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August 24, 2006

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 electronic filing with the Commission is a copy of Avista Utilities' Low-Income Rate Assistance Program (LIRAP) Annual Report for the period May, 2005 through April, 2006. This is the Company's Fifth LIRAP Annual Report and is filed pursuant to authorizations in Docket Nos. UE-010436 and UG-010437. A hard copy is being provided via overnight mail.

Please contact me at (509) 495-8706 or Linda Gervais at (509) 495-4975 regarding any related matters.

Sincerely,

A handwritten signature in cursive script that reads "Bruce Folsom".

Bruce Folsom  
Manager, Regulatory Compliance  
509-495-8706  
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Enc.





**Low-Income Rate Assistance Program (LIRAP)**

**Fifth Annual Report**

**For the period May 2005 through April 2006**

Submitted August 23, 2006

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## 1.0 Executive Summary

Avista Utilities' Low-Income Rate Assistance Program (LIRAP) was initiated in Washington on May 2, 2001,<sup>1</sup> 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 fifth program year, from May 1, 2005 through April 30, 2006.

Over 6,575 electric and natural gas customers in the Company's Washington service territory received 6,980 grants averaging \$354. Approximately \$1,850,583 of new revenue was collected during the program year through a surcharge to Schedule 91 (electric) and \$1,007,052 was collected through a surcharge on Schedule 191 (natural gas) for a total of \$2,857,635.<sup>2</sup> In addition to the new revenue, \$300,000 was added by the Company as part of the General Rate Case Settlement, for a total amount of \$3,157,635. Of this amount, \$2,397,175 was provided to the six Community Action Agencies (CAAs) in Avista's Washington service territory for disbursement to qualifying customers and \$179,450 was made available for conservation education funding.<sup>3</sup> The remaining funds were dedicated to agency administration and program support (with the exception of Avista's Conservation Education Outreach).

In the fifth program year, 78% of LIRAP participants had household average incomes less than \$15,000. Approximately 39.94% of the grant recipients had annual household incomes less than \$8,000. Over 69% of the LIRAP participants had households of two or more people. Customers renting their residences constituted 73% of the total.

The fifth program year saw the energy burden reduced by approximately 49% for customers between 51% and 100% of the Federal Poverty Level (FPL); the energy cost burden was reduced by 42% for LIRAP participants between 100% and 125% of the FPL.

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

<sup>2</sup> \$2,857,635 is the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period. \$126,305 of that was applied to Avista's Conservation Education component.

<sup>3</sup> One agency, Spokane Neighborhood Action Programs (SNAP) converted \$158,525 of Conservation Education funds to Direct Services.

The Company met on two occasions with its LIRAP External Energy Efficiency Board (Triple E), to review program implementation.<sup>4</sup> This Report is intended to be responsive to several areas identified for evaluation as part of the WUTC's authorization of this program.

## **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 Customer Assistance Referral and Evaluation Services (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), the eligibility determination is the same as the Federal LIHEAP program. 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 then calculated using the Office of Community Development's (OCD) mechanism. The benefits of using this mechanism include leveraging systems and staff knowledge already in place at the Agencies 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,

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<sup>4</sup> 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.

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 continues to research and expand the Conservation Education and Weatherization components of LIRAP with programs such as "Power to Conserve," furnace repair, and filter replacement.

### 3.0 Program Results

#### 3.1 Participants and Fund Distribution

Avista Utilities' Low-Income Rate Assistance Program provided 6,980 grants in the current program year. The grants averaged \$354 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 5		
	Number of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Base	0	\$0	\$0.00
LIRAP Heat	4,534	\$1,860,625	\$410.37
LIRAP Project Share	1,873	\$464,328	\$247.91
Senior Outreach	573	\$146,883	\$256.34
Total	6,980	\$2,471,836	\$354.13

Table 1. Prepared by Jeanne Pluth / 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. CAAs served repeat customers according to LIHEAP/LIRAP guidelines, specifically income qualifications and demonstrated need.

Table 2 -- Number of Customers Receiving Multiple Grants	
	Year 5
Number of Customers that received multiple grants during program year	739
Number of Customers that received LIRAP grants during current program year and previous program year	1,916
Total Amount of Grants	\$239,504
Average per Customer	\$324

Table 2. Prepared by Jeanne Pluth/Avista Utilities



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 – Demographic Data

	Year 5		
	# of Households	% of Households	Cumulative %
<b>Home Ownership</b>			
Own	1,863	26.59%	26.59%
Rent	5,143	73.41%	100.00%
Total	7,006		
<b>Heating Fuel Source</b>			
Electric	4,908	70.05%	70.05%
Natural Gas	2,098	29.95%	100.00%
Other	-	0.00%	100.00%
Total	7,006		
<b>Size of Household</b>			
1 Person	2,293	32.73%	32.73%
2 People	1,750	24.98%	57.71%
3 People	1,248	17.81%	75.52%
4+ People	1,715	24.48%	100.00%
Total	7,006		
<b>Annual Income Level</b>			
Under \$2000	403	5.75%	5.75%
\$2000-\$3999	254	3.63%	9.38%
\$4000-\$5999	641	9.15%	18.53%
\$6000-\$7999	1,500	21.41%	39.94%
\$8000-\$9999	828	11.82%	51.76%
\$10000-\$11999	843	12.03%	63.79%
\$12000-\$14999	1,053	15.03%	78.82%
Over \$15000	1,484	21.18%	100.00%
Total	7,006		

## 3.2 Program Guideline Adjustments

### 3.2.1 Senior Energy Outreach (SEO) Program Changes.

- Seniors are no longer eligible for both a LIHEAP/LIRAP grant and a Senior Energy Outreach (SEO) grant. If they qualify for LIHEAP/LIRAP that is the preferred funding they should receive, since it is the larger, more beneficial grant. Avista CARES has a process in place that allows time for these elderly customers to schedule an appointment for heating assistance. If funding is exhausted before they are able to receive an appointment, they would then receive a SEO grant.
- A Senior Energy Outreach grant amount for Avista Heat customers is no longer \$200. Now, those seniors that heat with Avista will receive a \$300 grant, and Non-Heat customers are eligible for \$100.
- As a result of these changes, there were approximately 63% less Senior Energy Grants in the Fifth Program Year.

### 3.2.2 Avista Natural Gas and Electric Revenue Clarification

In an effort to more equitably distribute LIRAP funds, the Company, along with the agencies decided to make a change in the previous guidelines. In the past, LIRAP funds were strictly distributed according to heat source. Ongoing discussions resulted in the decision to allow electric revenue to be used for natural gas heat customers as long as those same customers also use Avista electric.

- SNAP used \$112,777 of electric funds for Avista customers who heated their homes with natural gas, but are also Avista electric customers.

### 3.3 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” represents 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 49% for customers between 54% and 100% of the federal poverty level (FPL). The energy burden was reduced by 42% for LIRAP participants between 100% and 125% of the FPL.

Table 4 has been calculated as follows. A total of 8,372 Avista households were served with some type of energy assistance, either LIHEAP or LIRAP. An additional 195 household applications were discarded because annual incomes were 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 costs were 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						All Benefits
		Before Benefits	EAP or Avista	Plus Base and Fema	Plus Base and PS	Plus Base and Senior	Plus Base and Avista Emer	
<b>%Pov</b>								
<b>0-50%FPL</b>	N							
	1037 Elec	20.0%	10.1%	10.0 %	9.6%	10.0%	9.6%	9.1%
	848 Gas	26.5%	13.1%	13.0%	12.6%	13.1%	12.6%	12.0%
	1885 All	22.9%	11.4%	11.4%	10.9%	11.4%	10.9%	10.4%
<b>51-100%FPL</b>	N							
	2414 Elec	7.9%	4.3%	4.3%	4.2%	4.3%	4.2%	4.0%
	2400 Gas	11.1%	5.9%	5.9%	5.7%	5.9%	5.7%	5.6%
	4814 All	9.5%	5.1%	5.1%	4.9%	5.1%	5.0%	4.8%
<b>100-125%FPL</b>	n							
	688 Elec	5.6%	3.5%	3.5%	3.4%	3.5%	3.4%	3.3%
	985 Gas	7.5%	4.5%	4.5%	4.4%	4.5%	4.4%	4.3%
	1673 All	6.7%	4.1%	4.1%	4.0%	4.1%	4.0%	3.9%

### 3.4 Other

#### 3.3.1 General Rate Case Settlement

As a result of the 2005 General Rate Case Settlement Docket Nos. UE-050482 and UG-050483, Avista agreed to contribute an additional \$600,000 for 2006 and 2007 to the LIRAP program. At the January 2006 Quarterly Meeting, the agencies requested that for the first year, \$300,000 be used for the current heating season; the remaining \$300,000 is to be added in October 2006 to begin the Heating Season.

#### 3.3.2 Unspent Funding

The Company continues to monitor the agencies regarding unspent funding at the end of each program year. Currently a balance of \$955,078 or 27% of direct service funding was unspent at the end of the program year, noticeably above the acceptable range (15% - 20% is an acceptable range for carry over funding). Historically, permitting LIRAP funding to carry over to the following year has proven to be a value to all participants of the program. This policy allows the LIRAP agencies to spend their LIHEAP funds first so that they don't lose what is unspent at the end of the year. It has also made it possible for the LIRAP agencies to begin the heating season in October with a specific amount of funding. The Federal Government does not commit to their LIHEAP funding amount until the end of December, and sometimes not until as late as March.

This year, the agencies received an additional \$1.4 million from various sources that was designated for heating assistance during this Program Year. The agencies were made aware of the majority of the additional funds late in the heating season, and while the additional funding was both needed and appreciated, the late notice had an impact on LIRAP. Staffing occurs prior to the season, based on the best estimated projections of LIHEAP, LIRAP, Project Share, etc. funds available. Since carry over is not permitted with either LIHEAP or Project Share, these funds needed to be used first, leaving a larger than desirable LIRAP balance at the end of the year.

The Company has taken action to help maintain the unspent funding at an acceptable level of under 20%.

- At the end of this Program Year, one agency had 68% of unspent funds. Currently, this agency is not receiving a LIRAP allocation, and has been advised to reduce their funds to 20% by December 31, 2006. Before funding allocation begins for this agency again, the percentage

allocated to them will be reviewed. It's clear that the current allocation is more than the need in this particular area.

- It is now permissible for electric revenue to be used for natural gas heated homes as long as the customer is also an Avista electric customer.
- Beginning October 1, 2006 (the start of the Energy Assistance season), Avista will include an insert in every past due notice in Washington. The insert will contain information that explains to our customers how to apply for Energy Assistance in their area.
- Avista, in partnership with SNAP, is developing a "Low Income Web Portal" component to its website that will be ready for the 2007 Heating Season. The purpose of the web portal is to gain efficiencies for both the agencies and Avista in the Energy Assistance process. Emergency grant reporting is the immediate primary function of the web portal, but other functions are possible as well.

#### **4.0 Key Events in LIRAP Implementation**

##### **4.1 Advisory Meetings**

Avista continues to meet regularly throughout the year with the LIRAP agencies. Valuable discussion occurs during the meetings that often results in continued fine-tuning and clarifying of processes. Avista appreciates the time invested by the LIRAP agencies, their experience and knowledge has made LIRAP an effective program.

##### **4.2 Administration and Program Support Reporting**

Discussions between the agencies and Avista, regarding the Quarterly Administrative and Program Support reports, continued after last year's LIRAP Evaluation Report was completed. The agencies preferred that the reports would be due on a quarterly basis. The first reports were received for the 3<sup>rd</sup> quarter of 2005. These reports will be used for internal monitoring.

##### **4.3 Furnace Filter Replacement Program**

This program, designed to assist Limited Income Seniors with furnace filter replacements, was implemented two years ago. Furnace Filter Replacement packets were designed and distributed to the LIRAP agencies and Avista CARES. These packets provided furnace filter change reminders and coupons good for the purchase of new filters. An instructional tip sheet was also provided. Ecos Consulting reported that 261 Furnace Filter Coupons were redeemed this past winter. The program distributed about 7,000 coupons, primarily through the CAP agencies. The coupon was improved and

participation more than doubled from the previous year. The LIRAP agencies and Avista CARES felt the program was a benefit to customers and have encouraged us to continue the program during the next heating season.

#### 4.4 Energy Conservation Television Spots

Avista Utilities, in partnership with BELO Television (the parent company of local affiliates KREM, KSKN 22, NW Cable News) produced the third half hour “Power to Conserve” program. The program covers low cost and no cost ways to save energy at home, and maintain comfort during winter and summer. The goal of the program is to help Limited Income Seniors and other vulnerable populations with their energy bills by providing home energy conservation education. We use TV broadcast in order to reach the largest number of the target group at the least cost. Furthermore, the program is available on video and DVD for distribution and viewing through community groups and outreach efforts.

#### 4.5 Voiceless Choir

Avista supported the production of a music CD that was written and produced by homeless and formerly homeless individuals. The Voiceless Choir, as they are known, included several songs that contained energy conservation messages. The Voiceless Choir sold the CD’s to support Homeless and Energy Programs. The participating LIRAP agencies also distributed the CD’s to Avista customers who attended Conservation Education Workshops.

#### 4.6 SNAP Educational Video

Avista supported the production of a video that provided information about SNAP’s various low-income programs. The video is used to educate groups and individuals about the services that are available, including weatherization, conservation education and energy assistance. It was initially shown to over 250 people at SNAP’s Community Breakfast in October 2005. Since then, it has been shown to nearly 30 other community organizations increasing awareness and providing additional opportunities for fund raising.

#### 4.7 Summer Energy Pilot Program

Spokane Neighborhood Action Programs (SNAP) in partnership with Avista CARES designed a pilot program to work with households that have received emergency assistance (Project Share or LIRAP Emergency Share) every year, for the past three years. These households were advised that they would not be eligible for emergency assistance this year. The intent of Emergency Assistance is not that it be used year after year, but rather for one time emergency situations. One Hundred Two households who lived in subsidized housing were selected. They were offered support in the form of training and resources. Three workshops were made available to these households, Conservation Education and two Household Budgeting classes. The Conservation Education workshop included hands-on training, weatherization materials and refrigerator replacement if appropriate. The Household Budgeting workshop included creating actual individual budgets. Avista CARES Representatives made payment arrangements with each household. As an incentive, once the participating households made three monthly payments, they were given a LIRAP Heating Assistance appointment. The LIRAP Heat grant helped the customers afford winter heating costs without accessing emergency assistance programs.

Of the 102 subsidized households selected, 31 chose to participate in all three required classes. SNAP received a grant from the United Way that made \$200 grants possible for 28 of these households. The grants were used for those households with high balances on their Avista bill. The grant helped to reduce balances so the Comfort Level Billing payment was as low as possible.

- Eight households are still on the Comfort Level Billing payment plan.
- Five received Energy Assistance.
- Three have not missed a payment since July, 2005.
- Three households are currently working with SNAP's Economic Development Department and have started checking/savings accounts along with credit counseling.
- Four skipped one payment – the month of their Energy Assistance Grant.
- One skipped two payments, but has resumed and is current on Comfort Level Billing.

SNAP and Avista CARES consider this program to have been successful and would like it to continue. The grant from United Way provided additional incentive and opportunity for the participants to succeed with this program. Discussion is underway to identify new incentives.



## **5.0 Future Issues**

### **5.1 Energy Conservation Television Spots**

Beginning in October and running through January, Avista Utilities, again in partnership with BELO Television will host the third in a series of 30 minute specials called "The Power to Conserve." The television special, targeted to low-income, senior and vulnerable customers, provides helpful energy conservation tips, information on community resources and ways for customers to manage their energy bills. This year, we're asking customers to tell us what energy efficiency topics they would like to see covered on "The Power to Conserve." A bill insert has been included with Spokane County customers bills that can be mailed back to Avista with their suggestions.

### **5.2 General Rate Case Settlement**

The Company will meet with the agencies in September 2006 for the next Quarterly meeting. At that time, discussion will begin regarding the 2007 additional \$600,000 stemming from the Rate Case Settlement.

## **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
- Ecos Consulting

### 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)
- Washington Gorge Development Council
- Rural Resources Community Action.

### 7.0 Contacts

For further information, please contact:

- Christine M. McCabe, LIRAP Manager

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