



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

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Public Utility Commission of Oregon
550 Capitol St. N.E. Suite 215
Salem, OR 97301-2551

Re: Avista COVID-19 Workshop # 1 Question Responses

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the responses herein to the questions posted by Commission Staff for the COVID-19 Workshop #1 held on June 30, 2020.

Questions for All Participants

1. What obstacles have customers identified when dealing with utility bill arrearages? How are those obstacles unique for different customers, such as individuals without bank accounts, low-income and other vulnerable populations, and urban vs. rural customers, among others?

Avista Response:

Customers in Avista's service territories are facing a broad set of challenges due to the COVID-19 pandemic and financial crisis, including job loss, temporary furlough and unemployment, which all create varying financial hardships. Customers have other financial obligations and arrearages to consider on top of their natural gas bill. Waiting on energy assistance, stimulus checks, and tax returns are additional roadblocks customers are facing. We recognize that every customer and or household situation is unique, and some may be new to facing financial hardship, but do not have specific information regarding the obstacles for the different situations posed in the question. Many of the obstacles are similar for all of the customers groups referenced.

Our lobbies remain closed at this time, but the Company has been proactively calling customers who typically pay in person with cash to provide them additional locations and guidance to make their payments. As of June 22nd, we started proactively calling customers that are on Comfort Level Billing to see what obstacles they are facing and to provide information to aid in addressing growing balances. One of the biggest challenges that most customers are facing right now is the future uncertainty of both the health and economic impact of the crisis. Avista will continue to monitor the situation and take any changes or new developments into account when making decisions that could impact customers.

2. What opportunities and resources are available, or could be made available to assist customers with their utility costs, or to assist them with utility programs? (Including voluntary assistance programs as well as increased programmatic and assistance funding; also including Energy Trust).

Avista Response:

To heighten awareness among customers, Avista has actively promoted the availability of energy assistance, bill payment options and energy saving tips. Avista customers have the following resources already available:

- Low income energy assistance: Avista has tariff-funded (LIRAP) and donation-based (Project Share) programs established with Community Action Agencies (Agencies) in our service area. These programs supplement LIHEAP and can be combined to best help an individual household. The programs are administered through the Agencies, with Avista continuously maintaining the utmost flexibility to allow the Agencies to best serve its customers.
- Low Income weatherization services: Avista's Oregon Low Income Energy Efficiency (AOLIEE) program offers free weatherization services for income qualified residential customers who heat with natural gas. Again, local Agencies implement this program on the Company's behalf.
- Energy efficiency incentives: The Energy Trust of Oregon (ETO) offers residential and commercial energy efficiency programs on behalf of Avista. As part of these programs, moderate income residential customers are eligible for increased incentives.
 - ETO is currently piloting a co-funding program outside of the Avista service territory with Oregon Housing and Community Services at the Washington County Community Action Agency. They are now ready to determine next steps to expand the offering.

Avista has identified several potential opportunities or resources that may help to further those already offered, or provide new chances to assist our customers:

- The Company filed on June 25, 2020 to adjust language in its LIRAP tariff to allow for the potential of Categorically Eligible assistance determination, meaning that customers participating in adjacent income-qualified programs such as Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), and Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) could automatically qualify for LIRAP assistance. This filing was made in support of the Community Action Partnership of Oregon's (CAPO's) initiative to include this provision in their assistance programs.
- Avista believes that a collaboration with all utilities, assistance agencies, and Oregon Housing & Community Services to leverage marketing activities and establish a unified message for broader reach and impact may be beneficial.

- Lastly, with ETO's expansion of their co-funding project, Avista thinks such an opportunity may be useful in helping Agencies fully fund energy efficiency measures. Agencies have expressed that they often have difficulty funding certain measures due to cost effectiveness, so ETO's co-funding portion would help to get them within the desired cost range, thereby helping with cost effectiveness.

3. What recommendations do you have to address past due bills? This could include debt forgiveness, not adding interest payments, multi-year payment plans, deferral of debt payments, and rate discounts, among others.

Avista Response:

Avista has a team dedicated to continually monitor customer arrearages. The team's goals are to provide as many recommendations as possible for handling customer's past due balances. Collections remains disabled in the Company's service territories and work continues with customers to determine solutions that work best for each given situation.

Long term payment arrangements and getting customers in contact with agencies that can help is just one area of focus. Arrangements up to 18 months are offered to customers experiencing financial hardship. Avista initiated a proactive outreach program for customers with arrears and to those are enrolled in Comfort Level Billing. One option for Comfort Level Billing customers is to roll their current/past due balances into a new plan amount. Avista is also exploring options for continuing its moratorium on late fees for an extended amount of time, even after collections are resumed.

In terms of new options to assist in reducing customer arrears, Avista is interested in offering a Senior and Disabled Rate Discount Program, similar to what it offers its Washington customers, an income-based payment program allowing low income customers to pay no more than 6% of their income towards natural gas services. Avista is in the beginning stages of exploring a debt forgiveness program, the details of this program are not yet defined and may look similar to the balance management arrangement piloted in Washington during the 2018 calendar year.

4. When should the suspension of utility disconnections, late payment notices, late fee assessments, and other temporary COVID-related measures end? What information should be considered when making these decisions, such as declining unemployment filings, Phase 3 re-opening, seasonal utility load increases, number of payments in arrears, or other economic conditions? Are there changes that should be permanently made on these topics, even once the moratorium is lifted?

Avista Response:

Due to the uncertainty and fluidity of the COVID-19 situation, Avista does not have a specific recommendation for a timeline of resuming collections and disconnections. We do believe that collection activities, and possibly disconnections, should resume in 2020. It was noted at the first workshop that all utilities should have a uniform plan and/or timeline for resuming these activities. Avista would like to see further discussion of this desire. Given the seasonal use natural gas, the timing of the COVID situation coincided with the seasonal decline of natural gas use in non-

heating months. Avista is worried that if the moratorium on these activities goes into the heating season, it may put customers in a worse situation than they may already be facing.

The Company is working to design and map out a plan for resuming collection activities, keeping the Federal, State, and local government guidelines in mind, as well as the current state of affairs in Oregon. Aspects of the plan will include enhanced communications with customers and a strategy to slowly resume collection activities. Avista's approach to restarting collections processed will be like turning a dial, rather than flipping a switch. Avista does not want to see customers disconnected. Rather, the goal is to help customers get back on track with making payments for the services received by offering extended payments arrangements, applying deposits when applicable and encouraging customers to seek energy assistance.

5. [Once a utility has determined a date they will be lifting service suspensions, what customer notification should be required?](#)

Avista Response:

Avista recognizes the importance of communication with customers during these tough times. The Company is continuing to develop a communications plan that builds upon actions already taken. Avista believes that a notice should be provided a minimum of 30 days prior to resuming collection activities. While we have not yet determined exactly how we will approach collections once state commissions approve doing so, we do plan to continue proactively communicating with our customers in a way that offers them access to support and resources such as energy assistance, hardship grants, and payment arrangements.

At the end of April, Avista began sending letters to customers providing a variety of payment assistance programs. Additionally, an email was sent to all customers with a valid email address sharing the same information. The Company is currently preparing a second round of communication, including an email, to encourage customers who have not yet made payment arrangements to contact Avista so support can be offered in addressing balances in a way that works for each customer. Other proactive outreach efforts being considered, such as call outs and emails to customers who have fallen behind in Comfort Level Bill payments (in lieu of cancellation) and proactive call outs and emails to customer who have broken payment arrangements to try to help in effectively managing balances. Avista believes that a proactive and supportive outreach campaign will provide the support customers need.

6. [What recommendations do you have to improve programs for low-income utility customers?](#)

Avista Response:

As addressed in Avista's Response to Question 2, expanding eligibility to those who have qualified for TANF and/or SNAP benefits automatically would ensure that those who are income qualified can obtain the benefit without the additional time and resources required to qualify through the energy assistance intake process. However, there would still need to be a portion of funding that is available to those who do not have these benefits, with assurance they can access the benefits equitably. Additionally, online applications with ability to upload documents and provide electronic signature may be helpful in improving access and application completion success rates.

Lastly, continuation of the current allowance to accept verbal signatures to complete an assistance application should remain. With the onset of COVID-19, intake workers are able to document a “signature” from applicants over the phone, rather than requiring a written signature to process applications; this, again, has removed many barriers for customers seeking help.

7. If the PUC had the legal authority to allow differential rates for low-income and/or energy-burdened customers, what recommendations do you have on how rates should be structured and administered?

Avista Response:

In considering a rate discount program design, the program’s interface with LIHEAP should be assessed, most specifically:

- Whether a customer qualifies for both a LIHEAP grant and the rate discount program to achieve a reduction in energy burden. Avista believes that providing customers an option between a LIHEAP grant and a rate discount is preferable.
- Would a reduced rate negatively impact a future LIHEAP benefit amount? Additionally, consideration of what modifications would need to be made, if any, to implement a rate discount within the current agency data and utility billing systems.

8. Do you have any additional regulatory mechanisms that you would recommend be implemented during the time of dealing with a pandemic or similar situation? This could include decoupling, power cost mechanisms, deferrals, adjustment clauses, or other.

Avista Response:

First and foremost, it would be helpful to get formal approval of COVID-19 deferral applications. Note Avista already has many of the regulatory mechanisms listed, including, decoupling, PGA, LIRAP, AOLIEE, DSM/ETO Funding, and intervenor funding.

One idea that may be useful is a tracker for uncollectible expense to annually adjust authorized versus actual uncollectible expenses included in base rates. A tracker would protect customers and the Company as actual expense goes up during the pandemic and in the future as it comes back down.

Avista would also support a low-income discount rate, funded by LIRAP, as discussed above.

9. What data is currently available to evaluate changes over time and effectively maintain situational awareness? What additional data is needed that’s not currently available?

Avista Response:

Avista continues to have arrearage, energy assistance and payment arrangement data readily available. The Company collects the majority of this data on the last day of each month. The Company has been sending out reminder letters, which are a proxy for past due notices. However,

it is difficult to know how much of the arrearage debt may become “uncollectible” (and bound for “bad-debt”/write-off) over time.

Avista is willing to provide data that will provide insight into the situation customers are facing and assist in the discussion about future decisions related to credit and collections and assistance programs.

10. What current rules or practices need to be amended or added to allow utilities increased flexibility in assisting customers during this pandemic?

Avista Response:

Avista is not aware of any specific rules or practices that should be amended to allow utilities increased flexibility in assisting customers during this pandemic. From a credit and collections perspective, the Company has the flexibility needed to offer a wide array of payment arrangements and to waive late payment fees. The Company also has discretion for how and when deposits are requested and refunded. Further, the Company has flexibility for sending past due notices.

The one area requiring review to allow for more flexibility is in relation to rate discount programs, which was discussed in the response to questions #7. ORS 757.612(7)(f) states “the commission may allow an electric company or Oregon Community Power to provide reduced rates or other bill payment or crisis assistance or low-income programs to a low-income household eligible for assistance under the federal Low-Income Home Energy Assistance Act...” This provision appears to not apply to natural gas utilities. In order for natural gas utilities to offer any form of a rate discount program it may require additional statutory and rule modifications.

Additional Questions for Utility Service Providers

1. How many of your customers are currently in arrears by 30, 60, and 90 days? Additionally, please break down this data by customer classes (residential, commercial, industrial). How does that compare to 2019?

Avista Response:

Number of Customers in Arrears

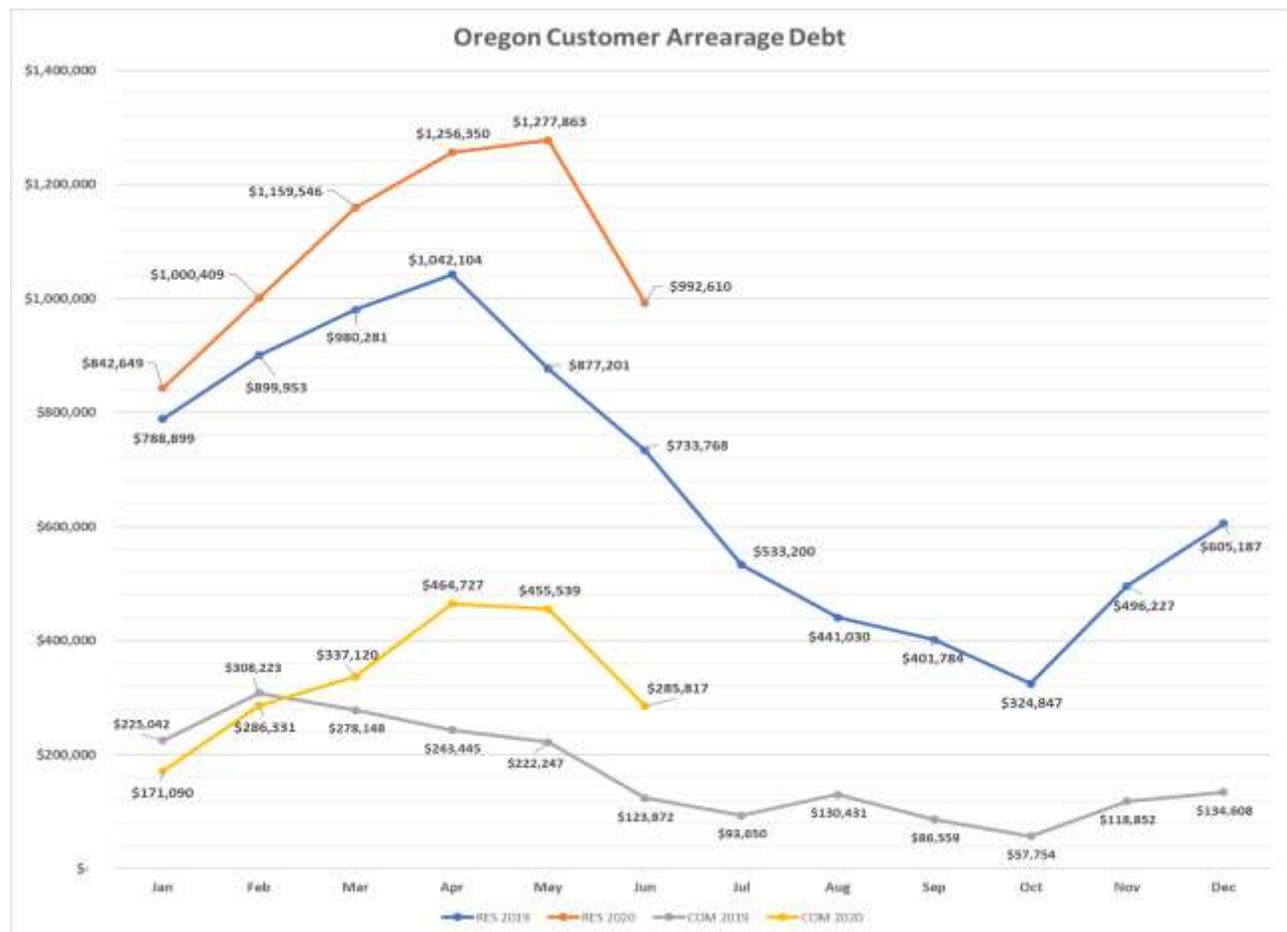
	2019			2020		
	Res	Com	Ind	Res	Com	Ind
30	10,131	839	2	9,749	991	1
60	5,088	404	1	5,969	586	0
90	2,155	204	0	4,064	420	0

*This data was collected the last day of June each year.

Average Balance Amounts of Customers in Arrears

	2019			2020		
	Res	Com	Ind	Res	Com	Ind
30	\$33.87	\$78.31	\$24.74	\$36.44	\$125.43	\$141.94
60	\$49.20	\$89.19	\$24.01	\$60.17	\$157.56	\$0
90	\$65.13	\$108.52	\$0	\$68.45	\$164.72	\$0

*This data was collected the last day of June each year.



2. What accommodations are you offering to assist customers with past-due balances? This could include enhanced time payment agreements, applying deposits to bills, or others.

Avista Response:

In March, Avista revised extension guidelines to include long term arrangement options for customers experiencing financial hardships related to COVID-19. These new guidelines include the option to apply a customer's paid deposit towards their account balance. In addition, Customer

Service Representatives are empowered to work with customers to determine the length of time needed to get accounts caught up. Payment arrangements are being offer up to 18 months. Customers are also able to self-serve through the Company’s website to establish flexible payment arrangements.

As plans for resuming collection activities continue to be developed, Avista is evaluating other extension options in order to continue supporting customers.

3. What is your current uncollectible rate? How does it compare to historical and in current rate cases?

Avista Response:

The historical uncollectible rate ranges from approximately 0.3% to 0.6%. The current uncollectible rate has decreased as the Company is not disconnecting customers nor writing off any arrearage debt. Our best estimate is that the uncollectible rate may increase as high as 1%, but do not have certainty about what the future may hold.

The information below represents the arrearage dollars compared to revenue. This information is not an indicator of what may translate with the uncollectible rate but does show the impact of increasing arrearage debt.

	2019	2020
Residential	22%	38%
Commercial	12%	32%

*This data is as of May 31st of each year.

4. How does the CARES Act or other federal or state stimulus funds or insurance proceeds factor into utilities’ financial impacts caused by the pandemic?

Avista Response:

- a. One aspect of the CARES Act (Section Number 2303) 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.¹
- b. Section Number 2302 of the CARES Act allows companies to defer the payment of the employer’s portion of social security taxes for two years. Payment of social security taxes (only employer portion) due from 03/27/20 to 12/31/20 can be deferred and paid 50% by December 31, 2021 and the rest by December 31, 2022.²

¹ Avista estimates the benefit of carrying back any NOL in 2018, 2019 and 2020 to the five prior tax years to be approximately \$6.5 million on a system basis, or approximately \$420,000 allocated to Oregon. A final amount will not be available until completion of the Company’s 2019 tax return later this year.

² We estimate that this will provide approximately \$8M of cash savings in 2020. \$4M would be paid by the end of 2021 and the remaining \$4M by the end of 2022. This is a cash only benefit, not a deferral of the expense.

- c. Section Number 2301 of the CARES Act provides eligible employers with an Employee Retention Credit equal to 50 percent of qualified wages paid to employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages considered with respect to each employee for all calendar quarters is \$10,000, so that the maximum credit for an Eligible Employer for qualified wages paid to any employee is \$5,000.

Eligible Employers for the purposes of the Employee Retention Credit are employers that carry on a trade or business during calendar year 2020 that either:

- Fully or partially suspend operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
- Experience a significant decline in gross receipts during the calendar quarter.

The operation of a trade or business is partially suspended if an appropriate governmental authority imposes restrictions on the employer's operations by limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19 such that the employer can still continue some, but not all of its typical operations.

A significant decline in gross receipts begins with the first calendar quarter in 2020 in which an employer's gross receipts are less than 50 percent of its gross receipts for the same calendar quarter in 2019. The significant decline in gross receipts ends with the first calendar quarter that follows the first calendar quarter in which the employer's 2020 quarterly gross receipts are greater than 80 percent of its gross receipts for the same calendar quarter in 2019, or with the first calendar quarter of 2021.

Since Avista Corp has more than 100 employees this credit is only allowed with respect to wages of employees who are furloughed or faced reduced working hours during the period.

Avista Corp must have specific orders from a governmental authority or a significant decline in gross receipts in order to qualify for the credit. The rules are still in process of being written and at this time it does not appear that Avista Corp will qualify for the credit. As a result, we have not made any estimation of what the credit amount would be.

We are closely watching the rules and will decide once we have a definitive position.

- d. There is no state or local tax benefits in Oregon as a result of the CARES Act.
- e. Additional LIHEAP funding has been made available to help customers with arrearages, which is ultimately a benefit to all of Avista's customers. Avista is not aware of any other federal or state stimulus funds or insurance proceeds available due to the pandemic. Further, Avista did not apply for any assistance related to COVID-19.

5. How has your utility been financially impacted by the pandemic?

Avista Response:

As noted above, arrearage debt has increased. However, uncollectibles have not increased as no customer debt has been written off during this time. As soon as collections resume, uncollectible debt may begin to trend upward. From a load standpoint, loads have been essentially normal as compared to expected/forecasted loads with March being slightly higher than average and April/May close to average.

Please direct any questions regarding these responses to me at 509-495-2782 or shawn.bonfield@avistacorp.com

Sincerely,

/s/Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy