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February 5, 2021

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

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UTIL. AND TRANSP.  
COMMISSION

RE: **Avista Utilities Tariff WN U-28, Schedule 92, Low-Income Rate Assistance Program**

Dear Mr. Johnson:

Attached for filing with the Washington Utilities and Transportation Commission (Commission or UTC) is an electronic copy of Avista Corporation's, dba Avista Utilities (Avista or the Company), filing of its proposed revisions to the following tariff sheet, WN U-28.

**Tenth Revision Sheet 92    Canceling    Ninth Revision Sheet 92A**  
**Fifth Revision Sheet 92A    Canceling    Fourth Revision Sheet 92A**  
**Original Sheet 92B**

The primary purpose of this filing is to revise the Company's Schedule 92 "Low-Income Rate Assistance Program" (LIRAP), to incorporate a Percentage of Income Payment Plan (PIPP), Arrearage Management Plan (AMP) and Past Due Payoff (PDP) into its tariff. Additional changes in text have also been made within the tariff for clarification purposes.

## **I.    INTRODUCTION**

Avista's LIRAP, approved by the Commission in 2001, collects funding through electric and natural gas tariff surcharges on Schedules 92 and 192. These funds are distributed by Community Action Agencies (CAAs or "Agencies") in a manner similar to the Federal and State-sponsored Low-Income Home Energy Assistance Program (LIHEAP). LIRAP, like LIHEAP, can

help a qualifying household maintain affordable, dependable utility services and avoid having these utilities shut off during the winter heating season. LIRAP is currently comprised of five components:

- LIRAP Heat: This program mimics LIHEAP in terms of intake requirements and benefit calculation. It is available to customers with incomes at or below 150% Federal Poverty Level (FPL).
- LIRAP Emergency Share: This program emulates the donation-based Project Share community fund that is used to help customers in emergency or hardship situations.
- LIRAP Senior/Disabled Outreach: This is a grant-based program for senior and/or individuals with disability with incomes 151 to 200 percent FPL. This program is set to conclude on September 30, 2021.
- Senior/Disabled Rate Discount: This is a rate discount program designed to help mitigate the impact of energy costs on senior and/or individuals with disability who have variable incomes between 151-200 percent FPL.
- Temporary COVID-19 Hardship Assistance: This is a one-time grant for customers experiencing financial hardship due to the 2020 Coronavirus pandemic. It mimics “emergency” assistance (i.e. LIRAP Emergency Share or Project Share) processes.

## II. BACKGROUND

Order 05 in Dockets UE-140188 and UG-140189 (*Consolidated*) identified four goals to guide the LIRAP program design: (1) keep customers connected to energy service, (2) provide assistance to more customers than are currently served by the program, (3) lower the energy burden of LIRAP participants, and (4) ensure that the program has the appropriate data to assess its effectiveness.<sup>1</sup> With these goals in mind, the Company has worked closely with its Energy Assistance Advisory Group (EAAG or Advisory Group)<sup>2</sup> to continuously monitor and explore

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<sup>1</sup> Dockets UE-140188 and UG-140189 (*Consolidated*), Order 05, ¶ 39 (Nov. 25, 2014).

<sup>2</sup> Established as part of Order 07, Dockets UE-140188 and UG-140189 (*Consolidated*), the Avista Energy Assistance Advisory Group members include representatives from the Company, UTC Staff, Community Action Agencies, The Energy Project and Public Counsel Unit of the Attorney General’s Office (Public Counsel).

ways to improve LIRAP, and in developing the new offerings discussed herein programs, has gained full support of the Advisory Group.

As part of its dedication to these LIRAP objectives, Avista launched a one-year PIPP and AMP pilot program (Pilot) – from October 1, 2018 to September 30, 2019 – in partnership with two of its local Agencies, Spokane Neighborhood Action Partners (SNAP) and Rural Resources.<sup>3</sup> The Pilot was limited to 300 total participants and was funded by the carryover LIRAP funding from the 2016-2017 program year. The lessons learned from the Pilot along with the final report provided by the third-party evaluator, Evergreen Economics, which has been provided as Attachment A to this filing, prompted the Company to explore the feasibility of offering a permanent PIPP and AMP as a potential strategy to prospectively limit the number of customer disconnections in accordance with Avista’s 2021 Disconnection Reduction Plan.<sup>4</sup>

On August 11, 2020, the Company met with its EAAG to discuss the current state of customer disconnection trends, existing approaches for keeping customers connected to energy services, and potential future tactics to mitigate disconnections and address affordability for its customers. At this meeting, the EAAG established a subcommittee tasked with developing specific PIPP and AMP program design elements that would then be presented to the larger group for consideration. On September 28, 2020, the resulting proposal for a permanent PIPP and AMP offering to be established within Avista’s LIRAP was provided to the full Advisory Group and received unanimous support.

### **III. PROPOSED PROGRAMS**

Avista recognizes the need to put long-term solutions in place to ease the energy burden for customers whose income is perpetually not enough to keep up with the rising costs of basic living and essential needs. As the COVID-19 pandemic served to further magnify this need, the Company proposes that as a long-term approach to mitigating the potential for disconnection of vital energy services, an AMP, PIPP and PDP be added as permanent offerings of LIRAP. The

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<sup>3</sup> For the pilot programs, the PIPP was known as the Income-Based Payment Program (IBPP), and the AMP was a Balance Management Arrangement (BMA).

<sup>4</sup> Per provision 14(c) of the Settlement Stipulation approved via Final Order 09 in Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*), the Company is to develop a Disconnection Reduction Plan in collaboration with its EEAG and present the results to the Commission no later than March 25, 2021.

AMP will provide a continued solution for customers who have accumulated arrears in amounts that are not sufficiently addressed by a grant program alone, and the PIPP will address the affordability of energy services for its most vulnerable customers. Additionally, customers enrolled in the PIPP or LIHEAP recipients at comparable income levels can fully maximize their energy assistance benefits with the PDP.

### **1. Arrearage Management Program (AMP)**

Avista proposes an AMP to provide financial relief for low-income customers who have unmanageable past-due balances, or arrears, on their Avista bills. The proposed AMP will be available to customers whose income is at 51 to 200% FPL and will provide a benefit that covers 90% of the customer's arrears as an incentive for regular, on-time payments from the time of enrollment. This option will be offered to customers in instances where energy and emergency assistance have already been utilized yet the customer still needs assistance with their unpaid arrears.

The Company will operate the AMP in the same manner in which the Pilot was implemented, with partner CAAs income-qualifying customers and the Company then enrolling eligible customers. Upon enrollment, the 10% of the arrears the customer is responsible for will be spread out over a 12-month period. For each on-time payment the customer makes on their portion of the arrears and their current bill, 1/12<sup>th</sup> of their arrears will be forgiven. The following is an example of how the AMP customer benefit is applied:

#### ***Sample AMP Customer Benefit:***

A customer has \$500 arrears when enrolled. Under the AMP, the arrears would be divided into two parts: (1) 10% of the balance (customer responsibility), and (2) 90% of the balance (LIRAP incentive). The following is an example of the amount to be billed to the AMP customer on a monthly basis:

10% of \$500= \$50/12 months = **\$4.17/month** (to be paid by the customer)

90% of \$500= \$450/12 months = **\$37.50/month** (to be paid by the LIRAP)

If the customer makes the \$4.17 payment to cover the 10% (in addition to their current monthly bill), they will receive a credit of \$37.50 on their bill. At the end of the 12 months, if the customer has made regular on-time payments as requested, they will have paid the full \$50 to cover their 10%, and as an incentive for this Avista will have covered the remaining \$450 (90%).

The AMP will be available to a customer twice every seven (7) years during the history of an account, with a maximum benefit of \$2,500 to be provided during this timeframe. Customers enrolled in the AMP will be terminated from the program after two (2) consecutive missed payments but will have the opportunity to re-enroll during the next program year if they have resolved their previous arrearage balance. On rare occasions, an Agency may offer a customer a third chance to enroll in the AMP during the 7-year period based on their discretion.

The AMP will assist these income-qualified customers that have amounts owed in arrears by reducing the amounts owed over-time and rewarding regular payment behavior. As the customer maintains consistent and on-time payments over a 12-month period, their past-due balance will be credited back on a monthly basis until their balance owed reaches zero. The intent is to incentivize customers to practice regular payment behavior, to reduce the burden that an arrearage places on a customer, to improve a customer's ability to pay current and future utility bills, to reduce Company program expenses associated with disconnections and reconnections, and lastly, to reduce the amount of bad debt that the Company may face as a result of non-payment.

## **2. Percentage of Income Payment Plan (PIPP)**

Avista proposes to make a PIPP available to residential customers with income levels at zero (0) to 50% FPL. These customers are considered to be those in the lowest income bracket for whom general energy assistance does not fully alleviate energy burden. Like in the Pilot, the PIPP is intended to provide an affordable bill for qualifying customers by applying a percentage discount to their bills, with the resultant amount due not exceeding 6% of their estimated annual income. The Company has found that a percentage discount can be effectively and efficiently implemented within Avista's current systems and processes, while still maintaining a conservation trigger for its customers. However, unlike the electric-only Pilot, the PIPP offering will be made available to Avista's electric, natural gas, and dual-fuel residential customers. Customers that receive both electric and natural gas services from Avista will receive a percentage discount on both services to reach the intended 6% energy burden result.

When applying for energy assistance through Avista's partner CAAs, the customer will have the option to elect a benefit via LIHEAP or LIRAP Heat, or they can choose to enroll in the PIPP. The intention is for a customer to only utilize one such benefit per year, as the PIPP should

not be combined with additional energy assistance from LIHEAP or LIRAP Heat. If the customer receives a LIHEAP benefit, they cannot apply for the LIRAP PIPP until the next program year. However, if a customer that has already enrolled in the PIPP decides to cancel their PIPP benefit, the Agencies would be obligated to allow the customer to receive a LIHEAP benefit instead. The Agencies will monitor the program for such repeat activity, and in situations where an Agency identifies a high probability that a customer is misusing the programs by enrolling in the PIPP for a portion of the program year, then leaving the PIPP to receive a LIHEAP benefit during the same program year, the Agency will then notify the customer that they are no longer eligible for the PIPP.

Based on learnings from the Pilot, the PIPP will include several updated design elements. First, once enrolled in in the PIPP, any outstanding past due balances on the customer's account may be forgiven as described in the Past Due Payoff offering described below. Further, the customer will also be automatically qualified to receive the PIPP benefit for a two-year term. Eliminating the annual application requirements for the program provides a reduced burden on the customer and alleviates excess administrative work for the Agencies. Additionally, while the Pilot terminated PIPP participants from the program for missed payments, the Company proposes that for its permanent PIPP offering, customers that become past due will instead remain on the program but will move into the typical collections process. This approach will maintain the customer's 6% energy burden per bill, thereby keeping the monthly bills at a more manageable level with the intent that the customer is more likely to be able to resolve the balance owing and avoid interruption of services. Lastly, from its Pilot experience, Avista found that a program intended to reduce the energy burden of customers to 6% of income in situations when the customer has no declarable income was not comprehensively serving the targeted 0 to 50% FPL population. As a solution, the program guidelines provide a 94% discount benefit to zero income customers that enroll in the PIPP.

To allow for collaborative implementation with partner Agencies, and to align with the beginning of the upcoming 2021-2022 program year, the PIPP will begin being offered on October 1, 2021.

### **3. Past Due Payoff (PDP)**

To be provided as complimentary to the PIPP, or to LIHEAP or LIRAP Heat recipients with income levels at zero (0) to 50% FPL, the PDP is a forgiveness grant intended to cover a customer’s full unpaid, past-due balance. This benefit, not to exceed \$2,500, can only be used one time during a customer’s account history, and is intended to give customers a “fresh start” on their bills. By eliminating the customer’s existing arrearage with a PDP, the customer can then enroll in the PIPP or opt for LIHEAP or LIRAP heat benefits and truly accomplish the goal of having a more affordable bill that reaches 6% energy burden moving forward. As a rare exception, each Agency has the discretion to award the PDP twice during a customer’s account history in instances of extraordinary circumstances such as a medical emergency or prolonged unemployment. The Agency may elect to confer with CARES regarding the account history in making the determination for the exception. The PDP will begin being offered on October 1, 2021.

### **IV. PROGRAM FUNDING**

Initial funding for the April 1, 2021 implementation of the AMP will be provided by existing LIRAP funding levels, with no rate changes requested in this filing. Looking to the future, the Company plans to utilize its existing LIRAP budget, carryover funding from each program year, as well as standing annual LIRAP increases, to compensate for any potential increases resulting from the incorporation of the AMP, PIPP, and PDP.<sup>5</sup> The table below illustrates the year-over-year trend of LIRAP funding carrying over into the subsequent program years:

<b>Program Year</b>	<b>Carryover Funding</b>
2016-2017	\$581,687
2017-2018	\$217,578*
2018-2019	\$737,418
2019-2020	\$626,523

\* Lower than typical carryover for 2017-2018 is a result of the 2018-2019 PIPP/AMP Pilots, which utilized the \$581,687 carryover from 2016-2017.

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<sup>5</sup> Final Order 09 in Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*) extended the 5-year plan from Order No. 05 in Docket UE-150204 et. al., which requires that the Company annually increase its LIRAP by the greater of 7 percent of the current budget or twice the residential base rate increase.

At the end of the 2019-2020 program year, Avista's LIRAP had \$626,523 in carryover funds to provide to the Agencies. This carryover, coupled with the approximately \$721,103 increase to the 2020-2021 budget,<sup>6</sup> resulted in a total beginning Direct Services balance of roughly \$10.4 million for the October 2020-September 2021 program year.

With the implementation of the AMP set for April 2021, Avista's heating season will have ended and, with it, one of the primary drivers for energy assistance. At that time, the full potential cost impacts can be more fully realized as the Company will be able to better estimate the remaining program year's budget capacity to support the AMP. Avista will continue to monitor LIRAP spending throughout the program year and provide regular updates to its Advisory Group regarding funding availability. Additionally, to address budget control for the AMP, the Advisory Group will monitor the program and may consider, at a later date, alternative options such as instituting a cap on the number of customers to be enrolled each program year, setting benefit amounts based on income tiers, or otherwise adjusting the \$2,500 maximum benefit amount.

It should also be noted that the Company expects the implementation of the PIPP to have minimal impact to the overall LIRAP budget, since the PIPP is in lieu of – rather than in addition to – customers' receipt of benefits via LIHEAP or LIRAP Heat. Therefore, customers that have historically opted for LIRAP Heat assistance may instead choose to enroll in the PIPP, and while the exact benefit amounts will be variable, the cost differences are anticipated to be nominal.

## **V. LIRAP AND COVID-19 DEBT RELIEF PROGRAM INTERACTION**

As Avista strives to continuously deliver energy assistance programs that best serve the needs of its most vulnerable customers, ensuring that these programs are designed to be in alignment with, or complimentary to, existing or future offerings is an essential consideration. With this in mind, Avista collaborated with its Advisory Group to design its COVID-19 Debt Relief Program (Debt Relief Program), as required per Order 01 in Docket UE-200281. The resulting Debt Relief Program is intended to provide arrearage forgiveness to customers facing hardship due to COVID-19 in a way that not only supports the Company's existing energy assistance offerings but is also synchronized with the implementation of the PIPP, AMP, and PDP.

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<sup>6</sup> See Dockets UE-200706 and UG-200707 for Avista's annual LIRAP rate adjustment pursuant to Final Order 09 in Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*).



Avista anticipates to file for approval of its COVID-19 Debt Relief Program on February 19, 2021, with a proposed effective date of April 1, 2021, to be implemented concurrently with the proposed AMP. To ensure the most comprehensive assistance is achieved for each customer, Agencies will provide bill assistance to qualifying customers through the Debt Relief Program first, prior to the application of additional benefits through LIHEAP or LIRAP. Receiving benefits through the COVID-19 Debt Relief Program does not preclude a customer from receiving the maximum amount of benefits available under LIRAP. This design provides that if the customer's financial hardship is resolved after receipt of Debt Relief Program funding, the option to pursue additional energy assistance at a later date is still preserved. For those that are not fully served through the Debt Relief Program, additional assistance can be provided, including the AMP and, subsequently, the PIPP and PDP.

## **VI. CONCLUSION**

In conclusion, the Company believes that the incorporation of the AMP, PIPP and PDP into its existing offerings will result in the availability of a variety of programs within LIRAP to address the diversity of need among the Company's low-income customer population and those experiencing hardship. The proposed programs provide a benefit offering to low-income customers to address the issue of affordability that many customers struggle with. Through the implementation of both of these programs, the Company expects to lower the energy burden of LIRAP participants, keep customers connected to energy service, and provide assistance to a wider range of underserved customers with limited incomes. From the Company's previous Pilot experience, Avista stands ready to collaborate with its CAAs for the delivery of these programs and recognizes that continuous expansion of LIRAP's subprograms provides a complete toolbox for the partner Agencies to be able to adequately serve those seeking assistance in paying their utility bill. Avista appreciates the hard work and support of its Advisory Group in an effort to uphold the established goals of LIRAP.

The Company requests the tariff changes to implement the AMP and PIPP, as outlined in Schedule 92, become effective April 1, 2021. Please direct any questions regarding this filing to Ana Matthews at (509) 495-7979 or Jaime Majure at (509) 495-7839.

Sincerely,

*/s/ Shawn Bonfield*

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Enclosure