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July 16, 2004

Carole Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Ms. Washburn:

Enclosed for filing with the Commission are an original and nineteen copies of Avista Utilities' Low-Income Rate Assistance Program (LIRAP) Annual Report for the period May, 2003 through April, 2004. This is the Company's Third LIRAP Annual Report and is filed pursuant to authorizations in Docket Nos. UE-010436 and UG-010437.

Please contact me at (509) 495-8706 regarding any related matters.

Sincerely,

Bryce Andrews
for Bruce Folsom

Bruce Folsom
Manager, Regulatory Compliance

Enc.

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COMMUNICATIONS SECTION



Low-Income Rate Assistance Program (LIRAP)

Third Annual Report

For the period May 2003 through April 2004

Submitted July 16, 2004

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1.0 Executive Summary

Avista Utilities' Low-Income Rate Assistance Program (LIRAP) was initiated in Washington on May 2, 2001,¹ with the initiation of collection of LIRAP Revenue. The purpose of LIRAP is to reduce the energy cost burden among those customers least able to pay energy bills. This is the evaluation report for the third program year, from May 1, 2003 until April 30, 2004.

Over 6,094 electric and natural gas customers in the Company's Washington service territory received 6,773 grants averaging \$301. Further, Avista donated \$315,000 of its Energy Assistance Public Utility Tax Credit benefit to participating LIRAP agencies. Through the end of this program year, \$255,329 has been distributed which resulted in an additional 836 customers being served.

Approximately \$1,810,097.50 of new revenue was collected during the third program year through a surcharge of approximately 0.6% to Schedule 91 (electric) and \$1,348,123 was collected through a surcharge of 0.79% Schedule 191 (natural gas) for a total of \$3,158,220.² Of this amount, \$2,397,618 was provided to the six Community Action Agencies (CAAs) in Avista's Washington service territory for disbursement to qualifying customers and \$305,816 was made available for conservation education funding. The remaining funds were dedicated to agency administration and program support (with the exception of Avista's Conservation Education Outreach).

In the third program year, 79% of LIRAP participants had household average incomes less than \$15,000. Approximately 39.39% of the grant recipients had annual household incomes less than \$8,000. Over 67% of the LIRAP participants had households of two or more people. Customers renting their residences constituted 67% of the total.

The third program year saw the energy burden reduced by approximately 58% for customers at or below 100% of the FPL; the energy cost burden was reduced by 52% for LIRAP participants between 100% to 125% of the FPL.

The Company met on two occasions with its LIRAP External Energy Efficiency Board (Triple E), to review program implementation.³ This Report is the third annual report on LIRAP and is intended to be responsive to several areas identified for evaluation as part of the WUTC's authorization of this program.

¹ Avista made its request to the Washington Utilities and Transportation Commission pursuant to RCW 80.28.068, "Rates—Low-income customers."

² \$3,158,220 is the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period. \$126,328 of that was applied to Avista's Conservation Education component.

³ The Triple E is composed of a broad array of stakeholders, including all customer groups, as well as other representatives with a direct interest in the success and improvement of the proposed energy assistance programs.

2.0 Outreach Process

2.1 Summary of Process

Households contacting Community Action Agencies (CAAs) for help on their utility bills comprise the primary pool of potential participants. Avista's CARES representatives refer customers in need to the CAA's. Additional targeted marketing focuses on payment-troubled households – those experiencing a shutoff notice, carrying a large arrearage, etc.

For clients receiving “regular” assistance (i.e., LIRAP Heat) similar to LIHEAP, the eligibility determination is the same as LIHEAP. The amount of the assistance provided is based on household income, energy costs (all electric or gas costs, used for space heating or base load) and housing type (single family, multifamily, etc.) and calculated using the Office of Community Development (OCD) mechanism. The benefits of using this mechanism include leveraging systems and staff knowledge already in place at CAAs as well as using a system that indexes assistance to income and need.

For clients receiving “emergency” assistance (i.e., LIRAP Project Share) or small benefit amounts, the process is similar to that used for Project Share. The amount of emergency assistance is determined on a case-by-case basis not to exceed \$300. Emergency assistance includes items such as imminent danger of disconnection. All energy costs resulting from electric or gas usage is eligible (including kwh and therm consumption, applicable taxes, and arrearages).

Community Action Agencies follow established protocols for the qualification of and disbursement to eligible customers. These guidelines are promulgated by the Washington State Office of Community Development and cover 1) eligibility, 2) documentation and verification, 3) energy assistance services, and 4) allowable costs. Participating CAAs follow these guidelines for the disbursement of energy assistance funds originating from Schedules 91 and 191.

Conservation education has proven to be a key component of energy assistance programs. Teaching and demonstrating improved approaches to managing energy costs can reduce customers' bills and increase customers' ability to pay. The CAAs, as part of their LIHEAP activities, have active education components. Qualification for emergency assistance includes participation in educational activities. These are classroom, or seminar, based. The Company originally directed some energy assistance program funds to the production of support materials such as an updated video presentation that is currently used by the CAAs as part of their educational activities. The company also provided Conservation Education workshops and certain weatherization materials for Low Income Seniors. The Company continues to research and expand the Conservation Education and Weatherization components of LIRAP with programs such as Share the Warmth and furnace repair and filter replacement.

3.0 Program Results, 12-Months Ending April 2004

3.1 Participants and Fund Distribution

Avista Utilities' Low-Income Rate Assistance Program provided 6,773 grants. The grants averaged \$301 per customer. Table 1, below, shows the number of grants and the amounts by program.

Table 1. -- Number and Amount of Grants by Component

Program Component	Program Year 1			Program Year 2			Program Year 3		
	Number of Grants	Grant Amount	Avg. Grant Amt.	Number of Grants	Grant Amount	Avg. Grant Amt.	Number of Grants	Grant Amt.	Avg. Grant Amt.
LIRAP Base	5,808	\$964,896	\$166.14	7,167	\$739,713	\$103.21	1,203	\$119,493	\$99.33
LIRAP Heat	1,034	\$497,664	\$481.30	1,532	\$733,383	\$478.71	3,018	\$1,367,175	\$453.01
LIRAP Project Share	1,310	\$229,405	\$175.12	1,585	\$327,658	\$206.72	1,304	\$309,826	\$237.60
Senior Outreach	416	\$82,899	\$199.28	580	\$114,814	\$197.96	1248	\$248,543	\$199.15
Total	8,568 *	\$1,774,864	\$207.15	10,864	1,915,569	\$176.32	6,773	2,045,037	\$301.94

* The number of customers served was 8,056 during Program Year 1 and 8,105 during Program Year 2
 There were 1858 customers who received a LIRAP base grant and also a LIHEAP grant during Program Year 2
 The decrease in the number of grants and the increase in the average grant amount during Program Year 3 reflects the change in the Base Grant Program. Nearly two times the number of customers received Heat Grants during Prog. Yr. 3.

Table 1. Prepared by Debbie Deubel/Avista Utilities

Table 2 shows the number of customers who received multiple LIRAP grants on different days during the program year. Customers may have received a total of two grants from LIHEAP, LIRAP and LIRAP Project Share at different times during the program year. Customers who received a grant for LIRAP Base and LIRAP Heat on the same day are not counted as repeat applicants. CAAs served repeat customers according to LIHEAP/LIRAP guidelines, specifically income qualifications and demonstrated need.

	Program Year 1	Program Year 2	Program Year 3
Number of Customers that received multiple grants during program year	334	724	607
Number of Customers that received LIRAP grants during current program year and previous program year		2950	1772
Total Amount of Grant	\$141,406.00	\$374,439.00	\$358,909.00
Average per customer	\$423.00	\$517.00	\$591.00

Table 3 shows a collection of demographic data intended to be responsive to requests for general information of participating customers. This data was collected by participating Community Action Agencies.

Table 3	Year 1			Year 2			Year 3		
	# of	% of	Cummulative	# of	% of	Cummulative	# of	% of	Cummulative
	Households	Households	%	Households	Households	%	Households	Households	%
Home Ownership									
Own	2,811	36.65%	36.65%	2,599	30.78%	30.78%	2,175	32.74%	32.74%
Rent	4,858	63.35%	100.00%	5,846	69.22%	100.00%	4,468	67.26%	100.00%
Total	7,669			8,445			6,643		
Heating Fuel Source									
Electric	5210	62.58%	62.58%	4,310	50.89%	50.89%	3,471	52.32%	52.32%
Natural Gas	2776	33.35%	95.93%	3,661	43.23%	94.12%	3,116	46.97%	99.29%
Other	339	4.07%	100.00%	498	5.88%	100.00%	47	0.71%	100.00%
Total	8325			8,469			6,634		
Size of Household									
1 Person	2496	29.97%	29.97%	2,537	29.84%	29.84%	2,176	32.77%	32.77%
2 People	1897	22.78%	52.75%	1,975	23.23%	53.06%	1,575	23.72%	56.48%
3 People	1455	17.47%	70.22%	1,514	17.81%	70.87%	1,086	16.35%	72.84%
4+ People	2479	29.78%	100.00%	2,477	29.13%	100.00%	1,804	27.16%	100.00%
Total	8327			8,503			6,641		
Annual Income Level									
Under \$2000	537	6.48%	6.48%	538	6.48%	6.48%	412	6.29%	6.29%
\$2000-\$3999	633	7.64%	14.12%	352	4.24%	10.72%	292	4.46%	10.74%
\$4000-\$5999	1042	12.58%	26.70%	850	10.24%	20.96%	603	9.20%	19.95%
\$6000-\$7999	1860	22.45%	49.15%	1,847	22.25%	43.22%	1,274	19.44%	39.39%
\$8000-\$9999	1170	14.12%	63.27%	1,109	13.36%	56.58%	740	11.29%	50.68%
\$10000-\$11999	864	10.43%	73.70%	1,061	12.78%	69.36%	977	14.91%	65.59%
\$12000-\$14999	952	11.49%	85.19%	1,053	12.69%	82.05%	911	13.90%	79.49%
Over \$15000	1226	14.81%	100.00%	1,490	17.95%	100.00%	1,344	20.51%	100.00%
Total	8284			8,300			6,553		

3.2 Energy Burden

“Energy burden” is the percentage of income that households pay for energy service. This term is relevant to low-income issues as a comparison to income used for other essential needs such as food, housing, clothing, and health services. The purpose of LIRAP is to reduce the energy burden of low-income customers.

Table 4, provided by the Spokane Neighborhood Action Programs, depicts reductions in the program year of the energy burden experienced by LIRAP participants.

The column titled “Before Benefits” shows the energy burden to low-income customers prior to LIRAP benefits. Each successive column illustrates low-income customers’ energy burden after receiving the specified LIRAP benefit. For customers receiving LIRAP benefits, the energy burden has been reduced by approximately 58% for customers at or below 100% of the federal poverty level (FPL). The energy burden was reduced by 52% for LIRAP participants between 100% to 125% of the FPL.

Table 4 was calculated as follows. A total of 6,584 Avista households were served with some type of energy assistance, either LIHEAP or LIRAP. An additional 184 households were discarded because annual income was less than their energy costs. The remaining households’ energy burden was calculated by dividing the annual household income by the annual energy costs. Annual income was calculated by multiplying the three month average required at the time of application by four to determine the annual amount. Annual energy cost was determined by the actual previous twelve months energy usage from the date of application. When annual energy costs are not available, a backup amount developed on the average cost for households with that fuel type and vendor was used.

Energy Burden

Table 4 - Energy Burden -- Total Energy costs divided by household income

		Energy costs are reduced by benefits for these calculations						
		Before Benefits	EAP or Avista	Plus Base and Fema	Plus Base and PS	Plus Base and Senior	Plus Base and Avista Emer	All Benefits
%Pov								
0-50%FPL	n							
	808 Elec	20.40%	9.90%	9.90%	9.50%	9.90%	9.30%	8.90%
	642 Gas	19.30%	8.40%	8.30%	8.00%	8.30%	7.60%	7.20%
	1450 All	19.90%	9.20%	9.20%	8.80%	9.20%	8.60%	8.10%
51-100%FPL	n							
	1786 Elec	8.20%	4.20%	4.20%	4.10%	4.00%	4.10%	3.80%
	1879 Gas	8.70%	3.90%	3.90%	3.80%	3.80%	3.70%	3.50%
	3665 All	8.50%	4.00%	4.00%	3.90%	3.90%	3.90%	3.60%
101-125%FPL	n							
	528 Elec	6.00%	3.50%	3.50%	3.40%	3.30%	3.40%	3.10%
	757 Gas	5.90%	3.00%	3.00%	3.00%	2.90%	2.90%	2.70%
	1285 All	6.00%	3.20%	3.20%	3.10%	3.00%	3.10%	2.90%

Prepared by Spokane Neighborhood Action Programs

3.3 Other

3.3.1 Modification of Base Grant in Program Year Three.

A modification made at the onset of Program Year Three was to discontinue the Base Program in LIRAP. The original intent for the base program was to provide up to a \$100 grant for base electric use for those customers who are Avista customers, but do not heat with electric or gas. Since those customers also qualified for LIHEAP, they were given the additional funding, when Avista heating customers were not. To correct this distribution, every Avista customer was given a Base Grant. The participating LIRAP agencies and Avista agreed to discontinue the Base Grant portion of the program. The funds designated for the Base Program were directed to the Heat Program. The number of Heat Grants received by customers nearly doubled in the Third Program Year compared to the Second Year. 3,018 customers received Heat Grants during the Third Program Year, compared to 1,532 during the Second Program Year, which was our expected outcome.

3.3.2 Tax Credit Benefit Contribution

In December 2002, the Company donated \$593,199 from its 2002-2003 energy assistance public utility tax credit benefit to the LIRAP program. The distribution of the funds followed the same guidelines as the LIRAP program, but was tracked and reported separately. An additional 2,011 participants were helped during the Second Program Year with a LIRAP grant, due to the Company's contribution. \$472,022 of the contribution was distributed; the remainder of the contribution was carried over for use during the following year.

In December 2003, the Company again donated \$315,000 of its 2003-2004 energy assistance public utility tax credit benefit to the LIRAP program. Keeping with our goal of using existing LIRAP guidelines, we continue to track this funding separately. Through the end of the Third Program Year, 836 additional customers were served with \$255,329. The balance will be carried over and used during Program Year Four.

Table 5. -- TAX CREDIT Number and Amount of Grants by Component

Program Component	Program Year 1 (Nov.1, 2002 - Dec.31, 2003)		Program Year 2 (Jan.1, 2004 - May 31, 2004)	
	Number of Customers	Program Expenditure	Number of Customers	Program Expenditure
Amount of Grant	\$593,199		\$315,000	
LIRAP Base	824	\$82,762	0	\$0
LIRAP Heat	604	\$266,233	239	\$114,310
LIRAP Project Share	367	\$79,215	392	\$100,245
Senior Outreach	216	\$43,812	205	\$40,774
Total	2,011	472,022	836	255,329

Table 5 Prepared by Debbie Deubel / Avista Utilities

4.0 Key Events in LIRAP Administration

4.1 Advisory Meetings

Quarterly meetings continue to be held throughout the year. It is important to meet as a team to ensure the integrity of the program. Valuable discussion occurs during the meetings that often result in the fine tuning of program delivery and reporting. We use this time to review current processes to ensure we are operating as efficiently and consistently as possible. Full agency participation continues. Their commitment is not only appreciated, but necessary and valued.

4.2 Share the Warmth

In 2003, the Company created a Weatherization and Energy Conservation Outreach that became known as "Share the Warmth." The purpose of this Outreach was to help low-income and senior customers with weatherization, who were not able to install things like plastic window covering, weather stripping around doors and windows, door sweeps and compact fluorescent light bulbs themselves.

On September 13, 2003, Avista volunteers met at the Loading Dock at the Avista Utilities main office prepared to participate in "Share the Warmth." They picked up supplies, received last minute updates and met their team members. Prior to the event, "How To" packets, materials, and installation clinics were provided as training to the team members to increase their confidence and assure correct installation of the materials.

Customers were referred to Share the Warmth from related Limited Income programs and CARES Representatives. Customers were then contacted and scheduled for "Share the Warmth" Saturday.

The teams then visited their scheduled limited income homes to install weatherization improvements and provide conservation education. Comments from both team members and home residents were favorable.

4.3 2004 Continuance Filing

On April 28, 2004, the Company filed a tariff with the WUTC requesting approval to continue its LIRAP program beyond the three-year pilot. The WUTC approved the Program Continuance Request as filed.

5.0 Future Issues

5.1 Unspent Funding

Allowing LIRAP funding to rollover to the following year has provided flexibility to the participating agencies. LIHEAP funding must be used by a deadline or returned to the state. The agencies typically use the LIRAP funding towards the end of the heating season. This flexibility has also allowed them to start funds distribution earlier in the following heating season. However, the unspent funding levels have increased enough to warrant discussion. At the end of the Third Program Year, \$685,362 was unspent from electric revenue, and \$294,810 from the gas revenues. This is compared to \$299,573 and \$291,408 at the end of the Second Program Year. The Company's concern is for the unmet need. The participating LIRAP agencies and Avista will meet to discuss and answer the following questions:

- Do the participating agencies need to examine program delivery?
- What is a reasonable amount of funding to let rollover to the following heating season?

Examination of these questions will provide direction for addressing the issue(s) of unspent funds. This will allow the participating agencies time to adequately prepare to potentially serve more clients in the next year.

5.2 Administration and Program Support Reporting

The first three years of LIRAP have been productive and successful and have included several modifications. The consensus is that any changes made going forward will be minimal. In the coming year, the Company and the CAAs will focus on allocating administrative and overhead expenses regarding LIRAP total funds.

5.3 Energy Conservation Television Spots

Avista Utilities, in partnership with KREM television produced the first of two half hour "Power to Conserve" programs. The first program covered low cost and no cost ways to save energy at home, and maintain comfort, during winter. The second program, now in production (scheduled to air July 5, 2004), follows the same format but featured summer tips for saving energy and staying comfortable. The goal of both programs is to help Limited Income Seniors and other vulnerable populations with their energy bills by providing home energy conservation education.

5.4 Furnace Filter Replacement Program

The Company is kicking off the furnace filter reminder program, designed to assist Limited Income Seniors in this portion of their home heating system maintenance. The service will include furnace filter changing reminders and coupons good for the purchase of the filters. A simple "How To" tip sheet will also be provided.

6.0 Reporting Protocols

6.1 Key Terms

Key terms used in this Report are described as follows.

- Energy Cost Burden, Energy Burden—The percentage of income that households pay for energy service.
- LIRAP Base—Funds provided for non-heating customer load.
- LIRAP Heat—Benefit calculated using customer heating costs. This benefit is always combined with LIRAP Base Benefit.
- LIRAP Project Share—Funds provided for “emergency” purposes. The term “Project Share” is used because this LIRAP emergency funding is patterned after the Project Share Program.
- Participants—Customers who received LIRAP grant(s).
- Schedule 91—Avista tariff including the electric surcharge LIRAP rate.
- Schedule 191—Avista tariff including the natural gas surcharge LIRAP rate.
- Senior Energy Outreach—This program denotes an offering unique to low-income senior customers.

6.2 Data Collection Measures

The data collection and measures used by Avista Utilities in the evaluation of LIRAP include:

- LIRAP Database
- Customer Service System (Avista Utilities’ information management data base)
- Community Action Agency records
- Ongoing External Energy Efficiency Board review

6.3 Participating LIRAP Agencies

- 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
- Rural Resources Community Action.

7.0 Contacts

For further information, please contact:

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