At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 15th day of May 2020.

GENERAL ORDER NO. 262.4

COMMISSION GENERAL ORDER REGARDING ADDITIONAL, EXTRAORDINARY COSTS DURING COVID-19 WEST VIRGINIA STATE OF EMERGENCY.

COMMISSION ORDER

The Commission, on its own motion, authorizes the deferral of costs for certain utilities and the use of cash working capital reserves for other utilities to address additional, extraordinary costs the utilities may experience and that are directly related to changes in operations required by the COVID-19 virus and to changes in billing and collecting to accommodate customers impacted by the COVID-19 virus emergency.

BACKGROUND and DISCUSSION

The Commission has closely followed directions provided by various federal and state agencies regarding efforts to prevent and contain the spread of the COVID-19 virus, particularly, the impact those measures have placed on providing safe and reliable utility service. Utility service in West Virginia was designated as essential services for the public (Executive Order No. 9-20, March 23, 2020), a designation that required utilities to maintain workforces necessary for continued operations of those essential public services.

As part of its regulatory oversight responsibilities, the Commission has monitored the progression of COVID-19 and its impact on the provision of essential utility services. The Commission has taken pro-active steps to adjust its internal operations in order to provide a safe environment for its employees as well as the utilities subject to its regulation. On March 17, 2020, the Commission issued General Order 262 (G.O. 262) informing the utilities and the general public of measures being taken to safely adjust Commission operations. G.O. 262 also stated that the Commission, by e-mail of March 13, 2020, had urged utilities, in light of the COVID-19 crisis, not to terminate public utility service except for safety concerns or based on a request by the customer. The Order reiterated that request.

On March 25, 2020, the Commission issued a press release informing the public of a conference call with the major electric, gas, water and communication utilities in order to
determine the status of operations during the pandemic and to provide an opportunity for the utilities to share ideas and best practices regarding continued operations. The utilities also shared with the Commission their detailed plans for continued operations and next steps should the situation worsen. During this conference call the major utilities expressed their intent to temporarily discontinue service disconnection activities in order to promote a safer work environment for their employees and reduce the potential hardships that utility customers may be experiencing.

During these interactions with the various utilities, the Commission learned of several areas where the utilities were experiencing significant additional costs in order to meet the government guidelines regarding safe distancing, work from home and other measures. The Commission learned that in performing these essential utility services, utilities were being required to provide: (i) additional protective gear for employees, (ii) additional equipment to allow employees to work from home, (iii) additional cleaning and disinfection of facilities, and (iv) other related items. In addition, the “no service termination” policies and deferred payment options agreed to by the utilities have negatively impacted cash flow from the temporary curtailment of collection activities regarding past due balances from customers who are also experiencing difficulties because of the COVID-19 restrictions. Additionally, some utilities may be working to accommodate customers that face extraordinary demand charge minimums due to reduced operations related to the COVID-19 emergency and such accommodation could impose additional related costs on the utilities. Other states, including Arkansas, Maryland, Nevada, and Virginia have also addressed deferral of COVID-19 costs in recent orders.

After reviewing information about the significant additional, extraordinary costs being experienced by the utilities and the actions of other state regulatory commissions, the Commission on its own motion finds it appropriate and reasonable to address the accounting treatment for the additional, extraordinary costs brought about by COVID-19.

The methods the Commission employs in determining rate recovery for utilities owned by a private party and for publicly traded corporations (Privately Owned Utilities) differ significantly from utilities that are owned and controlled by various governmental agencies (Publicly Owned Utilities). The Commission will, therefore, address the accounting issues regarding additional, extraordinary costs for each of those categories of utilities separately.

All Privately Owned Utilities subject to regulation by the Commission may record a deferral of additional, extraordinary costs directly related to complying with the various government shut-down orders and COVID-19 precautions, including impacts on uncollectible expense and cash flow related to temporary discontinuance of “service terminations” for non-payment and credits for minimum demand charges associated with business customers adversely impacted by shut-downs or temporary closures related to the COVID-19 pandemic. The deferrals described above are subject to provisions of
Financial Accounting Standard Board’s Accounting Standard Codification 980. The Commission emphasizes that this Order is for accounting purposes only and does not address methods or timing of potential future recovery of those deferred costs at this time. Such methods and timing for potential rate recovery of deferred costs will be addressed in future ratemaking proceedings in which the utility requests recovery of deferred costs.

In General Order 183.11 (February 24, 2020), the Commission addressed the Cash Working Capital Reserve account established by W. Va. Code §24-1-1(k), stating that each utility should use funds accumulated in its Cash Working Capital Reserve account only for extraordinary or non-recurring expenditures that would not be included in normal, on-going operation and maintenance or capital expenditures. All Publicly Owned Utilities that have established a Cash Working Capital Reserve Fund supported by rates that include a Cash Working Capital rate increment, are authorized to utilize Cash Working Capital Reserve Funds to meet cash flow requirements that have been negatively impacted by additional, extraordinary COVID-19 costs. In addition to the reporting requirements of G.O. 183.11, the utility shall document spending related to additional, extraordinary COVID-19 costs. Should the use of Cash Working Capital Reserve Funds for additional, extraordinary COVID-19 costs reduce the Cash Working Capital Reserve Fund below the one-eighth of O&M expenses as required by SB 234 and the Public Utility has not already requested cancelation of any Step 2 rate eliminating the Cash Working Capital rate increment, they should do so as described in G.O. 183.11. In addition we remind Publicly Owned Utilities subject to our rate jurisdiction that have a Commission-authorized SB 234-related rate increment in effect, that the Commission has previously explained that it will allow the filing of a limited rate application solely to replenish and maintain a reasonable Cash Working Capital Reserve that has been depleted for any reasonable and prudent reason, and will expedite the review of such a limited rate application.

Finally, Publicly Owned Utilities subject to our rate jurisdiction may file an application for a limited rate increment to recover only costs related to the COVID-19 emergency. The Commission waives the 30-day pre-filing notice and Rule 42 financial information requirements for such limited rate increment application. The utility should file documentation of the COVID-19-related costs and an explanation of the method and timing of cost recovery it is requesting. The utility must aid in the expedited review of such application by cooperating with Commission Staff review and data requests.

CONCLUSION OF LAW

The accounting directives described in this Order are appropriate accommodations to continue operations under the restrictions imposed by current circumstances.
ORDER

IT IS THEREFORE ORDERED that Publicly Owned Utilities and Privately Owned Utilities should adhere to and abide by the directives contained herein until further Order of the Commission.

IT IS FURTHER ORDERED that this matter is dismissed and removed from the Commission docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this Order by electronic service on all utilities in the state who have filed an e-service agreement, and by United States First Class Mail on all utilities who have not filed an e-service agreement, and on Commission Staff by hand delivery.

A True Copy, Teste,

Connie Graley, Executive Secretary

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