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IDAHO PUBLIC
UTILITIES COMMISSION

May 1, 2020

Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
P O Box 83720
Boise, ID 83720-0074

RE: SUPPLEMENTAL INFORMATION

Docket Nos. AVU-E-20-03 and AVU-G-20-03 - Application of Avista Corporation for an Accounting Order Authorizing Deferred Accounting of Incremental Costs Associated with the COVID-19 Public Health Emergency.

Docket No. GNR-U-20-03 – Generic – Deferred Accounting of Incremental Costs Associated with COVID-19.

Dear Ms. Hanian:

On April 10, 2020, the Company filed an Application for an Accounting Order Authorizing Deferred Accounting Treatment of Incremental Costs Related to the COVID-19 Public Health Emergency. Avista requested an order from the Commission authorizing it to defer to a regulatory asset the incremental costs from the COVID-19 public health emergency and the normal business costs not recovered due to the reduction in electricity and natural gas use by its customers.

Avista recently determined that the Company will realize a tax benefit due to legislation that was passed due to the COVID-19 health emergency, which Avista is proposing to use to offset the incremental costs it has requested to defer. Information about this tax benefit follows.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27th, 2020. This over \$2 trillion economic relief package delivers on the commitment to protecting the American people from the public health and economic impacts of COVID-19. One aspect of the CARES Act 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. The NOL carryback to years prior to 2018 will reduce taxable income that was previously taxed at the 35% corporate tax rate (the rate in effect during those tax years). Without this provision in the CARES Act, Avista's 2019 NOL would be carried forward at a 21% tax rate, the corporate tax rate in effect beginning in 2018. Avista will therefore receive a permanent rate benefit for the portion of the NOL that is recognized at the 35% tax rate. This benefit is estimated to be approximately \$6.5 million (on a system basis). Avista estimates this tax benefit will be allocated to its operating units as follows:

Estimated Allocation of Tax Benefit due to CARES Act (\$millions)	
WA Electric	\$ 3.50
ID Electric	\$ 1.89
WA Natural Gas	\$ 0.48
ID Natural Gas	\$ 0.21
OR Natural Gas	\$ 0.42
	<u>\$ 6.50</u>

In the end, we are not otherwise modifying our original Application in this matter, but rather simply wanted to bring this additional information regarding tax benefits to the attention of the Commission, Commission Staff, and other interested parties.

Please direct any questions on this matter to Elizabeth Andrews at (509) 495-8601 or myself at (509) 495-8620.

Sincerely,



Patrick Ehrbar
Director of Regulatory Affairs

Enclosures