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August 29, 2007

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, 2006 through April, 2007. This is the Company's Sixth 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) 495-4975 or Jeanne Pluth at (509) 495-2204 regarding any related matters.

Sincerely,

A handwritten signature in cursive script that reads "Linda Gervais".

Linda Gervais
Regulatory Compliance
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Enc.

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Low-Income Rate Assistance Program (LIRAP)

Sixth Annual Report

For the period May 2006 through April 2007

Submitted August 29, 2007

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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 sixth program year, from May 1, 2006 through April 30, 2007.

Over 7,861 electric and natural gas customers in the Company's Washington service territory received 8,549 grants averaging \$400. Approximately \$1,953,209 of new revenue was collected during the program year through a surcharge to Schedule 91 (electric) and \$993,185 was collected through a surcharge on Schedule 191 (natural gas) for a total of \$2,946,394.² In addition to the new revenue, \$900,000 was added by the Company as part of the 2005 General Rate Case Settlement effective January 1, 2006, for a total amount of \$3,846,394. Of this amount, \$2,920,059 was provided to the six Community Action Agencies (CAAs) in Avista's Washington service territory for disbursement to qualifying customers and \$218,598 was made available for conservation education funding.³ The remaining funds were dedicated to agency administration and program support (with the exception of Avista's Conservation Education Outreach).

In the sixth program year, 74% of LIRAP participants had household average incomes less than \$15,000. Approximately 35% 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 70% of the total.

The sixth program year saw the energy burden reduced by approximately 48% for customers between 51% and 100% of the Federal Poverty Level (FPL); the energy cost burden was reduced by 40% for LIRAP participants between 100% and 125% of the FPL.

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

² \$2,946,394 is the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period. \$153,856 of that was applied to Avista's Conservation Education component.

³ One agency, Spokane Neighborhood Action Programs (SNAP) converted \$170,456 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.⁴ 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 information 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 are 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,

⁴The 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.

The Senior Energy Outreach is provided through the Avista CARES, via Elder Services and Aging and Long Term Care of Eastern Washington (ALTCEW) in-home caregivers, and case managers, as well as the CAAs. Program guidelines are designed to help mitigate the impact of energy costs on vulnerable seniors living in their own homes, yet who are over income guidelines for energy assistance. Included in this program are conservation education workshops specifically designed for seniors.

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" and furnace repair.

3.0 Program Results

3.1 Participants and Fund Distribution

Avista Utilities' Low-Income Rate Assistance Program provided 8,549 grants in the current program year, with grants averaging \$400 per customer. This is a significant increase over the previous year's 6,980 grants averaging \$354. More significant is \$3,423,265 total grant dollars delivered to customer accounts this program year, nearly \$1 million more, due to the additional funding as well as the unspent carryover from previous years being granted during the current program year. Table 1 shows the number of grants and the amounts by program for the current and previous program years.

Table 1 -- Number and Amount of Grants by Component						
Program Component	Program Year 6			Program Year 5		
	Number of Grants	Grant Amount	Avg. Grant Amt.	Number of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Base	0	\$0	\$0.00	0	\$0	\$0.00
LIRAP Heat	5,453	\$2,619,482	\$480.37	4,534	\$1,860,625	\$410.37
LIRAP Project Share	2,453	\$627,638	\$255.87	1,873	\$464,328	\$247.91
Senior Outreach	643	\$176,145	\$273.94	573	\$146,883	\$256.34
Total	8,549	\$3,423,265	\$400.43	6,980	\$2,471,836	\$354.13

Table 1. Prepared by Karen Schuh / Avista Utilities

Table 2 shows the number of customers who received multiple LIRAP grants on different days during the program year for the current and previous program years. 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. Again, significant increases are seen in the current program year compared to the previous year, both in the number of customers who received multiple grants as well as the total grant amount due to the additional funding and unspent carryover from previous years being granted to customers.

Table 2 -- Number of Customers Receiving Multiple Grants		
	Year 6	Year 5
Number of Customers that received multiple grants during program year	1,184	739
Number of Customers that received LIRAP grants during current program year and previous program year	2,172	1,916
Total Amount of Grants	\$442,463	\$239,504
Average per Customer	\$374	\$324

Table 2. Prepared by Karen Schuh / 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 6			Year 5		
	# of Households	% of Households	Cumulative %	# of Households	% of Households	Cumulative %
Home Ownership						
Own	2,485	29.11%	29.11%	1,863	26.59%	26.59%
Rent	6,052	70.89%	100.00%	5,143	73.41%	100.00%
Total	8,537			7,006		
Heating Fuel Source						
Electric	4,669	54.69%	54.69%	4,908	70.05%	70.05%
Natural Gas	3,867	45.30%	99.99%	2,098	29.95%	100.00%
Other	1	0.01%	100.00%	-	0.00%	100.00%
Total	8,537			7,006		
Size of Household						
1 Person	2,754	32.26%	32.26%	2,293	32.73%	32.73%
2 People	1,974	23.12%	55.38%	1,750	24.98%	57.71%
3 People	1,529	17.91%	73.29%	1,248	17.81%	75.52%
4+ People	2,280	26.71%	100.00%	1,715	24.48%	100.00%
Total	8,537			7,006		
Annual Income Level						
Under \$2000	446	5.22%	5.22%	403	5.75%	5.75%
\$2000-\$3999	283	3.31%	8.54%	254	3.63%	9.38%
\$4000-\$5999	684	8.01%	16.55%	641	9.15%	18.53%
\$6000-\$7999	1,608	18.84%	35.39%	1,500	21.41%	39.94%
\$8000-\$9999	1,028	12.04%	47.43%	828	11.82%	51.76%
\$10000-\$11999	1,058	12.39%	59.82%	843	12.03%	63.79%
\$12000-\$14999	1,217	14.26%	74.08%	1,053	15.03%	78.82%
Over \$15000	2,213	25.92%	100.00%	1,484	21.18%	100.00%
Total	8,537			7,006		

Table 3. Prepared by Karen Schuh / Avista Utilities

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” 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 48% for customers between 51% and 100% of the federal poverty level (FPL). The energy burden was reduced by 40% for LIRAP participants between 101% and 125% of the FPL.

Table 4 has been calculated as follows. A total of 8,099 Avista households were served with some type of energy assistance, either LIHEAP or LIRAP. An additional 143 household applications were discarded because annual incomes were less than their energy costs. The remaining households’ energy burden was calculated by dividing the annual energy costs by the annual household income. 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.

Table 4 - Energy Burden 2007								
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
FPL %	Number of Customers							
0-50% FPL	997 Elec	20.90%	11.60%	11.60%	11.30%	11.60%	11.10%	10.90%
	743 Gas	26.70%	13.30%	13.30%	13.00%	13.30%	12.70%	12.40%
	1,740 All	23.40%	12.30%	12.30%	12.00%	12.30%	11.80%	11.50%
51-100% FPL	2,269 Elec	8.40%	4.90%	4.90%	4.80%	4.90%	4.80%	4.70%
	2,244 Gas	10.80%	5.60%	5.60%	5.50%	5.60%	5.40%	5.40%
	4,513 All	9.60%	5.20%	5.20%	5.20%	5.20%	5.10%	5.00%
101-125% FPL	731 Elec	6.00%	4.00%	4.00%	3.90%	4.00%	3.90%	3.80%
	972 Gas	7.80%	4.60%	4.60%	4.50%	4.60%	4.50%	4.40%
	1,703 All	7.00%	4.30%	4.30%	4.30%	4.30%	4.20%	4.20%

Table 4. Prepared by Spokane Neighborhood Action Programs

3.3 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 was added in October 2006 to begin the heating season. At the September 2006 meeting, the agencies then requested the full balance of \$600,000 for 2007 to be distributed in January 2007. The agencies made this decision with the knowledge that this would leave them without additional funding for the beginning of the 2007 heating season in October.

3.3.2 Unspent Funding

The Company continues to monitor the agencies regarding unspent funding at the end of each program year. Historically, permitting LIRAP funding to carryover to the following year has proven to be a value to all participants of the program. This policy has made it possible for the LIRAP agencies to begin the heating season in the fall with a specific amount of funding. This policy also allows the LIRAP agencies to spend their LIHEAP funds as soon as they are received so that they don't lose what is unspent at the end of the year. The Federal Government does not commit to their LIHEAP funding amount until the end of December, and sometimes not until as late as March of the following year. The Company and the participating LIRAP agencies had determined early in the program that an acceptable carryover amount was approximately 15% - 20%.

Concern for the unmet need due to the large carryover balance was expressed by the Company during the third program year. Avista continued to discuss the year-end balance with the LIRAP agencies throughout the next two program years as the unspent balance continued to increase. This program year was of special concern because of the additional \$900,000 Rate Case Settlement funds added to the LIRAP program. The agencies were encouraged to make the changes necessary to accommodate the increase, including hiring additional employees, expanding appointment hours, etc.

Currently a balance of \$524,916 or 13% of direct service funding was unspent at the end of the program year, which is slightly below the acceptable range. The Company will continue to monitor the carryover funding at the end of each program year.

Avista proposed to take the following actions in the previous program year to reduce the amount of unspent funds with the following results:

- One agency is currently not receiving a monthly LIRAP allocation. This agency was advised to reduce their unspent funds level to 20% by December 31, 2006. They have reduced their balance of funds available to \$67,605 as of August 10, 2007 or 59%. It is Avista's opinion that it is better to continue to allow the agency to spend down the funding rather than other alternatives and continues to monitor their status monthly. Before funding allocation resumes for this agency, the percentage allocated to them will be reviewed to properly address the need.
- The use of electric and gas LIRAP funds was expanded to allow natural gas heated homes to receive electric LIRAP funds for their LIRAP Heat grant as long as that customer was an Avista electric customer. The agencies report that this flexibility has been a benefit.

- It was the Company's intent to include an insert with information about energy assistance in every past-due notice. Discussion with the agencies resulted in not sending the notice. The concern was that the notice would cause an increase in calls to their offices and most who received a past-due notice would not be eligible for energy assistance.
- The addition of a "Low Income Web Portal" component to Avista's website has been delayed. The purpose of the web portal is to gain efficiencies for both the agencies and Avista in the Energy Assistance process. Emergency grant reporting would be the immediate primary function of the web portal, but other functions would be possible as well. Avista's new website project has experienced delays and will be launched in the future.

4.0 Key Events and Future Issues

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

The agencies submit monthly Administration and Program Support reports. There is nothing unusual noted by Avista.

4.3 Energy Conservation Television Spots

Avista Utilities continued its partnership with BELO Television (the parent company of local affiliates KREM, KSKN 22, NW Cable News) for the 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. Avista uses television in order to reach the largest number of the target group at the least cost. In addition, the program is available on video and DVD for distribution and viewing through community groups and outreach efforts.

Beginning July 2007 and running through February 2008, Avista Utilities, again in partnership with BELO Television, will host the fourth in a series of 30-minute specials called "The Power to Conserve." This is a change from previous years when the program was shown only during the fall and winter. Since the program contains both heating and cooling tips, it is appropriate to run it year round. Avista achieved this at no additional cost by running the program every other week instead of every week. 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.

4.4 The Voiceless Choir

Avista was one of several sponsors of the production of a musical presentation 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. Attendees received information on how to get involved in helping low-income and homeless individuals, including donating to Energy Programs. The Voiceless Choir sold the CDs to support Homeless and Energy Programs.

4.5 Fall Energy Conservation Program

When the 2007 heating season begins this fall, every Avista customer that receives either a LIHEAP or a LIRAP Heat grant will receive a letter from Avista. The letter will include energy conservation tips along with coupons for a free compact fluorescent light bulb and a free furnace filter. A response card will also be included to indicate whether the recipient would like to receive a free "Power to Conserve" DVD or indicate interest in attending an Energy Conservation Workshop.

4.6 Senior Energy Outreach

A Vulnerable Adult Advisory Group was created by Avista and Aging and Long Term Care of Eastern Washington (ALTCEW) during the energy crisis nearly five years ago. It is being reconvened to develop corporate and community-based strategies to help mitigate the impact of energy costs on vulnerable adults living in their own homes. Avista and ALTCEW would like to determine what can be done to address the unmet needs relative to energy assistance, energy efficiency and energy use for the vulnerable adults living in our region.

Fine tuning of the Senior Energy Outreach over the years has resulted in more seniors receiving LIHEAP or LIRAP Heat grants and fewer Senior Energy Outreach grants. A desired outcome of reconvening the Vulnerable Adult Advisory Group would be to identify seniors who are over income guidelines for LIHEAP or LIRAP Heat grants, but whose fixed income is eroded due to medical and prescription costs not covered by insurance. The intent is to reach additional seniors with the Senior Energy Outreach grant.

It is the Company's experience that outreach to seniors who are above income guidelines for energy assistance programs needs to be done through different methods than those traditionally used. These seniors do not want to be referred to Community Action Agencies to receive what they perceive as charity. This past year, presentations explaining the Senior Energy Outreach were made to over 279 Elder Services In-Home Caregivers, ALTCEW In-Home Caregivers and ALTCEW Case Managers. These managers were asked to help Avista identify potentially eligible seniors by referring them to the Company's CARES program. Avista CARES received referrals of seniors who were eligible for a Senior Energy Outreach grant as a result of these presentations. Avista will participate in more of these informational meetings in the coming year.

4.7 Children's Energy Conservation Program

LIRAP's Energy Conservation Education is being expanded to include outreach to low income elementary age children and families with the goal of adopting lifestyle habits of using energy wisely and efficiently.

Development of an ongoing, durable outreach program is underway with the goal of positively engaging children and families to adopt energy efficiency lifestyle changes, similar to programs that resulted in recycling as a way of life. Avista is developing a comprehensive age-appropriate program, including a classroom-based program and community outreach to engage children in reducing energy use. Pilot elements of the program are targeted for launch in Winter 2007/Spring 2008.

While the comprehensive program is under development, Avista has taken opportunities to reach children and families at events using "Wattson the Energy Watchdog." Over 1,500 children and their families have received helpful conservation kits from Avista at these events.

4.8 Energy Conservation Workshops and Kits

Avista continues to offer Energy Conservation Workshops for both low-income and senior customers during which an Energy Conservation Kit is given to each attending customer. The contents include energy-saving items such as compact fluorescent light bulbs, weather stripping and rope caulking to reduce drafts, plastic window covering, an LED night light, etc. Having an energy efficient lifestyle is discussed and use of the contents in the kit is demonstrated during the workshop. Over 835 low-income and senior participants received a free Energy Efficiency kit and information

A new kit is in development for these workshops as well as for participating LIRAP agencies to purchase with their Conservation Education funding allocation. The kit will be available October 1, 2007 for the upcoming heating season.

5.0 Reporting Protocols

5.1 Key Terms

Key terms used in this Report are described as follows.

- Energy Cost Burden, Energy Burden—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—Program denotes an offering unique to low-income senior customers.

5.2 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

5.3 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

6.0 Contacts

For further information, please contact:

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