BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-240006 & UG-240007 (*Consolidated*)

**CROSS-EXAMINATION EXHIBIT OF SHAWN J. BONFIELD
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

SJB-__X

Avista Utilities Tariff WN U-28, Schedule 92, Low-Income Rate Assistance Program

September 16, 2024

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August 30, 2024

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

RE: **Avista Utilities Tariff WN U-28, Schedule 92, Low-Income Rate Assistance Program**

Dear Mr. Killip:

Attached for filing with the Washington Utilities and Transportation Commission (Commission) is an electronic copy of the proposed tariff revisions of Avista Corporation, dba Avista Utilities (Avista or the Company), requesting modifications to the following electric tariff sheets, WN U-28, effective November 1, 2024:

Sixteenth Revision Sheet 92	Canceling	**Fifteenth Revision Sheet 92**
Ninth Revision Sheet 92A	Canceling	**2nd Substitute Eighth Revision Sheet 92A**

The primary purpose of this filing is twofold:

1. To increase funding collected under Avista's electric tariff Schedule 92, Low-Income Rate Assistance Program (LIRAP), in alignment with the provisions of RCW 80.28.425(2) and the Commission's Final Order No. 10/04 in the Company's most recently approved general rate case (GRC), Docket Nos. UE-220053, UG-220054, and UE-210854 (*Consolidated*).

2. To comply with Section 24(b) of the Full Multiparty Settlement Stipulation (Settlement) approved within the GRC by providing an update on the progress made with the Company's Energy Assistance Advisory Group (EAAG or Advisory Group) in determining a new administrative structure for future Program Years (PYs),[1] and incorporating any warranted funding changes into the requested rate adjustment.

[1] The LIRAP Program Year runs from October 1st to September 30th.

I. BACKGROUND

Avista's LIRAP, approved by the Commission in 2001, collects funding through electric and natural gas tariff surcharges on Schedules 92 and 192 and distributes these funds to qualifying low-income customers within the Company's service territory. These funds have historically been distributed by partner Community Action Agencies (CAAs or Agencies) in a manner similar to the Federally sponsored and State-administered Low Income Home Energy Assistance Program (LIHEAP), intended to help a household avoid having its utilities shut off, reestablish service after a disruption, or help pay ongoing energy costs. On October 1, 2023, Avista transitioned its formerly grant-based LIRAP into a jointly-administered[2] income-based discount model – with complementary options for customers' past due balances, or arrearages[3] – to better serve the specific energy burden of the households it serves.[4]

II. PROGRAM IMPLEMENTATION[5] FUNDING PROPOSAL

In accordance with the provisions of Section 24(b) of the Settlement, Avista established a Subcommittee in February 2024, tasked with determining the appropriate method, amounts, and administrative structure for LIRAP's future Program Years. The subcommittee was comprised of voluntary members from Avista's Energy Assistance Advisory Group, including representatives from Avista, The Energy Project (TEP), Northwest Energy Coalition (NWEC), Spokane Neighborhood Action Partners (SNAP), Rural Resources, and Community Action Center (CAC) Whitman. Between February and June 2024, the subcommittee met four times to establish a community agreement, gather information, and accomplish its aforementioned task before presenting its final proposal to the larger EAAG on August 21, 2024. As part of this effort, Avista hired a third-party contractor, Empower Dataworks, to act as an independent facilitator. Empower Dataworks was then responsible for various deliverables including information gathering,

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[2] "Jointly administered" means that customers can enroll in LIRAP components at both the Agencies as well as directly through Avista.
[3] LIRAP is comprised of five components: Bill Discount ("My Energy Discount" or MED), Arrearage Management Program (AMP), Arrearage Forgiveness (AFP), Emergency Share, and Automatic Hardship Grant. See tariff Schedules 92 (electric) and 192 (natural gas) for further description of each component.
[4] Approval of the new LIRAP design was established in Docket Nos. UE-220053 et. al., Final Order 10/04.
[5] Throughout conversations regarding the updated CAA compensation structure, as described within this filing, the Agencies noted that they favored the term "Program Implementation" rather than "Administration" or "Admin" when referring to the funding needed/used to administer LIRAP. As a result of this feedback, these terms have been replaced with "Program Implementation" wherever possible.

facilitation of the subcommittee, financial analysis, and objectively managing the establishment of the new funding structure proposal. Based on discussion and feedback, coupled with additional correspondence between subcommittee members and Empower Dataworks in July, the Subcommittee refined the program implementation funding structure recommendation and the resulting proposal was brought before the EAAG for final review in August. Avista has provided the presentation provided at this meeting as Attachment A to this filing. The Company also presented this information at an Agency-only meeting on August 28th for further discussion.

The following sections provide an in-depth description of the new program implementation funding proposal, as well as the modifications requested for the upcoming 2024-2025 PY that will have the soonest financial impact on LIRAP funding (as the 2024-2025 PY differs slightly from future years) and are therefore incorporated into the rate adjustment requested effective November 1, 2024.

Funding Structure for Small Agencies

The proposed funding structure for the joint program implementation of LIRAP consists of two separate funding approaches, each intended to be "right sized" for the applicable Agencies within Avista's service area. For the Company's smaller agencies (those with fewer than 4,000 customer premises within their territory),[6] the proposal provides for a fixed annual fee of $10,000 per Program Year to support program activities. This fixed fee will be adjusted annually for inflation using the Consumer Price Index for all Urban Consumers (CPI-U).[7]

Funding Structure for Medium and Large Agencies

For Avista's medium and large Agencies, the proposed compensation structure is composed of a hybrid model that includes: 1) a fixed component to fund year-round program operations (hereafter, "Baseline Fixed Fee" (BFF)), 2) a performance-based component to incentivize better program performance ("Performance Pay") and 3) a capital expenses fund to assist Agencies with one-off capital expenses that support LIRAP operations ("CapEx").

[6] Agencies for which this funding approach would be applicable are the Spokane Tribe, which serves customers residing on the Spokane Indian Reservation, and Washington Gorge Action Programs (WAGAP), which serves customers in Klickitat and Skamania Counties.
[7] In the absence of more geographically granular CPI-U data, the annual value of CPI-U in the Seattle region as of July of each year will be used.

Illustration No. 2 provides a summary of each of these three components, with further description of each component detailed below.

Illustration No. 2 – Proposed LIRAP Program Implementation Funding Structure for Medium/Large Agencies

Baseline Fixed Fee

- ★ Labor Units allocated to each agency based on number of Avista premises (households) in their service area
- ★ Labor Unit Fees represent all costs associated with a hypothetical mid-level employee - salary, benefits, all overhead
- ★ Labor Units do not need to correspond to agency's staffing structure
- ★ There is an expectation of a minimum baseline of program activities (to be defined later today)

Performance Fund

- ★ Performance payments are assessed once a quarter for program activities that exceed the minimum baseline

CapEx Fund

- ★ Annual fund that can support agencies with one-off capital or materials expenses
- ★ Requires a simple application by agency

Baseline Fixed Fee

The Baseline Fixed Fee amount provided within the proposed hybrid model is based off of a "labor unit", which is representative of the number of staff members that are needed at a given CAA to fully support Avista's LIRAP. A specific amount of compensation is assigned per labor unit, and the resulting funding amount (number of labor units the Agency is allocated based on premise count, multiplied by the amount each labor unit is worth) is the total BFF the given Agency will receive for the LIRAP Program Year. For the 2024-2025 PY, the total BFF compensation for each Agency is set at $100,000 per labor unit. This amount will be adjusted annually for inflation using the CPI-U and adjusted in the same manner as the smaller Agencies' fixed annual allocations. In addition, the labor unit allocation itself will be reassessed annually and will affect each CAA's total compensation.

Labor Unit Allocation

Based on the feedback received from Avista's partner Agencies about their estimated labor needs, it was determined that the Agencies would require approximately one staff member per 8,000 Avista premises to provide comprehensive LIRAP support. As such, the proposal allocates labor units to each Agency in the amount of one labor unit per every 8,000 premises (rounded up). The 2024 labor unit allocations for each of Avista's partner Agencies are provided in Table No. 1 below.

Table No. 1 – Labor Units Per Agency

Agency	Premises (2024)	Labor Unit Allocation
CAC Whitman	20,964	3
Community Action Partners	10,142	2
OIC of Washington	5,275	1
Rural Resources	27,195	4
SNAP	203,081	26
Total		**36**

Labor Unit Fee

Parallel to the hours worked by an annual full-time employee, each labor unit is equivalent to approximately 2,000 hours of labor. In determining the appropriate worth of a single labor unit, a nominal hourly labor rate of $25/hour was used for the 2024-2025 PY, with an overhead multiplier of 2x applied to account for fringe benefits, Agency overhead costs, etc. This means that the actual hour-equivalent compensation being provided for each labor unit is $50/hour, which equates to the total BFF of $100,000 per labor unit per year as provided for the 2024-25 PY. It is up to the discretion of each individual CAA to determine the actual hourly pay for their staff, depending on benefits, overhead structure, and the type/level/qualifications of support staff needed. In other words, a labor unit and a single employee may not necessarily be a 1:1 ratio for some Agencies. Utilizing the assigned labor unit amounts from Table No. 1 above, Table No. 2 below provides the total BFF amount to be allocated for each CAA for the 2024-2025 PY.

Table No. 2 – 2024-2025 Baseline Fixed Fee Allocation Per Agency

Agency	Labor Unit Allocation	2024-25 Fixed Labor Fee
CAC Whitman	3	$300,000
Community Action Partners	2	$200,000
OIC of Washington	1	$100,000
Rural Resources	4	$400,000
SNAP	26	$2,600,000
Total	**36**	**$3,600,000**

Baseline Expectations

In contrast to the prior “Admin” funding method, the proposed program implementation funding approach focuses less on where the program implementation funding is being spent (office supplies, overhead, travel, etc.) and more on what Avista’s customers are actually gaining or receiving in return for the dollars spent. In short, this means that in exchange for receipt of the BFF each year, Avista’s partner Agencies will be expected to meet a set of baseline performance expectations that show the actions and/or activities that this customer-funded program implementation funding is supporting.

By providing the BFF, Avista is essentially pre-paying the Agencies for 2,000 hours’ worth of time and materials per each labor unit. So, naturally, baseline expectations for the BFF are tied to the staff hours (per labor unit, per year) that Avista’s customers are paying for. Through this proposal, the initial expectation is that approximately 20% of each labor unit will be utilized for overhead activities, 30% for program activities and 50% for customer activities; this implies that for each labor unit (2,000 hours per year), 400 hours per year are dedicated to overhead activities, 600 are dedicated to program-wide activities and 1,000 are dedicated to customer activities. It is the customer activities that will be tracked, reported, and used, on a quarterly basis, to determine the performance funding component of this model, as described later in this filing. This breakdown will be reassessed as the program matures.

Beginning in the 2025-2026 PY, CAA program performance will be compared to these baseline expectations (including any modifications established during the 2024-2025 PY, if warranted). If an Agency does not exceed 90% of baseline expectations over the course of a LIRAP Program Year, Avista will meet with the Agency to discuss challenges or extenuating circumstances. If, however, 90% of baseline expectations are then not met for two consecutive years, the labor unit allocation and accompanying baseline expectations will be reduced incrementally to ensure that Agencies are not being over- or under- compensated nor have inappropriately set baseline criteria.

Because the hybrid model being proposed includes both the BFF, as well as a performance-based component, taking time to establish what that foundational baseline actually *is*, or *should be*, in order to then build fitting performance metrics on top, will be essential in ensuring appropriate compensation for all partner Agencies in future years. As such, Avista proposes that while the BFF allocations and CapEx (as described later in this filing) should be apportioned immediately (for the 2024-2025 PY), the performance funding portion of the model will not begin until sometime in the **2026-2027 PY**. This staggered timeframe will allow Avista and its partner Agencies to establish at least 12-months of data regarding baseline activities, using parts of the 2024-2025 and 2025-2026 Program Years as a runway during which to track and report the various touchpoints upon which the Performance Pay will ultimately be assessed.

Performance Fund

As noted above, Avista proposes that, once the baseline and appropriate expectations have been set within the 2024-2025 and 2025-2026 PYs, the Company will then integrate a performance incentive component into its LIRAP beginning in the 2026-2027 PY. To fund these Performance Pay incentives, Avista will set aside $200,000 annually in the performance fund starting in the 2025-2026 PY. Funds will be held in a balancing account and any unused amounts will roll over to future LIRAP Program Years. Performance Pay will be limited to $200,000 per Program Year (for all Agencies combined), with no Agency permitted to utilize over $100,000 in a single PY, and the cap re-assessed if the fund ends up under- or over-utilized for multiple consecutive years.

Performance Assessment

To promote touchpoints above and beyond those required to meet baseline expectations, and therefore receive the additional Performance Pay, Agency performance will be assessed quarterly. If an Agency exceeds the baseline expectations for customer activities in a quarter (annual baseline expectation divided by four), the Agency will be compensated from the performance fund based on the extent to which they "overperformed" (the number of customer activity staff-hours in excess of baseline expectations, multiplied by the actual hourly rate equivalent ($50/hour in 2024-2025)). Avista requests that performance funds be used by the CAAs to enhance and/or optimize LIRAP services, but there are no other restrictions on the use of these funds or when they should be spent by each Agency. Since the performance calculations will be impacted by the activity split in the baseline expectations, that split will be reassessed every two years to ensure it still matches the maturity of LIRAP.

As an example, for an Agency with four allocated labor units, the baseline expectation is for 4,000 customer activity staff-hours per year, or 1,000 customer activity staff-hours per quarter. The following table shows an example of the Performance Pay potentially received by that Agency over the course of a year.

Table No. 3 – 2026-2027 Performance Payment Example

	Customer Activity Staff-Hours	Met customer baseline (1,000)?	Excess Staff-Hours	Performance Payment
Q4 2026	1,200	Yes	200	$10,000
Q1 2027	1,500	Yes	500	$25,000
Q2 2027	800	No	0	0
Q3 2027	400	No	0	0
Annual 2026-27	3,900			$35,000

CapEx Fund

The CapEx fund is intended to help Agencies pay for one-off capital expenses that support LIRAP, or prorated if it is used for purposes that serve LIRAP as well as other programs, and the amount of the award cannot exceed the actual cost of the project that is allocated to LIRAP. This fund is not intended to fund ongoing operational/labor expenses that are already covered by the baseline fixed fee, and allocations are limited to $100,000 per Agency per Program Year. To fund CapEx, Avista will set aside $200,000 annually in the CapEx fund starting in the 2024-2025 PY. Funds will be held in a balancing account and any unused amounts will roll over to future LIRAP Program Years. The cap on these funds will be re-assessed if the CapEx fund is under- or over-utilized for multiple consecutive years.

CapEx Funding Allocation

CapEx funds will be allocated by Avista up to twice annually using a grant application process. To qualify for receipt of CapEx funding, Agencies will be required to submit an application by July 31st prior to the Program Year for which the CAA is requesting funds, and an EAAG Subcommittee will review all applications simultaneously and determine a fair allocation of funds. Agency proposals should include evaluation of outcomes or success metrics similar to other grant performance metrics, and provide explanation of how the funds are intended to meet demonstrated needs in the following categories:

- Equipment
- Information Technology
- Outreach/Marketing
- Office Equipment

- Program Research, Program Evaluation and Organizational Studies
- Staff Training

If funds remain available after the first application round, a second grant application round will be opened with a deadline of February 28th.

Reporting Requirements

With the introduction of an achievement-based program implementation funding structure, several new reporting methodologies and timelines have been introduced between Avista and its partner Agencies in order to appropriately account for the number of touchpoints an Agency has with a customer (which will then count towards meeting baseline expectations and performance incentive payments). The Company and its Agencies continue to streamline the tracking and reporting of both customer and program activities for purposes of quarterly performance assessments and as noted previously, will be using the 2024-2025 and 2025-2026 PYs as a data gathering and process refinement phase. A complete list of data to be reported from the Agencies regarding customer contact attempts or appointments, marketing campaigns, targeting of Named Communities, outreach and Community Partner Network (CPN) development, and training, among other metrics, is included within the LIRAP Guidelines shared between the Company and the Agencies.

Also included with the above funding proposal is the understanding that on a biennial basis, Avista intends to reconvene the subcommittee to reassess labor unit allocations, budget caps for the Performance Pay and CapEx funds, and other elements of the funding structure in relation to Avista customer needs, Agency performance, and the general economic environment. As always, the Company values the collaboration of its EAAG (and periodically formed subcommittee) in helping to continuously evaluate and enhance LIRAP to best suit the customers it serves.

2024-2025 PY Funding Modifications

As previously described, the full three-pronged program implementation funding structure will not be wholly in place until the 2026-2027 Program Year. Avista, in agreement with its Advisory Group, instead proposes that both the BFF and the CapEx fund be implemented immediately, while the integration of the performance fund be postponed until the 2026-2027 PY. This delay in Performance Pay allows time for a full test year of data (estimated to be April 2025-March 2026) from which to calibrate the expectations for the application of Performance Pay. For the 2024-2025 PY, the BFF will provide immediate funding increases to support the Agencies' enhanced reporting expectations that will begin during the 2024-25 PY. Additionally, the CapEx funding will be distributed *without an application* for the 2024-2025 PY, again for the sole purpose of supporting the Agencies in their development of the desired reporting infrastructure. To ensure that each Agency is being provided with a foundational amount of CapEx funding, but also promoting equitable distribution of these funds during a time when no Subcommittee review or application process is required, Avista recommends a $20,000 standard distribution for each Agency, in addition to an allocation based on the percentage of Avista's premises that are located within that Agency's service area. This proposed CapEx distribution for 2024-2025 is as follows:

Table No. 4 – 2024-2025 CapEx Distribution

Agency	Standard Distribution	Premise % (2024)	Premise Allocation	2024-2025 PY CapEx Total
CAC Whitman	$20,000	7.9%	$7,900	**$27,900**
Community Action Partners	$20,000	3.8%	$3,800	**$23,800**
OIC of Washington	$20,000	2%	$2,000	**$22,000**
Rural Resources	$20,000	10.2%	$10,200	**$30,200**
SNAP	$20,000	76.1%	$76,100	**$96,100**
Total	$100,000	100%	$100,000	$200,000

When deciding on the immediate allocation of the BFF and CapEx funds for 2024-2025, Avista is also cognizant of the Settlement's specification that "Avista's proposal for the CAP agencies' administration and program support budget represents the minimum amount that will be made available for the 2023-2024 and 2024-2025 [LIRAP PYs]." [Emphasis added] With this commitment in mind, Avista concludes that the increases to be made for its Agencies' BFF for the 2024-2025 PY will be *the greater of* the 7% increase proposed within the 2022 GRC or the above-listed BFF allocations per Agency. To ensure that these minimums are accomplished, both SNAP and WAGAP will be receiving a 7% program implementation funding increase for the 2024-2025 PY, as their proposed BFF allocations would have otherwise put both Agencies' annual increases below the 7% threshold. The total budget impact of these changes is included in Attachment A, slide 31.

III. INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA) & INFLATION REDUCTION ACT (IRA)

In its Final Order 10/04, Docket No. UE-220053 et.al., the Commission conditioned its approval with the following:[8]

> ***Condition.*** *We condition our approval of the Settlement on the inclusion in Avista's consultations and consensus-seeking with its EAAG, as well as its July 1, 2023, and September filings with the Commission, of its considerations for how funds through the IRA and IIJA might be used to support and promote low-income programs, projects, and interests. Further, Avista will report in future low-income annual filings during the MYRP its actions to seek funding through the IRA and IIJA to support and promote low-income programs, projects, and interests. Subject to this condition, we determine that the Settling Parties' agreed low-income terms are reasonable, consistent with applicable law, in the public interest, and should be approved.*

Avista provided the first of these updates in its June 2023 subsequent filings (UE-230539 and UG-230540), and here again provides a successive update of IIJA and IRA activity that has occurred since that time.

On March 12, 2024, Avista once again discussed the IIJA and IRA with its Advisory Group, providing both a refresher of the legislation as well as Avista's approach to pursuing grants and opportunities associated with either. As a point of clarification, as noted in Avista's 2024 GRC:[9]

> *the IRA is different from the IIJA in that the IRA, generally, is designed to benefit businesses and families in the form of tax credits and incentives, loans and rebates for clean energy, electrification, and energy efficiency. Contrast that with the IIJA, which is a grant-based program, with funds available directly to utilities (and others) for infrastructure projects…Avista has been focused more on the IIJA, given the direct benefits for Avista and its customers.*

With this in mind, much of the EAAG conversation focused on the grants that have been awarded to Avista already, the grants currently being pursued by the Company, and the Community Benefit Plans (CBPs) that are included with each grant. EAAG members provided valuable feedback regarding the significance of "meaningful engagement", provided suggestions for how to further incorporate the Justice 40 initiative,[10] and explored ideas for various community projects such as

[8] Docket No. UE-220053 et.al., Final Order 10/04, pg. 41.
[9] Docket Nos. UE-240006 and UG-240007, Exh. AMS-1T, 4:18-21 and 5:1-2.
[10] https://www.whitehouse.gov/environmentaljustice/justice40/

business training in specific communities, scholarships for tribal members, drone training for fire departments, or workforce assistance for refugee populations.

Aside from its work with its EAAG, Avista also engages its Equity Advisory Group (EAG) and other community partners such as AHANA and the Spokane Workforce Council and Center for Energy Workforce Development (which seeks to include underrepresented populations during hiring processes) throughout the grant application process. Avista also continues to utilize the Climate and Economic Justice Screening Tool (CEJST) to identify historically disadvantaged communities within its service territory and has imported the CEJST map so as to overlay it with Avista's own system map in order to assess and understand any overlaps within the Company's Named Communities. These maps are then used when considering projects for grant funding opportunities. Avista has provided its most recent grant tracking matrix for the Company's IIJA efforts as Attachment B to this filing.

Regarding the IRA, Avista continues to monitor tax regulations and programs for any potential benefits that might impact Avista or its customers, as well as opportunities to partner with states and others. Having already participated in multiple workshops, meetings, and provided written comments to help inform the IRA's two home energy rebate programs, the Company stands ready to proactively engage in any additional conversations or opportunities that arise through utility roundtables or other forums as the state continues to develop its IRA-driven rebate programs. Specific to supporting and promoting low-income programs, Avista continues its collaboration with the Department of Commerce and others regarding the creation of a Community Benefits Plan and Education and Outreach Strategy as part of the IRA rebate implementation process. Once such programs are established, the Company will ensure that any and all potential benefits or rebates produced will be made readily available to Avista customers.

IV. PROPOSED LIRAP RATE ADJUSTMENT

With its approval within the 2022 GRC to "allow the budget for LIRAP to holistically follow the need",[11] the LIRAP budget is no longer set at a specific amount with specific percentages, but rather a tariff rider mechanism that is designed to match future revenue with budgeted expenditures. To ensure appropriate recovery of the funding needed to support ongoing LIRAP costs, the mechanism includes a true-up feature that reconciles the previous periods' actual

[11] Docket No. UE-220053 et.al., SJB-1T, pg. 25.

expenditures and collections with a forecast of anticipated LIRAP spend for the upcoming Program Year. As provided in Sec. 28(b) of the approved Settlement, Avista will request this true-up annually, if such an adjustment is needed, to become effective November 1st of each year. This filing is intended to be the second of these annual true-ups and is inclusive of additional program implementation costs, as determined in coordination with the Company's Advisory Group pursuant to Section 24(b) of the Settlement described above.

In last year's filings, Docket Nos. UE-230704 and UG-230705, the Company's rate adjustments were based upon a potentially eligible customer population of 129,500 customers and predicated on an anticipated LIRAP saturation rate[12] of 37% (47,915 customers), at a total cost of over $22.2 million ($18 million for Direct Service), for the 2023-2024 PY. The Company had also included an estimated "LIHEAP Offset", which was representative of the anticipated amount of LIHEAP dollars to be expended to help Avista LIRAP customers during the given Program Year. Because receiving assistance from LIHEAP helps to lessen the funding need from LIRAP, the Company had incorporated this estimate based on historical LIHEAP data, to provide for a more accurate depiction of the LIRAP Direct Service funding need in the coming years. Since that time, several factors have all contributed to the increased need for LIRAP funding including: 1) an increase in the overall potentially eligible population due to the Company's annual updates to its Performance Based Ratemaking (PBR) data; 2) a lack of LIHEAP throughput, which rendered the prior LIHEAP Offset unwarranted; 3) an error identified in prior LIRAP Emergency Share estimates; and 4) the inclusion of the new program implementation funding structure included herein,.

For the 2024-2025 PY, Avista now estimates that approximately 141,863[13] customers could potentially qualify for its LIRAP. This nearly 10% increase in potentially eligible customers, coupled with the anticipated increase in saturation to 53% (51,071 customers) for the upcoming 2024-2025 PY, lends itself to an approximate LIRAP funding need of almost $27.8 million for electric (almost $22.3 million in Direct Service). As noted, last year's filing also contained a forecasting error for the Company's LIRAP Emergency Share estimates. At that time, it was

[12] "Saturation rate" refers to the total percentage of customers, out of the total number of customers who are potentially eligible for Avista's LIRAP (in this case, 129,500 customers), who are actually participating in some component of LIRAP.
[13] As part of the Company's affordability work in Docket Nos. UE-220053 et. al., Performance Based Ratemaking, as well as its Clean Energy Implementation Plan (Docket No. UE-210628), Avista updates the number of customers that may potentially be considered "low-income" on an annual basis.

projected that Emergency Share expenses for electric would reach approximately $679,901 for the 2023-2024 PY. However, the forecast provided had erroneously established that number using a 15% saturation rate; once updated with the appropriate saturation rate, that throughput should have been estimated closer to about $2.5 million. As a result, the 2024-2025 PY forecast contains over $3 million more electric spend for LIRAP Emergency Share than was previously reported ($679,901 for previous 2023-2024 PY vs. $3,738,629 for current 2024-2025 PY). Table No. 5 provides the expense forecast for LIRAP electric for the 2025-2026 Program Year.

Table No. 5 – LIRAP Electric Expense Forecast, 2025-2026

LIRAP Electric Expense Forecast 2024-2025	
Bill Discount	$ 19,053,137
AMP	$ 745,375
Arrearage Forgiveness	$ 1,193,438
Emergency Share	$ 3,738,629
Other Direct Service*	$ 558,334
Direct Service Total	**$ 25,288,914**
Agency Program Implementation	$ 2,156,685
Agency Capital Expense	$ 118,000
CAA PI Fund/CapEx Total	**$ 2,274,685**
Avista Outreach	$ 177,271
Avista ConEd	$ 29,313
Avista Outreach/ConEd Total	**$ 206,583**
Total LIRAP	**$ 27,770,182**

The estimated annual revenue change associated with this filing is an increase of approximately $15.3 million, or an increase of 2.3% in overall billed rates. The proposed rate increase will have an average monthly bill impact of $2.58 for residential electric customers using 945 kWhs per month, or 2.44%. If approved, the average monthly bill would increase from $105.76 to $108.34. The change in annual revenue by rate schedule is listed below:

	Change in Annual Revenue	
Rate Schedule	**($)**	**(%)**
Schedule 01/07/08	$ 7,280,000	2.4%
Schedule 11/12/13/17/18	$ 2,306,000	2.2%
Schedule 21/22/23	$ 3,849,000	2.5%
Schedule 25/25I	$ 1,282,000	1.7%
Schedule 31/32	$ 441,000	2.7%
Street and Area Lights	$ 184,000	2.4%
Total	$ 15,341,000	2.3%

This filing is being made concurrently with six other electric and natural gas rate adjustments applicable to Avista customers.[14] Collectively, if approved by the Commission, residential electric customers using an average of 945 kilowatt hours/month would see their monthly bills change from $105.76 to $109.58, an increase of $3.82 per month, or approximately 3.6%. Residential natural gas customers using an average of 66 therms per month would see their monthly bills change from $100.86 to $87.20, a decrease of $13.66 per month, or approximately 13.5%, when compared to rates currently in effect.

LIRAP and RCW 80.28.425(2)

Pursuant to RCW 80.28.425(2):

> *The commission may approve, disapprove, or approve with modifications any proposal to recover from ratepayers* ***up to five percent of the total revenue requirement approved by the commission for each year of a multiyear rate plan for tariffs that reduce the energy burden of low-income residential customers*** *including, but not limited to: (a) Bill assistance programs; or (b) one or more special rates. For any multiyear rate plan approved under this section resulting in a rate increase, the commission* ***must approve an increase in the amount of low-income bill assistance to take effect in each year of the rate plan where there is a rate increase. At a minimum, the amount of such low-income assistance increase must be equal to double the percentage increase, if any, in the residential base rates approved for each year of the rate plan.*** *The commission may approve a larger increase to low-income bill assistance based on an appropriate record.* [Emphasis added]

While Avista created the current LIRAP funding structure to holistically follow the need of its customers, so that <u>all</u> qualifying low-income customers could have access to rate relief that appropriately decreased their energy burden to an affordable level (below 6% for electric, and 3% for natural gas), the Company is now finding that the current trajectory of its LIRAP may not be sustainable given the above funding threshold.

In total, forecasting for Avista's 2024-2025 Program Year projects that this year alone may reach approximately $35.8 million in Direct Services to customers (electric and natural gas combined). This amount is quick approaching Avista's 5% total revenue requirement threshold.[15] Avista had hoped that LIHEAP throughput, as well as the potential establishment of a statewide

[14] Avista's Bonneville Power Administration (BPA) Residential Exchange Program, Wildfire Expense Balancing Account, Insurance Expense Balancing Account, Clean Energy Implementation Plan (CEIP), Low Income Rate Assistance Program (LIRAP), Climate Commitment Act (CCA) and Purchased Gas Cost Adjustment will all be filed simultaneously on August 30, 2024.

[15] As approved in the Company's 2022 GRC Settlement, based on the revenue requirement for Rate Year 2 (2024), the current threshold is approximately $36.25 million.

bill assistance program,[16] may help to assuage some of the energy assistance need within its service territory, and, in turn, put less pressure on its LIRAP; however, to the contrary, the continuously-increasing pool of potentially eligible low-income customers only brings with it a higher need from Company – one that the current LIRAP design may not be positioned to keep up with. As such, Avista plans to discuss this issue with its Advisory Group in 2025, and to make any necessary program adjustment to help keep LIRAP funding to a level that does not ultimately exceed the ceiling outlines within RCW 80.28.425(2).

V. CONCLUSION

Avista respectfully requests that the Commission approve the proposed increase in rates and charges, inclusive of the increase in funding necessary to support the Company's proposed update to its program implementation funding structure pursuant to the approved Settlement, to become effective on November 1, 2024. Pursuant to WAC 480-100-194(1), the Company will provide notice to customers, by way of a bill insert, in the September 2024 billing cycle, as well as a posting on the Company's website coincident with the date of the remaining filings. A draft of this notice, as well as the Company's workpapers supporting its LIRAP rate adjustment proposal, have been provided as Attachments to this filing.

If you have any questions regarding this filing, please contact me at (509) 495-7839 or jaime.majure@avistacorp.com.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Affairs Manager

[16] The Washington 2023 Operating Budget requires the Department of Commerce to submit a report to the Legislature with recommendations on a design for a statewide energy assistance program to address the energy burden and provide access to energy assistance for low-income households RCW 19.405.120 (Sec. 120) - Washington State Department of Commerce