

**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. 4:
Puget Sound Energy, PacifiCorp, and Avista's Responses
to Public Counsel and The Energy Project Informal Data Request No. 3**

**Puget Sound Energy's Responses to Public Counsel and
The Energy Project Informal Data Request No. 3,
Attachment A**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket UE-200780 and UG-200781
Puget Sound Energy
Petition for Order Authorizing Accounting Cost Associated With COVID-19**

**PUBLIC COUNSEL & THE ENERGY PROJECT INFORMAL DATA REQUEST NO.
003:**

Has the Company conducted any reviews or analyses intended to isolate or quantify changes in monthly recorded revenues and incurred costs, which changes were directly or indirectly caused by the COVID-19 pandemic or resulting changed policies, operating procedures and/or other impacts of the pandemic, for which deferred accounting authority is or may be requested? If your response is affirmative, please provide the following information:

- a) A detailed description of each of the reviews/analyses that were conducted, to date, indicating the conclusions and recommendations resulting from each effort.
- b) A narrative description of each of the criteria applied in the conduct of each of the reviews/analyses referenced in your response to part (a), in order to distinguish revenue and cost changes caused by the pandemic and not by other factors.
- c) A complete copy of the reports, analyses, workpapers, spreadsheets and other documents associated with the efforts described in your response to part (a).
- d) Have any categories of the costs identified in your response to part (a) been presented for consideration in connection with consumer protection measures under consideration in Washington?
- e) If your response to part (d) is affirmative, please explain and reconcile your responses to parts (a) and (c) to cost categories presented in connection with consumer protection measures.

Response:

Puget Sound Energy ("PSE") is closely monitoring all costs incurred in 2020 to determine amounts that can be reasonably attributed to COVID-19. Attached as Attachment A to PSE's Response to Public Counsel & The Energy Project Data Request Data Request No. 003 is a preliminary analysis of the incremental costs and benefits expected or realized to date in 2020.

Refer to the below points addressing the specific requests outlined above with regards to this analysis:

- a) The attached analysis was the combination of reviews of COVID-specific orders tracking expenses and projected cost savings as identified in PSE budgeting process. This analysis shows slightly greater incremental costs than incremental cost savings. But PSE has not yet estimated increases in bad debt expense because it will require more time to do so. To fully quantify the impacts of incremental bad debt expense PSE will additionally need to consider the reinstatement of disconnection. Based on this analysis and projected operations, PSE anticipates the presented incremental costs and benefits, excluding bad debt expense, to continue to be roughly equal.
- b) As noted above, the attached analysis reviewed costs tracked in specific orders directly related to COVID and projected cost savings completed as part of PSE's budgeting process.

Within this analysis PSE reviewed the COVID specific orders for costs which were appropriate to request deferral of and those which were not. PSE is only requesting deferral of costs incremental to those built into rates through PSE's most recent GRC (UE-190529/UG-190530).

Refer to the below description of the costs and savings included in the attached analysis.

- 1) Bad Debt Expense from Uncollectible Customer Accounts (Recorded in FERC 904) – Please see a further description and information for bad debt expense in PSE's Responses to WUTC Staff Informal Data Request No. 001 through 005.
- 2) Late Payment Fees (Recorded in FERC 450, Electric and FERC 487, Gas) – PSE has suspended late payment fees and fees associated with disconnection and reconnection of service. Similar to the calculation in UTC Staff Proposed COVID-19 Response Term Sheet Memo part 8(c) prepared as part of Docket U-200281, PSE estimates the incremental cost based on the average annual amount of late payment fees in FERC 450 and 487 over the previous five years (2015-2019) adjusted for the portion collected in 2020 year-to-date.
- 3) Disconnection and Reconnection Fees (Recorded in FERC 451, Electric and FERC 487, Gas) – All disconnections have been suspended and related disconnection fees have ceased as well. Accordingly, the amount of reconnection fees has also considerably decreased. Similar to the calculation in UTC Staff Proposed COVID-19 Response Term Sheet Memo part 8(d) prepared as part of Docket U-200281, PSE estimates

incremental cost based on the average annual amount of revenue in FERCs 451, 487 and 488 collected over the previous five years (2015-2019) adjusted for the portion collected in 2020 year-to-date.

- 4) COVID-19 Costs (Recorded in various FERC Accounts depending on nature of the expense) – Similar to the calculation in UTC Staff Proposed COVID-19 Response Term Sheet Memo parts 4 and 8(a) prepared as part of Docket U-200281, PSE believes incremental costs incurred due to the emergency, such as those shown below should be eligible for deferral under this petition if incurred.
 - Personal protective equipment
 - Cleaning supplies and services
 - Contact tracing and medical testing
 - Financing costs to secure liquidity
 - Equipment and related expenses to allow employees to work from home
 - Costs to implement requirements from the outcome of U-200281
 - Costs to fund a COVID-19 bill payment assistance program

- 5) COVID-19 Labor Capital to Operating Expense Shift – PSE created a specific order to track COVID-19 non-health absences. Employees used this when they were unable to report to work, were unable to work from home because their children could not attend school or daycare, they had COVID-related family obligations, or took steps to mitigate the virus' impact. PSE determined the incremental labor cost by analyzing the employees who were unable to work and utilized this order and, based on their historical work patterns, estimated the amount of labor that normally would have been charged to a capital order, but was recorded as an operating expense instead.

PSE notes the above costs could be offset by COVID-19 driven incremental reductions if realized such as:

- 1) Business travel expenses and training costs (Recorded in various FERC Accounts depending on nature of travel/training) – Travel related expenses and training costs which were not incurred due to the halt of non-required company travel.
 - 2) Any benefits received from federal, state or local governments related to COVID-19 direct costs.
- c) Refer to Attachment A to PSE's Response to Public Counsel & The Energy Project Data Request Data Request No. 003 for a copy of the referenced analysis.

- d) PSE has generally discussed COVID-related topics, including general discussions of bad debt and late payment fees, as part of the UTC COVID-19 Pandemic Response (Docket U-200281) and its Crisis Affected Customer Assistance Program (Dockets UE-200332/UG200331). However, PSE is not aware of any of the above costs or savings being specifically presented or considered as a part of these proceedings. PSE will be responding to the UTC Staff Proposed COVID-19 Response Term Sheet Memo in U-200281 and has noted above how certain costs or savings align with PSE's proposal in this proceeding.
- e) Not applicable as noted in PSE's response to request d).

**Puget Sound Energy
 COVID-19 Net Costs
 FY 2020**

Additional Costs		Cost Savings	
Facilities Cleaning**	152,751	Employee expenses***	(3,472,504)
		Office Supplies***	(313,612)
Material and supplies for COVID-19:		Parking****	(133,000)
PPE & Safety Equipment/Supplies**	535,266		
Home Office Equipment & Setup**	202,700		
Labor Expense:			
Capex shifts to Opex due to COVID*****	1,384,472		
Bad Debt Expense:			
APUA Additional Costs	unknown at this time		
Revenues:			
Removal of fees*	2,095,773		
Total Additional Costs	<u>4,370,963</u>	Cost Savings	<u>(3,919,115)</u>
		Net COVID-19 Costs (Savings)	<u>451,847</u>

* Includes late, disconnect and reconnect fees based on the annualized 5 year average less collections to date in 2020
 ** Actual Costs are as of August 31, 2020
 *** Represents the change in forecast for 2020 at the end of March 2020 compared to the original 2020 budget
 **** Represents estimated cost savings as of August 2020 as reported in PSE's Response to PC&TEP Informal Data Request No. 009.
 ***** Refer to Tickmark A in the 'YTD COVID charges by Category' tab for a further explanation.

**Avista's Response to Public Counsel and
Energy Project Informal Data Request No. 3,
(without Attachments)**

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/23/2020
CASE NO.:	UE-200407 & UG-200408	WITNESS:	N/A
REQUESTER:	PC/TEP	RESPONDER:	Amy Parsons
TYPE:	Data Request	DEPT:	Projects and Fixed Assets
REQUEST NO.:	PC/TEP - 03	TELEPHONE:	(509) 495 2080
		EMAIL:	amy.parsons@avistacorp.com

REQUEST: Has the Company conducted any reviews or analyses intended to isolate or quantify changes in monthly recorded revenues and incurred costs, which changes were directly or indirectly caused by the COVID-19 pandemic or resulting changed policies, operating procedures and/or other impacts of the pandemic, for which deferred accounting authority is or may be requested? If your response is affirmative, please provide the following information:

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- b) A narrative description of each of the criteria applied in the conduct of each of the reviews/analyses referenced in your response to part (a), in order to distinguish revenue and cost changes caused by the pandemic and not by other factors.
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- d) Have any categories of the costs identified in your response to part (a) been presented for consideration in connection with consumer protection measures under consideration in Washington?
- e) If your response to part (d) is affirmative, please explain and reconcile your responses to parts (a) and (c) to cost categories presented in connection with consumer protection measures.

RESPONSE:

Please see Avista's **CONFIDENTIAL** response to data request PC-TEP-DR-03C. Please note that Avista's response to PC-TEP-DR-03C is **Confidential per WAC 480-07-160**.

- a) To date, the following analyses have been performed for quantifying or isolating expenses:
 1. Bad debt: 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. To date, as the Company has only received an accounting order approving deferral treatment for COVID-19 pandemic net revenues and expenses from the IPUC; a deferral has been recorded for Idaho electric and natural gas bad debt expense in the amount of \$1.2M as of 8/31/20. The Company believes it is prudent to record deferrals related to bad debt for both Washington, calculated to be approx. \$1.7M, and Oregon, calculated to be approx. \$600k, as of 8/31/20, once accounting orders are issued.
 2. Short-term loan interest/fees: In April 2020, the Company entered into a short-term Credit Agreement in the amount of \$100M 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 Washington, as short-term debt is authorized in the capital structure

and debt costs, system authorized short-term debt costs were compared to short-term actual debt costs with interest income earned on the invested funds as an offset. Washington's portion of these costs as of 8/31/20 was calculated to be \$278K for electric and natural gas. For Idaho and Oregon, as short-term debt is excluded in the authorized capital structure and debt costs, actual costs of the term loan, net of interest income, were calculated. Idaho's portion of these costs as of 8/31/20 were calculated to be \$212K and Oregon's portion was calculated to be \$59K.

3. Incremental pandemic O&M labor: The Company established two specific projects, Corporate EOP Pandemic (project number 09906675) and COVID-19 ET Response (project number 09906674), in order to capture COVID-19 pandemic costs. After each payroll is posted, an analysis is performed on the labor component of the COVID-19 pandemic projects to determine what amount of labor and associated benefits on these projects is incremental. The analysis consists of reviewing the 12-month pre-COVID-19 pandemic regular labor hours of employees who charged the COVID-19 pandemic projects to determine a historical capital/O&M/other split. The historical O&M percentage is then applied against labor charged to the COVID-19 projects and the excess amount is considered incremental and aggregated in total. Associated payroll benefits are then calculated. As of the pay period ending 8/30/20, of the total \$10.7M charged to these projects, the amount identified as incremental was \$3.2M for labor and \$2.8M for benefits. As the Company is still in the process of identifying what costs are incremental to O&M due to the COVID-19 pandemic overall, these costs have not been further broken down into service/jurisdiction amounts and no deferral has been recorded. Based on complete annual data, a determination as to what is appropriate to defer will be made at the end of the year. See additional labor analysis performed in PC/TEP-DR-05.

With regards to isolating or quantifying changes in monthly recorded revenues, as noted in Avista's response to PC/TEP-Dr-23, the Company is not otherwise seeking to defer lost revenue due to customer load reductions for the schedules that are not already applicable to the Company's decoupling mechanisms, therefore no analysis has been completed.

- b) See a above.
- c) Bad Debt analysis and support: See PC/TEP-DR-03-Attachment A. Short-term debt loan costs analysis and support: See PC/TEP-DR-03-Attachment B. Incremental pandemic O&M labor analysis and support: See PC/TEP-DR-03C Confidential Attachment C.
- d) Yes, the deferral of incremental bad debt expense was identified in the deferral application and proposed term sheet proposed by the Joint Utilities, and Advocates, discussed with the Workgroup. Bad dept expense is also addressed in the Staff term sheet included in the UTC Notice for Comment issued on September 17, 2020, in Docket U-200801.
- e) If the Commission approves of a COVID-19 bill assistance program it will impact the potential bad debt expense incurred. Bill assistance should prevent customers from future disconnection and incurring bad debt.

Please also see Avista's responses to PC/TEP-DRs 04, 08 - 12, and 15.

**PacifiCorp's Responses to Public Counsel and
The Energy Project Informal Data Request No. 3**

PC-TEP Data Request 3

Has the Company conducted any reviews or analyses intended to isolate or quantify changes in monthly recorded revenues and incurred costs, which changes were directly or indirectly caused by the COVID-19 pandemic or resulting changed policies, operating procedures and/or other impacts of the pandemic, for which deferred accounting authority is or may be requested? If your response is affirmative, please provide the following information:

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- (d) Have any categories of the costs identified in your response to part (a) been presented for consideration in connection with consumer protection measures under consideration in Washington?
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Response to PC-TEP Data Request 3

No, the Company's petition requests the ability to track and defer costs. The Company has not conducted review or analysis intended to isolate or quantify changes in monthly recorded revenues and incurred costs, which changes were directly or indirectly caused by the COVID-19 pandemic or resulting changed policies, operating procedures and/or other impacts of the pandemic.

The Company has, however, identified the following costs and savings categories that the Company is assuming is attributable to the COVID-19 pandemic:

- higher bad debt expense due to lower customer collections;
- waived late fees on delinquent customer bills;
- increased labor and additional facilities to enable social distancing;
- personal protective equipment and cleaning supplies;

- technology costs to allow employees to work from home;
- reduced employee expenses such as travel and training

These are the only categories the Company is currently considering to be in the scope of its Petition for an Order Approving Deferral of Costs Associated with the COVID-19 Public Health Emergency. Therefore, the Company's response to these requests is limited to the categories described above.

The Company has conducted the following analyses to identify and quantify the categories listed above:

Bad debt expense

Because of the impacts of COVID-19, the Company has seen a significant increase in its accounts receivable aging in Washington. The Company calculates a provision for estimated bad debt expense on a monthly basis using historical write-offs (net of recoveries) as a percentage of the respective aging bucket. Those percentages are then applied to current aging buckets. The results of this monthly provision exercise, coupled with actual write-offs and recoveries, represents total bad debt expense. The impact of COVID-19 on bad debt expense in Washington is estimated to be an increase of approximately \$1m through August 31, 2020. This \$1 million was calculated by comparing actual year-to-date bad debt expense incurred through August 31, 2020, with hypothetical bad debt expense using the 2019 bad debt expense as a percentage of revenues as a baseline. Refer to Attachment PC-TEP 3-1.

Waived late fees

The Company suspended disconnections and late fees for non-payment for Washington customers effective March 12, 2020. As a result, the Company estimates that it has lost revenue related to waived late fees for Washington customers of approximately \$525 thousand through September 11, 2020. A more conservative estimate of waived late fees can be calculated by comparing current year and prior year late fee revenue. The Company recorded late fee revenue of approximately \$392 thousand from March to August 2019 compared to \$30 thousand for the same period in 2020. Refer to Attachment PC-TEP 3-2 and Attachment PC-TEP 17.

Increased labor and additional facilities to enable social distancing

The Company incurred approximately \$2.2 million on a total company basis of incremental standby pay expenses to enable certain transmission and distribution crews to stay together as a pod should they need to respond to any after-hours calls. These costs would not have been incurred were it not for the social distancing required by COVID-19. Refer to Attachment PC-TEP 3-3.

Additionally, the Company incurred approximately \$240 thousand of social distancing costs on a total company basis related to generation plan overhauls including meals for contractors, additional sanitizing requirements, trailer rentals and personal protective equipment. These costs were incurred to keep the overhaul crews onsite and isolated from the community. Refer to Attachment PC-TEP 3-4.

Personal protective equipment and cleaning supplies

The Company has incurred approximately \$1.1 million of costs on a total company basis related to personal protective equipment and cleaning supplies that would not have been incurred absent the COVID-19 pandemic. Refer to Attachment PC-TEP 3-5.

Technology costs to allow employees to work from home

The Company incurred approximately \$140 thousand and \$25 thousand of costs on a total company basis on upgrades to remote access bandwidth and Zoom licenses, respectively, to enable the level of telecommuting required by the COVID-19 pandemic. Refer to Attachment PC-TEP 3-6.

Reduced employee expenses such as travel and training

Due to the stay at home orders and social distancing required by the COVID-19 pandemic, the Company has experienced reduced costs of approximately \$6 million on a total company basis related to employee travel and training through August 31, 2020. These costs were calculated by identifying those accounts containing employee travel and training costs and then calculating the difference between the year-to-date costs incurred through August 31, 2020, compared to the same period in 2019. Refer to Attachment PC-TEP 3-7.

The Company provided the Commission with information about the Company's past due accounts receivable balances at the Commission's June 16, 2020 COVID-19 Special Open Meeting. The information provided at that time was as of June 9, 2020. The information provided in response to this data request is as of August 31, 2020.

PREPARER: Heather Loechle

SPONSOR: To Be Determined