U-210800

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June 20, 2023

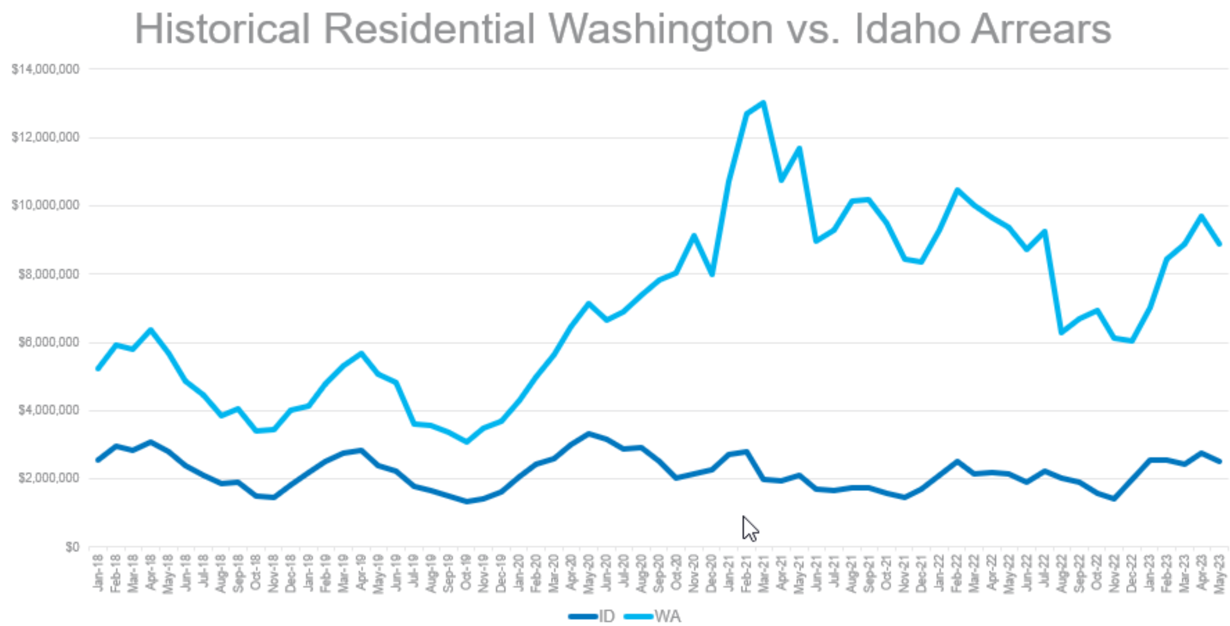
Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

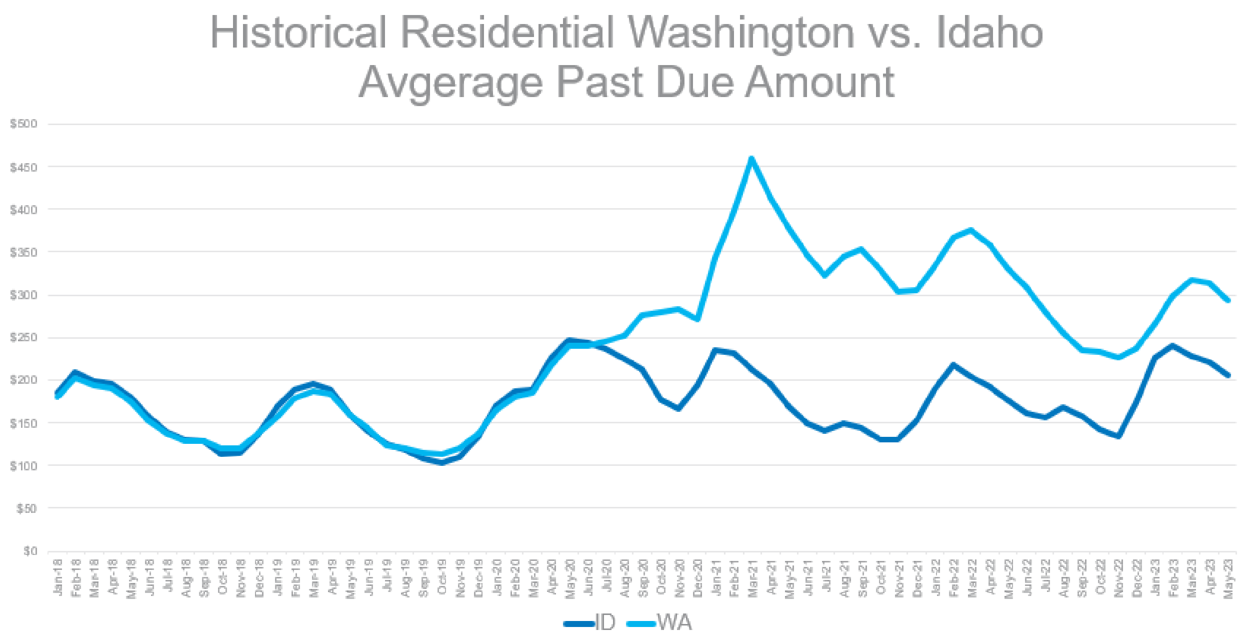
Re: Docket No. U-210800 – Comments of Avista Utilities

Dear Ms. Maxwell,

Avista Corporation, dba Avista Utilities (Avista or the Company), submits the following comments in response to the Notice of Opportunity to File Written Comments (Notice) issued by the Washington Utilities and Transportation Commission's (Commission) in Docket U-210800 on June 2, 2023, regarding the rulemaking to consider potential long-term changes and improvements to customer notice, credit, and collection rules, including permanent elimination of late fees, disconnection and reconnection fees, and deposits. Avista provides the following general comments related to the workshop scheduled for June 23, 2023, and the questions posed in the Notice, as well as the enclosed presentation Avista plans to present during its comments during the workshop.

As a preliminary matter, the focus of the Notice and topic for discussion at the workshop, disconnection of service for nonpayment, while an important part of the broader focus of this Docket, is the wrong focus at this juncture. Disconnection for nonpayment is a last resort and last step for when a customer is unable to, or chooses not to, pay for their energy service, and does not seek assistance or to utilize the tools and help that is available. Since the beginning of the COVID-19 pandemic, when the moratorium on disconnections for nonpayment was put into place, total arrearages grew to levels never seen before, and have remained at a high level even after the moratorium ended. Comparatively, in the Company's Idaho jurisdiction, which only had a voluntary moratorium for a brief period of time, arrearages remained at levels similar to or even lower than they were prior to the beginning of the pandemic. See the illustrations below for a historical comparison of the Company's residential Washington versus Idaho arrears and average past due balances, dating back to January 2018.





What these illustrations show is that the moratorium on disconnections, while having positive effects for individual customers with arrearages, had a negative effect on accumulating arrearages in total. Prior to the pandemic the trend of arrears and average past due balances in Washington and Idaho were very similar; however, following the pandemic disconnection moratorium in Washington, the trend between the two states diverged greatly. For this reason, the Commission must consider if a permanent moratorium, similar to what was instituted during the pandemic, is in the best interest of all customers; Avista believes it is not.

An important consideration, as raised in question 3, is the application of an equity lens when reviewing the overall credit and collections processes currently outlined in the Commission's rules, in practice by the utilities, and being discussed in other proceedings, as it relates to the regulated energy services under the Commission's authority. It is imperative that the Commission balance the interest of all customers equitably when determining the appropriate credit and collections practices it will allow. Simply requiring a disconnection moratorium, rather than looking to implement enhanced protections for certain groups of customers, is not equitable. We must all remember that customers bear responsibility for their energy use and associated energy bills, whereas a permanent disconnection moratorium may act as incentive for some customers to not take responsibility for their energy charges and simply not pay energy bills. By making bills more affordable, increasing protections, and providing assistance to those customers that need it and seek it, an equity lens would be adequately provided. Rewarding customers who choose not to take any action to attempt to pay their energy bills is not an equitable solution.

From an Energy Justice standpoint, many tenets of ensuring energy service is equitable have been, or are being, implemented and/or required by the investor-owned utilities (IOUs) in Washington State. The following are examples of such efforts:

1. Certain IOUs, including Avista, were required to develop a Disconnection Reduction Plan, updated annually and filed with the Commission, in an effort to reduce the total number of disconnections experienced.

2. For utilities with remote disconnection capabilities, they are required to perform a site visit for any customer that has received low-income assistance in the prior two years and only remotely disconnect customers between the hours of 8:00 a.m. and 12:00 p.m., to allow customers ample opportunity to reestablish service on the same day.[1]

3. Requiring utilities to provide granular data on arrears, disconnections, and credit & collections practices on a monthly and/or quarterly basis.

4. Requirement under Senate Bill 5295 that IOUs offer a discounted rate for low-income customers and seniors. For Avista, its bill discount program is set to launch on October 1, 2023, and will provide discounts based on a household's income.

5. Utilities are offering flexible payment arrangements based on customer's individual needs.

6. Utilities are offering arrearage management plans, or even arrearage forgiveness, to help customers that have past due balances.

7. Utilities have increased customer outreach and engagement to connect them to resources available if they are having trouble paying for their energy bills and/or have fallen behind on payments.

[1] WAC 480-100-128(6).

8. House Bill 1329, passed in the 2023 legislative session, requires that utilities not disconnect customers for nonpayment when the National Weather Service has issued a heat related alert and that utilities reconnect customers that request it during times when there is a heat related alert. This new requirement is in addition to not disconnecting during extreme cold (below 25 degrees Fahrenheit) or excessive heat (above 100 degrees Fahrenheit) that Avista already abides by per its tariff Schedule 70 and 170.

All of these items listed above are directly related to applying an equity lens to credit and collections processes, but there are additional considerations that can be made, particularly as it relates to the disconnection process, fees assessed to customers, and additional protections for specific groups of customers. For an example of such a strategy, the Commission could look to the State of Oregon and updated rules the Oregon Public Utilities Commission (OPUC) adopted on this same topic.[2] Some of the protections adopted by the OPUC included the following:

- Establish a process for verification of eligibility for low-income residential customers.

- Remove the ability of a utility to collect a deposit from a low-income residential customer.[3]

- Prohibit utilities from imposing late payment charges on the accounts of low-income residential customers.

- Require utilities to make best efforts to perform service disconnections between the hours of 8:00 a.m. and 2:00 p.m. to facilitate responsive, same-day reconnection of service.

- Require electric utilities who have the ability to perform remote disconnections to waive the fees associated with the first two reconnections in a calendar year for low-income residential customers. For electric utilities without remote disconnection capabilities and for natural gas utilities, they are required to waive the fees associated with the first reconnection in a calendar year for low-income residential customers.

- Extended the 15-day notice of disconnection to a 20-day notice of disconnection.

- Require a disconnection moratorium for residential customers when a winter storm warning is issued and anytime a temperature of less than 32 degrees is forecasted to occur in an area; require a disconnection moratorium for residential and small commercial customers when the Air Quality Index is at or above 100; and require a utility to make best efforts to reconnect service for any customer who has been

[2] Docket AR 653, Final Order No. 22-353, issued September 29, 2022.

[3] While deposits are not charged to known low-income customers in Oregon, if a low-income customer is disconnected for nonpayment, they must make arrangements on their past due balance at the time of disconnection in order to be reconnected.

disconnected for nonpayment within the previous 72 hours of a severe weather or air quality condition occurrence.

- Allow energy utilities and residential customers to negotiate time-payment agreements of longer duration that the standard plan allowed by the existing rule and allow residential customers whose financial condition changes during the term of a time-payment agreement to renegotiate payment agreements at least one time under the same terms allowed by the rule.

- Require utilities to waive the first field visit charge to low-income customers if a utility charges for field visits.

Importantly, the OPUC recognized that disconnection for nonpayment is still a necessary tool, after ensuring there were adequate protections in place for low-income customers who are most likely to be affected by disconnection. These protections, paired with the offering of bill discount programs in Oregon, are intended to help ensure that the energy service provided by IOUs is equitable, including their credit and collections practices.

In addition to adopting the proper protections for certain groups of customers, it is critical to recognize the importance of customers paying their energy bills, which funds the utilities' operations and requirement to provide safe and reliable service. If customers do not pay their energy bills, it will result in either all other customers having to pay a higher amount, or it may jeopardize a utility's ability to have the revenues necessary to continue providing safe and reliable service. This may seem like it would never be a reality, but the loss of customer payments results in financial implications and, long term, would affect the investments and services the utilities provide.

Before turning to the questions posed in the Notice, the Commission also requested that each regulated company provide the amount of bad debt currently being recovered in rates. As approved in Avista's 2022 General Rate Case, the Company is currently recovering 0.3326% of retail revenue in uncollectable expense. For calendar year 2022, the uncollectable rate resulted in a collection of roughly $2.7 million to cover uncollectible balances or bad debt.

1. *What are the approximate rate impacts and bill impacts for each of the proposed alternatives listed above? Please provide a brief description of the underlying assumptions.*

For context, the following are the proposed alternatives referenced:

1. *Prohibit disconnection for nonpayment for households with a high energy burden (i.e., the sum of all energy utility bills divided by household income is six percent or above).*
2. *Prohibit disconnection for nonpayment for households with a high utility burden with modifications to income to account for household economic pressures (i.e., the sum of all utility bills divided by modified household income is six percent or above).*
3. *Prohibit disconnections for nonpayment for all residential customers.*
4. *Prohibit disconnections for nonpayment for all residential and small business customers.*
5. *Prohibit disconnections for nonpayment for all customers.*

6. *Prohibit disconnections for named populations (e.g., low-income, elderly, disabled, families with young children, etc.)*

Response: It is not possible to provide the approximate rate and bill impacts for alternatives 1, 2, and 6, as data for these scenarios is not possible to obtain. Further, it is not possible to even consider these alternatives as there would be no way of implementing them, as further described below.

Alternative 1: individual household energy burden is unknown and not possible to obtain. Avista does not collect, seek, or store individual household income data. For purposes of reporting on energy burden, Avista has used census bureau data, American Community Survey data, and third party aggregated data. This data allows the Company to understand <u>in aggregate</u> the number of homes that have a high energy burden and the total excess burden, but the data cannot be used to determine individual household energy burden. For this reason, it is not possible for Avista to implement this alternative nor know what the potential rate and bill impacts would be if it could.

Alternative 2: similar to alternative 1, individual household income is not available. Further, it is not possible for Avista to know what other utility bills (i.e., water, sewer, garbage, wood for home heating, propane, electric in gas-only areas) a customer has or how much those bills are. For these reasons, this alternative is not possible to implement nor know what the potential rate and bill impacts would be.

Alternative 3: this alternative would be similar to the disconnection moratorium required during the pandemic. For purposes of understanding the potential rate and bill impacts of this alternative, the Company calculated the level of bad debt based on the average monthly arrears amount for the highest 12 months of residential arrearages during the disconnection moratorium, which was calendar year 2021 and amounted to an average of approximately $10.3 million per month. An increase in bad debt to this level would result in an increase in customers' rates of $0.00106 per kWh and $0.00738 per therm. On a percentage basis, the change in billed revenue is provided in the following tables:

Electric Impact by Rate Schedule		
Schedule No.	**Rate Schedule**	**Change in Billed Revenue**
1/2	Residential	1.02%
11/12/13	General Service	0.83%
21/22/23	Large General Service	1.08%
25/25I	Extra Large General Service	1.62%
31/32	Pumping Service	1.20%
41-48	Street and Area Lights	0.25%
	Overall	1.07%

Natural Gas Impact by Rate Schedule		
Schedule No.	**Rate Schedule**	**Change in Billed Revenue**
101/102	General Service	0.54%
111/112	Large General Service	0.77%
131/132	Interuptible Service	2.15%
146	Transportation Service	6.81%
	Overall	0.83%

Alternative 4: similar to alternative 3, the Company used the same methodology for determining the potential rate and bill impacts. For calendar year 2021, the average arrears amount was $13.9 million per month. An increase in bad debt to this level would result in an increase in customers' rates of $0.00158 per kWh and $0.01092 per therm. On a percentage basis, the change in billed revenue is provided in the following tables:

Electric Impact by Rate Schedule		
Schedule No.	**Rate Schedule**	**Change in Billed Revenue**
1/2	Residential	1.51%
11/12/13	General Service	1.23%
21/22/23	Large General Service	1.59%
25/25I	Extra Large General Service	2.40%
31/32	Pumping Service	1.77%
41-48	Street and Area Lights	0.37%
	Overall	1.58%

Natural Gas Impact by Rate Schedule		
Schedule No.	**Rate Schedule**	**Change in Billed Revenue**
101/102	General Service	0.81%
111/112	Large General Service	1.13%
131/132	Interuptible Service	3.19%
146	Transportation Service	10.09%
	Overall	1.23%

Alternative 5: this alternative would be the same as alternative 4 because the disconnection moratorium had little to no impact on medium/large commercial and industrial customers. This alternative does not seem reasonable as these commercial customers do not need added protections.

Alternative 6: similar to alternatives 1 and 2, Avista does not have access to demographic data at the household level that would allow it to implement this alternative. Further, it is not possible to determine the potential rate and bill impact of this alternative as there is no way to know what the increased arrearages and bad debt would be as a result. The only potential way to implement this alternative would be for customers to self-attest to such a situation. The State of Idaho has a similar program in the winter that customers can elect to sign up for, however, the Idaho Winter Moratorium leads to significant arrearages that customers must pay back immediately after winter is over.

2. *What are the possible impacts of each of the proposed alternatives on:*
    a. *IOUs*
    b. *Consumers*
    c. *Communities*

Response: The primary impact to the utility of the scenarios that are possible to implement, 3-5, are financial in nature. The larger the amount of total arrearages, the larger the effect on cash flow and the utility incurring financing costs to borrow funds. Another impact on the utility is the added efforts that would be needed to convince customers to pay in response to a past due notice without any actual detriment contained within it – i.e., the potential for eventual disconnection of services. Any scenario that takes away the ability to disconnect a customer makes it difficult to then get some customers to pay at all. Another impact that is unclear is related to prior obligation. If customers cannot be disconnected for nonpayment and their balances continue to grow, at what point can the utility treat their account balance as a prior obligation that can then be written off and included within the bad debt calculation recovered from all other customers? If a disconnection moratorium is enacted, this issue would need to be resolved.

In terms of consumers, any disconnection moratorium put into place would appear to have a positive impact on those customers that face a threat of disconnection. In the immediate term this likely is a positive impact on these customers. However, longer term, this likely would result in negative impacts on these same customers as the customers arrears may continue to accumulate to even higher levels, which they would be responsible for. The further a customer gets behind on their bills, the more overwhelming and challenging it is to get caught back up, which may lead to other unintended consequences. For all other consumers, the impact is negative as it increases overall arrearages and the level of bad debt included in rates that all customers must pay for. Also, without the possibility of disconnection, there could be negative impacts on the acquisition of energy efficiency and customers incentive to use less energy.

Regarding communities, it is unclear what the impact of any of these scenarios may be. One concern is that if a permanent disconnection moratorium were put in place, customers of a community may communicate with one another about this, which could lead to a situation where part, or all, of a community collectively decides to not pay their energy bills, thus impacting all other customers. Community Action Agencies (CAAs) may also be negatively impacted if customers know their utility service will not be disconnected for nonpayment, as there is then no incentive to seek emergency assistance or assistance of any kind to help pay towards their utility bill.

3. *How should the Commission weigh and consider these factors to balance the interests of regulated companies and consumers while applying an equity lens?*

Response: As discussed above, the Commission must balance the interest of all customers when determining the appropriate credit and collections practices it will allow. Implementing enhanced protections for certain groups of customers is an equitable approach to dealing with the considerations in this Docket. The list of actions taken in Oregon should be what the Commission considers, rather than contemplating enacting a permanent disconnection moratorium, which is not an equitable solution for all customers.

Please direct any questions regarding these comments to me at 509-495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/s/Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy