also apply to Commission consideration in future rate case or other regulatory proceedings:

- No deferral of employee labor or benefit costs or payroll taxes shall be recorded as deferred COVID-19 deferred costs because normalized, ongoing levels of employee labor and benefits expenses are fully recovered within currently effective utility rates.
- Except as described below for Bad Debt expenses, non-labor costs for measures taken by the Utility in response to the COVID-19 pandemic shall be assumed fully offset by COVID-19 enabled reductions in employee travel, training, advertising, office supplies and cleaning, and the temporary deferral of the Utility's other discretionary program and project costs and shall not be deferred. [In the alternative, If the Commission allows deferral of any of the above costs, the following applies]Any utility proposing accounting deferral and future recovery of incremental non-labor costs incurred in 2020 or 2021 associated with COVID-19 response efforts such as: 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, or administrative expenses to implement the term sheet components accepted by the Commission has the burden to present evidence to overcome the rebuttable presumption that realized cost reduction offsets t, either fully or partially, exceed such incremental costs incurred within 2020 or 2021. Utilities must track and account for all savings.
- Utilities shall defer as a regulatory liability all cost savings, credits, payments, or other benefits received by the Utility from a federal, state, or local government that are directly related to COVID-19 relief programs, including but not limited to federal, state, or local tax credits or benefits.
- Any change in the amount of bad debt expense accrued in 2020 or 2021,relative to the bad debt baseline as defined below, shall be deferred. While the Utilities will defer the change in bad debt expense that is accrued relative to the baseline being collected from customers today, it will not collect any amount above the actual Accounts Receivable balance amounts that are written-off in each year, net of recoveries of previously written-off balances and avoided collection agent fees and after application of all COVID-19 bill payment assistance program and other public assistance amounts to such Accounts Receivable. If the Resumption date plus 180 days extends into 2022, the Utility may defer the change in bad debt expense using the same formula as described for 2021 in 2022. 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.
- Costs to fund a COVID-19 bill payment assistance program, as described in the *Additional Funding for Customer Programs* section, shall be deferred for Commission review and potential recovery in future rate case or other proceedings.
- No deferral of lost revenues, arising from changes in customer usage due to COVID-19, shall be recorded, except within the scope of existing, Commission-approved revenue decoupling mechanisms.
- No deferral of any lost revenues due to foregone late or reconnection fees shall be recorded.
- No carrying charges or interest shall be added to regulatory deferrals authorized herein.

- As a condition of accounting for deferred costs, each utility shall calculate its average return on equity (ROE), on a rolling 12-month basis employing a commission basis of regulatory accounting, to quantify and test the financial impact of the proposed accounting deferrals in each month, reducing net accrued costs if necessary to ensure that such accruals do not contribute to excessive earnings. The utility’s application of the earnings test throughout the deferral period will then be reviewed in the general rate case when recovery is sought.

Advocates' Proposed Revisions to Staff Term Sheet
Redline Version

Advocates' Proposed Revisions to Staff Term Sheet Bullets:

The following ~~guidelines~~requirements shall govern any authorized ~~the~~ accounting deferral of COVID-19 financial impacts, and also apply to ~~for~~ Commission consideration in future rate case or other regulatory proceedings:

- No deferral of employee labor or benefit costs or payroll taxes shall be recorded as deferred COVID-19 deferred costs because normalized, ongoing levels of employee labor and benefits expenses are fully recovered within currently effective utility rates.
- Except as described below for Bad Debt expenses, ~~Direct~~ non-labor costs for ~~reasonable~~ measures taken by the Utility in response to the COVID-19 pandemic shall be assumed fully offset by COVID-19 enabled reductions in employee travel, training, advertising, office supplies and cleaning, and the temporary deferral of the Utility's other discretionary program and project costs and shall not be deferred. [In the alternative, If the Commission allows deferral of any of the above costs, the following applies] ~~Notwithstanding this policy, a~~Any utility proposing accounting deferral and future recovery of ~~including~~ incremental non-labor costs incurred in 2020 or 2021 associated with COVID-19 response efforts such as: 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~~or administrative ~~needs~~ expenses to implement the term sheet components accepted by the Commission ~~may~~has the burden to present evidence to overcome the rebuttable presumption that ~~demonstrating that~~ realized cost reduction offsets ~~did not~~, either fully or partially, exceed such incremental costs incurred within 2020 or 2021. Utilities must track and account for all savings.
- ~~Direct costs are net of~~Utilities shall defer as a regulatory liability all cost savings, credits, payments, or other benefits received by the Utility from a federal, state, or local government that are directly related to ~~a~~ COVID-19 ~~direct cost~~relief programs, including but not limited to federal, state, or local tax credits or benefits.
- Any change in the amount of bad debt expense accrued in 2020 or~~,~~ 2021~~, and 2022 above~~ relative to the bad debt baseline as defined below, shall be deferred. While the Utilities will defer the change in bad debt expense that is accrued ~~above~~ relative to the baseline being collected from customers today, it will not collect any amount above the actual Accounts Receivable balance amounts that are~~is~~ written-off in each year, net of recoveries of previously written-off balances and avoided collection agent fees and after application of all COVID-19 bill payment assistance program and other public assistance amounts to such Accounts Receivable. If the Resumption date plus 180 days extends into 2022, the Utility may defer the change in bad debt expense using the same formula as described for 2021 in 2022. 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.
- ~~For calendar year 2020 the average annual amount of late payment fees collected over the previous five years (2015-2019) less the actual amount collected by the Utility from January 1, 2020 through March 1, 2020 for calendar year 2020. For 2021, the Utility may defer the average annual amount of late payment fees collected from 2015-2019, prorated on a monthly basis for the period of January 1, 2021 through the Resumption date plus 180 days. If the Resumption date plus 180 days extends into 2022, the Utility may defer late payment fees using the same formula as described for 2021 in 2022~~.

- ~~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 Utility from January 1, 2020 through March 1, 2020 for calendar year 2020. For 2021, the Utility may defer the average annual amount of reconnection charged collected from 2015-2019, prorated on a monthly basis for the period of January 1, 2021 through the Resumption date plus 180 days. If the Resumption date plus 180 days extends into 2022, the Utility may defer reconnection charges using the same formula as described for 2021 in 2022. However, Utilities with Advanced Metering Infrastructure must prorate the average annual amount by the percentage of AMI meters installed as of March 1, 2020 for calendar year 2020 and January 1, 2021 for calendar year 2021.~~
- Costs to fund a COVID-19 bill payment assistance program, as described in the *Additional Funding for Customer Programs* section, shall be deferred for Commission review and potential recovery in future rate case or other proceedings.
- ~~Staff opposes the~~No deferral of lost revenues, ~~due to the reduction in~~arising from changes in customer usage due to COVID-19 ~~or foregone late or reconnection fees~~, shall be recorded, except within the scope of existing, Commission-approved revenue decoupling mechanisms.
- No deferral of any lost revenues due to foregone late or reconnection fees shall be recorded.
- No carrying charges or interest shall be added to regulatory deferrals ~~addressed~~authorized herein.
- As a condition of accounting for deferred costs, each utility shall calculate its average return on equity (ROE), on a rolling 12-month basis employing a commission basis of regulatory accounting, to quantify and test the financial impact of the proposed accounting deferrals in each month, reducing net accrued costs if necessary to ensure that such accruals do not contribute to excessive earnings. The utility's application of the earnings test throughout the deferral period will then be reviewed in the general rate case when recovery is sought.