

Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



Corp.

August 19, 2005

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 filing with the Commission are an original and nineteen copies of Avista Utilities' Low-Income Rate Assistance Program (LIRAP) Annual Report for the period May, 2004 through April, 2005. This is the Company's Fourth LIRAP Annual Report and is filed pursuant to authorizations in Docket Nos. UE-010436 and UG-010437.

Please contact me at (509) 495-8706 regarding any related matters.

Sincerely,

A handwritten signature in black ink that reads "Bruce Folsom". The signature is written in a cursive, flowing style.

Bruce Folsom
Manager, Regulatory Compliance

Enc.



Low-Income Rate Assistance Program (LIRAP)

Fourth Annual Report

For the period May 2004 through April 2005

Submitted August 19, 2005

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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 fourth program year, from May 1, 2004 through April 30, 2005.

Over 7,737 electric and natural gas customers in the Avista's Washington service territory received 8,592 grants averaging \$334. Approximately \$1,808,511 of new revenue was collected during the third program year through a surcharge of approximately 0.6% to Schedule 91 (electric) and \$1,231,160 was collected through a surcharge of 0.79% Schedule 191 (natural gas) for a total of \$3,039,672.² Of this amount, \$2,307,621 was provided to the six Community Action Agencies (CAAs) in the Company's Washington service territory for disbursement to qualifying customers and \$172,750 was made available for conservation education funding. The remaining funds were dedicated to agency administration and program support (with the exception of Avista's Conservation Education Outreach).

In the fourth program year, 79% of LIRAP participants had household average incomes less than \$15,000. Approximately 41.55% of the grant recipients had annual household incomes less than \$8,000. Over 75% of the LIRAP participants had households of two or more people. Customers renting their residences constituted 68% of the total.

This program year saw the energy burden reduced by approximately 57% for customers at or below 100% of the federal poverty level (FPL); the energy cost burden was reduced by 48% for LIRAP participants between 100% to 125% of the FPL.

The Company met on two occasions with its LIRAP External Energy Efficiency Board (Triple E), to review program implementation.³ This Report is intended to be responsive to several areas identified for evaluation as part of the WUTC's authorization of this program.

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

² \$3,039,672 is the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period. \$122,640 of that was applied to Avista's Conservation Education component.

³ 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.

2.0 Outreach Process

2.1 Summary of Process

Households contacting CAAs for help on their utility bills comprise the primary pool of potential participants. Avista's Customer Assistance Referral and Evaluation Service (CARES) representatives refer customers in need to the CAAs. 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) similar to LIHEAP, the eligibility determination is the same as LIHEAP. 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 calculated using the Office of Community Development (OCD) mechanism. The benefits of using this mechanism include leveraging systems and staff knowledge already in place at CAAs 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, 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” and furnace repair and filter replacement.

3.0 Program Results, 12-Months Ending April 2005

3.1 Participants and Fund Distribution

Avista Utilities' Low-Income Rate Assistance Program provided 8,592 grants in the current program year. The grants averaged \$334 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 1			Program Year 2		
	# of Grants	Grant Amount	Avg. Grant Amt.	# of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Base	5,808	\$ 964,896	\$ 166.14	7,167	\$ 739,713	\$ 103.21
LIRAP Heat	1,034	\$ 497,664	\$ 481.30	1,532	\$ 733,383	\$ 478.71
LIRAP Project Share	1,310	\$ 229,405	\$ 175.12	1,585	\$ 327,658	\$ 206.72
Senior Outreach	416	\$ 82,899	\$ 199.28	580	\$ 114,814	\$ 197.96
Total	8,568	\$ 1,774,864	\$ 207.15	10,864	\$ 1,915,569	\$ 176.32

Program Component	Program Year 3			Program Year 4		
	# of Grants ⁴	Grant Amount	Avg. Grant Amt.	# of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Base	1,203	\$ 119,493	\$ 99.33	0	\$ -	\$ - ⁵
LIRAP Heat	3,018	\$ 1,367,175	\$ 453.01	5,169	\$ 2,178,422	\$ 421.44
LIRAP Project Share	1,304	\$ 309,826	\$ 237.60	1,884	\$ 384,244	\$ 203.95
Senior Outreach	1,248	\$ 248,543	\$ 199.15	1,539	\$ 304,600	\$ 197.92
Total	6,773	\$ 2,045,037	\$ 301.94	8,592	\$ 2,867,266	\$ 333.71

Table 1. Prepared by Debbie Deubel and Jeanne Pluth / Avista Utilities

⁴ The decrease in the number of grants and the increase in the average grant amount during Program Year 3 reflects the change in the Base Grant Program. Nearly two times the number of customers received Heat Grants during Program Year 3.

⁵ The Base Grant Program was discontinued during Program Year 3.

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. Customers who received a grant for LIRAP Base and LIRAP Heat on the same day are not counted as repeat applicants. CAAs served repeat customers according to LIHEAP/LIRAP guidelines, specifically income qualifications and demonstrated need.

Table 2 – Number of Customers Receiving Multiple Grants				
	Program Year 1	Program Year 2	Program Year 3	Program Year 4
Number of Customers that received multiple grants during program year	334	724	607	1463
Number of Customers that received LIRAP grants during current program year and previous program year		2950	1772	1907
Total Amount of Grant	\$141,406	\$374,439.00	\$358,909.00	\$465,254
Average per customer	\$423.00	\$517.00	\$591.00	\$318.00

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

Own	2,811	36.65%	36.65%	2,599	30.78%	30.78%
Rent	4,858	63.35%	100.00%	5,846	69.22%	100.00%
Total	7,669			8,445		
Electric	5,210	62.58%	62.58%	4,310	50.89%	50.89%
Natural Gas	2,776	33.35%	95.93%	3,661	43.23%	94.12%
Other	339	4.07%	100.00%	498	5.88%	100.00%
Total	8,325			8,469		
1 Person	2,496	29.97%	29.97%	2,537	29.84%	29.84%
2 People	1,897	22.78%	52.75%	1,975	23.23%	53.06%
3 People	1,455	17.47%	70.22%	1,514	17.81%	70.87%
4+ People	2,479	29.77%	99.99%	2,477	29.13%	100.00%
Total	8,327			8,503		
Under \$2000	537	6.48%	6.48%	538	6.48%	6.48%
\$2000-\$3999	633	7.64%	14.12%	352	4.24%	10.72%
\$4000-\$5999	1,042	12.58%	26.70%	850	10.24%	20.96%
\$6000-\$7999	1,860	22.45%	49.15%	1,847	22.25%	43.22%
\$8000-\$9999	1,170	14.12%	63.27%	1,109	13.36%	56.58%
\$10000-\$11999	864	10.43%	73.70%	1,061	12.78%	69.36%
\$12000-\$14999	952	11.49%	85.19%	1,053	12.69%	82.05%
Over \$15000	1,226	14.80%	99.99%	1,490	17.95%	100.00%
Total	8,284			8,300		

Table 3 Demographic Data Continued:

Own	2,175	32.74%	32.74%	2,694	31.90%	31.90%
Rent	4,468	67.26%	100.00%	5,751	68.10%	100.00%
Total	6,643			8,445		
Electric	3,471	52.32%	52.32%	4,774	56.55%	56.55%
Natural Gas	3,116	46.97%	99.29%	3,668	43.45%	100.00%
Other	47	0.71%	100.00%	-	0.00%	100.00%
Total	6,634			8,442		
1 Person	2,176	32.77%	32.77%	2,969	35.14%	35.14%
2 People	1,575	23.72%	56.48%	2,039	24.13%	59.27%
3 People	1,086	16.35%	72.84%	1,382	16.36%	75.63%
4+ People	1,804	27.16%	100.00%	2,059	24.37%	100.00%
Total	6,641			8,449		
Under \$2000	412	6.29%	6.29%	637	7.55%	7.55%
\$2000-\$3999	292	4.46%	10.74%	301	3.57%	11.11%
\$4000-\$5999	603	9.20%	19.95%	740	8.77%	19.88%
\$6000-\$7999	1,274	19.44%	39.39%	1,830	21.68%	41.55%
\$8000-\$9999	740	11.29%	50.68%	999	11.83%	53.39%
\$10000-\$11999	977	14.91%	65.59%	1,126	13.34%	66.73%
\$12000-\$14999	911	13.90%	79.49%	1,098	13.01%	79.73%
Over \$15000	1,344	20.51%	100.00%	1,711	20.27%	100.00%
Total	6,553			8,442		

* The top part of the table is funding that has been committed to customers

* The bottom part of the table is funding that was actually paid to customers – this explains why these two amounts can be different

* Number of households in Annual Income section may be different that on Number of household side because a single household may have received more than one type of grant

* Number of customers that applied but were denied cannot be done accurately. Every agency records this number differently, or not at all.

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” shows 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 57% for customers at or below 100% of the FPL. The energy burden was reduced by 48% for LIRAP participants between 100% to 125% of the FPL.

Table 4 was calculated as follows. A total of 7,449 Avista households were served with some type of energy assistance, either LIHEAP or LIRAP. An additional 198 households were discarded because annual income was 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 cost was 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						
		Before Benefits	EAP or Avista	Plus Base and Fema	Plus Base and PS	Plus Base and Senior	Plus Base and Avista Emer	All Benefits
%Pov								
0-50%FPL	n							
	966 Elec	19.8%	9.3%	9.3 %	8.8%	9.2%	8.8%	8.2%
	809 Gas	21.8%	8.7%	8.7%	8.4%	8.7%	8.0%	7.6%
	1775 All	20.7%	9.0%	9.0%	8.6%	9.0%	8.4%	8.0%
51-100%FPL	n							
	2109 Elec	7.8%	4.1%	4.1%	3.9%	3.9%	3.9%	3.6%
	2142 Gas	8.8%	3.9%	3.9%	3.9%	3.8%	3.8%	3.5%
	4251 All	8.3%	4.0%	4.0%	3.9%	3.8%	3.9%	3.6%
100-125%FPL	n							
	583 Elec	5.3%	3.3%	3.3%	3.2%	3.2%	3.2%	3.0%
	840 Gas	6.0%	3.2%	3.2%	3.2%	3.1%	3.1%	2.9%
	1423 All	5.7%	3.3%	3.3%	3.2%	3.1%	3.2%	3.0%

3.3 Other

3.3.1 Gas Tariff Accounting

In September, 2003, when the Washington gas DSM was increased from 0.50% to 0.96% with a sunset at the close of 2005, two Schedule 191 rates (by schedule) were entered into the revised Schedule 191. As a consequence Avista over-collected natural gas LIRAP by \$613,314. In an effort to resolve this issue in a way that is consistent with commitments Avista has to its stakeholders, as well as to not adversely impact the LIRAP agencies' budgets or limited income customers, this issue was addressed in the following manner:

- The over-collected funds were allocated back to the same customer base without a change in retail rates by transferring the funds to Washington gas DSM.
 - The increased balance would result in a commensurately lower (dollar for dollar) reduction of future Schedule 191 DSM requirements.
- \$213,000 was transferred from LIRAP natural gas Conservation Education funds to Washington gas DSM.
 - The Fifth Program Year natural gas Conservation Education Funding will be less due to this adjustment.
 - The electric Conservation Education Funding is unaffected.
- A \$400,000 transfer of shareholder funds, derived from state income tax rebates, to the Washington natural gas DSM tariff rider balance.

3.3.2 Unspent Funding

The Company reported concern to the agencies regarding unspent funding at the end of Program Year Three. Historically, permitting LIRAP funding to rollover to the following year has proven to be a value to all participants of the program. This policy allowed the LIRAP agencies to spend out 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. LIHEAP funding does not commit to funding amounts until the end of December, and sometimes as late as March.

The Participating LIRAP agencies and Avista discussed the following questions:

- Does program delivery need to be examined?
- What is an acceptable amount of funding to carry over to the next year?

Thereafter, changes made to program delivery resulted in a lowering of the unspent balances. The hiring of additional staff, offering Energy Assistance appointments in October, and adding additional telephone lines had an impact on the amount of grant funding used. It was also determined that 15% - 20% was an acceptable range for any carry over funding. The year ended at 13% of unspent funding.

4.0 Key Events in LIRAP Implementation

4.1 Advisory Meetings

The LIRAP agencies and Avista continue to meet quarterly. This has proven to be important, especially when new members join the team. This past year has seen staff changes both at Avista and the LIRAP agencies. Valuable discussion occurs during the meetings that often result in the 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

Beginning with the August, 2005 data reports, the LIRAP agencies will submit Administration and Program Delivery reports as well. The report was designed to account for fees paid to the agencies for administrative and overhead expenses regarding LIRAP. The decision to require this report monthly instead of quarterly was decided at the agency level. The agencies currently report monthly for other programs.

4.3 Furnace Filter Replacement Program

A program designed to assist Limited Income Seniors with furnace filter replacements was implemented last fall. Furnace Filter Replacement packets were designed and distributed to the LIRAP agencies and Avista CARES. These packets provided furnace filter changing reminders and coupons good for the purchase of the filters. A "How To" tip sheet was also provided. The results were disappointing, but not discouraging. Ecos Consulting reported that 110 Furnace Filter coupons were redeemed. Identifying hardware stores willing to participate in each county as well as communicating processes to those same businesses proved to be more challenging than anticipated. Once we overcame the initial hurdles, the program became more popular. Sixty three percent of the total furnace filters were purchased during the last two months of the program. The LIRAP agencies and Avista CARES felt the program was a benefit to our customers and encouraged the Company to continue the program during the next heating season. At the 2005 Second Quarter LIRAP meeting, the agencies offered suggestions for program improvement. It is the Company's intention to offer this program again.

4.4 Energy Conservation Television Spots

Avista Utilities, in partnership with BELO Television (the parent company of their local affiliates KREM, KSKN 22, NW Cable News) produced the first of two half hour "Power to Conserve" programs. The first program covered low cost and no cost ways to save energy at home, and maintain comfort during winter. The second program followed the same format but featured summer tips for saving energy and staying comfortable. The goal of both programs was to help Limited Income Seniors and other vulnerable populations with their energy bills by providing home energy conservation education.

5.0 Future Issues

5.1 Energy Conservation Television Spots

For the second year, Avista Utilities, in partnership with BELO Television will produce "The Power to Conserve" half hour program continuing the Company's goal to educate limited income seniors and other vulnerable citizens about home energy conservation. The Company will 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.

The Company produced two earlier programs under the same title. The first was on winter (or heating) conservation; the second, on summer conservation. This third episode will be targeted to renters. We also plan to produce a 15-minute companion segment that will be targeted to 17 - 23 year olds who are renting for the first time. This companion segment will be distributed via video/DVD to area high schools and libraries.

5.2 Summer Energy Pilot Program

Spokane Neighborhood Action Programs in partnership with Avista CARES have 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 will be advised that they are not 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. The 150 households selected will be those who live in subsidized housing. These customers will be offered support in the form of training and resources. Two workshops will be available, Conservation Education and Household Budgeting. The Conservation Education workshop will include hands-on training, weatherization materials and refrigerator replacement if appropriate. Avista CARES Representatives will make payment arrangements with each household. As an incentive, once the participating households make three monthly payments, they will be given a LIRAP Heating Assistance appointment. The LIRAP Heat grant should help the customers afford winter heating costs without accessing the emergency assistance programs.

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)
- Klickitat/Skamania Development Council
- Rural Resources Community Action.

7.0 Contacts

For further information, please contact:

- Christine M. McCabe, LIRAP Manager

509.495.7979

chris.mccabe@avistacorp.com

Avista Utilities

1411 E. Mission, MSC-68

P.O. Box 3727

Spokane, WA 99220-3727

- Bruce Folsom, Regulatory Compliance Manager

509.495.8706

bruce.folsom@avistacorp.com

Avista Utilities

1411 E. Mission, MSC-29

P.O. Box 3727

Spokane, WA 99220-3727