

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,**

**Respondent.**

DOCKETS UE-200900/UG-200901  
*(Consolidated)*

**RESPONSE TESTIMONY OF**

**SHAWN M. COLLINS (EXH. SMC-1T)**

**DIRECTOR OF  
THE ENERGY PROJECT**

*Low-Income Issues*

**April 21, 2021**

RESPONSE TESTIMONY OF SHAWN M. COLLINS (SMC-1T)

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EXHIBIT LIST

Exh. SMC-2 *Professional Qualifications*

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**I. INTRODUCTION**

**Q: Please state your name and business address.**

A: My name is Shawn Collins. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

**Q: By whom are you employed and in what capacity?**

A: I am the Director of The Energy Project (TEP), a program of the Washington State Community Action Partnership (CAP) housed at the Opportunity Council in Bellingham, WA.

**Q: How long have you been employed by the Opportunity Council.**

A: I have been employed by Opportunity Council since 2006. I have served as the Director of TEP since 2015.

**Q: Would you please state your educational and professional background?**

A: Attached as Exh. SMC-2 is a statement of my professional qualifications.

**Q: On whose behalf are you testifying?**

A: I am testifying for TEP, an intervenor in this proceeding, on behalf of Avista's low-income customers and the CAP organizations that provide low-income energy efficiency and bill payment assistance for customers in Avista's service territory. These agencies include:

- SNAP (Spokane Neighborhood Action Partners) (Spokane County)
- Rural Resources (Ferry, Lincoln, Stevens Counties)
- Community Action Partnership (Asotin County)
- Community Action Center (Whitman County)

- 1 • Opportunities Industrialization Center (OIC) of Washington (Adams  
2 County)
- 3 • Community Action Council of Lewis, Mason, Thurston Counties (for  
4 Skamania, Klickitat Counties weatherization)
- 5 • Washington Gorge Action Programs (for Skamania, Klickitat Counties bill  
6 assistance).

7 **II. PURPOSE AND SUMMARY OF TESTIMONY**

8 **Q: What is the scope of your testimony?**

9 A: My testimony is concerned with the impact of the proposed rate increases on  
10 Avista low-income customers and on the programs that provide assistance to low-  
11 income customers in Avista's service territory.

12 **Q: Could you please summarize your testimony?**

13 A: My testimony provides an overview of Avista's low-income bill assistance  
14 programs and the level of need in Avista service territory. I respond to Avista's  
15 proposal for a funding increase for its Low-Income Rate Assistance Program  
16 (LIRAP), recommend an alternative in order to address the level of need, and  
17 provide proposals for low-income renewable and EV initiatives. My testimony  
18 also comments on the overall impact of the Avista rate filing and addresses  
19 several other issues that affect low-income customers.

1                   **III. OVERVIEW OF AVISTA CUSTOMER LEVEL OF NEED**

2   **Q:   How would you assess the level of need for low-income energy assistance in**  
3   **Avista’s service territory?**

4   A:   There continues to be a substantial need for resources to help Avista’s low-  
5   income customers meet their energy needs. The poverty rate in Avista’s service  
6   territory is higher than the statewide average. The Commission has recognized  
7   that “as energy prices increase to all customers so must the available funding to  
8   those portions of the Company’s customer base that are most affected by such  
9   increases.”<sup>1</sup> In 2016, the Commission observed that “[i]t is clear ... that current  
10   [energy assistance] funding levels are not sufficient to serve the eligible  
11   population in Avista’s service territory.”<sup>2</sup> This situation continues, as noted by  
12   Avista witness Joseph Miller, who reported that only about 21 percent of the  
13   95,000 customers eligible for LIRAP receive assistance, citing the Avista Low  
14   Income Needs Assessment conducted by Evergreen Economics.<sup>3</sup>

15           Avista’s Transportation Electrification Plan, in addressing low-income  
16   issues, notes that 47 percent of Avista’s residential customers are living in poverty  
17   or struggling with basic living costs, using the ALICE measures (Asset Limited,  
18   Income Constrained and Employed).<sup>4</sup> Even using the 200 percent Federal Poverty  
19   Level (FPL) metric, which ties in with the Clean Energy Transformation Act

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<sup>1</sup> *Washington Utilities & Transportation Commission v. Avista Corp.*, UE-140188/UG-140189, Order 05, ¶ 44.

<sup>2</sup> *Washington Utilities & Transportation Commission v. Avista Corp.*, UE-150204/UG-150205, Order 05, ¶ 229.

<sup>3</sup> Direct Testimony of Joseph D. Miller, Exh. JDM-1T at 24:22-25:3.

<sup>4</sup> Docket UE-200607, Avista Transportation Electrification Plan, p. 58.

1 (CETA) definition,<sup>5</sup> the Evergreen Economics assessment concluded that  
2 customers earning 200 percent FPL or lower represent 41.8 percent of the  
3 population in Spokane North, 37.5 percent in Spokane South, 36.4 percent in  
4 Spokane Valley, 32 percent in Walla Walla and 42.2 percent in Pullman.<sup>6</sup>

5 **IV. AVISTA'S LOW INCOME RATE ASSISTANCE PROGRAM**

6 **(LIRAP)**

7 **Q: Please generally describe Avista's bill assistance programs for low-income**  
8 **customers.**

9 A: Energy assistance is provided to Avista customers through several programs,  
10 including LIRAP, the federal LIHEAP program, Project Share, and various  
11 community funds, with approximately \$11.1 million in assistance coming from  
12 these combined sources.<sup>7</sup> In the 2019/2020 heating season (program year) the  
13 LIRAP program provided over 19,700 grants to customers, an increase of over  
14 1300 households since the prior program year. In the program year, 56 percent of  
15 LIRAP participants had household average incomes of less than \$15,000, with 28  
16 percent having household incomes under \$8000 per year. Sixty one percent of  
17 LIRAP households had two or more people and 71 percent of LIRAP recipients  
18 were renters.<sup>8</sup>

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<sup>5</sup> RCW 19.405.020(25).

<sup>6</sup> Avista Low Income Needs Assessment, Final Report, Evergreen Economics, January 3, 2020, p. 21, Table 4: Household Income Distribution by PUMA. Filed in Docket UE-010436/UG-010437 as Appendix A to the Annual LIRAP Report for 2019/2020.

<sup>7</sup> Miller, Exh. JDM-1T at 23:11-19, Illustration No. 1.

<sup>8</sup> Avista Low-Income Rate Assistance Program (LIRAP) Annual Summary Report for the program period October 2019 through September 20, 2020, Dockets UE-010436/UG-010437 (Annual LIRAP Report), p. 4.

1 As of October 1, 2021, LIRAP will have six permanent components:<sup>9</sup>

- 2 • LIRAP Heat. This is Avista’s “regular” energy assistance, similar  
3 to LIHEAP, for customers at or below 150 percent of FPL, with  
4 the benefit amount based on household size and housing type.
- 5 • LIRAP Emergency Share. This is an “emergency assistance”  
6 program with a process similar to the donation-based Project  
7 Share. Imminent disconnection is a major qualification criterion.  
8 The benefit is determined on a case-by-case basis, not to exceed  
9 \$350.
- 10 • LIRAP Senior/Disabled Outreach. This program is being phased  
11 out on September 30, 2021 and replaced with the Senior/Disabled  
12 discount program after a successful pilot.<sup>10</sup>
- 13 • Senior/Disabled Rate Discount program. This is a rate discount  
14 program for senior or disabled customers with variable incomes  
15 between 151-200 percent FPL.
- 16 • Percentage of Income Payment Plan (PIPP). Based on an earlier  
17 pilot, this provides a fixed percentage discount that reduces a  
18 customer’s bill to 6 percent of their income. Customers with  
19 income at 0 to 50 percent FPL are eligible. The program begins on  
20 October 1, 2021.

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<sup>9</sup> Schedules 92 and 192.

<sup>10</sup> *In the Matter of the Petition of Avista Corp. For An Order Authorizing Approval Of Changes To The Company’s Low-Income Rate Assistance Program*, Dockets UE-190646 & UG-190648, Order 01, ¶¶ 3-4.

- 1 • Past Due Payoff (PDP). This is available to PIPP or LIHEAP  
2 recipients with incomes at 0-50 percent FPL. Past Due Payoff  
3 provides forgiveness for the full unpaid past due balance on a  
4 customer's account, not to exceed \$2500. It is provided only once  
5 on an account history.
- 6 • Arrearage Management Plan (AMP). This program reduces  
7 customer arrearages owed over a 12-month period by providing an  
8 incentive for regular on-time payment. It is available twice in a 7-  
9 year period, to customers at 51-200 percent FPL.

10 In addition to the permanent programs, LIRAP includes a temporary  
11 COVID-19 relief program:

- 12 • Temporary COVID-19 Hardship Assistance. This is a one-time  
13 grant for customers experiencing financial hardship due to the  
14 2020 COVID-19 pandemic. This program mimics the LIRAP  
15 Emergency Share or Project Share emergency assistance processes.  
16 The benefit is determined on a case-by-case basis, not to exceed  
17 \$350.

18 As part of the response to the COVID-19 pandemic, Avista has also  
19 recently implemented a temporary Residential Debt Relief Program which  
20 includes an Automatic Grant component providing up to \$2500 for identified  
21 energy assistance recipients, and an Arrearage Forgiveness Grant providing up to



1           \$2500 for customers at or below 200 percent FPL who express financial hardship  
2           due to COVID-19.<sup>11</sup>

3                     As detailed in the most recent LIRAP Annual Report, 94 percent of  
4           available LIRAP funds were expended in the 2019/2020 program year, with the  
5           remaining funds rolled in to funding for the following year.<sup>12</sup> Significant energy  
6           burden reductions are achieved by the programs, as described in the annual report.  
7           For example, for electric customers with incomes between 0-50 percent of FPL,  
8           energy burden was reduced from 27.2 percent to 14.4 percent.<sup>13</sup> LIRAP’s success  
9           is a direct result of ongoing collaborative efforts between staff of Avista and the  
10          agencies. As CEO Dennis Vermillion testified, “[t]hese programs and the  
11          partnerships we have formed with community action agencies have been  
12          invaluable to customers who often have nowhere else to go for help.”<sup>14</sup>

13   **Q:   Does Avista propose any changes to its low-income programs in this case?**

14   A:   Avista’s initial testimony does not propose any program changes to its low-  
15          income program design or operational structures. Avista does make a proposal  
16          regarding LIRAP funding, as discussed below.

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<sup>11</sup> Schedules 73 (electric) Schedule 173 (natural gas). The program was effective on April 1, 2021. Dockets UE-210114/UG-210115. The program is in effect until September 30, 2022, or until the spending limit is reached.

<sup>12</sup> Annual LIRAP Report, p. 5, Table 1 – Program Budget and Program Year Expenditures (Program budget \$9.8 m, program expenditures \$9.2 m)

<sup>13</sup> Annual LIRAP Report, p. 15, Table 8 (Energy Burden: Total Energy costs divided by household income).

<sup>14</sup> Direct Testimony of Dennis P. Vermillion, Exh. DPV-1T at 42:17-18.

1 **Q: Is TEP making any proposals in this case to modify the LIRAP program**  
2 **design?**

3 A: No. As discussed above, LIRAP is working well. Recent changes have been  
4 made to improve the program as described above, and there is not a need to  
5 address program design or operation in this docket. My testimony addresses  
6 LIRAP funding below.

7 **V. THE ENERGY PROJECT'S LIRAP FUNDING PROPOSAL**

8 **Q: Please describe the recent history of LIRAP funding.**

9 A: Until September 2020, LIRAP was operating under a five-year plan approved by  
10 the Commission in the 2015 general rate case.<sup>15</sup> The plan provides for an increase  
11 in LIRAP funding by seven percent annually, or twice the percentage increase in  
12 Schedule 1 and Schedule 101 base rates, whichever is greater. The program year  
13 October 1, 2019 through September 30, 2020, was the final year of the five-year  
14 plan.

15 In Avista's 2019 GRC, an agreement was reached between Avista, TEP  
16 and other stakeholders to extend the LIRAP funding formula through Avista's  
17 next GRC (now this GRC), that is, using the same formula as used in the five-year  
18 plan – i.e., increasing funding by 7 percent, or two times the residential base rate  
19 increase, whichever is greater. The Commission approved this agreement in its  
20 final order in the GRC.<sup>16</sup> Under this agreement, LIRAP funding for the

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<sup>15</sup> *Washington Utilities & Transportation Commission v. Avista Corp.*, Dockets UE-150204/UG-150205, Order 05, ¶ 232.

<sup>16</sup> *Washington Utilities & Transportation Commission v. Avista Corp.*, Dockets UE-190334/UG-190335, 190222, (Avista 2019 GRC), Order 09, ¶65, Appendix A, Multiparty Partial Settlement Stipulation, at 10, ¶ 14(b).

1 2021/2022 program year will increase. Avista will make its normal annual  
2 LIRAP filing on October 1, 2021, requesting an increase of 7 percent for natural  
3 gas and electric service.

4 **Q: Is there any dispute that additional funding is necessary for the LIRAP**  
5 **program?**

6 A: No. Avista witness Joseph Miller testifies that “[t]he Company recognizes that  
7 much work remains to be done to expand the breadth of its reach to its most  
8 vulnerable populations, and believes that increased funding and support of  
9 LIRAP, as well as continued innovation and refinement of the offerings included  
10 as part of the program, are essential to achieving the program goals.”<sup>17</sup> The  
11 Energy Project agrees.

12 **Q: Does Avista propose to increase LIRAP funding in this case?**

13 A: Yes.

14 **Q: Please describe Avista’s LIRAP funding proposal.**

15 A: Avista proposes to increase LIRAP funding by 7 percent on November 1, 2022,  
16 2023, and 2024. Avista states that this approach is intended to “provide budget  
17 certainty”<sup>18</sup> while “maintaining the flexibility to later assess the need and funding  
18 levels of the program and adjust accordingly.”<sup>19</sup>

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<sup>17</sup> Miller, JDM-1T at 25:3-7.

<sup>18</sup> Miller, JDM-1T at 26:1-2.

<sup>19</sup> Miller, JDM-1T at 26:15-18.

1 **Q: Does TEP support the Avista funding proposal?**

2 A: No, not as filed. While TEP appreciates the Company's support for increased  
3 LIRAP funding, I believe there are drawbacks to the Company proposal, and I  
4 recommend an alternative approach.

5 **Q: Please describe TEP's recommended alternative proposal for an increase to**  
6 **LIRAP program funding.**

7 A: The Energy Project recommends that the Commission approve an increase to  
8 LIRAP funding using the same formula that was employed in the last GRC  
9 settlement, i.e., LIRAP would increase by 7 percent, or two times the residential  
10 base rate increase, whichever is greater. This formula would be in effect through  
11 the next GRC.

12 **Q: Why does TEP recommend this as an alternative to the Company proposal?**

13 A: There are at least two drawbacks to the Company proposal. First, the Avista  
14 proposal would produce a substantially smaller increase in LIRAP support than  
15 the existing formula. In this GRC, for example, if Avista's full request were to be  
16 granted, the increase to the base tariff residential rate would be 8.3 percent, which  
17 would result in a 16.6 percent increase in LIRAP funding, more than double the 7  
18 percent increase under the Avista proposal. A similar scenario could play out in  
19 future GRCs during the three-year period. The level of customer need reflected in  
20 the Evergreen Economics needs assessment and the fact that the LIRAP program  
21 has been spending its budgeted level of funds are also indicative of the demand  
22 for assistance in the customer base. Particularly with the current funding level

1 reaching just over 20 percent of eligible customers, Avista’s reduced support  
2 formula is insufficient under the circumstances.

3 The second drawback is that Avista’s proposal locks in this reduced  
4 funding formula for a three-year period. This deprives LIRAP of the flexibility to  
5 adjust to future developments and challenges in that time period, such as new  
6 GRCs, or multiyear rate plans. While Mr. Miller argues that the Avista proposal  
7 allows for future flexibility, he also acknowledges that the plan would not  
8 coincide with changes in general rate cases.<sup>20</sup> The Energy Project believes it is  
9 preferable to allow those situations to be addressed in the future, based on the  
10 specifics of the case, rather than establishing a fixed formula at this time to deal,  
11 sight unseen, with upcoming rate increases.

12 **VI. ADDITIONAL LOW-INCOME PROPOSALS**

13 *Renewables*

14 **Q: What does TEP propose regarding renewables?**

15 A: The Energy Project proposes that Avista, working with its Energy Efficiency  
16 Advisory Group, establish a Low-Income Renewable Energy project or program  
17 dedicated to the benefit of low-income customers, to be implemented by 2025.  
18 Avista would present the project or projects to the Commission for approval. The  
19 costs of the project(s) would be recovered in the same manner as for other  
20 renewable projects.

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<sup>20</sup> Miller, Exh. JDM-1T at 26:4-8.

1 **Q: Has the issue of renewables for low-income customers been addressed**  
2 **previously for Avista?**

3 A: Yes. In Avista's last GRC, the Partial Multiparty Settlement Stipulation included  
4 the following term:

5 f) Renewables to Benefit Low-Income – Avista commits to discuss  
6 potential renewable programs for low-income customers within the  
7 confines of the Energy Assistance Advisory Group.<sup>21</sup>

8 **Q: What was the result of this provision?**

9 A: While some discussions did take place in the Energy Assistance Advisory Group,  
10 no definite program proposals have yet emerged from the process. The purpose  
11 of TEP's recommendation in this docket is to build on the previous settlement by  
12 providing some more definition to the process, including Commission review and  
13 a deadline by which a specific project must be implemented. Program  
14 development discussions would take place in the Energy Efficiency Advisory  
15 Committee. It is TEP's hope that Avista will agree to this proposal as a means to  
16 create new momentum towards this goal.

17 **Q: Why does TEP support renewables projects specifically for low-income**  
18 **customers?**

19 A: As a general matter, TEP has long believed that it is good public policy to find  
20 ways for low-income customers to share in the benefits of renewable energy.

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<sup>21</sup> *Avista 2019 GRC*, Order 09, Appendix A, Multiparty Partial Settlement Stipulation, at 11, ¶ 14(f).

1 Unfortunatly, the reality has been that access to clean energy has generally been  
2 primarily available for upper income utility customers.

3 Rooftop solar systems, for example, offer access to an energy resource  
4 that is clean and renewable, provides generally stable generating costs, and  
5 advances decentralized energy generation. Greater availability of financing and  
6 lowered costs has resulted in a strong, growing residential solar market.

7 Unfortunatly, the majority of low-income households have not enjoyed these  
8 benefits because they face challenges ranging from a lack of information to the  
9 inability to benefit from tax credits and difficulty obtaining low-cost financing.<sup>22</sup>

10 According to [a 2018 National Renewable Energy Laboratory \(NREL\)](#)  
11 [report](#),<sup>23</sup> 43 percent of the U.S. population is at or below 80 percent of their area  
12 median income (The U.S. Department of Housing and Urban Development  
13 definition of low-income), representing 49.8 million low-income households in  
14 the U.S. An estimated half of these households are in buildings suitable for solar.  
15 Targeted solar policies could open up access for these families on a large scale.  
16 Reasons to develop a low-income solar program include:

17 • **Equitable Access.** Policy makers in California, Colorado, Illinois,  
18 and Washington D.C. have recognized that their solar programs are

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<sup>22</sup> Bovarnick, Ben and Banks, Daryl, *State Policies to Increase Low-Income Communities' Access to Solar Power*, Center For American Progress (September 2014)

<https://cdn.americanprogress.org/wp-content/uploads/2014/09/LowIncomeSolar-brief.pdf>

<sup>23</sup> Sigrin, Ben, and Mooney, Meghan. 2018. *Rooftop Solar Technical Potential for Low-to-Moderate Income Households in the United States*. Golden, CO: National Renewable Energy Laboratory. NREL/TP-6A20-70901

<https://www.nrel.gov/docs/fy18osti/70901.pdf>

1 funded by all ratepayers/taxpayers, including low-income, and  
2 have worked to provide equitable access to incentives.

3 • **Participation.** Low-income solar programs offer an opportunity  
4 to be proactive in ensuring that all communities are participating  
5 early and are part of our national transition to clean energy.

6 • **Economic Benefit.** Because low-income families spend a  
7 disproportionate amount of their income on utility bills, they  
8 receive a proportionally greater economic benefit from solar  
9 power.

10 • **Environmental Justice.** Low-income communities bear the brunt  
11 of pollution and climate change.

12 • **Jobs.** A low-income solar program engages low-income  
13 communities in the emerging solar sector and can provide access to  
14 employment opportunities.

15 • **Widespread Adoption.** A low-income solar program can move  
16 local solar markets beyond the “early adopter” phase and show that  
17 solar is a viable energy solution for all communities.

18 In Washington, the passage of the Clean Energy Transformation Act (CETA) has  
19 enshrined in law the principle that the transition to clean energy must be done in  
20 an equitable manner.<sup>24</sup> The Energy Project’s recommendation is consistent with  
21 the equity goals of CETA and should help Avista meet those goals as well.

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<sup>24</sup> RCW 19.405.010(6), 19.405.040(8).



1 *Electric vehicles*

2 **Q: What does TEP propose regarding electric vehicles?**

3 A: The Energy Project proposes that Avista, working with its Energy Assistance  
4 Advisory Group, establish an electric vehicle project or program dedicated to the  
5 benefit of low-income customers, to be implemented by 2022, in alignment with  
6 its Transportation Electrification Plan and maintain the goal of dedicating 30  
7 percent of transportation electrification funds to the benefit of low-income  
8 customers.

9 **Q: Has a proposal for an Avista electric vehicle project or program for low-**  
10 **income customers been previously addressed?**

11 A: Yes. In Avista's last GRC, the Partial Multiparty Settlement Stipulation included  
12 the following provision:

13 g) Transportation – Avista is currently developing its Electric Vehicle  
14 Supply Equipment (EVSE) plan, consistent with new legislation. Avista  
15 will work with the EVSE working group to finalize such a filing. Avista  
16 is supportive of a 30 percent goal of program funding to be dedicated to  
17 low-income transportation electrification on an aspirational basis, and will  
18 consider transportation electrification impacts in demand responses pilots  
19 and integrated resource planning.<sup>25</sup>

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<sup>25</sup> *Avista 2019 GRC*, Order 09, Appendix A, Multiparty Partial Settlement Stipulation, at 11, ¶ 14(g).

1 **Q: What developments have taken place regarding EVSE and low-income**  
2 **electric vehicles since this agreement?**

3 A: As mentioned in the testimony of Avista witness Kelly Magalsky, Avista filed a  
4 Transportation Electrification (TE) Plan with the Commission on July 1, 2020.<sup>26</sup>  
5 The TE plan addressed, among other things, community and low-income support,  
6 and reaffirmed the “budget target” of directing 30 percent of its TE budget to  
7 community and low-income EV. The TE plan identifies several general  
8 collaborative efforts Avista expects to undertake, as well as some specific  
9 projects.<sup>27</sup>

10 **Q: Given that Avista already has a TE plan on file with the Commission, why is**  
11 **there a need to address it in this GRC?**

12 A: The Energy Project appreciates Avista’s prior work under the EVSE pilot<sup>28</sup> and its  
13 intent to address low-income issues under the TE plan. However, it would be  
14 helpful to have some more specificity around plans in this area. Much of the plan  
15 is aspirational and general in nature. The Energy Project’s recommendation  
16 establishes a deadline for at least one initial project to be completed and is hopeful  
17 that Avista would be amenable to this target.

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<sup>26</sup> Direct Testimony of Kelly E. Magalsky, Exh. KEM-1T at 33:17-28.

<sup>27</sup> Docket UE-200607, Avista Transportation Electrification Plan, July 1, 2020, pp. 58-60. The plan was acknowledged by the Commission on October 15, 2020.

<sup>28</sup> Magalsky, Exh. KEM-1T at 29:22-30:9; Exh. KEM-3, Avista Corp. Electric Vehicle Supply Equipment Pilot Final Report, pp. 22-23 (exhibit pages 25-26).

1                   **VII. THE ENERGY PROJECT’S GENERAL RESPONSE**  
2                                   **TO AVISTA’S RATE REQUEST**

3    **ROE**

4    **Q:    Does TEP have a concern about Avista’s request for an increase in its return**  
5           **on equity?**

6    A:    Yes. Part of the rate increase which Avista is seeking to impose on its residential  
7           and low-income customers in this case is based on a requested increase in the  
8           shareholder profit margin (return on equity (ROE)) from the currently authorized  
9           9.4 percent to 9.9 percent. The Energy Project does not support this request for at  
10          least two reasons. In the current economic environment resulting from the  
11          COVID-19 pandemic, when so many customers are finding it difficult to even  
12          meet basic daily living expenses for food, rent, and utility costs, increasing  
13          customers’ monthly costs for an essential service in order to provide a more  
14          generous return to shareholders is not fair or just.

15                 Second, while TEP has not performed its own cost of capital analysis in  
16                 this case, the recent ROE environment in Washington for investor-owned utilities  
17                 has been stable around 9.4 percent, Avista’s existing ROE level. Recent GRC  
18                 orders have resulted in ROEs either remaining the same or declining. In Puget  
19                 Sound Energy’s (PSE’s) 2019 GRC, the most recent litigated cost of capital  
20                 decision, the Commission reduced that company’s ROE from 9.5 percent to 9.4  
21                 percent. The Commission found the range of reasonableness in that case to be

1 between 8.9 percent and 9.5 percent and declined to go to the midpoint of the  
2 range – 9.2 percent—only out of a concern for gradualism.<sup>29</sup>

3 In 2020, the Commission approved an agreed reduction of Avista’s ROE  
4 from 9.5 to 9.4 percent,<sup>30</sup> and a 9.4 percent ROE for Cascade Natural Gas, also  
5 based on a settlement agreement.<sup>31</sup> In December 2020, the Commission approved  
6 a multiyear rate plan settlement for PacifiCorp which left in place the company’s  
7 existing ROE of 9.5 percent.<sup>32</sup> A 9.4 percent ROE was approved for Northwest  
8 Natural Gas in 2019, based on a settlement agreement.<sup>33</sup> Northwest Natural’s  
9 currently pending GRC requested to maintain the 9.4 percent ROE level.<sup>34</sup>

10 **AMI**

11 **Q: Does TEP have concerns about including AMI costs in rates in this case?**

12 A: Yes. The Energy Project does not oppose the “recovery of” the costs of  
13 Automated Meter Infrastructure (AMI) in this case. I do have a concern about  
14 whether it is appropriate to allow Avista “recovery on” its AMI costs in this GRC.  
15 In PSE’s 2019 GRC, the Commission allowed PSE “recovery of” its AMI costs,  
16 but declined to approve “recovery on” those costs because the benefits of AMI  
17 had not yet been established by the company. In that docket, the Commission

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<sup>29</sup> *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Dockets UE 190529/UG-190530 *et al.*, Order 08, (PSE 2019 GRC), ¶¶ 105-108.

<sup>30</sup> Avista 2019 GRC, Order 09, ¶¶ 34-38.

<sup>31</sup> *Washington Utilities & Transportation Commission v. Cascade Natural Gas*, Docket UG-190210, Order 05.

<sup>32</sup> *Washington Utilities & Transportation Commission v. PacifiCorp*, Docket UE-191024 *et al.*, Order 09, ¶¶ 50-57.

<sup>33</sup> *Washington Utilities & Transportation Commission v. Northwest Natural Gas*, Docket UG- 181053, Order 06.

<sup>34</sup> *Washington Utilities & Transportation Commission v. Northwest Natural Gas*, Docket UG-200994, Direct Testimony of David H. Anderson, Exh. DHA-1T at 19:13.

1 shared Public Counsel’s concern that “PSE has not yet satisfactorily demonstrated  
2 the benefits of the AMI system as a whole” and “[a]s such PSE has not yet made a  
3 showing that would justify authorizing the Company to recover a *return on any*  
4 portion of its AMI investments made thus far.<sup>35</sup> Similarly in the case of Avista,  
5 given the recency of the deployment of AMI, it seems premature to conclude that  
6 the benefits are proven sufficiently so as to allow earning a return. Many of the  
7 benefit calculations, while refined from prior cases, are based on estimates of  
8 future benefits based on Net Present Value.

9 The six “use cases” which the Commission identified in the PSE case as  
10 important for showing the benefit of AMI are not all fully in place for Avista at  
11 this time. One of the largest of these – demand response/time of use rates—is  
12 “not currently cost-effective” for Avista, according to its own testimony, and even  
13 pilots for such pricing are uncertain.<sup>36</sup> Avista “will begin the process of  
14 examining the potential need for future pricing pilots” only “upon full completion  
15 of the Company’s AMI metering infrastructure deployment, and the sufficient  
16 collection of data for which it could evaluate possible pricing structures.”<sup>37</sup>

17 The Commission should rigorously review the evidence submitted by all  
18 parties in this record to determine if the Company has carried its burden to prove  
19 that AMI benefits exceed costs and that the benefits have been maximized. Until  
20 persuasive evidence shows that to be the case, customers should not be asked to  
21 pay Avista shareholders a profit margin on the AMI investment. Overall, at this

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<sup>35</sup> *PSE 2019 GRC*, Order 08, ¶¶ 155-156.

<sup>36</sup> Avista Utilities AMI Project Report (October 2020 Update), Exh. JDD-2, p. 10, n.9.

<sup>37</sup> Avista Response to Staff Data Request No. 80.

1 stage, many of the asserted benefits are largely based on projections. The  
2 Company testimony acknowledges that benefits are not yet maximized and may  
3 be larger “perhaps in ways not yet imagined.”<sup>38</sup> It also possible that they may be  
4 smaller than expected. The Energy Project will review the analyses of the AMI  
5 request in testimony by other parties and may adopt or support other party  
6 positions on this issue.

7 ***Rate Spread/Rate Design***

8 **Q: Does TEP have a response to Avista’s rate spread and rate design proposals**  
9 **in this case?**

10 A: Yes. The Energy Project generally supports Avista’s rate spread proposals for its  
11 requested electric and natural gas rate increases, as generally discussed in the  
12 testimony of Joseph Miller. The Energy Project also supports Avista’s rate design  
13 proposals, particular the decision to not increase the residential monthly  
14 basic/customer charges for electric or natural gas service. Avista’s electric  
15 customer charge will remain at \$9.00 per month while the customer charge for  
16 natural gas will remain at \$9.50. Keeping the charges at current levels provides  
17 customers with rate stability, avoids increasing cost-recovery burdens  
18 disproportionately on low-volume users, and avoids creating a disincentive for  
19 conservation.

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<sup>38</sup> Direct Testimony of Heather L. Rosentrater, Exh. HLR-1T at 103:9-11.

1 **Q: Does TEP have any general concerns about Avista’s rate request in this**  
2 **docket?**

3 A: Yes. The impact of the Avista proposed increase is substantial. Residential and  
4 business customers in Avista’s service territory would be asked to provide an  
5 additional nearly \$57 million annually (combined for both services) to the  
6 Company if the rate request is approved in full. Over \$29 million of that amount  
7 would be paid by residential customers. An average electric residential customer  
8 using 1000 kWh per month would see an increase of \$7.75 per month, or \$93.00  
9 per year.<sup>39</sup> An average natural gas customer using 66 therms per month would pay  
10 an additional \$4.46 per month, or \$53.52 per year.<sup>40</sup>

11 While LIRAP increases will to some extent help to mitigate these  
12 increases for some customers, as noted, the majority of Avista low-income  
13 customers do not yet receive energy assistance and will be exposed to the full  
14 impact of any increase allowed. Avista proposes that any increases allowed in  
15 this case would be fully offset by tax effects. While this is a short-term  
16 mitigation, the tax offset will end, and the underlying rate change allowed here  
17 will ultimately be experienced by customers as a delayed increase, perhaps  
18 coinciding with future increases under GRCs or multiyear rate plans. The tax  
19 offset belongs to customers and would be passed back to them in any event, even  
20 absent a pending rate increase request. Avista’s rate request should not “get a  
21 pass” or a less careful review in any manner simply because it is temporarily

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<sup>39</sup> Vermillion, Exh. DPV-1T at 8-9, Tables 2 and 3.

<sup>40</sup> Vermillion, Exh. DPV-1T at 12:8-18.

1 masked by the tax offset. It is important for the Commission to closely scrutinize  
2 the rate request on its own merits and independently of any consideration of tax  
3 offset mitigation.

#### 4 **VIII. CONCLUSION**

5 **Q: Please summarize your recommendations.**

6 A: The Energy Project makes the following recommendations:

- 7 • LIRAP – The Commission should approve an increase to LIRAP funding  
8 using the same formula that was employed in the last GRC settlement, i.e.,  
9 LIRAP would increase by 7 percent, or two times the residential base rate  
10 increase, whichever is greater. This formula would be in effect through the  
11 next GRC.
- 12 • Renewables - Avista, working with its Energy Efficiency Advisory Group,  
13 should establish a Low-Income Renewable Energy project or program  
14 dedicated to the benefit of low-income customers, to be implemented by  
15 2025. Avista would present the project or projects to the Commission for  
16 approval. The costs of the project(s) would be recovered in the same  
17 manner as for other renewable projects.
- 18 • Electric Vehicles - Avista, working with its Energy Assistance Advisory  
19 Group, should establish an electric vehicle project or program dedicated to  
20 the benefit of low-income customers, to be implemented by 2022, in  
21 alignment with its Transportation Electrification Plan, and should maintain  
22 the goal of dedicating 30 percent of transportation electrification funds to  
23 the benefit of low-income customers.



- 1           • Return on Equity – The Commission should not approve an increase in  
2           Avista’s current ROE.
- 3           • AMI – The Commission should not approve recovery on Avista’s AMI  
4           investment in this GRC.
- 5           • Revenue Increase – The Commission should carefully and thoroughly  
6           review Avista’s request for an increase on its own merits, independently and  
7           without regard to the proposed tax offsets.

8   **Q: Does this conclude your testimony?**

9   A: Yes.