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VIA: Electronic Mail

David Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Comments of Avista Utilities - Docket No. U-101973

Dear Mr. Danner,

On December 21, 2010, the Washington Utilities and Transportation Commission (Commission) issued a *Notice of Opportunity to File Response to Information Request* in the above referenced Docket. The Company appreciates the opportunity to provide comments on the "Low-Income Conservation Program Inquiry" and looks forward to participating in the upcoming Workshop on February 1, 2011. The Commission requested information in the following areas:

- For low-income agencies, a complete budget and expenditures with a list of all funding sources for low-income conservation including housing repair, health and safety assistance and the amount of funding available as a proportion of total agency budget.
- For each utility, a complete budget for low-income conservation including housing repair, health and safety assistance and spending as a proportion of total conservation budget.
- Total utility disbursement to CAP agencies in 2008-09.
- An explanation of the administration of low-income conservation programs.

- A list of the types of conservation measures installed.
- A list of the types of health and human safety measures installed.
- A spreadsheet showing the cost-effectiveness calculations with line items for housing repair and safety assistance.
- The best information available on conservation potential for low-income customers and a description of how that information was determined.

The following is the Company's response to the information request:

For low-income agencies, a complete budget and expenditures with a list of all funding sources for low-income conservation including housing repair, health and safety assistance and the amount of funding available as a proportion of total agency budget

This information is to be provided by the low-income agencies. Avista partners with six low-income agencies in eastern Washington. These agencies are:

- Spokane Neighborhood Action Partners (SNAP)
- Community Action Partnership (Lewiston, ID, serving the area of Clarkston, WA)
- Rural Resources Community Action
- Opportunities Industrialization Center (OIC) of Washington
- Washington Gorge Action Programs
- Community Action Center of Whitman County

For each utility, a complete budget for low-income conservation including housing repair, health and safety assistance and spending as a proportion of total conservation budget

The nature of low-income weatherization provision is that Avista provides funding to its six community action agencies (CAAs or CAPs) for the CAAs to provide this service. This funding is in the form of lump sum payments according to annual contracts signed in advance of the program year. Avista is providing \$2 million to the CAAs in 2011, which is 7% of the Company's total conservation budget. Avista dedicates approximately one FTE to low-income weatherization, spread over program management, engineering, and analysis functions.

Total utility disbursement to CAP agencies in 2008-09

Total Avista disbursements to Washington CAPs for low-income weatherization were \$1,059,819 in 2008 and \$1,307,318 in 2009.

An explanation of the administration of low-income conservation programs

Avista's residential limited-income portfolio is composed primarily of site-specific programs delivered by local CAP agencies. Avista currently contracts with six CAP agencies to deliver energy efficiency programs to qualifying limited income customers. CAP agencies utilize existing infrastructure and leverage similar Federal Weatherization Assistance Programs for customer intake processes. CAPs are also screening customers for complimentary energy assistance and other income-qualified programs that often serve as referrals for weatherization.

Avista has one program manager and one program coordinator who oversee the general operation of the limited income program. The program manager is the one point of coordination between the Company and the agencies and provides guidance around policy, procedures, contracting, pre-approvals and general implementation. The program coordinator processes the invoices the agencies submit to Avista for the conservation measures that have been installed in the limited income qualified home. Avista also has analytical and engineering support devoted to limited income on an as needed basis.

Avista provides the CAPs an administration reimbursement of 15% per qualifying expense for the implementation of conservation and health and human safety efforts.

A list of the types of conservation measures installed

Since Avista is a dual-fuel utility, the CAP agencies are encouraged to identify and make improvements for both electric and natural gas conservation measures in a home. Avista does not designate the amount of electric or natural gas savings to be acquired through this customer segment. It is left to the CAP agencies discretion to install whatever cost-effective measures are appropriate with this funding source. Below is a list of the approved measures that the CAP agencies may install without requesting Avista approval.

Avista Approved conservation measures:

Conversion

- Electric to natural gas furnace
- Electric to natural gas water heater

Electric measures

- Insulation (floor, wall, ceiling, duct)
- Infiltration
- Energy Star windows
- Energy Star doors
- Water heaters
- Programmable thermostat

Natural gas measures

- Insulation (floor, wall , ceiling, duct)
- Duct sealing
- Air infiltration
- Energy Star windows
- Energy Star doors
- Programmable thermostat

In 2008, Avista implemented a methodology for tracking the cost-effectiveness of the limited income segment on a monthly basis. CAP agencies were provided a list of approved measures that are typically cost-effective and did not require pre-approval. If the CAP agency came across other measures they would like considered for funding, that project information was submitted to Avista for approval prior to installation. The list below includes examples of measures requiring CAP agencies to contact Avista before installation.

Conservation measures that require Avista's pre-approval:

- Energy Star Refrigerators
- Natural gas furnaces
- Natural gas water heaters
- Other measures that may not be listed

A list of the types of health and human safety measures installed:

A Health and Human Safety improvement is primarily a non-energy repair in order to maximize the potential energy savings from the proposed conservation measure. There are only incidental energy savings from these improvements, however they allow the home to be habitable and enable safe and proper installation of energy efficiency measures. The CAP agencies funding from Avista allows for up to 15% of the total budget towards Health and Human Safety expenditures for improvements homes may require.

Some examples of health and human safety improvements may include:

- Repair plumbing leaks
- Timer on bath fans
- Install CO Detector
- Replace dryer vent
- Repair kitchen fan damper

A spreadsheet showing the cost-effectiveness calculations with line items for housing repair and safety assistance

Provided as Attachment 1.

The best information available on conservation potential for low-income customers and a description of how that information was determined

Provided as Attachment 2.

The above is intended to be responsive to the specific information request contained in the Commission’s *Notice of Opportunity to File Response to Information Request*. The Commission also stated its intent “to examine, with the participation and assistance of the utilities, representatives of ratepayers, and other stakeholders, the following topics, among others”:

- Funding sources and the mechanics of administering low-income conservation programs.
- How much is spent, and on what, to achieve cost-effective conservation in the low income communities.
- What conservation results are being achieved by the low-income programs and what conservation opportunities may be going unrealized.
- Barriers to conservation achievement that are specific to low-income conservation.

- What are the current metrics for measuring the success of low-income conservation (costs test, groupings of programs for the cost tests, non-energy benefits, etc.)
- Other potential metrics and considerations for measuring the success of low-income conservation may be considered.”
- The need for policy statement given existing requirements in law, rule, and Commission practice for utilities to achieve conservation.

Avista notes that some of these issues, including barriers to conservation and delivery mechanisms, were addressed in a recent document, *Low Income Energy Efficiency Report*, filed September 1, 2010. This Report was the result of a Low Income Weatherization Collaborative that was attended by eleven parties (including Avista). Seven meetings and three conference calls were held in the March through August, 2010 time period. This Report is appended to Avista’s comments as Attachment 3.

Avista offers the following additional comments for consideration in this Docket:

Other forms of monetary and service support for low-income customers

While separate from this inquiry related to low-income weatherization support, Avista also provides a bill assistance program for low income customers. Beginning in 2001, the low income rate assistance program (or LIRAP) collects revenues as part of Tariff Schedules 91 and 191. In the 2009/2010 heating season, approximately \$4,220,837¹ was provided to six eastern Washington agencies. Because Avista does not “income qualify” customers (i.e., collect wage information from customers), the funding is provided to the community action agencies for disbursement similar to how the Federal LIHEAP (low income home energy assistance program) grants are administered.

Additionally, Avista offers several other programs targeted to low income and vulnerable (e.g., seniors) customers. Households contacting Community Action Agencies (CAA’s) for help on their utility bills comprise the primary pool of potential participants. Also in Washington, Avista is currently working with over 3,437 special needs customers in the CARES (Customer Assistance Referral and Evaluation Services) program. Specially-trained representatives provide

¹\$4,220,837 of the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period, \$409,719 of that total was applied to Avista's Conservation Education component.

referrals to area agencies and churches for customers with special needs for help with housing, utilities, medical assistance, etc. Additional targeted marketing focuses on payment-troubled households – those experiencing a shutoff notice, carrying a large arrearage, etc.

For clients receiving “regular” assistance (i.e., LIRAP Heat), the eligibility determination is the same as the Federal LIHEAP program. The amount of the assistance provided is based on household income, energy costs (all electric or natural gas costs, used for space heating or base load) and housing type (single family, multifamily, etc.) and then calculated using the Office of Community Development’s (OCD) mechanism. The benefits of using this mechanism include leveraging systems and staff knowledge already in place at the agencies as well as using a system that indexes assistance to income and need.

For clients receiving “emergency” assistance (i.e., LIRAP Project Share) or small benefit amounts, the process is similar to that used for Project Share. The amount of emergency assistance is determined on a case-by-case basis not to exceed \$300. Emergency assistance includes items such as imminent danger of disconnection. All energy costs resulting from electric or natural gas usage is eligible (including kWh and therm consumption, applicable taxes, and arrearages).

CAAs follow established protocols for the qualification of, and disbursement to, eligible customers. These guidelines are promulgated by the Washington State Office of Community Development and cover 1) eligibility, 2) documentation and verification, 3) energy assistance services, and 4) allowable costs. Participating CAA’s follow these guidelines for the disbursement of energy assistance funds originating from Schedules 91 and 191.

The Senior Energy Outreach is provided through the Avista CARES, via Elder Services and Aging and Long Term Care of Eastern Washington (ALTCEW), in-home caregivers and case managers, as well as the CAAs. Program guidelines are designed to help mitigate the impact of energy costs on vulnerable seniors living in their own homes, yet who are over income guidelines for energy assistance. Included in this program are conservation education workshops specifically designed for seniors.

Avista’s Conservation Education (Con-Ed) has proven to be a key component of energy assistance programs. Teaching and demonstrating improved approaches to managing energy

costs can reduce customers' bills and increase customers' ability to pay. In 2001, in Docket Nos. UE-010436 and UG-010437, the Commission Staff's decision memo dated April 25, 2001 provides that "Staff believes that a comprehensive educational program should be designed to contribute toward changing the behavior of customers with respect to energy conservation and efficiency. The educational materials may include video, workshops, articles, brochures and newsletters, etc. The production of educational materials, including how well the message is structured, ease with which it can be comprehended by customers and whether or not there are alternative forms of educational materials to enhance conservation measures, should be evaluated by consultants." Also provided in Staff's memo is the inclusion of a 4% funding level.

In the spirit of the Con-Ed program, the Company created a conservation education kit that includes weatherization and conservation materials for distribution by the agencies. Avista continues to research and expand the Conservation Education and Weatherization components of LIRAP with programs such as "Power to Conserve," and "Wattson Avista's Energy Watchdog."

Low income weatherization need exceeds funding sources; a key public policy issue is the amount of utility funding to be made available

A central issue in low-income weatherization discussions is "need." Avista acknowledges that need (as defined by the number of customers in poverty) exceeds available funding from all sources (including Federal, state, and Avista sources). Approximately 17 to 32% of Avista's overall residential base fit within various reasonable definitions of low income status. A core policy issue is how much customer funding should be applied to another customer group.

Whole house weatherization as compared to selected measures

Some low-income weatherization advocates recommend that all measures be installed in low income residences. To do otherwise would "strand" other potential measures, or make a repeat visit to install future measures not cost-effective. Others suggest that some measures (rather than an all-or-nothing approach) would provide customer benefits.

Low-income weatherization brings unique policy issues relative to cost and savings

Low-income weatherization is generally paid by the provider (i.e., agency or utility) at a cost nearing 100% (i.e., no out-of-pocket costs to the resident) plus administrative and health and human safety expenditures. Avista's regular income programs provide between 5% and 50% in utility rebates depending on measures installed. Thus, funding for low-income weatherization will service fewer customers than that same amount applied to non-limited-income customers.

The Northwest Power and Conservation Council's 6th Power Plan presumes that low-income weatherization will be implemented equivalent to regular income weatherization from the perspective of delivered savings over a twenty year planning horizon. Thus, some have suggested that pro-rata low-income weatherization be provided from year-to-year at funding approaching the Council's proposed achievement levels. Given the disparate amount of funding between low income and regular income customers, this leads to greater upward pressure on rates. Savings from low-income weatherization are almost four times more expensive than savings achieved through regular income programs, making target achievement more costly to the ratepayer.

Cost-effectiveness and realization rates

Low income weatherization is held to the same cost-effectiveness tests as other energy efficiency programs. Preliminary results of recent evaluations suggest that, while the low income measures were cost-effective, the realization rates of actual savings are lower than other programs in Avista's energy efficiency portfolio. This may be because of "snap-back" in that homes may be heated to higher levels (e.g., from 65 degrees to 69 degrees). Analysis of realization rates is in progress. Should realization rates suggest that significant non-energy benefits occur, then adjustments may be appropriate for associated cost-effectiveness tests.

Avista looks forward to participating in the upcoming workshop. If you have any questions regarding these issues, please contact Bruce Folsom, Senior Manager, Demand Side Management at 509-495-8706 or myself at 509-495-4975.

Sincerely,

/s/Linda Gervais

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