

Agenda Date: April 25, 2001  
Item Number: 2C and 2D

**Docket:** UE-010436 and UG-010437  
Company Name: Avista Corporation, dba Avista Utilities

Staff: Yohannes Mariam, Rate Research Specialist  
Joelle Steward, Policy Research Specialist  
Joanna Huang, Revenue Requirement Specialist

### **Recommendation:**

Allow the tariff revisions in Docket Nos. UE-010436 and UG-010437 to become effective May 2, 2001, as filed.

### **Background**

On April 2, 2001, Avista Corporation, dba Avista Utilities (“Avista” or “Company”) filed tariff revisions to Schedules 91 and 191, which are its energy efficiency rider adjustments in the electric and gas tariffs, respectively. The purpose of these schedules has been to fund the Company's demand-side management (DSM) services and programs. In this filing the Company is proposing two things: 1) it is seeking to increase the rider in the electric tariff from 1.54 percent to 1.95 percent for DSM programs and services, which will result in approximately \$1,000,000 in incremental revenue for DSM programs; and 2) expand the scope of the riders for both gas and electric beyond DSM to become 'public purpose riders' by including an additional surcharge to fund low income energy assistance. The low income energy assistance portion of the riders are set to collect about \$1.1 million in new revenue from natural gas and about \$1.9 million from electricity customers, which represent increases of 0.79 percent in new revenue for both gas and electric.

Avista Utilities serves approximately 119,000 natural gas and 205,000 electric customers in Eastern Washington, including Spokane and surrounding communities.

#### ***Electric Tariff Rider Increase for Energy Efficiency***

The electric tariff rider (Schedule 91) was put into place in 1995 and has since remained at its initial 1.54 percent. The rider currently collects approximately \$3.4 million annually. The rider increase to 1.95 percent will collect approximately \$1 million in incremental revenue. From 1995 to 2000, Avista's energy efficiency programs have saved approximately 115,653 MWh, or 13.2 aMW. The Company has been working with their External Energy Efficiency Board and concertedly ramping up their DSM efforts over the past few years. In fact, over 40 percent of the energy savings achieved since 1995 were acquired in the last two years. As the Company notes in the cover letter to the filing, the dramatic rise in the wholesale cost of power is moving the

Company to further increase its energy efficiency activities. With this rider increase the Company is expecting to achieve 40 million kWh annually in energy savings.<sup>1</sup>

The incremental revenue that the rider increase is expected to bring will enable the Company to implement its current DSM program portfolio with new program offerings, including the three DSM bids accepted under the Company's Request for Proposals (RFP) in Docket UE-001081. The three accepted proposals are 1) an industrial compressed-air efficiency measure, 2) a general efficiency program targeted at small to medium offices, retail and food establishments, and 3) a general efficiency program targeted to selected governmental customers. These programs are expected to achieve 2 to 5 aMW over a three-year contract period. The Company has completed due diligence on all three proposals and is working through the contractual details.

In addition to the RFP bids, Avista is planning several new residential programs that they will launch in three waves over the next few months. These include rebates for programmable thermostats for gas and/or electric homes, air-source heat pumps, compact fluorescent bulbs, high-efficiency water heaters, and high-efficiency gas furnaces. They are continuing to have a lot of activity on the non-residential side as well, due to increased customer awareness. A large part of the non-residential work is through site-specific, customized energy efficiency projects. The budget breakdown for system-wide expenditures for the next year is:

Commercial/Industrial:	47%
Residential (regular and limited income):	28%
Regional (NEEA)	13%
Site-Specific Agreements	12%

In the last rate case, Staff expressed concern over the relatively large level of unspent funds from the rider and recommended that if the balance had not been spent down by May 2001, that the rider be decreased. The Company has spent down the balance sooner than expected and is running a negative balance at this time.

### ***Low-Income Energy Assistance – Gas and Electric Tariff Riders***

The Company filed the low-income energy assistance portion of the public purpose rider adjustment in compliance with RCW 80.28.068. This RCW states: "Upon request by an electrical or gas Company, the commission may approve rates, charges, services, and/or physical facilities at a discount for low-income senior customers and low-income customers. Expenses and lost revenues as a result of these discounts shall be included in the Company's cost of service and recovered in rates to other customers." This statute allows the Company to use ratepayer funds for low-income energy assistance. The most important criterion used to identify eligible customers is the Federal Poverty Level (FPL). The official poverty definition counts income before taxes and varies by family size and composition. It is estimated that the percentage of households below the Federal Poverty Level (FPL) in Avista's service territory is more than 20%.

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<sup>1</sup> Note: This is a revision to the Company's original filing, which only targeted 33 million kWh savings.

The low-income assistance revenue collected from Schedules 91 and 191 will be administered by the six Community Action Agencies (CAAs) in Avista's Washington service territory. The CAAs are Spokane Neighborhood Action Programs (SNAP), North Columbia Community Action Council, Community Action Center of Whitman County, Community Action Agency (Asotin County), Klickitat/Skamania Development Council, and Northeast Washington Rural Resources Development Association. The CAAs are responsible for identification and disbursement of funds to eligible low-income customers.

Eligibility will be determined according to existing guidelines established by Federal and State standards used for the Low-Income Heating Energy Assistance Program (LIHEAP). The maximum monetary assistance under LIHEAP is \$700. Low-income customers are also eligible for a one-time emergency assistance of no more than \$300 in the same year. Therefore, an eligible customer can potentially receive up to \$1000 per year in energy assistance. Assistance may also be applied to customer arrearages.

The Company has budgeted approximately \$3.0 million to fund the low-income rate assistance program. The surcharge from Schedules 91 and 191 will be allocated between program administration, program support, direct services and education. Program support includes costs for "other direct services" such as benefit determination assistance, information resources and referrals, outreach, crisis determination, case management, etc. Administrative costs include expenditures incurred for personnel, auditing, office management, travel, supplies, meetings etc. Direct services include payment for regular allowable energy costs under LIHEAP and emergency assistance for eligible customers. A breakdown of the low-income assistance revenue from the public purpose rider is provided in Table 1.

Table 1. Allocation of Revenue Collected under Schedule 191 and 91

CAA's	Administrative	Program Support	Direct Services	Conservation Education	Total	Percentage of Total Funds
SNAP	\$ 171,137	\$ 256,705	\$ 1,711,366		\$ 2,139,207	71.31 %
Rural Resources	21,788	32,681	217,875		272,344	9.08 %
Whitman	18,363	27,544	183,629		229,536	7.65 %
North Columbia	9,099	13,650	90,999		113,748	3.79 %
Klickitat/Skam.	881	1,321	8,806		11,008	0.37 %
Asotin	9,133	13,699	91,325		114,156	3.81 %
Avista				\$ 120,000	120,000	4.00 %
Total	\$ 230,400	\$ 345,600	\$ 2,304,000	\$ 120,000	\$ 3,000,000	100.00 %
Percentage	7.68 %	11.52 %	76.80 %	4.00 %	100 %	

The proposed surcharge is volumetric (usage-based) and will increase the average monthly bill of natural gas and electricity residential customers by about \$0.51 and \$0.54, respectively.

### **Discussion and Considerations**

The purpose of the low-income rate assistance program is to reduce the energy burden among those customers who experience difficulty paying their energy bills. The Company and the CAAs will follow guidelines established by Federal and State standards used for the LIHEAP to administer assistance. Furthermore, customers seeking emergency assistance are eligible under guidelines for Project Share, which is a program administered by SNAP and Avista. Staff is concerned that the program may be misused because the same customers may apply for LIHEAP and emergency program. Therefore, Staff suggests that the Company should report the number of customers who applied and received regular and emergency assistance program, the amount of funds they received, the cause for the assistance (e.g., arrearage, lack of job, etc.) and the season in which the assistance was given.

Staff supports the purpose for which the surcharge is collected. However, the intent of the program is to encourage customers to explore ways of becoming self-sufficient. Staff believes that a comprehensive educational program should be designed to contribute toward changing the behavior of customers with respect to energy conservation and efficiency. The educational materials may include video, workshops, articles, brochures and newsletters, etc. The production of educational materials, including how well the message is structured, ease with which it can be comprehended by customers and whether or not there are alternative forms of educational materials to enhance conservation measures, should be evaluated by consultants. Staff would like to participate in the design of the educational materials and in the evaluation process.

The Company will develop and issue a request for proposals (RFPs) in order to evaluate the effectiveness of components of the low-income rate assistance program if and when the commission approves this filing. Staff believes it should be reviewed and evaluated whether or not the guidelines for evaluation of the program incorporate elements that need to be investigated.

Staff is also concerned about the criteria that will be used to identify eligible customers for the low-income rate assistance program. The FPL used by Avista is based on data from 1995. Staff suggests that the Company and CAAs should ensure that current FPL data is used in identifying eligible customers, and that this data should be included as supporting evidence in the evaluation of the program.

The level of energy assistance should also be focused towards customers whose heat energy need is critical than those with arrearages. In response to Staff's data request, the Company indicated that a customer might receive regular and emergency assistance once annually. Evaluation of effectiveness of these programs should include the extent to which the program contributes toward reducing repeat applicants. Staff suggests that the Company should collect and report data on the number of repeat applicants, and the amount disbursed to these customers. Furthermore, Staff would like to review data on the length of arrearage that was used in selecting customers eligible for emergency assistance.

This rider is designed to collect revenue that will be used to assist low-income customers in a way that is just, fair, reasonable and sufficient. Program effectiveness should be evaluated, in part, based on how broadly funds are distributed among eligible ratepayers: low-income rate assistance programs typically benefit only 25% of eligible customers. Avista and CAAs should explore ways that will enhance program effectiveness and coverage.

### **Conclusion**

In conclusion, the filing in Docket No. UE-010436 will increase the energy efficiency rider to 1.95 percent and add an additional surcharge of 0.79 percent to fund low-income energy assistance. Together, Schedule 91 (now known as the public purpose rider) would total 2.74 percent or an increase of 1.2 percent over the existing rate. An average residential customer will see an increase of \$0.54 on their monthly electric bill.

The filing in Docket No. UG-010437 adds an additional surcharge in Schedule 191, the public purpose rider, of 0.79 percent of revenues to fund the low-income energy assistance program. An average residential customer will see an increase of \$0.51 on their monthly gas bill.

### **Recommendation**

Allow the tariff revisions in Docket No. UE-010436 and UG-010437 to become effective May 2, 2001, as filed.