BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-240006

DOCKET UG-240007

REBUTTAL TESTIMONY OF

SHAWN J. BONFIELD

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name, business address and present position with Avista Corporation.

A. My name is Shawn J. Bonfield, and my business address is 1411 East Mission Avenue, Spokane, Washington. I am presently employed as the Senior Manager of Regulatory Policy and Strategy.

Q. Have you previously provided testimony in this consolidated case?

A. Yes. My direct testimony and exhibits[1] in this proceeding covered Avista's proposed Performance Based Ratemaking (PBR) Metrics for the 2025-2026 rate effective period, proposed performance measures pursuant to RCW 80.28.425(7), including performance incentive mechanisms if the Commission deems them necessary, an update on the Company's Low Income Rate Assistance Program (LIRAP), and finally, proposed changes to the Company's recurring reporting obligations.

Q. What is the scope of your rebuttal testimony?

A. My rebuttal testimony will provide Avista's response to the testimony of Commission Staff (Staff), The Energy Project (TEP), and the Northwest Energy Coalition (NWEC) regarding the topics mentioned above from my direct testimony in this proceeding. I will also respond to the testimony of Sierra Club regarding natural gas energy efficiency, decarbonization and electrification.

The following is a summary of the main points made within my rebuttal testimony:

- Affordability of Avista's bills – Avista is focused on addressing the affordability of its bills, the Commission should continue to consider affordability in its decision making, and Avista's bills with the proposed increases in this case will remain affordable.

[1] See Bonfield Exhs. SJB-1T through SJB-4.

- Disconnection Policies – Avista disagrees with TEP that its disconnection policies are inequitable and should be changed.

- Low Income Needs Assessment & Energy Burden Assessment – Avista does not believe a new Low Income Needs Assessment (LINA) or Energy Burden Assessment (EBA) are necessary at this time. Rather, the Company's existing reporting obligations – or, for some reports, an expansion of the existing metrics or information, as offered within this testimony – provide much of the information that TEP and NWEC suggest providing. The Company is committed to continued discussions with its Energy Assistance Advisory Group (EAAG) on future reporting needs.

- Customer Demographic Data – Avista does not currently have the systems or resources required to request demographic information for all current and future distributed energy resource (DER) programs, as it does for its LIRAP, but is open to continued conversations with its advisory groups regarding programs for which this may be appropriate and relevant enough to warrant the time and expense involved in such a request.

- Language Access – Avista is actively pursuing language access changes and opportunities and does not believe a separate language access plan is necessary.

- Performance Measures Pursuant to RCW 80.28.425(7) – Avista proposes two minor modifications to the reporting of the Commission directed performance measures and continues to believe performance incentive mechanisms are not necessary in this case, which no other party objects to.

- Performance Based Ratemaking Metrics – Avista proposes that the Commission adopt the Initial Reported Performance Metrics for the multi-year rate plan (MYRP) approved in this case from its Policy Statement Addressing Initial Reported Performance Metrics issued on August 2, 2024, in Docket U-210590.

- Recurring Reporting Obligations – Avista agrees to maintain its annual Disconnection Reduction Report and COVID-19 arrearage reporting but does not agree with Staff that it should maintain its Critical Infrastructure Report.

- Natural Gas Energy Efficiency – Avista does not agree with Sierra Club that it should, or can, eliminate incentives for natural gas equipment.

- Decarbonization Plan & Targeted Electrification Pilot – Avista does not agree with Sierra Club that a decarbonization plan, separate from its natural gas Integrated Resource Plan (IRP), is necessary, nor does the Company support Sierra Club's proposal that the Commission require Avista to perform a targeted electrification pilot.

A table of contents for my rebuttal testimony is as follows:

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Q. Are you sponsoring any additional exhibits to be introduced in this proceeding?

A. Yes, I am sponsoring the following exhibits along with my rebuttal testimony:

- Exh. SJB-6, Supplemental Response to Proposed PBR Metrics
- Exh. SJB-7, Alternative 2025-2026 PBR Metrics
- Exh. SJB-8, Avista Response to TEP Data Request #009

II. AFFORDABILITY OF AVISTA'S BILLS

Q. TEP witness Colton devotes a great amount of discussion on the topic of the affordability of Avista's bills.[2] How is Avista addressing the affordability of its electric and natural gas service?

[2] Colton, Exh. RDC-1T at 11-26 and 27:1-13.

A. Per my direct testimony in this case,[3] one of Avista's primary avenues for addressing affordability is through its Low Income Rate Assistance Program (LIRAP). Effective October 1, 2023, Avista's LIRAP is comprised of the following five elements:

1) **Bill Discount.** Available to all low-income customers. This discount, termed the My Energy Discount (MED), is composed of five distinct discount tiers, the amount of which is based on an individual household's total gross income. Each income group – 0 to 5% Federal Poverty Level (FPL), 6 to 50% FPL, 51 to 100% FPL, 101 to 150% FPL, and 151% FPL to 200% FPL or 80% Area Median Income (AMI), whichever is greater – is provided with a specified discount percentage, to be deducted from the participating customer's net bill each month. Table No. 1 below shows the percentage discount to be provided to each corresponding income range.

Table No. 1 – LIRAP Bill Discount Percentage Per Income Range

Income Range	Discount
Zero to 5% FPL	94%
6 to 50% FPL	75%
51 to 100% FPL	35%
101 to 150% FPL	20%
151 to the greater of 200% FPL or 80% AMI	15%

2) **Arrearage Management Program (AMP).** Available to customers with incomes at 51% to 200% FPL or 80% AMI, whichever is greater. The AMP reduces a customer's past due balance, or "arrearage," owed over a 12-month period by providing an incentive for regular, on-time payment of their current bill plus a portion of their past due balance. Customers within this income range that are eligible for the Bill Discount, yet have a past due balance on their account, will be offered the opportunity to pay off their arrearage using the AMP. The maximum annual benefit for this offering is $2,500, with exceptions to the maximum benefit allowable for extreme, extenuating customer situations (as determined in collaboration with the Company's EAAG, not to exceed $5,000).

3) **Arrearage Forgiveness (AFP).** Available to customers with incomes at 0-50% FPL. Customers within this income range that are eligible for the Bill Discount, yet have past due balances on their account, will be offered the opportunity to have their arrearage forgiven. Like the AMP, the maximum annual benefit for this offering is $2,500, with exceptions to the maximum benefit allowable for extreme, extenuating customer situations (as determined in collaboration with the Company's EAAG, not to exceed $5,000).

[3] Bonfield, Exh. SJB-1T at 16-26.

4) **Emergency Share**. Available to customers experiencing a hardship or energy emergency, such as risk of disconnection. The amount of emergency assistance is determined on a case-by-case basis, not to exceed $400. All energy costs resulting from electric or natural gas usage are eligible (including kWh and therm consumption, applicable taxes, and arrearages).

5) Automatic Hardship Grant. A one-time grant for customers experiencing financial hardship, as proven by a past due balance subject to thresholds determined by Avista's EAAG and at timing intervals determined by the EAAG. Mimics "emergency" assistance (i.e., LIRAP Emergency Share or the Company's donation-based Project Share) processes, and is intended to cover past due balances only, not to exceed $350.

Of the five elements of LIRAP, the implementation of MED has proven to be the most effective and successful component of LIRAP since the original inception of LIRAP in 2001, with the AMP and AFP providing essential accompaniments for customers unable to overcome their existing arrearages in order to fully benefit from the affordability provided by the MED.

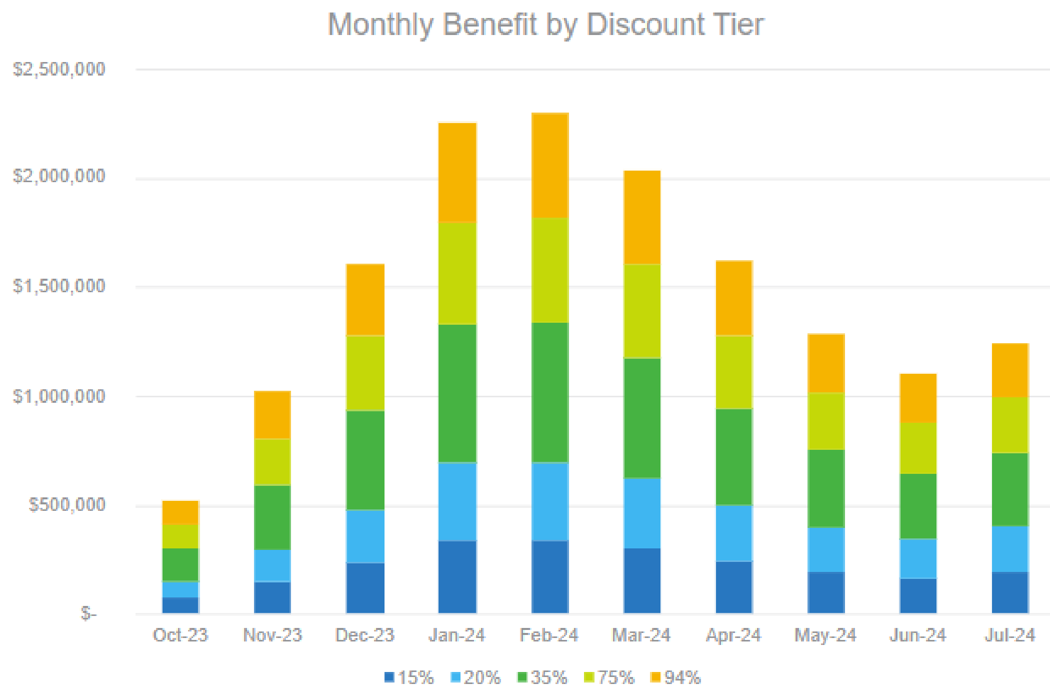
Q. Would you please elaborate on the success of MED thus far?

A. MED launched on October 1, 2023, after nearly two years of collaboration regarding the program design with the Company's EAAG and ultimate approval from the Commission. As of July 31, 2024, Avista's MED had 41,110 active participants. Figure No. 1 below shows the trajectory of MED enrollments and enrollments by discount tier from October 1, 2023, through July 31, 2024.

Figure No. 1 – MED Enrollments

In terms of the value of benefits provided by MED, approximately $14,975,567 in bill credits have been distributed to customer accounts from October 1, 2023, to July 31, 2024. Figure No. 2 below highlights the monthly benefits provided for each MED discount tier.

Figure No. 2 – MED Monthly Benefit by Discount Tier



With regard to the saturation rate for Avista's LIRAP, as of July 2024, roughly 29% of eligible customers (i.e., 141,863) have or are receiving assistance. This compares to a pre-COVID three-year average of 13%. As hoped for, Avista's bill discount is having tremendous effects on assuring utility service is affordable for low-income customers.[4]

Q. TEP witness Colton discusses analyses he performed on the proposed bill increases in this case and unaffordability of Avista bills.[5] What is your reaction to his analysis and findings?

A. TEP witness Colton's analysis is quite extensive, analyzing the proposed bill

[4] The Clean Energy Transformation Act (CETA - Washington Engrossed Second Substitute Senate Bill 5116, 2019, Section 12(4)(a)(iii), codified as RCW 19.405, requires an assessment of the funding levels required to meet sixty percent of the energy assistance need by 2030 and ninety percent by 2050 (RCW 19.405.120(4)(a)). These benchmarks are understood to be aspirational goals for energy assistance in the State of Washington. Due to Avista's MED, the Company is well on its way to meeting these goals and fully expects to achieve them.
[5] Colton, Exh. RDC-1T at 11-26 and 27:1-13.

increases in this case on electric and natural gas customers, and also measuring "the breadth and depth of unaffordability Avista's proposed residential rate increases by reference to the following metrics: (1) the First Quintile of Income (Q1); (2) absolute dollars of income (for households with annual income at or below $35,000); and (3) the "mean renter wage" for each of the counties served by Avista."[6]

Surprisingly, witness Colton fails to incorporate the effects of Avista's MED program into his analysis, which, as shown above, provides significant discounts to customers at the lowest income tiers, and therefore most likely to be encountering the largest potential impact from the rising costs of all living costs, including utilities. Further, witness Colton does not even mention Avista's MED at all. TEP is part of Avista's EAAG and played a significant role in collaborating on the design and implementation of Avista's MED. The discounts offered within MED were designed to ensure bills remain affordable. For these reasons, it is difficult to understand why TEP would not incorporate Avista's MED into their analyses of the affordability of Avista's bills, which would no doubt substantially change the outcome of their analyses.

Q. Should the Commission consider the affordability of Avista's bills in its final decision in this case?

A. Yes, the Commission has always considered affordability in its decision making and should continue to do so per many Washington statutes, which include the following:

- RCW 80.01.040(3) regarding the general powers and duties of the commission states the Commission shall, "Regulate in the public interest, as provided by the public service laws, the rates, services, facilities, and practices of all persons engaging within this state in the business of supplying any utility service or

[6] Colton, Exh. RDC-3 at 12:3-7.

commodity to the public for compensation."

- RCW 80.28.010(1) states "All charges made, demanded or received by any gas company, electrical company, wastewater company, or water company for gas, electricity or water, or for any service rendered or to be rendered in connection therewith, shall be just, fair, reasonable and sufficient."

- RCW 80.28.074 states "The legislature declares it is the policy of the state to: (1) Preserve affordable energy services to the residents of the state; (2) Maintain and advance the efficiency and availability of energy services to the residents of the state of Washington; (3) Ensure that customers pay only reasonable charges for energy services; (4) Permit flexible pricing of energy services."

- RCW 80.28.425(1) states "The commission's consideration of a proposal for a multiyear rate plan is subject to the same standards applicable to other rate filings made under this title, including the public interest and fair, just, reasonable, and sufficient rates. In determining the public interest, the commission may consider such factors including, but not limited to, environmental health and greenhouse gas emissions reductions, health and safety concerns, economic development, and equity, to the extent such factors affect the rates, services, and practices of a gas or electrical company regulated by the commission."

- Engrossed Second Substitute Senate Bill 5116, passed in the 2019 legislative session, under Section 1(4) states "The legislature finds that Washington can accomplish the goals of this act while: …maintaining safe and reliable electricity to all customers at stable and affordable rates…"

As highlighted by the referenced statutes, it is the prerogative of the Commission to consider affordability of utility service when determining if rates are just, fair, reasonable, and sufficient.

Q. Do you believe Avista's bills, with the proposed increases included in this case, will be affordable?

A. Yes, I do. As discussed above, Avista MED and additional energy assistance offerings are designed to reduce a customers' energy burden and ensure energy service is, and remains, affordable for customers.

III. DISCONNECTION POLICIES

Q. Did any parties provide recommendations pertaining to Avista's disconnection policies?

A. Yes. TEP witness Stokes recommends the Commission order Avista to:[7]

- Remove any provisions from the credit scoring system that scores customers based on any metric except current arrearage amount and current length of time in arrearage;
- Prioritize customers for disconnection based only on the two factors identified above; and,
- Conduct a robust equity review of the disconnection policies in consultation with the EAAG and the Equity Advisory Group (EAG).

Witness Stokes further requests the Commission direct Avista to:[8]

(1) By March 2025, present Avista's Disconnection Policies to a joint meeting of the Energy Assistance Advisory Group and the Equity Advisory Group, soliciting verbal and written feedback on the equity impacts of its Disconnection Policies.

(2) By August 1, 2025, incorporate the feedback received and make a subsequent filing (pursuant to WAC 480-07-885) with new disconnection policies and procedures. The Commission should require the subsequent filing to discuss any feedback it did not incorporate and the reasons for declining to do so.

Q. Witness Stokes' recommendations are based on the belief that Avista's disconnection policies "exacerbate distributional injustice and worsening cycles of disconnections" and "do not meet the Commission's equity standards."[9] Are Avista's disconnection policies inequitable?

A. No, they are not. Witness Stokes is limiting TEP's viewpoint strictly to distributional equity, and not taking into account the other tenets of equity justice. Not only is

[7] Stokes, Exh. SNS-1T at 14:10-19.
[8] *Id*. at 15:3-11.
[9] *Id*. at 13:14-16.

this perspective inconsistent with a "holistic picture of the current conditions faced in those communities,"[10] but also demonstrates a fundamental misunderstanding of Avista's behavioral scoring methodology.

Contrary to witness Stokes' testimony, Avista's credit and collections and disconnection policies are equitable, particularly for those who are considered marginalized or vulnerable, through the Company's early intervention, education, communication, and collaborative solutions, as further described below. At its core, the initial steps of the Company's credit and collections and disconnection policies are focused on the practice of accounting for differences in each individual's "starting point", then working to remove barriers to equal opportunity by providing support based on the needs of the individual. This approach is built on the principles of "recognition justice",[11] achieved through identifying, acknowledging, and understanding that each customer is unique. For instance, customers with a behavioral score between 0 and 1 may find it challenging to settle a $250 utility bill, while those with a behavioral score of 3 might not feel the impact until the bill reaches $350 or more. By offering different thresholds for when the credit and collections process may begin, there is a crucial opportunity to assist customers who may be more susceptible to disconnections. Witness Stokes incorrectly characterizes these policies as "burdening them with a lower bar and accelerated timeline" and "worsening cycles of disconnection."[12] when, in fact, the intent is just the opposite. The aim is not to disconnect customers prematurely, but to provide them with the support, communication, and outreach necessary to avoid a disconnection altogether.

[10] Docket UE-220053 et. al., at 25 ¶ 72.
[11] Recognition justice, which requires an understanding of historic and ongoing inequalities and prescribes efforts that seek to reconcile these inequalities.
[12] Stokes, Exh. SNS-1T at 13:13-15.

Q. How do the Company's disconnection policies address all tenets of energy justice, particularly in regard to planning for equitable outcomes?

A. As referenced above, the foundation for Avista's policies is built on the principles of recognition justice and the development of strategies that specifically consider different circumstances individuals may experience with energy security. Avista's credit and collections and disconnection policies are based on strategies that address these differences and aim to reduce or eliminate potential disconnections through early intervention and collaborative solutions. Solutions may include connection to energy assistance programs (or referral to other forms of assistance), translation efforts, and the use of multiple outreach methods to reach customers in need.

The Company has reviewed its credit and collections and disconnection processes with its EAAG, which TEP is a member of, through a series of meetings regarding the development of its first Disconnection Reduction Plan in 2021. Topics discussed included Avista's behavioral scoring methodology and early intervention practices, amongst other credit, collections, and disconnection reduction strategy themes. Importantly, no concerns were raised throughout those conversations. In fact, the EAAG determined that the most effective strategy for disconnection avoidance and reduction was to address customers' energy burden and ability to pay their utility bills by providing robust energy assistance offerings, which we have.

One unexpected outcome from the successful implementation of the Company's MED program described above is that, of the roughly 41,000 Washington customer enrolled in MED through July 2024, nearly 35,000 customers have improved upon their behavioral score. The assistance programs the Company has put in place to support customers and prevent service disconnections are effectively reducing energy burden and making bills more affordable, prompting the improvement of behavioral scores, and reducing notices and disconnections.

Further, Avista encourages customers to contact the Company as soon as possible regarding concerns pertaining to payments or balances on their account. Customer Service Representatives (CSRs) review each customer's situation and work with them to develop a solution that works for their needs and avoids the need for collection activities. To assist CSRs in their approach to meeting each customer's unique needs, Avista provides annual training focusing on adapting communication approaches to best meet the needs of each individual customer. However, there are times when collection efforts are unfortunately necessary, and behavioral scoring has provided Avista with a more sophisticated method to focus its collection efforts, rather than simply a dollar and/or timeframe threshold.

Finally, the Company has processes in place to actively monitor and evaluate outcomes to make sure intended results are achieved. This is apparent through Avista's existing disconnection PBR metrics and annual Disconnection Reduction Report.

Q. You state there appears to be a fundamental misunderstanding of the credit code methodology. Would you please explain why?

A. Yes. Avista acknowledges the terminology "credit code" may imply the use of a credit-scoring methodology used by banks or other credit institutions. In reality, the scoring methodology used by Avista is a "behavioral score" which provides the Company with an opportunity to reach out and help customers who are financially struggling to pay their utility bills.

In order to avoid confusion related to terminology, Avista is in the process of rebranding its credit code terminology to better align with the actual approach the Company is taking to analyze the payment probability on all customer accounts. The internal algorithms applied in determining the behavioral score on each account, previously referenced as credit codes, remains the same, only the name of the tool has been enhanced.

Avista provides its third-party vendor, Total Solutions Inc, (TSI) with account attributes such as payment and behavioral information (which does not include personal identifiable information (PII)). TSI's server-based analyzation tool then provides the Company with a behavior score that allows Avista to better understand and predict how likely a customer will be able to pay their debt, based solely on the customers history with the Company. Customers that consistently make payments towards their balance owed each month yield a behavioral score of 3 (least risk of nonpayment), while customers that make payments less frequently and have previous disconnections for non-payment produce a lower credit code of 1 or 0 (higher risk of nonpayment).

Q. How does Avista use behavioral scores in its collections process?

A. Balance thresholds are used for early intervention based on an account's behavioral score. For example, accounts with higher behavioral scores where customers are more likely to make a payment towards their balance each month, have a higher collections threshold than those with lower behavioral scores. These higher thresholds are appropriate for the higher behavioral score customers, as a larger balance is less likely to be unmanageable or catastrophic for these customers. Establishing lower thresholds to begin the collections process for those customers that have historically had more difficulty keeping current on their utility bill, however, allows for notification of arrears to be sent prior to account balances becoming insurmountable. The Company has found this strategy to be successful in helping customers to keep payment of arrears attainable and less overwhelming. Moreover, some customers rely on collections notices to obtain emergency energy assistance, such as Project Share or Emergency Share, through Community Action Agencies (CAAs or Agencies). The sooner a customer is able to provide the CAA with a notice, the sooner they can obtain assistance in reducing their arrears, thus a lower threshold for beginning the collections process is actually beneficial.

Avista has used behavioral scoring since 2010. Between 2007 and 2009, while using the collections model proposed by witness Stokes, the Company sent past due notices to an average of 24% of its Washington residential customers. In comparison, the 2023 average (using the Company's current behavioral scoring method) resulted in only 2% of Washington residential customers receiving past due notices. Based on the monthly past due averages in 2023, approximately 4,000 past due notices were sent each month. Conversely, the proposal provided by TEP, which would require the Company to send a past due notice to all customers with arrears regardless of their behavior score, would have resulted in more than 28,000 past notices each month. This means that an additional 296,355 past due notices would have been sent annually, resulting in an additional annual expense of approximately $237,100 in postage and printing costs alone, not including the costs for any additional labor due to increased call volumes. These unnecessary expenses are avoided through the use of behavioral scoring, as is avoiding customer confusion and anxiety.

Table No. 2 below provides a detailed breakdown of Avista's Washington customer base by behavioral score and payment segment during June 2024, including customers whose accounts were paid in full, are current on their account, or were past due. This data shows that 100% of customers with a behavioral score of 3 did not owe a balance over 31+ days old, compared to 97% of customers with a behavioral score of 0 that had a balance 31+ days in arrears or had an existing write off or prior obligation balance.

Table No. 2 – June 2024 Payment Segment by Behavior Score

Behavior Score	Paid in Full		Current		1-30 days		31+		Write off/Prior Ob	
	# of customer	% of customer	# of customer	% of cust.	# of cust.	# of cust.	% of cust.	# of cust	% of cust.	# of cust.
0	8	0.10%	72	0.80%	186	2%	1,035	12%	7,332	85%
1	1,446	12%	3,001	24%	4,065	33%	3,107	25%	899	7%
2	16,388	35%	24,158	51%	6,183	13%	349	0.70%	161	0.30%
3	161,240	92%	13,876	8%	214	0.10%	-	0%	9	0%
Total	179,082	74%	41,107	17%	10,648	4.40%	4,491	1.80%	8,401	3.40%

Utilizing the Company’s early intervention approach by sending past due notices to customers in the lower tiered behavioral scores is evidenced to be a successful model. To provide further confirmation of the benefits of the use of behavioral scores, Table No. 3 below highlights the effectiveness of collections notices sent to customers during 2023. As shown in the table, of the customers that received a collections notice, 87% took action to avoid being disconnected. This data affirms what the Commission recently concluded in a matter related to Puget Sound Energy’s collections process that, “The dunning process motivates customers to take action on their past-due balances.”[13]

Table No. 3 – 2023 Collections Notice Effectiveness

Activity	# of Customers	# of Customers That Took Action	% of Customers That Took Action	% of Customers Who Entered Collections Process That Took Action
Past Due Notice	70,833	12,901	18%	18%
Final Notice	57,932	20,976	36%	30%
Automated Call	36,956	13,510	37%	19%
Eligible for Disconnect	23,446	14,493	62%	20%
Disconnected	8,953	N/A	N/A	13%

[13] Dockets UE-220066 and UG-220067 (*Consolidated*), Order 32 ¶ 76.

Q. What are the potential outcomes of eliminating behavioral scores from the collections process?

A. As described above, utilization of behavioral scores prevents unnecessary costs and averts notices from being sent to customers who pay on a monthly basis, resulting in a better customer experience. On average, Avista could see an increased past due notice expense of approximately $237k annually, plus additional expenses due to increased call volumes, and resulting in a negative customer experience.

Further, the removal of behavioral scores would be contrary to the equitable principles that Avista's disconnection policies are built on, and replacing it with one of equality, or treating all customers the same (which is the method recommended by TEP). Avista believes the consideration of equity, or taking each customer's unique circumstance into consideration and providing them with solutions so that they may all have the opportunity to reach the same equal outcome, is a more desirable foundation for its disconnection policies.

Q. Pertaining to disconnections for non-payment, what customer protections are in place?

A. First and most importantly, Avista's credit and collection and disconnection policies are all in compliance with WAC 480-100-128 and section 14 of its tariff schedule 70 (electric) and 170 (natural gas), which outline the Company's disconnection rules and regulations for its electric and natural gas customers.

Second, Avista offers several customer protections in addition to the energy assistance options described above, such as the following:

- A variety of payment arrangement options, including arrangements up to 18-months in length.
- Comfort Level Billing for eligible customers.

- Offering preferred due dates.
- Not performing electric disconnections during inclement weather events – characterized by extreme cold (at or below 32 degrees Fahrenheit), excessive heat (above 100 degrees Fahrenheit), any heat-related event (excessive heat warning, heat advisory, excessive heat watch or similar event) issued by the National Weather Service (NWS), or when the Air Quality Index (AQI) is at or above 100.
- Reconnecting electric service on any given day where the NWS issues a heat-related alert and the customer requests to be reconnected.
- Suspending disconnections of electric service when the Company is notified by a customer of an existing medical condition in their home.
- Avista's Bill Assistance Support and Enrollment (BASE) team places an additional call to low-income customers enrolled in MED that may qualify for AFP or AMP prior to disconnection. The goal of this additional call is to either establish a payment arrangement or enroll in additional funding opportunities and ultimately prevent the customer from being disconnected.
- In accordance with WAC 480-100-128(6)(d), prior to disconnecting, the Company visits the premise of customers who have received low-income assistance within the previous two years in an effort to provide them with an additional opportunity to pay or establish payment arrangements.

Q. In sum, does the Company agree with the disconnection policies recommendations made by TEP?

A. No. For the reasons outlined above pertaining to the effectiveness of behavioral scores and the added expense for no longer using behavioral scores, along with the potential for decreased customers satisfaction, Avista does not agree with TEPs disconnection policy recommendations. Specifically, the Company does not agree to remove any provisions from its behavioral scoring system or to prioritize customers for disconnection based only on the amount in arrears and length in arrears.

Q. Is Avista willing to make any additional commitments pertaining to its disconnection policies?

A. Yes, it is. First, Avista is willing to commit to reviewing its current credit and collections and disconnection policies with its EAG, and again with its EAAG, to ensure that equity is being appropriately considered within its current methodologies. Second, Avista is committed to continued participation and engagement in the Commission's rulemaking pertaining to the consideration of possible changes to customer notices, credit and collections rules, late fees, disconnection fees, and deposits. Third, Avista will continue to provide data on its arrears and disconnections metrics as required in its Clean Energy Implementation Plan (CEIP), PBR metrics, and Disconnection Reduction Reports as discussed later in my testimony.

IV. LOW INCOME NEEDS ASSESSMENT & ENERGY BURDEN ASSESSMENT

Q. Please describe the testimony of TEP and NWEC as it pertains to LINAs or EBAs.

A. TEP witness Stokes[14] and NWEC witness Thompson[15] both provide discussion regarding LINAs and EBAs. As part of NWEC's recommendations to further advance energy equity, witness Thompson points to Avista's 2021 EBA completed by Empower Dataworks, referring to it as both a LINA and an EBA, noting that while it is "well done and comprehensive" and "serves as an example for other utilities who would benefit from better understanding which of their customers are low-income, which are energy burdened, and what the energy assistance need is", there remains a continuous need to expand and improve upon future LINAs/EBAs.[16] To accomplish this, NWEC recommends several improvements to be made to future LINAs/EBAs, including: 1) updating customer income and usage data with each new LINA/EBA, 2) assessing energy burden for customers enrolled in Avista's bill discount program, 3) including customers with fewer than twelve months of usage data into

[14] Stokes, Exh. SNS-1T at 28-33 and 34:1-5.
[15] Thompson, Exh. CT-1T at 20-22 and 23:1-9.
[16] Id. at 20:6-11.

the energy burden analysis, and 4) simulating energy burden over time as a function of factors that increase customer bills.

TEP,[17] on the other hand, refers to Avista's 2019-2020 LINA completed by Evergreen Economics, and differentiates LINAs and EBAs as two separate assessment types, though no mention is made of the more recent 2021 Empower Dataworks assessment, or if this assessment qualifies as a LINA or an EBA based on the differing definitions provided. TEP provides an outline of the information that should be included in this and future LINAs, and requests that the Commission order Avista to provide such information (i.e., develop an updated LINA) by January 1, 2026. TEP witness Stokes also proffers agreement with TEP witness Colton's recommendation that Avista perform an EBA annually, a term which, in Colton's own testimony, is used interchangeably with LINA,[18] in addition to providing a wholly separate LINA on a periodic basis.

Q. What additional information did TEP recommend be included in future LINAs?

A. TEP's primary recommendation regarding LINAs is to improve upon the specificity at which the customers are identified, namely, that the Company identify estimated low-income customers by fuel type and at the household level, as such granularity will then impact the ability to report on additional metrics at a more detailed level.[19] Witness Stokes states that "[e]stimating low-income customers at the household level will allow Avista to target outreach for assistance programs to those customers that are likely low-income",[20]

[17] Stokes, Exh. SNS-1T at 31-34.
[18] Colton, Exh. RDC-1T at 49-53.
[19] Stokes, Exh. SNS-1T, at 29-31.
[20] Id. at 30:20-21.

which also provides "data analysis and learning opportunities that may assist the utility in improving & tailoring types of DER and energy efficiency program offerings in addition to bill and payment assistance."[21] TEP recommends that Avista work with its EAAG to develop the methodology for the new LINA, and that the Commission should order Avista to complete this updated LINA by January 1, 2026, to include, at minimum, the following components:[22]

1. Separate identification of estimated low-income customers by household and fuel type (electric service, natural gas service, and dual fuel service).

2. Customer participation analysis, which includes the demographics, data, geography, and trends of customers participating in the Company's low-income programs, inclusive of the impacts on Named Communities.

3. Arrearage and disconnection analysis, which includes the demographics, data, and trends of customers who are at risk of service interruption (i.e., disconnection due to nonpayment), inclusive of the impacts on Named Communities

4. Analysis of the revised LIRAP structure that became effective on October 1, 2023, including an evaluation of whether the discounts for each tier are effectively reducing participants' energy burden, and if the program is equitably reaching customers.

Q. Do TEP and NWEC provide any similar suggestions for how to improve future LINAs or EBAs?

A. Yes. Both parties, though to a different level of specificity, note a desire to see an analysis of the new LIRAP MED's impact on participants' energy burden.[23] Similarly, both NWEC and TEP recommend this evaluation as a means to "assess the program's effectiveness at reducing energy burden in order to make program design changes that can better serve customers as well as to serve as an example for peer utilities who are also implementing or

[21] Id. at 30:22 and 31:1-2.
[22] Id. at 33:20-26 and 34:1-5.
[23] Thompson, Exh. CT-1T at 20:13-14 and 22:2-7; Stokes, Exh. SNS-1T at 32:16-17 and 33:1-5.

considering implementing similar programs"[24] as well as to "evaluate if the discounts for each tier are effective at reducing energy burden, and if the program is equitably reaching customers."[25]

Q. Does Avista agree with this recommendation?

A. Absolutely. Avista recognizes the importance of data as a crucial tool in the continuous cycle of planning and reporting for its programs, and this recognition has been memorialized within the Company's EAAG goals for almost a decade.[26] The Company agrees that energy burden analysis is an essential metric to be tracked over time for Avista's MED participants. In accordance with Avista's LIRAP tariff Schedules 92 and 192, the Company provides "an annual summary evaluation report on the progress of the LIRAP, for review by the Commission, by December 31st following the end of each Program Year." This LIRAP Annual Report (LIRAP Report) is filed in Dockets UE-010436 and UG-010437 each year.

With the implementation of all new LIRAP components effective October 1, 2023, Avista had anticipated the need to update its LIRAP Report to be more inclusive of the various datapoints needed to adequately assess the program. Having not completed a full program year with the MED, AMP, and AFP, however, the Company simply has yet to fully develop exactly what the new reporting will entail, nor complete its discussions with its EAAG regarding such metrics. Initial discussions were started with the EAAG in November 2023 regarding new data to be tracked or included in the Agencies' and Company's reporting for LIRAP, but follow-up discussion to gain further feedback and finalize the exact contents of the LIRAP Report has yet to be accomplished. The Company is committed to continuing these

[24] Thompson, Exh. CT-1T at 22:2-6.
[25] Stokes, Exh. SNS-1T at 33:3-5.
[26] See Docket UE-140188 et. al., Joint Petition (May 29, 2015), ¶ 4; Order 07 (June 25, 2015), ¶ 5.

conversations with its EAAG to ensure a comprehensive LIRAP Report, which contains all data and information necessary to assess the success of the program over time, for the 2023-2024 program year and beyond. Our objective is to complete this process in 2024 for incorporation of necessary elements of the 2023-2024 LIRAP Report.

Specifications regarding several metrics the Company expects to include in its next LIRAP Report, even prior to having completed consultation with its EAAG for an exhaustive list, is included later in my testimony. Due to the timing of annual PBR data reporting each year (i.e., mid-February), this year's LIRAP Report (to be filed by December 31, 2024) will use the most recent information available, which is 2023 PBR data rather than a complete 2023-2024 program year comparison. Avista will further discuss reporting timelines with its EAAG and may need to revise its LIRAP tariff where the December 31st reporting deadline is prescribed to better align the LIRAP Report and PBR reporting, so all necessary information can be included in future years.

Q. Does Avista think the distinction between LINA and EBA, or that some parties use the term interchangeably, while some assert that they should be treated as two separate assessments, is a discrepancy that needs to be remedied in this case?

A. No. Whether considered as separate analyses or one-in-the-same, Avista recognizes the importance of the information contained within LINAs/EBAs and agrees that the information contained within such assessments should be provided at pre-determined, consistent intervals as part of a comprehensive planning, evaluation and reporting process for utility energy assistance programs. The Company agrees with TEP witness Stokes' sentiment that " [it is] necessary to periodically (although not annually) refresh our understanding of the demographic makeup, characteristics, and driving needs of Avista's low-income customer base" in order to "enable the [C]ompany and interested parties to set strategy for serving low-income customers in the next phase of program implementation and planning."[27] However, Avista believes there are other approaches available to accomplish TEP's intended goal of having both "a tool or document that informs broad, multi-year strategic direction" (the LINA) as well as an annual assessment that "tracks and measures the effectiveness of Avista's current programs, policies, and tactics for reducing energy burden and arrears and informs timely adjustments to current practices"(the EBA).[28] Capitalizing on *existing* reporting efforts to accomplish TEP's above-noted EBA goals, such as the Company's annual LIRAP Report, biennial Energy Assistance Program Report (electric service only),[29] or, as discussed later in my testimony, Avista's tracking/reporting of Customer Benefit Indicators (CBIs) within its CEIP, PBR metrics for affordability, or the annual Disconnection Reduction Report (which we have agreed to maintain within this testimony), rather than implementing auxiliary evaluation processes, is one such option.

Q. Does Avista agree, then, that it should file an annual EBA, as recommended by TEP witness Colton, in addition to a new LINA "periodically", as recommended by TEP witness Stokes?

A. No, not at this time. Due to the continuously changing environment and needs of our customer base, Avista is well aware that the assessments completed by both Evergreen Economics and Empower Dataworks in 2019-2020 and 2021, respectively, contain information that becomes stale over time. The Company has, since that time, already utilized

[27] Stokes, Exh. SNS-1T at 33:10-15.
[28] Id. at 33:15-18.
[29] Avista files this report with Commerce in accordance with RCW 19.405.120, as well as with the Commission (per Staff request). See Docket UE-200629.

its internal PBR model to update various datapoints (such as the count of potentially eligible low-income households), and instead proposes that through consolidation and expansion of existing reporting obligations, the Company will be able to provide information that is comprehensive enough to meet many of TEP and NWEC's desired metrics. Additionally, based on the rate at which new LINAs/EBAs would be required to effectively plan and evaluate its low-income programs, the use of an independent third-party to complete this work (as was the case with Avista's prior LINAs/EBAs) may not be feasible when considering both the time it takes to complete each assessment, as well as the financial implications of hiring contractors for these continuous evaluations, which are costs that Avista's customers then bear, as LIRAP is a customer-funded program.

Q. Are there any recommendations from NWEC or TEP that the Company has already planned to accomplish, is in the process of completing, or is amenable to achieving in the future?

A. Yes, there are several. As noted above, Avista already utilizes its PBR model to update its estimated eligible population for its low-income programs on an annual basis, and this updated number is what is currently used in the Company's energy assistance saturation rate estimates. For ease of reference, below is a list of the recommendations made by both TEP and NWEC, coupled with a description of Avista's progress or willingness to proceed with each request.

<u>NWEC Recommendations</u>[30]

- Update customer income and usage data with each new LINA/EBA.

  Response: Avista's customer income and usage data is already updated annually as a part of the Company's PBR metrics; the Company utilizes this information

[30] Thompson, Exh. CT-1T at 20:12-16.

internally and within its PBR and CETA reporting and can include this updated information, which will inform the estimated number of eligible customers, associated household energy burden, etc., as a basis for its reporting of saturation rate and other metrics determined to be relevant within its annual LIRAP Report.

- Assess energy burden for customers enrolled in the LIRAP MED.

Response: As noted above, Avista views the tracking and reporting of MED participant energy burden as an essential component in evaluating the success of LIRAP and the need for future adjustments in program design or policies and will include this as a data point in its annual LIRAP Report, along with additional metrics identified by the EAAG.

- Include customers with fewer than twelve months of usage data into the energy burden analysis.

Response: Avista's PBR reporting does not exclude customers with less than 12 months of service. Instead, the income is normalized according to the number of days the household has received service from Avista (i.e., 1 month of active service with the Company equals 1/12th of the annual usage and income). With PBR data used as the basis for future energy assistance reporting (versus third-party assessments), this recommendation is automatically incorporated into Avista's planning and reporting processes.

- Simulate energy burden over time as a function of factors that increase customer bills.

Response: Based on the sheer magnitude of dynamics impacting utility bills over time, NWEC's recommendation to simulate energy burden over time is not possible. NWEC suggests that "because utilities can anticipate changes to its bill assistance programs and future rate increases as well as have climate projections that estimate warmer or colder than average seasons, utilities could simulate how this may affect energy burden."[31] While this may sound simple and possibly doable, it is not. Importantly, Avista does not forecast rate increases nor total bill impacts into the future due to the many complexities and factors that affect bills. Within an IRP, the Company performs analyses of the impacts of future resource or supply decisions on energy burden, however, that does not factor in all costs customers pay for service. Avista, however, is open to discussing this idea with its EAAG to determine what may be possible and how valuable it would be.

TEP Recommendations[32]

- Separately identify estimated low-income customers taking electric service, gas

[31] Id. at 22:21 and 23:1-3.
[32] Stokes, Exh. SNS-1T at 33:21-26 and 34:1-5.

service, and dual fuel service.

Response: Avista has the ability to identify estimated low-income customers by household and by fuel type, agrees that such specification is important in future energy assistance reporting, and is willing to include this level of detail in future LIRAP Reports.

- Analyze arrearage and disconnection demographics, data, and trends, including impacts on named communities.

  Response: Avista is open to including such an assessment within its existing reporting structure via its LIRAP Report, Disconnection Reduction Report, or some combination of the reports listed previously within my testimony. Future conversations with the EAAG would be warranted to help determine the best methodology and level of detail needed.

- Analyze customer participation geography, demographics, data, and trends, including impacts on named communities.

  Response: Avista is open to including such an assessment within its existing reporting structure via its LIRAP Report, Disconnection Reduction Report, or some combination of the reports listed previously within my testimony. Future conversations with the EAAG would be warranted to help determine the best methodology and level of detail needed.

- Analyze the revised program structure that became effective October 1, 2023.

  Response: As stated previously, Avista is committed to collaborating further with its EAAG to ensure that the information contained within its annual LIRAP Report is comprehensive and serves to further accomplish the LIRAP goals of: 1) keeping customers connected to energy service, 2) providing assistance to more customers than are currently served by the program, 3) lowering the energy burden of LIRAP participants, and 4) ensuring that LIRAP has the appropriate data to assess program effectiveness. Such an analysis of the revised program structure is a natural and expected part of this process, set to begin with the Company's next LIRAP Report (2024), and to evolve in all future years as additional metrics or details are identified as pertinent to the overall evaluation of the success of the Company's programs.

- No later than January 1, 2026, incorporate into its annual reporting separate saturation rates for electric, gas, and dual fuel low-income customers enrolled in energy assistance programs.

  Response: As provided in the response to TEP recommendation #1 above, Avista is willing to include this level of detail in future annual LIRAP Reports, however

> the January 1, 2026 deadline may not be possible because saturation rates are dependent on annual PBR data that is not published until mid-February of each year. As discussed above, Avista will discuss reporting timelines with its EAAG and may need to revise its LIRAP tariff where the December 31st reporting deadline is prescribed.

V. CUSTOMER DEMOGRAPHIC DATA

Q. Please describe NWEC's recommendation regarding the collection of demographic data.

A. NWEC witness Thompson requests that Avista begin to collect demographic information for all of its current and future DER program offerings, including energy efficiency programs, demand response programs (time-of-use, time-varying rate, managed transportation electrification charging), and residential/community solar programs.[33] NWEC recommends that the collection of this information be voluntary for customers, and include the same information that the Company currently collects for its LIRAP. These demographics are:

- Heating fuel source: electric, gas, other
- Homeowner or Renter
- Ethnicity: Hispanic/Latinx
- Race: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or other, Pacific Islander, White, Multi-Race, Other
- Education: 0 to 8 grade, 9 to 12 Grade Non-High School Graduate, High School Graduate/GED, 12+ Some Post-Secondary School, 2-4 Year College Graduate
- Military veteran: yes or no
- Senior over the age of 60: yes or no
- Preferred language: English, Spanish, Other
- Disability Status

Q. Is Avista currently able to collect such information for all of the requested

[33] Thompson, Exh. CT-1T at 20:2-6.

DER programs?

A. No, it is not. First, many of Avista's DER programs are administered in partnership with various community partners, such as the Agencies or even local equipment distributors that serve customers within Avista's service areas. While some demographics, such as heating fuel source and homeowner/renter status are already voluntarily collected by Avista's partners for programs such as low-income weatherization, consideration should be given to the fact that the administrative burden of collecting and transmitting this expanded list of demographics would be borne primarily by the community partners, many of which are already resource constrained.

Additionally, programs such as the Company's energy efficiency midstream program, for example, occur at the distributor level rather than the individual customer level, with Avista never having a direct touchpoint to the customer receiving its services. While we do collect install addresses from the midstream program, which does allow us to analyze which customers are participating, attempting to obtain additional demographic data through this program would require a complete separate process, outside of the work done by the distributors. It is important to note that the reporting obligations the Company has agreed to within its CEIP have the same intended outcome as separately attempting to collect the data NWEC requests.

Q. Are there any technological barriers to the collection of this information?

A. Yes, there are. The information currently being collected for Avista's LIRAP is done so by either Avista or the partner Agencies and is collected within the Company's energy assistance portal (i.e., Workbench) and stored within the Company's Customer Care and Billing (CC&B) system. Other programs do not utilize or have access to the Workbench platform, but rather other systems specific to their own programmatic needs, such as iEnergy, Salesforce, Excel spreadsheets, or other tailored databases. There is currently no cross-departmental platform through which this information can be securely submitted, transmitted, or stored. Such a system would need to be created specifically for this use, with training amongst those programs and departments impacted. For example, in the case of energy efficiency programs, the Company's iEnergy platform would need to be updated in a way that would allow for Agencies to input such data (as it does not currently have such functionality), and all users of iEnergy would need to be trained on the modifications, including Avista and the Agencies, both of which require funding to contract for the updates and time (months) to complete such work.

Q. In the end, is it fair to say that Avista cannot support NWECs proposal?

A. Yes, as the amount of time, effort, cost and systems, not only for Avista but also for external partners, is simply too expensive or already duplicative.

VI. LANGUAGE ACCCESS

Q. Did any parties offer recommendations regarding language access?

A. Yes, TEP witness Stokes recommends that the Commission order Avista to complete the following five actions pertaining to language access:[34]

1. By June 1, 2025, evaluate language barriers to accessing low-income programs in a draft language access plan.

2. By June 1, 2025, provide its EAAG and the EAG a draft language access plan for its low-income programs and request feedback on the plan.

3. By October 1, 2025, incorporate feedback it receives, discuss any feedback received on the draft not incorporated into the final, state the reason Avista did not

[34] Stokes, Exh. SNS-1T at 37:14-23 and 38:1-5.

incorporate the feedback into the final, and make a subsequent filing (pursuant to WAC 480-07-885) with a final language access plan for its low-income program.

4. Report on its progress toward accomplishing the language access plan in its annual LIRAP Report.

5. Maintain and revise the language access plan as needed, with approval and feedback from the EAAG and the EAG.

Q. What is the linguistic demographic breakdown within Avista's service area in Washington?

A. According to census data provided by Public Participation Partners (P3) and reported in the Company's 2023 CEIP Public Participation Plan (PPP) filed in Docket UE-210628 and provided in Exh-SNS-14 (page 33), approximately 2.1% of Avista's Washington customers prefer a language other than English as their primary language (i.e., 97.9% prefer English):

- 1.0% speaks Spanish as their primary language;
- 0.5% prefer an Other Indo-European language;
- 0.5% prefer Asian and Pacific Island; and,
- 0.1% prefer other languages.

Q. What actions are the Company taking pertaining to language access?

A. In August 2023, the Company established an internal Multi-Language Strategy (MLS) team to examine the multi-language needs of its customers throughout the organization with the goal of providing actionable recommendations for implementation, as well as improve various communication channels, empower customer choice, and enhance customer experience. Avista's MLS team recommended and implemented its first project, Spanish translations on its website, www.myavista.com, which went live April 17, 2024. Spanish translation of the Company's Public Safety Power Shutoff (PSPS) outage map was also prioritized and completed on June 6, 2024. Avista's payment kiosks are also equipped with a

Spanish translation option. While the initial intention was to include additional language options on the www.myavista.com website after verifying Spanish translations were working as designed, the limited number of customers requesting translation services outside of Spanish made it not presently economic to do so. Avista, however, does plan to continue to evaluate the enhancement of additional languages on its website in the future.

Avista is also exploring pathways for implementing a Spanish translation option within its mobile app and its Interactive Voice Response (IVR) system, which offers customers whose primary language is Spanish, additional self-service options. If these proposals move forward, they will be prioritized among existing technology projects.

Additionally, Avista provides certain communications pertaining to energy assistance, energy efficiency, clean energy, electric and natural gas safety, and wildfire resiliency in Spanish. The Company is in the process of determining additional ways to obtain a customer's preferred language outside of speaking with a CSR, as several potential language access projects are dependent on the availability of a customer's preferred language. Projects that require the use of a preferred language revolve around direct communication channels, which include but are not limited to bills, letters, notices, text, and chat communications.

Finally, the Company presently employs four CSRs to support Spanish speaking customers through Avista's Contact Center. The Company also utilizes a third-party translation vendor, Language Line Solutions, which provides access to over 240 additional language options to support all additional language needs that occur through the Contact Center.

Q. Is Avista currently discussing and/or reporting language access in any other venue?

A. Yes, the Company currently discusses its progress in identified MLS projects and future language access efforts in its CEIP and accompanying PPP. While Avista provides such updates in its CEIP and PPP, the Company's MLS activities are not specific to only clean energy initiatives but expand throughout the organization as Avista strives to enable equitable access to information for all customers. Avista also reports the following metrics in its CEIP as Customer Benefit Indicators:

- CBI: Number of translation services provided in energy assistance and energy efficiency identified channels.
- CBI: Number of unique languages translated in energy assistance and energy efficiency identified channels.

Q. Is the Company willing to make any commitments pertaining to language access in this case?

A. Yes. Avista is committed to collaborating with its EAAG, Energy Efficiency Advisory Group (EEAG), and its EAG on an annual basis pertaining to its ongoing MLS initiatives to include project prioritization methodology and completed/current/future language access projects and ideas, among others. The Company will continue to report on its existing CBI language access metrics and will continue to provide updates on completed and future multi-language strategies in its CEIP and PPP. Further, Avista will send a draft PPP to its applicable advisory groups for review and input thirty days prior to filing with the Commission.

Q. With the actions Avista is already taking pertaining to language access and the additional commitments it is willing to make, does it believe a separate language access plan needs to be filed with the Commission?

A. No, Avista does not believe the Commission should require the Company to file a separate language access plan. The Company is actively providing the Commission and interested parties with updates to its MLS in its CEIP and PPP, which is the appropriate venue for such information. Avista also provides language access metrics, as discussed above, that provide additional context regarding the effectiveness of the Company's MLS initiatives. Recognizing the aforementioned commitments of the Company and the existing sources of documentation and metric tracking for Avista's MLS objectives, the Company does not believe a separate language access plan is necessary nor should it be required.

VII. PERFORMANCE MEASURES PURSUANT TO RCW 80.28.425(7)

Q. Did any party object to Avista's proposal for performance measures or suggest the Commission should adopt any performance incentive mechanisms for Avista in this case?

A. No, they did not.

Q. Please summarize what you proposed by way of performance measures pursuant to RCW 80.28.425(7) in your direct testimony.

A. Avista proposed to maintain the nine performance measures ordered by the Commission for the rate plan currently in effect and does not believe it is necessary for the Commission to approve further performance incentive mechanisms in this case. If, however, the Commission deems that additional performance incentive mechanisms are required pursuant to RCW 80.28.425(7), Avista proposed a single performance incentive mechanism consisting of a group of six measures, as described in my direct testimony.

Q. Does Avista have any changes or new recommendations for performance measures in this case?

A. Yes, we do. As a result of the Commission's Policy Statement Addressing Initial Reported Performance Metrics (Policy Statement) issued on August 2, 2024, in Docket U-210590, minor changes are necessary to two of the nine performance measures previously ordered by the Commission. Regarding the affordability and energy burden metrics, within the Policy Statement, the Commission noted the following:

> For the affordability and energy burden metrics, the Commission removes the requirement to report by both census tract and zip code. The Commission only requires reporting by census tract. However, utilities that do not currently possess the ability to report by census tract must provide an update on enabling the appropriate technology and the cost to do so as previously outlined within this policy statement. This change will be codified in the current or future GRC orders for utilities with these required metrics.[35]

As a result of this guidance, Avista hereby proposes that the reporting of the affordability and energy burden metrics align with the Policy Statement.

VIII. PERFORMANCE BASED RATEMAKING METRICS

Q. Would you please summarize what you proposed in your direct testimony regarding PBR metrics?

A. Yes, Avista proposed to reduce the number of PBR metrics it reports on from 95 metrics to 48 metrics. At the time of filing, the 48 metrics proposed appeared to be valuable to the Commission as identified in Docket U-210590 and better aligned with the regulatory goals, desired outcomes, and design principles provided in that docket. See Exh. SJB-3 for the originally proposed metrics in this case, which can be compared to Exh. SJB-2, which has the full list of 95 metrics from the last case.[36]

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[35] Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at ¶ 78.

[36] For ease of reading, metrics highlighted in yellow in Exh. SJB-2 were proposed to be eliminated and metrics highlighted in blue in Exh. SJB-3 were newly proposed metrics.

Q. Did any party express concern with the Company's proposal to eliminate certain metrics? If so, please provide detail on the metrics in contention.

A. Staff, NWEC, and TEP expressed a desire to retain certain metrics and/or make modifications to certain metrics. Staff recommended that the Company keep three metrics and add a new metric as follows:[37]

- Keep the metric: total revenue occurring through riders and associated mechanisms not captured in the MYRP (original metric #3).
- Keep the metric: percentage of known low-income customers that participate in demand response, distributed energy resources, or renewable energy utility programs (original metric #19).
- Keep the metric: Percentage of utility-owned and supported EVSE by use case located within and or providing direct benefits and services to highly impacted communities and vulnerable populations (original metric #25).
- Add the metric: annual reporting on connection timelines for new service requests associated with new construction of single family and multi-family housing.

NWEC recommended that the Company keep a metric related to non-pipe alternatives, specifically the following metric that the Company proposed to eliminate:[38]

- Keep the metric: percentage of non-pipe alternative utility spending that occurs in highly impacted communities and vulnerable populations (original metric #26).

TEP recommended that Avista should continue to keep many metrics, revise some existing metrics, and add one new metric. TEP's recommendations are summarized as follows:[39]

- Keep the metric: O&M per customer (original metric #7).
- Modify the metric: number and percentage of residential electric disconnections for electric disconnections for nonpayment by month, measured by location and demographic information . . . (original metric #9).
- Modify the metric: average bill as a percentage of low-income customers' average income (original metric #12).
- Modify the metric: Number of households with a high-energy burden (>6%), separately identifying known low income and Named Communities (original

[37] Erdahl, Exh. BAE-1T at 12:3-10; 13:4-7.
[38] Thompson, Exh. CT-1T at 15-16.
[39] Stokes, Exh. SNS-1T at 21-28.

metric #13).

- Keep and modify the metric: Percentage of households with a high-energy burden (>6%), separately identifying known low income and Named Communities (original metric #14).
- Keep and modify the metric: Percentage of known low-income customers that participate in demand response, distributed energy resources, or renewable energy utility programs (original metric #19);
- Keep and modify the metric: Percentage of known low-income customers that participate in utility electric vehicle programs, by program (original metric #23).
- Keep the metric: Percentage of utility-owned and supported EVSE by use case located within and/or providing direct benefits and services named communities (original metric #25).
- Keep the metric: Percentage of non-pipe alternative utility spending that occurs in highly impacted communities and on vulnerable populations (original metric #26).
- Keep the metric: Incremental spending each year in Named Communities (original metric #31).
- Add the metric: net plant in service per customer for gas and electric service.

Q. Since the filing of Staff, NWEC, and TEP's testimony in this case, has the Commission provided any guidance related to PBR metrics?

A. Yes, it has. As noted above, on August 2, 2024, the Commission issued its Policy Statement, which provides a list of 17 "Initial Reported Performance Metrics"[40] (not including subparts). The Policy Statement resolves many issues surrounding PBR metrics, while highlighting that Phase 2 of the proceeding will address reporting of these metrics. Further, the Commission notes that "until such time as the Commission completes Phase 2 of this proceeding, which will address reporting, and obtains the resources to develop its own external PBR website, any metric data within this docket is expected to be reported as an appendix, or appendices, to the annual Commission Basis Reports (CBR)."[41]

Q. Did Avista, Staff, NWEC, and TEP contribute to the development of the Policy Statement and Initial Reported Performance Metrics?

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[40] Docket U-210590, Policy Statement Addressing Initial Reported Performance Metrics at ¶ 10.
[41] Id at ¶ 11.

A. Yes, Avista, Staff, NWEC, and TEP all participated in the Commission's PBR policy proceeding and development of the Initial Reported Performance Metrics. In particular, within the Policy Statement, the Commission highlights feedback received on potential metrics from Avista, NWEC, and TEP.[42] The Commission goes on to discuss additional metrics proposed that it chose not to adopt within the Initial Reported Performance Metrics.

In Avista's view, the Commission ultimately adopted a set of Initial Reported Performance Metrics through a collaborative process lead by an independent third-party facilitator, where proposed metrics were discussed and vetted over many workshops and rounds of written comments. While Avista may have hoped for some additional changes to the Initial Reported Performance Metrics, it is pleased that the Commission has now provided the guidance on what metrics utilities should be reporting on within MYRPs.

Q. Does the Commission's Policy Statement alter what the Company proposes for PBR metrics to be reported during the MYRP being decided in this case?

A. Yes, it does. Given the Commission has adopted the Initial Reported Performance Metrics within the Policy Statement, Avista now believes that it should report on <u>those metrics</u> during the MYRP approved in this case. It is clear that those metrics are what the Commission has initially determined to be valuable for evaluating a utilities performance during a MYRP.

Q. Based on the Policy Statement, when and how does the Company now propose to report its PBR metrics?

A. Avista proposes that all of the PBR metrics approved for the MYRP in this rate case be reported on an annual basis, with 2025 being the first calendar year of reporting of the

[42] Id at ¶ 8.

new metrics.[43] The metrics will be included within the Company's Commission Basis Report due by April 30, 2026, as directed by the Commission in the Policy Statement.[44] Importantly, moving to annual reporting of PBR metrics will significantly reduce the administrative burden of quarterly reporting. In addition, Avista proposes to continue to report its PBR metrics on its website, including updating its electric reliability map, to the extent practicable, to align with the reliability metrics adopted in the Policy Statement.

Q. How does the issuance of the Commission's Policy Statement impact Avista's response to Staff, NWEC, and TEP's testimony on PBR metrics?

A. Avista believes the Policy Statement renders its proposal for PBR metrics within the MYRP being contemplated in this case, as well as the response of the parties, to now be moot. As discussed above, Avista now proposes that the Commission require the Company to adopt the Initial Reported Performance Metrics from the Policy Statement for purposes of the MYRP approved in this case. While some parties may take issue with the fact that they did not have the opportunity to evaluate the Initial Reported Performance Metrics within this case, as discussed above, they participated in the development of the Initial Reported Performance Metrics and the Commission considered their input during the development of the Policy Statement.

Q. If the Commission does not adopt the Initial Reported Performance Metrics for the MYRP in this case, including only reporting on PBR metrics on an annual basis, what would Avista propose in the alternative?

A. If the Commission does not adopt the Initial Reported Performance Metrics for

[43] PBR metrics for 2024 will be provided based on the approved metrics from the Company's 2022 general rate case.
[44] Id.

the MYRP approved in this case, Avista would retain its original proposal for 48 PBR metrics, with certain changes adopted in response to Staff, NWEC, and TEP. Prior to the release of the Policy Statement, the Company was preparing testimony in response to Staff, NWEC, and TEP. In an effort to preserve that work, if needed by the Commission, it is now included as Exh. SJB-6, with the alternative set of 51 PBR metrics based on the Company's response included in Exh. SJB-7. In terms of the timing for reporting the alternative set of metrics, the previous quarterly or annual time intervals for reporting would remain in place.

IX. RECURRING REPORTING OBLIGATIONS

Q. Would you please summarize what you proposed in your direct testimony regarding Avista's recurring reporting obligations?

A. Yes. In Avista's 2022 GRC, it agreed to provide recommendations in its initial filing of this GRC regarding how it will streamline existing required annual reporting obligations (provided in Docket U-210151).[45] Exh. SJB-4 included a matrix of Avista's recurring reporting obligations and recommendations, and whether each obligation should be maintained, removed, or modified. I went on to explain each of Avista's recommendations in my direct testimony.

Q. Was it clear in your direct testimony exactly which reporting obligations the Company was seeking the Commission issue an order on in this case? If not, please explain.

A. Not exactly. The recommendations made on the reporting obligations include

[45] Dockets UE-220053, et. al, Settlement at 19, ¶ 28(c).

some recommendations that would require revisions to certain Washington Administrative Code (WAC) 480-90 or 480-100, or to statutes that require certain reporting obligations. The Company is not proposing to address all of those recommendations in this case.

Q. Would you clarify which reporting obligations the Company is asking the Commission to modify by way of order in this case?

A. Yes. As provided in the Company's response to TEP Data Request number 009, which has been included as Exh. SJB-7, Avista proposed the following changes to its recurring reporting obligations:

1. Remove the Washington Distributed Generation Annual Report.
2. Remove the Energy & Emissions Intensity Metrics report, which will require a waiver from WAC 480-109-300(1).
3. Remove the Critical Infrastructure Report.
4. Maintain the Commission Basis Report but modify it to remove wood pole reporting required since the Company's 2007 GRC related to actual versus 10-year model budget that expired in 2017.
5. Remove the Essential Utilities Services Contracts Report, which will require a waiver from WACs 480-100-268 and 480-90-268.
6. Change the frequency of the PGA Activity Reporting from monthly to quarterly with the report being due 30 days after the end of each quarter, which will require a waiver from WAC 480-90-233(5).
7. Change the frequency of the Company's MYRP Metrics filing from 45 days after the end of the year to May 1st.
8. Remove the annual Disconnection Reduction Report.
9. Remove the Monthly Credit & Collections COVID-19 Report.
10. Remove the Quarterly Credit and Collections COVID-19 Report.

Q. Did any parties take issue with Avista's proposed changes to its recurring reporting obligations? If so, please elaborate on the reporting obligations in dispute.

A. Yes, Staff, NWEC, and TEP took issue with certain recommendations. The following are the reporting obligations in dispute:

1. Staff recommended maintaining the requirement to file the Critical Infrastructure report, however, suggested allowing Avista to combine this report with its annual

reliability report.[46]

2. TEP[47] and NWEC[48] recommended maintaining the annual Disconnection Reduction Report. Also, TEP suggests additions to this report.

3. TEP recommended maintaining the COVID arrearage reports with modifications.[49]

Q. Does Avista agree with Staff that the Critical Infrastructure Report should be maintained?

A. No. This report originated by way of an informal Staff request many years ago. The information provided each year rarely has ever changed, there are no actions to be taken from the report, and it is unclear if the annual report is reviewed or used by Staff, or anyone else, for any purpose. Staff's suggestion to combine this report with the reliability report does not alleviate providing the information, nor does it speak to the necessity of receiving this information. As such, Avista continues to recommend that this report be removed. If the Commission removes this reporting obligation and the information from the report is desired in the future, the information can be made available upon request.

Q. Does Avista agree with NWEC and TEP's recommendation to maintain the annual Disconnection Reduction Report?

A. In part, yes. NWEC and TEP correctly point out that the information provided in the Disconnection Reduction Report is not exactly the same as what the Company provides via other reporting obligations. As such, the Company is willing to continue to provide the annual Disconnection Reduction Report until such time as a consolidated reporting obligation

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[46] Erdahl, Exh. BAE-1T at 12:17-21; 13:1-2.
[47] Colton, Exh. RDC-3 at 54-64.
[48] Thompson, Exh. CT-1T at 19:3-18.
[49] Colton, Exh. RDC-3 at 56-62.

for arrears and disconnections is determined by the Commission in Docket U-210800, the Commission's Customer Notice and Fees Rulemaking, or another proceeding.

In addition to recommending keeping the annual Disconnection Reduction Report, TEP recommends modifications to the report, such that the Company add the number of disconnections for nonpayment (DNPs), the number of accounts in arrears, and the dollars of arrears, stratified by energy burden.[50] The Company does not support these additions at this time for the following reasons: 1) the number of disconnections for nonpayment is already provided; 2) arrears information is provided via other reports and arrears is not the focus of the disconnection reduction report; and, 3) the Company has not performed calculations using stratified energy burden to date and is unsure if this quantification would provide additional value to this report.

Q. Do you agree with TEP's recommendation to maintain the monthly and quarterly COVID and with the modifications they suggest?

A. In part, yes. Similar to the annual Disconnection Reduction Report, Avista is willing to maintain providing the COVID reporting until such time as a consolidated reporting obligation for arrears and disconnects is determined by the Commission in Docket U-210800, the Commission's Customer Notice and Fees Rulemaking, or another proceeding.

Regarding TEP's three modifications they recommend to the arrearage reports,[51] the Company does not believe the Commission should adopt the modifications at this time. First, in regard to adding the accounts and dollars that were paid on time, it is unclear the value of this additional information, how the information will be used, and how exactly dollars that

[50] Id. at 64:3-8.
[51] Id. at 60-62.

were paid on time is related to arrears. This modification would be better discussed in a broader setting, such as within Docket U-210800. Second, in regard to adding the reporting of arrears in terms of number of accounts as well as in terms of dollars of arrears, the Company already reports the information in this manner within its COVID reporting and includes several metrics regarding the number of accounts in arrears and dollars of arrears within its Customer Benefit Indicators of its CEIP. Lastly, regarding changing the name of the COVID reporting, the Company takes no position on this as this decision is up to the Commission. However, as noted above, the Company does believe a consolidated reporting of arrears and disconnection information should be decided in another proceeding.

Q. Were there any additional concerns regarding any of the Company's recurring reporting obligations?

A. Yes, there were. First, TEP recommends that if the Commission discontinues the Company's Quarterly Decoupling Report, it should order Avista to include all information that was available in the Quarterly Decoupling Reports in all future annual adjustment filings.[52]

Q. What is your response to TEPs additional concern?

A. First, the Commission already removed the Company's Quarterly Decoupling Report by way of Order 01 in Docket U-210151, issued on March 14, 2024. As such, no additional action from the Commission is necessary for this reporting obligation. As requested by TEP, the Company will make sure all information from the quarterly reports is included in all future annual adjustment filings.

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[52] Stokes, Exh. SNS-1T at 41:15-20 and 42:1-4.

X. NATURAL GAS ENERGY EFFICIENCY

Q. Please provide a brief summary of the recommendations made by Sierra Club witness Dennison regarding Avista's natural gas energy efficiency efforts.[53]

A. Sierra Club recommends that the Commission direct Avista to 1) eliminate the provision of energy efficiency incentives for natural gas equipment in new residential buildings; 2) shift 20% of the funds currently budgeted for residential natural gas equipment incentives to instead support building envelope and electrification readiness incentives; and 3) include information about electric energy efficiency incentives within any materials or communications related to natural gas equipment incentives.

Sierra Club asserts that the Company's natural gas midstream program, which provides incentives for energy efficient natural gas equipment such as furnaces or water heaters by way of partnership with local distributors, is in tension with Washington's climate and energy requirements. They suggest that Avista should, in lieu of allowing the midstream program to support newly-constructed residential buildings, shift a portion of the funds allocated to midstream to instead "start building up its electrification, weatherization, and electrification-readiness programs and education/outreach strategies".[54] With these strategies, Sierra Club also requires that Avista "[i]nclude information about available utility, local, state, and federal incentives for efficient electric equipment in any materials informing customers about incentives for gas equipment and in responses to residential gas customers that request incentives for gas equipment."[55]

Q. Does Avista agree with Sierra Club's overall assessment that these

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[53] Dennison, Exh. JAD-1T at 3, 15-19, and 46.
[54] Id. at 18:9-10.
[55] Id. at 18:1-4.

recommendations are consistent with applicable law and associated requirements?[56]

A. No, we do not. RCW 80.28.380 states plainly that "Each gas company must identify and acquire **all** conservation measures that are available and cost-effective" [Emphasis added].[57] As a dual fuel utility, Avista is required by law to establish acquisition targets for both its electric (RCW 19.285.040) and natural gas (RCW 80.28.380) conservation programs every two years, both of which are based on a Conservation Potential Assessment (CPA) prepared by an independent third party and approved by the Commission. Additionally, the Company "must demonstrate that the target will result in the acquisition of **all** resources identified as available and cost-effective" [Emphasis added].[58] While Sierra Club states that RCW 80.28.380 "does not require gas utilities to pursue any particular type of conservation measure" and that "Avista will still have many options for pursing cost-effective conservation measures that can meet the requirements",[59] Avista interprets RCW 80.28.380's references to "all" to indeed mean all. This means that Avista's natural gas programs endeavor to identify and acquire all conservation measures that are available and cost-effective, and to demonstrate that the targets provided by its CPA will result in the acquisition of all resources identified as available and cost-effective, as required.

Q. How, then, would Avista comply with Sierra Club's recommendation to eliminate the provision of energy efficiency incentives for natural gas equipment in new residential buildings?

A. It would not. The intention of Avista's natural gas programs, which comply

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[56] Id. at 18-19.
[57] Greenhouse gas emissions established in RCW 80.28.395 are included in the cost-effectiveness analysis.
[58] RCW 80.28.380(1).
[59] Dennison, Exh. JAD-1T at 18:18-22.

with all existing applicable decarbonization laws and rules, is to promote the adoption of more efficient (i.e., above current building codes) equipment within its service area. Sierra Club witness Dennison recognized:

> …that installation of minimum-efficiency gas equipment can be considered a worst-case scenario for energy conservation and emissions reduction, and that incentives for more efficient gas equipment can help avoid these minimum efficiency installations. Washington must shift away from incentivizing gas equipment, but this transition may need to proceed more gradually in areas <u>where the heat pump market is less developed</u>, and where <u>customers are more likely to install minimum efficiency gas equipment</u> in the absence of incentives for more efficient gas equipment.[60] [Emphasis added].

Indeed, the heat pump market is less developed in Avista's service territory and, absent incentives for high efficiency equipment, it is very likely customers will install minimum efficiency equipment, which is a "worst-case scenario" in the eyes of witness Dennison.

Specific to its midstream program, by its very nature it does not provide differentiation between whether the equipment is being installed into a new residential building or an existing structure, as the programs incentivize distributors directly to stock only energy efficient equipment for both fuel types (electric and natural gas). Avista does not intend to cherry-pick potential conservation savings based on fuel type and will continue to identify and acquire all available and cost-effective electric and natural gas efficiency savings until such time these savings no longer exist, are no longer cost-effective, or are no longer a part of Washington's stated conservation strategies pursuant to RCW 19.285 (or its successor).

Q. Please explain why the recommendation to shift funds from natural gas incentives to electrification and weatherization efforts is also not supported by Avista.

A. Avista's electric and natural gas conservation efforts are funded through a separately tariffed collection rate per fuel type, Schedule 91 (electric) and Schedule 191

[60] Dennison, Exh. JAD-1T at 16.

(natural gas). While the Company states its anticipated budget for each fuel and program sector within its Biennial Conservation Plan (BCP), this forecasting is not a mandatory set amount, rather is based off of the Commission-approved targets and Company's estimates of the costs needed to accomplish these targets. Therefore, "shifting funds from Avista's gas equipment incentive programs to incentives for weatherization and pre-electrification measures",[61] as recommended by Sierra Club, is a moot suggestion, as the Company has discretion to adaptively manage its program to support the conservation targets identified. Shifting 20% of the costs the Company estimates will be needed to support its natural gas efficiency programs to weatherization and electrification or pre-electrification efforts, when such efforts have not been identified as part of Avista's Commission-mandated conservation targets, arbitrarily places a higher tariff burden on Avista's electric customers and a lesser cost on natural gas customers. Additionally, it should be noted that the Company has already set aside $2 million annually as part of its CEIP, with these funds specifically reserved for <u>electric</u> customers' energy efficiency endeavors, many of whom are completing building envelope upgrades, and some of which are electing to replace natural gas equipment with efficient electric equipment (with Avista and its CEIP efficiency funding supporting these customer electrification choices).

Q. Is Avista able to accommodate Sierra Club's recommendation to include information about incentives for efficient electric equipment within all natural gas informational materials or any time a customer requests natural gas incentives?

A. No, it is not. While Avista is open to extensive outreach regarding available utility, local, state, and federal incentives for efficient equipment, Avista's electric and natural

[61] Id. at 3:1-3.

gas service areas do not overlap each other in all regions, and therefore Avista is not always the corresponding electric provider for each natural gas customer. Additionally, the Company is not always the entity communicating directly with customers about efficiency incentives. Our midstream program, for example, does not provide Avista with the opportunity to engage with the customer in the ways that site-specific offerings might.

XI. DECARBONIZATION PLAN & TARGETED ELECTRIFICATION PILOT

Q. As discussed by Sierra Club witness Dennison, Avista's 2022 general rate case settlement included items related to natural gas transition issues.[62] Would you please summarize what those items were?

A. Yes, Avista's 2022 general rate case settlement approved by the Commission included a phase out of natural gas line extension allowances, consideration of non-pipe alternatives in gas distribution planning processes, providing quarterly reporting on the number of new gas customer additions relative to new electric customer additions, and the inclusion of a natural gas system decarbonization plan for complying with the Climate Commitment Act (CCA) in the Company's 2023 Natural Gas IRP.[63]

Q. Has the Company complied with all of the natural gas transition issues from its 2022 rate case settlement?

A. Yes, it has.

Q. Does any party take issue with Avista's compliance with the 2022 rate case settlement as it pertains to natural gas transition issues in this case?

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[62] Id. at 7.
[63] Dockets UE-220053, UG-220054, UE-210854, Final Order 10/04, Appendix A, item 21.

A. Yes. Sierra Club witness Dennison takes issue with Avista's compliance with natural gas transition issues from the 2022 rate case settlement, as well as the Company's preferred portfolio from its 2023 Natural Gas IRP, which speaks to how the Company will comply with the CCA.[64]

Q. Will you address all of the issues raised by Sierra Club in your rebuttal testimony?

A. Company witness Joe Miller will address Avista's line extension allowance policies and Company witness Josh DiLuciano will address Avista's incorporation of non-pipe alternatives in gas distribution planning processes. In the following testimony, I will address Sierra Club's concerns with the Company's plans for complying with natural gas portions of the CCA, its proposed decarbonization plan, and its proposal for a targeted electrification pilot.

Q. Regarding the CCA, are natural gas utilities able to comply by solely purchasing carbon allowances?

A. Yes, they are. Sierra Club witness Dennison quoted the Commission's order from the Company's 2022 general rate case, which said "The CCA sets a limit on overall carbon emissions in the state and requires emitters to obtain "emission allowances" equal to their covered greenhouse gas (GHG) emissions."[65] As clearly summarized by the Commission, emitters such as Avista, must obtain emission allowances equal to their covered GHG emissions. The CCA does not, in fact, require a reduction of natural gas usage or reduction of actual emissions from natural gas utilities. If procuring emission allowances is

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[64] Dennison, Exh. JAD-1T at 8-10.
[65] Id. at 4.

the lowest cost option to comply with the CCA, then it is prudent for utilities to pursue that option, which Avista did as shown in its preferred resource strategy from its 2023 Natural Gas IRP.

Q. Do you understand that Sierra Club does not agree with the Company's plans for complying with the CCA or other Washington state policies for natural gas utilities?

A. Yes, through Sierra Club witness Dennison's testimony, and in prior comments regarding the Company's 2023 Natural Gas IRP,[66] it is quite clear that the Sierra Club has differing thoughts and expectations regarding natural gas utilities decarbonization and compliance with the CCA.

Q. Is the Sierra Club's discussion of Cascade Natural Gas's 2023 IRP, acknowledgement of Avista's 2023 Natural Gas IRP in Oregon, Puget Sound Energy's progress towards decarbonizing their gas system, or Washington House Bill 1589 relevant to this case?[67]

A. No, none of these proceedings or policies are directly at issue in this case.

Q. Would you please elaborate on how the Company complied with the 2022 general rate case settlement item regarding the inclusion of a natural gas system decarbonization plan for complying with the CCA in the Company's 2023 Natural Gas IRP?

A. Avista filed reply comments on its 2023 Natural Gas IRP on September 26, 2023, in Docket UG-220244, which addressed concerns raised by the Sierra Club about this

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[66] Docket UG-220244, Sierra Club comments filed on August 1, 2023, https://apiproxy.utc.wa.gov/cases/GetDocument?docID=34&year=2022&docketNumber=220244.
[67] Dennison, Exh. JAD-1T at 8-10, 16, and 38.

same issue. The following excerpts are from the Company's reply comments related to this issue:

> One area of concern within the written comments that Avista would like to provide clarity on relates to the commitment from the Company's 2022 General Rate Case (GRC) to include a decarbonization plan for how it will comply with the Climate Commitment Act (CCA).
>
> Avista considered 14 scenarios in the 2023 IRP, each providing a decarbonization plan, with the Preferred Resource Strategy (PRS) being the least cost pathway for CCA compliance. Each of these scenarios were constrained to meet energy demand and emissions targets through resource options including alternative fuels, electrification, energy efficiency, and demand response. Cost estimates of these resources included those from consultants, third parties, and government agencies. Emissions constraints in Washington were sourced directly from the CCA rules with program compliance considered in the form of allowances. The CCA rules were directly modeled by Avista and specifically state an entity cannot procure more than 10 percent[68] of the allowances available in an auction or yearly available auction amounts.
>
> Regarding the "invest" portion of the cap-and-invest program, Avista does not control what the State does with allowance revenues, but per the CCA, expects the State to use the revenues to invest in projects to help Washington transition to a low-carbon economy, per the following:
>
> > Among other things, these proceeds will be used to increase climate resiliency, fund alternative-transportation grant programs, and help Washington transition to a low-carbon economy.[69]
>
> This discussion is pertinent as it is not up to covered entities, including Avista, for how the "invest" portion of the CCA will be achieved. Some commenters have a misperception that Avista must invest the revenues it receives from no-cost allowances in decarbonization efforts, which is not the case. Rather, those revenues can be passed back to customers to reduce the cost burden of the CCA. Avista looks forward to future engagement and discussion on this topic with the Commission, interested stakeholders, and its various advisory groups.
>
> Additionally, the CCA does not mandate the reduction of natural gas usage outside of the financial disincentive to use the fuel. From a customer base, Avista assumes limited growth and only from providing back-up heat to heat pumps, in compliance with the direction of the building codes at the time of the analysis. These assumptions alone do not point toward a future of significant electrification and Avista believes it to prematurely assume this outside of a scenario analysis, as was done in the IRP.

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[68] WAC 173-446-330 (1).

[69] [Auction proceeds - Washington State Department of Ecology.]

As noted above, Avista agreed to include in its 2023 IRP a decarbonization plan for how it will comply with the CCA. Avista offers the following responses for how it complied with each component of the decarbonization plan.

d) Avista agrees to include in its 2023 Natural Gas IRP, a natural gas system decarbonization plan for complying with the Climate Commitment Act.

Response: First, as discussed at the Recessed Open Meeting on August 11th, the PRS is the Company's decarbonization plan for how the Company will comply with the CCA. It is evident from comments that some parties had a different perspective of what the decarbonization plan would be or should look like. The settlement agreement did not specify or provide detail on the form the decarbonization plan would take. And it appears that some parties viewed the decarbonization plan as broader than just complying with the CCA.

Avista's PRS and supporting data and analyses to arrive at the PRS shows how it will decarbonize to comply with the CCA. In the near term (i.e. within the next five years), which is the most relevant time frame to focus on, the compliance strategy relies primarily on energy efficiency and the purchasing of allowances. There are some concerns around the adequacy of the selected resource's ability to decarbonize the system. Avista understands these concerns and notes that the IRP is updated every two years. The PRS in the Company's 2025 IRP will undoubtedly be different than its 2023 IRP, meaning that the PRS and decarbonization plan will change and evolve based on updated inputs, assumptions, and information at the time the IRP is developed.

The Commission has let utilities know that it will no longer acknowledge electric IRPs due to the requirement of approving or not Clean Energy Implementation Plans and that it is uncertain what it will do with natural gas IRPs going forward. As the Commission contemplates if or how it will acknowledge natural gas IRPs, the Company suggests it considers a similar process as electric IRPs, where an electric IRP provides the foundation for a near term action plan that is approved by the Commission. A near term action plan could focus on how a utility will meet its CCA compliance obligations and resource acquisitions it will make in the next four to five years.

i. The Natural Gas IRP's decarbonization plan shall include a supply curve of decarbonization resources by price and availability, e.g. energy efficiency bundle 1 costs X$/ton of carbon dioxide equivalent (CO2e) reduction and can reduce Y tons of CO2e, dairy RNG costs A$/ton and can reduce B tons of CO2e.

Response: Avista included supply curves as required in Appendix 5.1 of the IRP.

ii. The decarbonization plan shall consider a comprehensive set of strategies, programs, incentives and other measures to encourage new and existing customers to adopt fully energy efficient appliances and equipment or other decarbonization measures, which could include electrification.

Response: As discussed in Appendix 5.1, Chapter 3 includes a summary of the demand side resources considered in the 2023 IRP, including electrification. Chapter 6 discusses the Preferred Resource Strategy selected in the IRP to meet the CCA requirements, and ultimately the Company's decarbonization plan for this IRP. Additionally, the Appendix has all Conservation Potential Assessments (CPAs) included for a full analysis of considerations.

In sum, Avista met this obligation as the IRP, and decarbonization plan, considered a wide array of options, including energy efficiency, alternative fuels, and electrification, to comply with the CCA. Again, the PRS is the decarbonization plan selected as the lowest reasonable cost plan to meet current and future needs at the lowest reasonable cost to the utility and its customers, while complying with the CCA.

iii. The decarbonization plan shall include targets for the ratio of new gas customers added relative to new electric customers added in future years.

Response: As discussed in Appendix 5.1, Avista contemplated targets for the ratio of new gas customers relative to new electric customers. As stated in the Appendix, due to the phase out of natural gas line extensions allowances by 2025 for Avista, and building codes set to take effect in 2023 (this was the case at the time the IRP was submitted, which may now be changing), Avista does not anticipate any new gas customers added to the system beginning in 2025, and potentially earlier. If no new gas customers are added to the system, the ratio would be 0 as the numerator would be 0 in the following equation.

$$\text{Ratio of New Gas Customers to New Electric Customers} = \frac{\text{New Gas Customers}}{\text{New Electric Customers}}$$

Because the ratio of new gas customers relative to new electric customers is already expected to be 0, any such future target would also be 0.

> The Sierra Club took issue with Avista's rationale for setting a target of 0 as it did not align with the customer growth forecast in the 2023 IRP. The reason for this is that the customer growth forecast was developed prior to the GRC settlement agreement being reached and approved. The 2023 forecast is based upon draft building codes allowing natural gas furnaces coupled with heat pumps for residential customers. Also, at the time of the forecast, and currently, there are no limitations on adding natural gas customers. In the Company's 2025 IRP, the customer growth forecast will consider the effect of phasing out line extension allowances, updated building codes, actual customer additions, and any additional rules and regulations that have been adopted. As such, Avista recognizes a need to revisit potential targets within its 2025 IRP.

Q. Do you believe Avista needs a decarbonization plan, separate from its natural gas IRP, as proposed by Sierra Club?

A. No, I do not. As discussed above, the preferred resource strategy from the Company's natural gas IRP <u>is</u> a decarbonization plan, as it is the strategy with the lowest reasonable cost when considering risk for how the Company will provide the long-term resource supply to meet customers' demand, while complying with all known laws, rules, and environmental policies. Concerns regarding the Company's strategy and plans for decarbonization are best discussed within the context of the IRP.

Q. As part of its 2023 Natural Gas IRP, did Avista model electrification as a potential resource for compliance with the CCA?

A. Yes, it did.

Q. Was electrification chosen as part of the PRS in the 2023 Natural Gas IRP?

A. No, it was not. However, it was selected in two scenarios, "Limited RNG Availability" and "Electrification – Low Conversion Costs". In each of these scenarios, the selection occurred in Oregon where demand is generally much lower than Avista's

Washington and Idaho service territories.

Q. Does the CCA, or any other laws or Commission rules, require that the Company invest in electrification?

A. No, there are no requirements whatsoever in Washington that require natural gas utilities to make investments in electrification or targeted electrification.

Q. Should the Commission order Avista to conduct a targeted electrification pilot as proposed by the Sierra Club?[70]

A. No, the Commission should not require Avista to perform a targeted electrification pilot. As mentioned previously, Avista includes electrification as a potential resource in its IRP for complying with the CCA or serving customer demand. If or when electrification is cost-effective, the Company will pursue it as part of its PRS. In Avista's 2025 Natural Gas IRP, it will further refine its electrification assumptions to include an end use model to estimate a customer's decision with equipment at its end of life and new building code requirements. This will reduce load and occur prior to compliance of the CCA for new resource options. Additionally, as done in the 2023 Natural Gas IRP, the model will offer electrification by area, class, and major end use to value electrification through price elasticity.

Q. Does this conclude your rebuttal testimony?

A. Yes.

[70] Dennison, Exh. JAD-1T at 31-40.