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***VIA – Commission Web-Portal***

August 30, 2017

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

RE: UE-140188 and UG-140189 – Avista Low-Income Rate Assistance Program Status Update

Dear Mr. King:

In compliance with Order No. 7 in Docket Nos. UE-140188 and UG-140189, Avista Corporation (“Avista” or the “Company”), respectfully submits its “Status Update” on the investigation of any new additions to the Company’s Low Income Rate Assistance Program (LIRAP).

**BACKGROUND**

Avista, Washington Utilities and Transportation Commission Staff (“Staff”), Public Counsel Unit of the Office of the Attorney General (“Public Counsel”), Energy Project (“Energy Project”), Northwest Industrial Gas Users (“NWIGU”), and the Industrial Customers of Northwest Utilities (“ICNU”) jointly filed with the Commission a request for Modification and Additions to the Company’s Low-Income Rate Assistance Program in the above referenced Docket Nos. In the petition, the parties requested approval to implement Avista’s Senior and Disabled Customer Rate Discount Program (RDP) pilot which runs from October 2015 through September 2017. The parties also agreed to explore other low-income programs to be added to the Company’s Low-

Income program. Specifically, the Parties agreed to explore the feasibility of implementing a Percentage of Income Payment Plan (PIPP) and/or an Arrearage Management Plan (AMP)<sup>1</sup>. The Parties agreed to investigate these program options further, and file a pilot proposal or status update by August 31, 2017.

At this time, the Parties are not prepared to make a recommendation on a PIPP and/or AMP pilot and will continue to explore the feasibility of these and other alternative programs. The following is a status update on the work done over the past year.

### **STATUS UPDATE**

The Company's Low-Income Senior and Disabled Rate Discount Pilot (RDP) was made available to senior and disabled households with fixed incomes between 126 to 200 percent of FPL beginning October 1, 2015. The per kilowatt-hour and per therm rate discounts were designed to provide an average benefit of \$300 per participant per program year, which is consistent with the grant amount provided through the existing LIRAP Senior Energy Outreach program<sup>2</sup>. The pilot program aimed to enroll a total of 800 participants between October 1, 2015 and September 30, 2017. At the July 11, 2017 meeting of the Avista Energy Assistance Advisory Group (Advisory Group),<sup>3</sup> the pilot evaluator, Evergreen Economics presented the final report along with the program results. The evaluation demonstrated the RDP was effective in achieving the program goals of reducing energy burden, keeping customers connected to services, and reaching more customers.

Additionally, the evaluation revealed that the rate discount resulted in positive customer satisfaction and can be efficiently implemented within the manual processes established by the pilot. The Advisory Group approved an extension of the RDP for an additional two-year period, through September 30, 2019, allowing those who are currently enrolled to remain on the program. While the results of the RDP are favorable, the extension supports the timeline of the work that is

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<sup>1</sup> Percentage of income payment plans lower the customer's energy bill to a set percentage of total household income. Arrearage management plans mitigate the hardship caused by a large arrearage by establishing achievable monthly payments.

<sup>2</sup> The actual benefit amount received by each customer may be more or less than \$300 depending on actual usage.

<sup>3</sup> The Avista Energy Assistance Advisory Group members include representatives from the WUTC Staff, Community Action Agencies, The Energy Project and Public Counsel.

underway by the Advisory Group to design and implement a pilot of Percent of Income Payment Plan (PIPP) and Arrearage Management Program (AMP). The requested extension for the RDP was filed on July 28<sup>th</sup>, 2017 requesting an October 1, 2017 effective date.<sup>4</sup>

The Advisory Group has been working since July, 2016 to explore the feasibility of a PIPP and an AMP. Both programs operate to reduce the energy burden of the customer, stabilize their household, as well as avoiding interruptions to service. The Advisory Group focused their initial discussions on a PIPP design and continue to refine details of the AMP at the time of this report.

The proposed PIPP pilot design identified that customers zero to 50% Federal Poverty Level (FPL) would best benefit from a PIPP, and based on the program and literature review, the Advisory Group identified 6% of a households total income as the amount that energy costs should not exceed. The PIPP benefit would be applied as a fixed credit, which is the most effective and efficient implementation within the current systems and processes and also includes a conservation trigger.

The proposed AMP design to be evaluated includes the target group of customers 200% FPL and below. The AMP will assist income qualified customers that have amounts owed in arrears by reducing the amounts owed over time and recognizing regular payment behavior. The intent is to incentivize customers to practice stable payment behavior, to reduce the burden that an arrearage places on a customer and their ability to pay current and future utility bills, to reduce individual, business and program expenses associated with disconnections and reconnections, and to reduce the amount of bad debt as a result of nonpayment.

The AMP is an opt-in model that allows the customer a choice of when they would like to use the one-time benefit. A participant may have up to 90% of the arrearage amount forgiven incrementally over a 12-month period for adherence to the regular payment schedule. If the customer is qualified for LIHEAP, LIRAP, PIPP or other energy assistance, such assistance will be available to them in addition to AMP credit.

Furthermore, customers who complete financial education programs may be able to skip one arrears payment. Agency representatives along with Avista will work on the implementation plan for a pilot through the second quarter 2018 for a proposed October 1, 2018 launch date.

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<sup>4</sup> Docket Nos. UE-170847 and UG-170848.

The Company will provide a status update on or before August 31, 2018 for a proposed implementation of the PIPP and AMP pilots that are on target to begin October 1, 2018.

Please contact Ana Matthews at (509) 495-7979, or Ryan Finesilver at (509) 495-4873 with any questions you may have.

Sincerely,

*/s/Linda Gervais/*

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cc: Avista Energy Assistance Advisory Group