Bob Ferguson
ATTORNEY GENERAL OF WASHINGTON
Utilities and Transportation Division
P.O. Box 40128 • Olympia WA 98504-0128 • (360) 586-7777

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December 15, 2023

Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Lacey, WA 98503

Re: *Washington Utils. and Transp. Comm'n v. Avista Corporation d/b/a Avista Utilities*
Dockets UE-220053, UG-220054 and UE-210854 *(Consolidated)*

Dear Ms. Hunter:

On December 12, 2022, the Washington Utilities and Transportation Commission (Commission) entered Final Order 10/04 (Order), which required Avista Corporation (Avista or Company) to provide performance measures specified by the Commission in Table 8 of the order within 45 days of the order's entry. Avista timely filed its first round of MYRP measures. The Company reported two other sets of multiyear rate plan (MYRP) metrics in February 2023, and Commission staff (Staff) provided its comments for those compliance filings on March 30, 2023.

The Company filed its final 2022 MYRP metrics on April 28, 2023, after filing its Form 1 with FERC; it filed quarterly performance-based-regulation metric reports in May (Q1), August (Q2), and November (Q3) 2023. Staff offers its comments on the last four Avista filings in this report and provides a comparison from Q2 to Q3. For the MYRP measures, Staff relied on the outcome definitions outlined in Table 8.

MYRP Metrics Comments

Operational Efficiency
Electric Operating and Maintenance (O&M) expenses and all electric expenses have risen faster than electric operating revenues. Gas O&M and all gas expenses have risen slower than gas operating revenues, steadily decreasing their share over 2019-2022. Overall, the O&M expense burden and overall expense burden on the Company remain steady at around 32 percent and 60 percent, respectively. Staff concludes that Avista has adequately controlled its O&M spending.

Electric operating revenues have steadily declined relative to the rate base. Gas operating revenues have steadily risen relative to the rate base. Washington's total operating revenues have experienced a slow, minor decline relative to the rate base.

Across the system, the current assets to current liabilities ration rose to 69 percent in 2020. The assets-to-liabilities ratio then declined to 61.7 percent in 2022. Liabilities have almost doubled since 2019; assets do not show this same trend. The worsening assets-to-liabilities ratio may reflect issues with the Company's liquidity.

Earnings
Overall, the net income share of operating revenues has held steady at 19 percent, with the electric side being more profitable than the gas side. Retained earnings across the system relative to total equity fell from 40 percent in 2019 to 34.4 percent in 2022. Retained earnings have not shown significant growth since 2019, remaining in the $0.75-$0.78 billion bracket, while total equity grew from $1.86 billion to $2.25 billion.

Affordability
Affordability by Census Tract and Affordability by zip code data show mixed results due to outlying data points created by what the Company calls "small or incomplete groupings." Staff looks forward to future conversations in the Equity Docket on the preferred way to draw meaningful insights from affordability data. During informal discussions with the Company in August, Avista voiced concerns about possible discrepancies between the census tracts used by the State Department of Health, which uses 2010 census data, and the Company, which would like to use 2020 census data because of income information suppliers. Staff also proposes that Avista consider presenting these types of data in a more user-friendly format with data visualization tools; Avista has shown its ability to use such tools given that it already displays its Washington electric reliability metrics on a map.

Energy Burden
The zip codes with the highest energy burden (greater than 4.5 percent) in 2022 are 99143, 99134, 99160, and 99126. No zip code indicated an energy burden greater than 6 percent. The census tract with the highest energy burden (9.1 percent) is 53075000100. No other census tracts experience an energy burden of greater than 6 percent, but several census tracts have an elevated energy burden of between 4.5 to 5.3 percent. Staff also found two zip codes that belong to Idaho in Avista's data, namely 83854 and 83876, and it recommends that the Company remove these zip codes from its Washington reports.

Performance-Based Ratemaking Metrics for Electric and Gas

Affordable Service
Senior and Disabled Residential Service has a 10 percent higher electric bill (averaging $975) than Residential Service (averaging $889) and a 30 percent lower gas bill ($442 for Senior and Disabled and $570 for Residential service). The data spread is quite significant: the highest average electric bill exceeds $2,500 in some census tracts, while the lowest average is $111 in those same census tracts. A similar picture is present in gas bills, with the highest and lowest average gas bills for both schedules in one census tract being $950 to $191, respectively.

Two census tracts with 15 households cumulatively show almost 6 percent of income spent on electricity (53021020700 and 53063011800).

Avista's data shows an arrearage trend for Named Communities (NC)[1] and Known Low-Income (KLI) customers. Customers' delinquency on payments by more than 30 days was at its lowest in July and then steadily increased over winter. Because arrears are a compound value consisting of electric, gas, and dual customers, Staff expects guidance from the Commission on whether further exploration is needed.

In 2022, a majority of the customers Avista disconnected belonged to NCs (62 percent of disconnections). A significant percentage of disconnected customers were KLI (25 percent). Most disconnections occurred during the months of October and November. Staff found no correlation between the number of customers in a census tract and the number of disconnections therein. The most "disconnected" census tracts, with over 2.5 percent monthly disconnections, were 53063001600, 53063001800, 53063001400, 53063011101, and 53063000200. Staff cannot

[1] Staff uses the term "Named Communities" to refer to collectively to "highly impacted communities" and "vulnerable populations," as RCW 19.405.020(23) and (40) define those terms.

tell from the data whether Avista repeatedly disconnects the same customers or what the duration of each disconnection is. Avista noted that more detailed disconnections data is available in its quarterly COVID-19 report in dockets UE-200407 and UG-200408.

Only 17 percent of eligible households participate in the energy assistance. Data shows that low-income households, after energy assistance, still have about 38 percent of their energy bill in excess burden, which could be due to the low energy assistance enrollment rate. Since the measure is an average, some households could receive sufficient energy assistance and not have any excess burden, while others would not be enrolled in energy assistance programs and must carry the excessive energy burden. The Company names insufficient energy assistance participation as a leading cause of excess burden. Avista plans to address this issue as part of its 2023 Public Participation Plan during the development of its Clean Energy Implementation Plan (CEIP),[2] with the goal to outline strategies to engage all customers and ensure the equitable transition of energy and non-energy benefits throughout the CEIP implementation period. Staff intends to closely monitor the following data points throughout its review of Avista's energy assistance programs and its CEIP: there are 148,000 low-income households in Avista's territory, 30,000 customers with a high energy burden, 5,000 low-income with a high energy burden, 18,000 customers with a high energy burden from NCs, and only 25,000 households participating in energy assistance.

Many arrears are attributed to customers who are members of NCs. Because Staff has no data on the number of NC/non-NC customers in Avista's territory, it can offer no conclusion on whether this outcome is equitable or inequitable. The same issue applies to disconnections. Many NC customers get disconnected, but Staff cannot determine whether this number is proportionate or disproportionate. Avista also mentioned difficulties with NC designation. Staff looks forward to further work with Avista to define NCs to develop equitable outcomes.

Electric Reliability

According to data, the urban part of Avista's grid is the most reliable, while the rural part is less reliable. In analyzing this data, Staff relied on the map on Avista's website[3] and used submitted Excel sheets for reference. Although some areas, like the Spokane Reservation, did experience higher CAIDI and CAIFI values than average rural communities. Staff believes that a metric that

[2] *See generally* Docket UE-210295, Avista Corporation d/b/a Avista Utilities CEIP Public Participation Plan.

[3] WA Electric Reliability | Avista Geospatial Maps (arcgis.com).

would incorporate several of the current metrics and assign them different weights would be valuable to assess which areas have the highest reliability concern.

Greenhouse Gas Emissions
Carbon intensity increased from 2021 to 2022, with higher CO2e/MWh, CO2e/MW, and CO2e/Customer. The same is true for total emissions from energy delivery systems, including customer direct use, which rose by 5 percent for electricity and by 12 percent for gas.

Q1 to Q2 Comparison

Equitable Service
There was a decline in industrial customer energy efficiency program participation between Q1 and Q2, from 3.13 percent to 0.94. The percentage of utility energy efficiency program spending that benefits highly impacted communities and vulnerable populations tripled from Q1 to Q2, from 5.76 percent to 15.41 percent. The percentage of Avista suppliers that are minority-owned, women-owned, or veteran-owned increased from 7.5 percent in Q1 to 9 percent in Q2. The share of Avista employees in the executives group identified as a Person of Color increased from 8 percent in Q1 to 14 percent in Q2. Public Charging Stations in Named Communities rose to 172 in Q2 from 146 in Q1. The number of residential appliance and equipment rebates provided to customers residing in NC fell from almost 3000 in Q1 to 479 in Q2. Similarly, customers living in rental units saw a decrease of half from Q1 to Q1, from 633 to 380.

Q2 to Q3 Comparison

There was an increase in the number of new natural gas customers between Q2 and Q3, from 268 to 325, respectively. Further, there was an increase in the number of new electric customers between Q2 and Q3, from 695 to 739.

Equitable Service
There was a decline in residential customer energy efficiency program participation between Q2 and Q3, from 1.06 percent to 0.82. Similarly, industrial customer energy efficiency program participation decreased from 3.13 percent to 2.11 percent between Q2 and Q3. There was a decrease in KLI customer participation in Demand Response (DR), Distributed Energy Resources (DER), or Renewable Energy Utility Programs between Q2 and Q3, from 0.5 percent to 0.12 percent. The percentage of utility energy efficiency program spending that benefited NCs slightly decreased to 10.88 percent in Q3 from 15.41 percent in Q2. Public charging stations in NCs saw an increase from 172 to 181 in Q3. The Company saw a significant increase in the availability of translation services, rising to 33 percent of ad campaigns. The Company has seen

a consistent high level of customer satisfaction with a percentage from 96 percent in Q2 to 97 percent in Q3.

Conclusion

In conclusion, Staff looks forward to more geographically dependent data displayed similarly to the reliability data on Avista's website map. Staff appreciates the speedy fix of the map tooltip. Further, Staff commends the Company for its continued transparency with the PBR metrics and user-friendly access through Avista's website. Staff believes the Company has complied with its reporting requirements and Commission Order 10/04, entered December 12, 2022.

Sincerely,

/s/ *Jeff Roberson*, WSBA No. 45550
Senior Assistant Attorney General
Office of the Attorney General
Utilities and Transportation Division
P.O. Box 40128
Olympia, WA 98504-0128
(360) 522-0614
jeff.roberson@atg.wa.gov