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March 18, 2024

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Olympia, WA 98503-7250

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

Dear Mr. Killip:

On December 12, 2022, the Washington Utilities and Transportation Commission (Commission) entered Final Order 10/04 ("Order 10"), which required Avista Corporation ("Avista" or "the company") to provide the performance measures specified by the Commission in Table 8 of the order within 45 days of the issuance. Avista timely submitted that first round of its Multiyear Rate Plan (MYRP) measures. More recently, the Company reported another set of multiyear rate plan MYRP and Performance Based Ratemaking (PBR) metrics in November 2023, and Commission staff (Staff) provided its comments for that compliance filing on December 15, 2023.

The Company filed its final 2022 MYRP metrics on April 28, 2023, after filing its Form 1 with the Federal Energy Regulatory Commission (FERC). Subsequently, Avista filed quarterly PBR metric reports in May (Q1), August (Q2), and November (Q3) 2023, and again in February 2024 (Q4). Staff offers its comments on these various Avista filings in this report, and it provides a comparison of the Q3 and Q4 PBR metrics. For MYRP measures, Staff has utilized the outcome definitions outlined in Table 8 of Order 10. Staff anticipates reviewing the Company's remaining data on Operational Efficiency and Earnings metrics after the Company submits FERC Form 1 in

late April 2024, and data concerning Avista's Greenhouse Gas Emission metrics after it becomes available in June 2024.

MYRP Metrics Comments

Operational Efficiency
Electric Operating and Maintenance (O&M) expenses and all electric expenses rose more quickly than electric operating revenues between 2019 and 2023, with the exception for the years 2022-2023, where operating revenues had a slightly larger increase. Gas O&M and all gas expenses rose more slowly than gas operating revenues, steadily decreasing their share over 2019-2023. Overall, the O&M expense burden and overall expense burden on the company remain steady at around 31 percent and 59 percent, respectively. Staff concludes that Avista has adequately controlled its O&M spending.

As mentioned, the Company will supplement its compliance filing to include metrics around Operational Efficiency and Earnings for calendar year 2023 once it has filed FERC Form 1 at the end of April 2024. Staff does note that between 2022 and 2023, electric operating revenues steadily increased. Gas operating revenues have steadily risen as well in similar trends. Staff looks forward to reviewing in a future date whether Washington's total operating revenues have experienced a slow, minor decline relative to the rate base.

Earnings
As of 2022, the net income share of operating revenues has remained stable at 19 percent, with the electric side being more profitable than the gas side. However, retained earnings across the system relative to total equity decreased 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 portray mixed outcomes due to outliers generated by what the Company calls "small or incomplete groupings." Staff awaits forthcoming discussions in the Equity Docket[1] to derive meaningful insights from affordability data. In its comments on December 15, 2023, Staff suggested that Avista consider presenting these types of data in a more user-friendly format with data visualization tools, given its demonstrated ability to utilize such tools in displaying its Washington electric reliability metrics. Staff continues to suggest that Avista explore the use of such tools.

[1] *See generally* Docket A-230217, which involves a potential Commission Policy Statement to address the application of equity and justice in Commission and regulated companies' processes and decisions.

Energy Burden
The Zip codes with the highest energy burden (greater than 4.5 percent) in 2023 include 99143, 99126, and 99134. One zip code, 99013, showed an energy burden greater than 6 percent. The census tract with the highest energy burden (9.18 percent) is 53075000100. While no other census tracts experience an energy burden of greater than 6 percent, several census tracts exhibit elevated energy burden of between 4.5 to 5.3 percent.

Performance-Based Ratemaking Metrics for Electric and Gas

Affordable Service
Avista's data shows an arrearage trend for Named Communities (NC)[2] 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. Given that arrears encompass electric, natural gas, and dual-fuel customers, Staff seeks guidance from the Commission on whether future exploration is warranted.

In 2023, about half of the customers Avista disconnected belonged to NCs (56 percent of disconnections). A significant percentage of disconnected customers were KLI (20 percent). Most disconnections occurred between the months of July and November. Staff found no correlation between the number of customers in a census tract and the number of disconnections therein. The census tracts most affected by disconnections include 53063011201, 53075000600, 53063011702, 53063013100, and 53063011101. However, the available data does not indicate whether Avista repeatedly disconnects the same customers or the duration of each disconnection. Avista noted that more detailed disconnections data is available in its quarterly COVID-19 report in dockets UE-200407 and UG-200408, but that data shed no light on whether Avista is repeatedly disconnecting the same customers.

The data shows a slight uptick in energy assistance participation from 19 percent to 21 percent in 2023. Given that this measure represents an average, some households may receive adequate energy assistance, thereby avoiding any excess burden, while others remain unenrolled in energy assistance programs and must bear an undue energy burden. The Company identifies insufficient energy assistance participation as a primary contributor to 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),[3] with the goal of outlining strategies to engage all customers and ensure the equitable transition of energy and non-energy benefits throughout the

[2] 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.

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

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 164,954 low-income households in Avista's territory, 33,896 households with a high energy burden, 7,488 known low-income customers with a high energy burden, 19,699 customers with a high energy burden from NCs, and only 30,000 households participating in energy assistance.

A considerable portion of arrears is attributable to customers who are members of NCs. A comparison of total arrears between 2022 and 2023 for all customers indicates a decrease, with NCs also demonstrating a similar declining trend. At present, Staff is unable to ascertain whether this number is proportionate or disproportionate. Avista also cited challenges with NC designation. Staff looks forward to further work with the Company to better define NCs and foster equitable outcomes.

Electric Reliability
Data suggests that the urban part of Avista's grid is the most reliable, while the rural part is less reliable. Staff relied on Avista's website map[4] and submitted Excel sheets for reference. Staff believes that a metric incorporating several existing metrics with differing weights could be valuable in assessing areas of highest reliability concern.

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.

Q2 to Q3 Comparison

The number of new natural gas customers increased from 268 to 325 between Q2 and Q3, from 268 to 325. Similarly, the number of new electric customers increased from 695 to 739 between Q2 and Q3.

[4] [4] WA Electric Reliability | Avista Geospatial Maps (arcgis.com)

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. The number of public charging stations in NCs increased 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.

Q3 to Q4 Comparison

The number of new natural gas customers increased from 325 to 384 between Q3 and Q4, from 325 to 384. The number of new electric customers increased from 739 to 849 between Q3 and Q4.

Equitable Service
Residential customer participation in energy efficiency programs increased from 0.82 percent in Q3 to 0.87 in Q4. Similarly, industrial customer energy efficiency program participation increased from 2.11 percent to 2.65 percent between Q3 and Q4. There was a decrease in commercial energy efficiency participation between Q3 and Q4, from 1.44 percent to 1.08 percent. The percentage of utility energy efficiency program spending that benefited NCs decreased to 7.10 percent in Q4 from 10.88 percent in Q3. The percentage of known low-income customers that participate in utility electric vehicle programs saw an increase from 0.9 percent to 1.8 percent in Q4. Public charging stations in NCs rose from 169 to 177 in Q4. The Company saw a decrease in the number of residential appliance and equipment rebates provided to customers residing in NCs and the number of residential rebates provided to customers, from 438 in Q3 to 255 in Q4.

Conclusion

In conclusion, Staff commends the Company for its transparency in presenting 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
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