

Exhibit No. JMW-1T
Dockets UE-150204/UG-150205
Witness: Juliana M. Williams

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, dba
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-150204 and
UG-150205
(Consolidated)**

TESTIMONY OF

Juliana M. Williams

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Low-Income Issues

July 27, 2015

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List of Exhibits

Exhibit No. JMW-2, LIRAP Multi-year Funding Plan

1 I. INTRODUCTION

2
3 Q. Please state your name and business address.

4 A. I am Juliana Williams. My business address is 1300 S. Evergreen Park Drive S.W.,
5 P.O. Box 47250, Olympia, WA 98504.
6

7 Q. By whom are you employed and in what capacity?

8 A. I am employed by the Washington Utilities and Transportation Commission
9 ("Commission") as a Regulatory Analyst in the Conservation and Energy Planning
10 Section of the Regulatory Services Division.
11

12 Q. How long have you been employed by the Commission?

13 A. I have been employed by the Commission since 2012.
14

15 Q. Would you please state your educational and professional background?

16 A. I have a Bachelor of Arts in Geology from Whitman College, and a Master of Public
17 Policy with a concentration in Energy Policy from the University of Maryland. I
18 attended the New Mexico State University's rate case basics workshop in October
19 2012, the National Association of Regulatory Utility Commissioners' Annual
20 Regulatory Studies Program in August 2013 and 2014, as well as other sector-
21 specific workshops, trainings and conferences. I have previously filed testimony
22 regarding low-income assistance in the most recent rate cases for both Avista

1 Corporation ("Avista" or "Company") and PacifiCorp,¹ and I was the lead staff for
2 the Commission's workshop on low-income assistance programs in May 2014.²
3

4 II. SCOPE AND SUMMARY OF TESTIMONY

5

6 **Q. What is the scope of your testimony?**

7 A. My testimony addresses issues related to Avista's low-income customers. I respond
8 to the testimony of Mr. Kopczynski, Exhibit No. DFK-1T, regarding Avista's Low-
9 Income Rate Assistance Program ("LIRAP") and propose changes to the funding
10 level of that program.
11

12 **Q. Please summarize Staff's proposed changes to LIRAP.**

13 A. Staff recommends that the Commission approve a five-year LIRAP funding plan that
14 increases the LIRAP revenue requirement by \$475,000 per year, with a provision
15 that if Avista files a general rate case within the five-year period the LIRAP revenue
16 requirement will increase by twice the percentage of the final residential revenue
17 requirement increase, or \$475,000, whichever is greater. Should the revenue
18 requirement decrease, the increase in LIRAP funding will be \$475,000.
19

20 **Q. Have you prepared any exhibits in support of your testimony?**

21 A. Yes. I prepared the following exhibit in support of my testimony:

¹ *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Williams, Exh. No. JMW-1T; and *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-130043, Williams, Exh. No. JMW-1T.

² Docket U-140632, Workshop on electric and natural gas utility low-income assistance program design.

- Exhibit No. JMW-2, LIRAP Multi-year Funding Plan.

III. LOW-INCOME RATE ASSISTANCE PROGRAM OVERVIEW

Q. What is your understanding of the Commission's statutory authority regarding low-income assistance?

A. The Commission's statutory authority regarding low-income programs is set forth in RCW 80.28.068, which was enacted in 1999, and states:

Upon request by an electrical or gas company, or other party to a general rate case hearing, the commission may approve rates, charges, services and/or physical facilities at a discount for low-income senior customers and low-income customers. Expenses and lost revenues as a result of these discounts shall be included in the company's cost of service and recovered in rates to other customers.

In addition, RCW 80.28.010 sections four through seven outlines certain protections for low-income customers regarding termination of service between November 15 and March 15. Lastly, RCW 80.28.080 allows utilities to establish free and reduced rates for "destitute and indigent persons." Staff interprets low-income customers to be included in this definition.

Q. Please generally describe Avista's low-income assistance program.

A. The Commission allowed Avista to begin LIRAP as a pilot program in 2001, in Dockets UE-010436 and UG-010437. LIRAP consists of three major components: LIRAP Heat, which provides grants consistent with the federal Low-Income Home Energy Assistance Program (LIHEAP) grants, based on household size, income and energy costs; LIRAP Senior Energy Outreach, which provides assistance to seniors

1 whose income exceeds the threshold for other assistance; and LIRAP Share, which
2 provides emergency assistance to customers at imminent risk of disconnection, based
3 on individual circumstances rather than income level. Avista collects funds for
4 LIRAP through electric and natural gas surcharges on Schedules 92 and 192,
5 respectively, entitled the “Low Income Rate Assistance Rate Adjustment –
6 Washington”. Community Action Agencies (“CAAs” or “agencies”) determine
7 customer eligibility and the amount of assistance each eligible customer receives.
8

9 **Q. Please describe the Commission’s recent actions involving LIRAP.**

10 A. In Avista’s most recent general rate case, the Commission approved a multiparty
11 settlement wherein the parties agreed to convene a workgroup to develop and
12 propose modifications and additions to LIRAP.³ In its order in that case, the
13 Commission also increased the overall funding level of LIRAP beyond the level
14 proposed in the multiparty settlement.⁴ Following that order, parties and
15 stakeholders convened a workgroup (“workgroup”) that met between December
16 2014 and May 2015 and filed a joint petition (“Joint Petition”) on May 29, 2015, in
17 Dockets UE-140188 and UG-140189, proposing modifications to the existing
18 program, a pilot rate discount for seniors and disabled customers on fixed incomes,
19 and associated funding to implement the changes. The Commission approved the
20 Joint Petition in Order 07 in those dockets on June 25, 2015.
21

³ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Order 05, ¶¶ 74.

⁴ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Order 05, ¶¶ 44.

1 **Q. What does Avista propose in this case regarding low-income assistance?**

2 A. Avista witness Mr. Kopczynski does not propose any changes to LIRAP, citing the
3 workgroup process required by the Commission's order in the previous rate case,
4 Dockets UE-140188 and UG-140189.⁵ At the time Avista filed testimony for the
5 current case, the workgroup had not yet determined whether the total LIRAP funding
6 level would be considered in the Joint Petition.

7
8 **IV. STAFF PROPOSAL FOR LOW-INCOME RATE ASSISTANCE PROGRAM**
9 **IMPROVEMENTS**
10

11 **Q. Does Staff agree that no changes should be made to LIRAP?**

12 A. No. Although the Joint Petition addressed programmatic changes to LIRAP and
13 associated funding to implement the changes, Staff believes that Avista's requested
14 increase in residential electric and natural gas rates in this case, as well as
15 insufficient LIRAP funding to assist all eligible customers, warrants an increase in
16 the overall funding level for LIRAP.⁶ Should the Commission approve a rate
17 decrease, as supported by Staff witness Mr. McGuire testimony for the electric
18 revenue requirement, Staff still believes that the Commission should establish a
19 multi-year LIRAP funding plan to improve eligible customer access to low-income
20 assistance, as discussed below.⁷

21

⁵ Kopczynski Direct, Exh. No. DFK-1T at 23:16 through 24:3.

⁶ Once the total LIRAP funding level is set, Staff supports the continued use of Avista's approach to allocate revenue between the electric and natural gas customer classes.

⁷ McGuire Direct, Exh. No. CRM-1T.

1 **Q. Do Staff's recommendations improve the fairness of the LIRAP program?**

2 A. Yes. Staff's recommendations address the concern that the customer need for low-
3 income assistance is greater than can be met by the current LIRAP funding level.
4 This introduces questions of the fairness of the program if assistance is not available
5 to all customers who are eligible. This is a long-standing concern regarding utility
6 low-income assistance programs and not unique to Avista.

7
8 **Q. Please describe the customer need for low-income assistance.**

9 A. Recent research conducted by Eastern Washington University for Spokane
10 Neighborhood Action Partners (SNAP) estimated that 51,130 households, or 22.5
11 percent of households, within Avista's service territory earn income below 125
12 percent of the Federal Poverty Level (FPL).⁸ This is the income eligibility threshold
13 for Washington LIHEAP grants and LIRAP Heat grants. An estimated 85,159
14 households, or 37.5 percent of households in Avista's service territory, have income
15 below 200 percent of FPL, which is the income eligibility threshold for LIRAP
16 Senior Energy Outreach and the rate discount pilot.

17 For each of the last three program years, LIRAP has provided over 12,000
18 grants to eligible customers, which includes a mix of LIRAP Heat, Senior Energy
19 Outreach, and Share grants.⁹ This meets roughly a quarter of the need estimated at

⁸ Dockets UE-140188 and UG-140189, *Joint Petition Requesting Modification and a Proposed Addition to Avista's Low-Income Rate Assistance Program*, Attachment D.

⁹ Dockets UE-010436 and UG-010437, *Low-Income Rate Assistance Program Annual Summary Report for October 2013 through September 2014*, December 24, 2014, at 16.

1 the 125 percent of FPL.¹⁰ Taking LIHEAP grants into consideration brings the total
2 number of grants provided to Avista customers to nearly 19,000 for the last two
3 program years, or about 37 percent of the estimated need at 125 percent of FPL.¹¹
4 Although not all customers who are eligible for assistance request assistance, CAAs
5 shared during the workgroup discussions that they are unable provide assistance to
6 all customers that seek it. Unfortunately, not all agencies are able to quantify this
7 unmet need.¹²
8

9 **Q. Is it necessary for the LIRAP budget to be large enough to provide assistance to**
10 **all eligible customers?**

11 A. No. Although the number of eligible customers is estimated to be above 50,000, it is
12 unlikely that all eligible customers will seek assistance. Some customers are able to
13 cover their utility bills, others may not want assistance, and others may be students
14 who do not have income but have other forms of financial support. The size of the
15 eligible population shifts over time, so any funding level established with respect to
16 the size of the eligible population will be an estimate at best.

17 A fair program would provide assistance to those who are eligible and
18 request it, while taking full advantage of federal assistance programs like LIHEAP.
19 Avista currently operates LIRAP Heat in parallel with LIHEAP, and the amount of
20 LIHEAP funding available each year depends on Congress. LIHEAP funds provide

¹⁰ This assumes that the number of households and number of customers are equivalent, since there is typically one Avista customer per household.

¹¹ *Id.*

¹² During the workgroup meetings, SNAP shared that assistance appointments are scheduled online and by phone and fill up almost as soon as they are available. The agency is unable to track customers who receive busy signals or calls made after all appointments are full.

1 assistance to some portion of the eligible population, so it is unnecessary for LIRAP
2 to cover the entire need. Without a clear understanding of either the magnitude of the
3 unmet need or future LIHEAP allocations, Staff concludes that the current level of
4 funding is likely insufficient but that it is not necessary to increase funding to a level
5 where LIRAP can assist the entire eligible population.
6

7 **Q. What is Staff's recommendation for increasing the number of customers who**
8 **can receive LIRAP in order to move toward fairness?**

9 A. Staff recommends a multi-year LIRAP funding plan that escalates gradually over
10 time with the goal of making assistance available to approximately half of the current
11 eligible population, or 25,565 customers.¹³ Although more customers may need
12 assistance, at this time we do not know the size of the unmet need. Implementing
13 this plan would effectively double the annual number of LIRAP grants issued
14 between now and the final year of the plan period.
15

16 **Q. How does LIHEAP contribute to fairness?**

17 A. If current federal funding assistance levels are maintained, it is reasonable to expect
18 that an additional 6,000 LIHEAP grants would also be available to eligible
19 customers. When anticipated LIHEAP grants are combined with Staff's proposal, the
20 two programs would be able to serve roughly 30,565 customers, or approximately 60
21 percent of the currently eligible population in the final year of the plan period. At

¹³ This represents approximately 12 percent of Avista's total residential customer base.

1 the conclusion of a multi-year plan, it would be appropriate to reassess the customer
2 need and size of the eligible population.

3
4 **Q. What level of funding would be required to provide assistance to half of the**
5 **current eligible population?**

6 A. Based on the ten-year average LIRAP grant amount and current non-direct services
7 allocation, shown in my Exhibit No. JMW-2, page 1, the total cost to provide 25,565
8 grants would be approximately \$11.2 million annually. This level of funding would
9 be equivalent to 1.7 percent of Avista's 2014 electric and natural gas revenue.¹⁴

10
11 **Q. What is an appropriate timeframe for this funding plan?**

12 A. As shown in my Exhibit No. JMW-2, page 2, Chart 1, LIRAP funding from 2001 to
13 2014 grew at an average rate of \$332,716 per year. If that rate of funding growth
14 was maintained during the multi-year plan, it would take approximately 14 years to
15 be able to provide 25,565 grants. Staff considers this a modestly gradual approach to
16 providing sufficient assistance to requesting customers.

17 Accelerating the timeframe to provide 25,565 annual LIRAP grants by the
18 end of 10 years would require an annual increase in funding of \$476,106, as shown
19 in my Exhibit No. JMW-2, page 2, column d.

20

¹⁴ FERC Form 1, Washington Statistics Data Request, cells D:2-D:4. Avista Corporation. 15 April, 2015.
Avista's residential, commercial, industrial and lighting sales totaled \$669,035,916 in 2014.

1 **Q. What does Staff recommend for the multi-year LIRAP funding plan?**

2 A. Staff recommends that the Commission approve a five-year funding plan that
3 increases the LIRAP revenue requirement by \$475,000 per year, with a provision
4 that if Avista files a general rate case within the five-year period the LIRAP revenue
5 requirement will increase by twice the percentage of the final residential revenue
6 requirement increase, or \$475,000, whichever is greater. Should the revenue
7 requirement decrease, the increase in LIRAP funding will be \$475,000, consistent
8 with the multi-year LIRAP funding plan. Staff also recommends that the
9 Commission approve an “off-ramp” provision that explicitly allows parties to the
10 case to file a petition for modification of the multi-year funding plan in the event that
11 new or updated information indicates that the funding levels are no longer
12 appropriate for serving the customer need.

13
14 **Q. Why does Staff recommend a five-year plan?**

15 A. Although the goal of the \$475,000 annual ramp rate would be to make annual
16 assistance available to roughly half of the currently eligible population by the end of
17 ten years, Staff believes that it is important to have the opportunity to assess progress
18 along the way and make adjustments as necessary. Further, Avista has filed a rate
19 case in three of the last four years, and establishing a five-year plan would provide
20 parties and stakeholders relief from debating LIRAP funding levels should Avista
21 file any general rate cases in the next five years. The Commission previously
22 approved a multi-year low-income assistance funding plan for PacifiCorp that lasts

1 for five years.¹⁵ Staff believes that a five-year plan strikes an appropriate balance of
2 providing the program certainty while retaining the flexibility to adapt to changing
3 economic and demographic conditions.

4
5 **Q. What is the basis for increasing the LIRAP revenue requirement by twice the**
6 **percentage of the residential revenue requirement increase, in the event that**
7 **Avista files a general rate case during the multi-year funding plan?**

8 A. First, as rates increase, low-income customers' bills also increase, and therefore
9 those requesting assistance will need a greater dollar amount of assistance following
10 a general rate case. If the LIRAP revenue requirement increased by the same
11 proportion as the residential revenue requirement, grants would cover the same
12 proportion of a customer's bill, but the total dollar amount of the customer bill, net of
13 assistance, would still be higher. Therefore, to lessen the impact of a general rate
14 case increase on low-income customers, the LIRAP funding should increase by more
15 than the percentage increase of the residential revenue requirement, consistent with
16 staff's recommendations in Avista's previous general rate case.¹⁶ The Commission
17 also approved such a provision as part of PacifiCorp's multi-year funding plan.¹⁷
18 Increasing the total LIRAP funding level at twice the percentage increase of a
19 residential revenue increase would supplant that year's \$475,000 annual increase.

20

¹⁵ *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-111190, Order 07 at ¶¶17.

¹⁶ *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-140188 and UG-140189, Williams, Exh. No. JMW-1T at 21:22.

¹⁷ *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-111190, Order 07 at ¶¶17 and Settlement Stipulation at ¶¶25.

1 **Q. How does Staff's proposed multi-year LIRAP funding plan result in rates that**
2 **are fair, just, reasonable and sufficient?**

3 A. Staff's proposed multi-year LIRAP funding plan achieves a balance between the
4 competing policy priorities of providing fair access to low-income assistance and
5 mitigating rate impacts on all customers. The proposed plan is intended to collect
6 sufficient revenue to enable Avista and the agencies to provide assistance to those
7 who are eligible and request it, while smoothing rate impacts over multiple years.
8 The total proposed funding level is based on estimated assistance amounts sufficient
9 to keep most customers connected to their energy service. Given uncertainty and
10 changing nature of the size of the eligible population and the magnitude of the need,
11 Staff's proposed plan also establishes a process for reevaluating the need, should
12 circumstances change.

13
14 **Q. How would a multi-year LIRAP funding plan interact with the changes**
15 **identified in the Joint Petition?**

16 A. The rates necessary to collect the revenue for the existing LIRAP program and the
17 Joint Petition pilot rate discount will go into effect on October 1, 2015. Should the
18 Commission approve an increase in LIRAP funding in this case, the new revenue
19 requirement for the full LIRAP program will already include the revenue for the two-
20 year rate discount pilot. Staff recommends that the Commission order Avista to
21 make a compliance filing at the conclusion of this rate case that revises the rates in
22 Schedules 92 and 192 to reflect the Commission's decisions on the LIRAP revenue
23 requirement in this rate case.

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Q. Do you have any other recommendations for changes to LIRAP?

A. Yes. Staff recommends that Avista file new program tariffs that identify the services available to electric and natural gas customers through LIRAP and customer eligibility requirements for LIRAP Heat, LIRAP Senior Energy Outreach, and LIRAP Share. Staff believes that the low-income services authorized by RCW 80.28.068 should be described in tariff, consistent with WAC 480-80-102.¹⁸ Staff recommends that the Commission order Avista to make a compliance filing of new program tariffs at the conclusion of this rate proceeding.

Q. Are there any other issues related to LIRAP that you wish to address?

A. Yes. I would like to explain my understanding of Avista's income eligibility guidelines for LIRAP. LIRAP Heat is designed to mimic the federal LIHEAP program, and has income eligibility requirements consistent with the state plan for LIHEAP,¹⁹ which is available to customers with household income less than 125 percent of FPL, and customers receiving certain Social Security Income or federal benefits.²⁰ LIRAP Senior Energy Outreach complements LIRAP Heat and LIHEAP by providing assistance to customers 62 years of age and older with household

¹⁸ WAC 480-80-120(1)(c) requires the first sheet of the tariff to include the types of services covered by the tariff. WAC 480-80-120(4)(a)(i) and (ii) requires the rules section of the tariff to specify application for service and definition of service. WAC 480-80-120(4)(d) provides that rules for specific services may be included in either the rate schedule section or the rules section.”

¹⁹ Washington State Department of Commerce. *2015 LIHEAP State Plan*. Accessed 7 July, 2015, from: [http://www.commerce.wa.gov/Documents/Final%202015%20DETAILED%20MODEL%20PLAN%20\(LIHEAP\) 10 01 2014.pdf](http://www.commerce.wa.gov/Documents/Final%202015%20DETAILED%20MODEL%20PLAN%20(LIHEAP) 10 01 2014.pdf). States can choose to provide assistance to customers below 150 percent of FPL, and Washington has chosen to set the income eligibility threshold at 125 percent of FPL.

²⁰ Federal LIHEAP requirements are established in §42 U.S.C. 8624.

1 income 126 to 200 percent of FPL who would not otherwise be eligible for
2 assistance.

3 Although RCW 80.28.068 authorizes utilities to provide low-income
4 services, it does not include a definition of the term "low-income." Elsewhere, RCW
5 80.28.010(4) and (7) reference the eligibility requirements of §42 U.S.C. 8624
6 related to the winter disconnection moratorium and budget billing. However, the
7 reference to federal guidelines applies specifically to those two subsections and is
8 not included in RCW 80.28.068. There is no requirement that utility low-income
9 assistance programs mimic LIHEAP, and therefore Staff believes RCW 80.28.068
10 provides utilities with flexibility to establish income eligibility criteria that diverge
11 from those of LIHEAP. Washington has established one of the most restrictive
12 income eligibility thresholds in the country, which means that there is a large number
13 of customers who are not eligible for LIHEAP assistance but can still be considered
14 low-income. Staff believes it is important that utilities retain flexibility in setting
15 low-income assistance eligibility guidelines appropriate for their service territories,
16 and Staff supports the guidelines that Avista uses.

17
18 **Q. Does this conclude your testimony?**

19 **A.** Yes.