



Low-Income Rate Assistance Program (LIRAP)

Annual Summary Report

For the program period May 2010 through April 2011

WASHINGTON

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Overview

Avista Utilities' Low-Income Rate Assistance Program (LIRAP) approved by the Washington Utilities and Transportation Commission (UTC) in 2001 collects funding through electric and natural gas tariff surcharges on Schedules 91 and 191. 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). The purpose of LIRAP is to reduce the energy cost burden among those customers least able to pay energy bills.

Avista is committed to reducing the burden of energy costs for our customers most affected by rising energy prices, including low income individuals and families, seniors, disabled and vulnerable customers. To assist our customers' in their ability to pay, the Company focuses on actions and programs in four primary areas: 1) advocacy for and support of energy assistance programs providing direct financial assistance; 2) low income and senior outreach programs; 3) energy efficiency and energy conservation education; and 4) support of community programs that increase customers' ability to pay basic costs of living.

Report Introduction

We have a history of making it a priority within our Company to maintain meaningful programs to assist our customers that are least able to pay their energy bills. Avista, along with the low income and senior/vulnerable advocates, has long sought to understand the reach and effectiveness of energy assistance and energy efficiency programs. The challenge continues to be how to estimate with more certainty the level of need which could provide information for the purpose of assessing program size and design. Having more definitive data on the type of unmet need could also inform policy discussions

related to programs that serve to provide direct grant assistance or programs that reduce energy use such as energy efficiency or energy conservation education. With this in mind, and as noted and reported in our last annual report, the Company commissioned a study in 2009, by the Institute for Public Policy and Economic Analysis through Eastern Washington University. As a reminder, the purpose of the study was “Assessing Heating Assistance Programs in Spokane County.”¹ As noted in that report, the study examined “the recent experience of the two largest heating assistance programs in Spokane County: the federal Low Income Home Energy Assistance Program (LIHEAP) and the Avista Utilities-funded Low Income Rate Assistance Program (LIRAP). The study’s central goal was to assess the reach of these programs among the eligible population.”²

The study had the following key findings:

1. The average heating burden (heating costs divided by total household income) for a household in the US is 1.3%.³
2. The average heating burden for households in Spokane County is 1.4%, very close to the US average.⁴
3. The average gross heating burden for low-income customers (defined as those customers assisted by Spokane Neighborhood Action Programs, (SNAP), which uses the 125% of the federal poverty guideline) is 6.1%.⁵
4. The average net heating burden for low-income customers is 1.4% (net being defined as heating costs less energy grants, divided by total income).⁶
5. In 2009, the report shows that 30% of eligible households were assisted by SNAP. This is much higher than the national average of 16%.⁷

¹ “Assessing Heating Assistance Programs in Spokane County”, Institute for Public Policy & Economic Analysis (Grant Forsyth, PhD, D. Patrick Jones, PhD, and Mark Wagner). January 2010.

² id., Page 1

³ id., Page 2

⁴ id., Page 2

⁵ id., Page 3

⁶ id., Page 3

⁷ id., Page 3

In short, this report demonstrates that limited income customers served by SNAP have a net energy (heating) burden that is not much different than the average household in Spokane County.

Program Year Results

Approximately \$3,104,859 of electric revenue was collected during the program year and \$1,597,040 of natural gas revenue was collected for a total of \$4,701,900.⁸ For this program year, the average LIRAP heat grant, which is equivalent to a LIHEAP grant, averaged \$454. Over 7,543 electric and natural gas customers in the Company's Washington service territory received total energy grants averaging \$346.

In this program year, 64% of LIRAP participants had household average incomes less than \$15,000. Approximately 21% of the grant recipients had annual household incomes less than \$8,000. Over 62% 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 47% for customers between 51% and 100% of the Federal Poverty Level (FPL); the energy cost burden was reduced by 39% for LIRAP participants between 100% and 125% of the FPL.

The following Table reflects the total amount disbursed since the inception of the Washington LIRAP program, these numbers include amounts for Direct Services, Administration, and Conservation Education:

⁸\$4,701,900 of the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period, \$455,294 of that total was applied to Avista's Conservation Education component.

Table 1 – Yearly Revenues and Disbursements

Program Year May 1 - April 30	Beginning Balance	Total Revenue	Total Funds Disbursed	Ending Balance
2001-2002	\$0	\$2,731,616	\$2,476,529	\$255,087
2002-2003	\$255,087	\$2,678,068	\$2,197,150	\$736,005
2003-2004	\$736,005	\$3,158,220	\$2,533,916	\$1,360,309
2004-2005	\$1,360,309	\$3,039,672	\$3,169,051	\$1,230,930
2005-2006	\$1,230,930	\$3,157,635	\$3,230,665	\$1,157,900
2006-2007	\$1,157,900	\$3,846,394	\$4,155,463	\$848,831
2007-2008	\$848,831	\$3,302,091	\$3,320,239	\$830,683
2008-2009	\$830,683	\$4,078,532	\$2,955,033	\$1,954,182
2009-2010	\$1,954,182	\$4,220,837	\$5,534,638	\$636,267
2010-2011	\$636,267	\$4,701,900	\$3,638,166	\$1,700,001

Participants and Fund Distribution

Avista Utilities’ LIRAP provided 7,543 grants in the current program year. The total grants averaged \$346 per customer. As noted by Table 2 below, the number of grants in the current program year (year 10) was significantly lower than the previous year (year 9) once again, due to the impact of LIHEAP funding. LIHEAP was again funded at the maximum level, and due to the timing of the release of LIHEAP funds, the participating LIRAP agencies limited distribution of the LIRAP Heat program funds in an effort to spend their LIHEAP dollars. Since carryover was not permitted with either LIHEAP or Project Share, those funds needed to be delivered first, leaving a larger balance at the end of that 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. CAA’s are able to serve repeat customers according to the LIHEAP/LIRAP guidelines, specifically using income qualifications and by demonstrated need. This year 404 customers received multiple LIRAP grants.

Table 2 - Number and Amount of Grants by Component

Year 10			
Program Component	Number of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Heat	3,784	\$1,716,922	\$454
LIRAP Emergency Share	2,563	\$589,490	\$230
Senior Outreach	1,196	\$303,749	\$254
Total	7,543	\$2,610,161	\$346

Year 9			
Program Component	Number of Grants	Grant Amount	Avg. Grant Amt.
LIRAP Heat	6,139	\$3,404,239	\$555
LIRAP Emergency Share	3,033	\$719,914	\$237
Senior Outreach	1,357	\$386,500	\$285
Total	10,529	\$4,510,653	\$428

Table 3 below 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

	<u># of Households</u>	<u>% of Households</u>	<u>Cumulative %</u>
Home Ownership			
Own	2,413	32%	32%
Rent	5,130	68%	100%
Total	7,543		
Heating Fuel Source			
Electric	3,705	49%	49%
Natural Gas	3,788	50%	99%
Other	50	1%	100%
Total	7,543		
Size of Household			
1 Person	2,775	37%	37%
2 People	1,870	25%	62%
3 People	1,151	15%	77%
4+ People	1,747	23%	100%
Total	7,543		
Annual Income Level			
Under \$2,000	452	6%	6%
\$2,000-\$3,999	167	2%	8%
\$4,000-\$5,999	438	6%	14%
\$6,000-\$7,999	542	7%	21%
\$8,000-\$9,999	1,378	18%	39%
\$10,000-\$11,999	682	9%	49%
\$12,000-\$14,999	1,147	15%	64%
Over \$15,000	2,737	36%	100%
Total	7,543		

Enron Settlement Distribution Money

In November 2009, Avista Utilities received funds from the Attorney General of Washington in regard to an investigation into the 2000-2001 energy crisis. As a result of that investigation, the Attorney General's office reached settlements with several energy companies including Duke, El Paso,

Reliant and, finally Enron. Combined, those settlements provided \$45 million to Washington businesses and programs to assist consumers. The Attorney General's office allocated the residential *cy pres* amount to utilities throughout the state based on residential population served. Based on that amount, the allocation to Avista was \$463,237. The Company committed to use the funds received for low-income energy assistance programs.

The Company, along with five Community Action Agencies who participate in Avista's LIRAP designed a "Hardship Program," using the same guidelines as Project Share and LIRAP Emergency programs. It was specifically targeted to those customers who were over income guidelines for LIHEAP or LIRAP Heat. The purpose of the Hardship Program was to provide grant assistance to customers facing recent economic hardship. It was designed to assist customers who were challenged in paying their bill due to impacts of the economy – job loss, cutbacks in work hours or other factors, but who didn't meet the requirements of the other assistance programs. It was also used for customers facing other crises such as medical crisis. These customers most likely never applied for energy assistance and were over income guidelines to qualify. The full amount of funding was distributed to the agencies and at the end of the program (December 31, 2010), the agencies had distributed 1,575 grants to Avista customers for a total dollar amount of \$463,762 (includes interest). The average grant was \$294.

Program Guideline Adjustments

- Program Distribution Percentage Change - With the increase in LIHEAP funding for the last three program years, the Company and the CAAs decided to continue with the adjusted distribution for each LIRAP program. The original percentages recommended 80% for LIRAP Heat, 13% for LIRAP Emergency Share, and 7% for Senior Energy Outreach. Last program year, in order to best leverage the additional LIHEAP funds, the distribution remained at 60% for LIRAP Heat, 26% for LIRAP Emergency Share and 14% for Senior

Energy Outreach. With the slow recovery of the economy impacting many of our customers, as well as LIHEAP continuing to be fully funded, the Company kept the percentages at the current levels rather than returning to the original distribution. These customers are often over the income guidelines for LIHEAP or LIRAP Heat, but do qualify for LIRAP Emergency Share and Project Share. We are also seeing an increase in the number of seniors asking for Senior Energy Outreach. Seniors on fixed incomes facing increased expenses with no ability to increase their income are often eligible for a Senior Energy Outreach grant. The Company will continue to monitor these percentages each program year and make adjustments as necessary in the best interest of our customers.

- Avista Natural Gas and Electric Revenue Clarification - In an effort to more equitably distribute LIRAP funds, the Company, along with the agencies made a change to the previous guidelines established. In the early years of the program, LIRAP funds were strictly distributed according to heat source. Ongoing discussions with agencies, Commission Staff, and other interested parties resulted in the decision to allow electric revenue to be used for natural gas heat customers as long as those same customers also use Avista electric service.
- 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. Table 4, provided by SNAP, depicts reductions in the energy burden experienced by LIRAP participants in the current program year. 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 47% for customers between 51% and 100% of the federal poverty level (FPL). The energy burden was reduced by 39% for LIRAP participants between 101% and 125% of the FPL.

The following information and table was prepared and provided by Spokane Neighborhood Action Partnership (SNAP) and has been calculated as follows:

- The remaining households’ energy burden was calculated by dividing the annual household income by the annual energy costs.
- Annual income was calculated by multiplying the three-month average, required at the time of application, by four to determine the annual amount.
- Annual energy costs were determined by the actual previous 12 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 -- Total Energy costs divided by household income

		ENERGY BURDEN 2011						
		Energy costs are reduced by benefits for these calculations						
		Before Benefits	EAP or Avista	Plus Base and Fema	Plus PS	Plus Senior	Plus Avista Emer	All Benefits
0-50%FPL	N							
	1162 elec	21.90%	11.30%	N/A	11.20%	11.30%	11.00%	10.90%
	761 gas	21.80%	10.40%	N/A	10.40%	10.40%	10.00%	9.90%
	1923 all	21.90%	11%	N/A	10.90%	11.00%	10.60%	10.50%
51-100%FPL	N							
	2814 elec	8.80%	5.00%	N/A	5.00%	5.00%	4.90%	4.90%
	2165 gas	8.50%	4.40%	N/A	4.40%	4.40%	4.30%	4.30%
	4979 all	8.70%	4.80%	N/A	4.70%	4.80%	4.70%	4.60%
101-125%FPL	N							
	830 elec	6.40%	4.20%	N/A	4.10%	4.20%	4.10%	4.10%
	870 gas	6.00%	3.70%	N/A	3.70%	3.70%	3.60%	3.60%
	1700 all	6.20%	3.90%	N/A	3.90%	3.90%	3.90%	3.80%

Unspent Funding

The Company continues to monitor all the agencies regarding unspent funding throughout the heating season and specifically at the end of each program year. At the end of Program Year 10, a balance of \$1,430,293 or 36% of direct service funding was unspent, noticeably above the acceptable range (15% - 20% is an acceptable range for carry over funding). Historically, permitting LIRAP funding to carry over to the following year has proven to be a value to all participants of the program. This policy allows the LIRAP agencies to spend their LIHEAP funds first. It has also made it possible for the LIRAP agencies to begin the heating season in October with a specific amount of funding. The Federal Government does not commit to their LIHEAP funding amount until the end of December, and sometimes could be as late as March.

For the current program year, the Company supports a larger than normal carryover of unspent funds for the following reasons:

- The majority of LIHEAP Funds were distributed to the agencies in March, leading up to a very difficult time for the agencies to distribute the funds. For reasons not quite known, customers stop making appointments and/or do not show up for appointments more frequently when spring arrives.
- The majority of Contingency Funds have been distributed this year. Normally, the Federal Government withholds LIHEAP funds from the current year to be distributed as Contingency Funding the following year. This provides the agencies a small amount of LIHEAP funds to begin the heating season in October. However, there are little to no Contingency Funds left to begin next year's heating season.

- It is uncertain that the 2012 budget will remain funded at current levels or if LIHEAP funding will be at the 2008 level, which is half of what has been distributed for the past three heating seasons.

Proposed Change of LIRAP Program Year

The participating LIRAP Agencies and Avista have had discussions over the life of the LIRAP program Avista regarding the timing of the program year. The Company would like to propose changing the LIRAP program year to align with the LIHEAP program year. The program year of May 1st through April 30th was established based on the first day the LIRAP tariff went into effect. The LIHEAP program year is October 1st through September 30th, and is considered the norm for when the official Heating Season begins and for reporting data such as the number of households helped, amount of funding available for the year as well as to determine the year that a client receives a grant to avoid duplication. Since two of the LIRAP programs, LIRAP Heat and LIRAP Emergency Share, are modeled after the LIHEAP program guidelines, the agencies and Avista use the LIHEAP program year as the guideline for everything with the exception of reporting LIRAP funds collected, allocated and unspent in the Annual Summary Report. To make a transition to the timing of the LIHEAP program year, the Company proposes submitting a Summary Report for the months of May 1 through September 30, 2011, and then begin the 11th program year on October 1, 2011. The annual report would be submitted to the Commission on October 30, 2011.

Program Process

Households contacting CAA's for help on their utility bills comprise the primary pool of potential participants. Also in Washington, Avista is currently working with over 3,339 special needs

customers in the CARES (Customer Assistance Referral and Evaluation Services) program. Specially-trained representatives provide referrals to area agencies and churches for customers with special needs for help with housing, utilities, medical assistance, etc. Additional targeted marketing focuses on payment-troubled households – those experiencing a shutoff notice, carrying a large arrearage, etc.

For clients receiving “regular” assistance (i.e., LIRAP Heat), the eligibility determination is the same as the LIHEAP program. The amount of the assistance provided is based on household income, energy costs (all electric or natural 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 natural gas usage is eligible (including kWh and therm consumption, applicable taxes, and arrearages).

CAAs 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.

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 and Outreach

Conservation Education (Con-Ed) 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. In Docket Nos. UE-010436 and UG-010437, the Commission Staff's decision memo dated April 25, 2001 provides that "Staff believes that a comprehensive educational program should be designed to contribute toward changing the behavior of customers with respect to energy conservation and efficiency. The educational materials may include video, workshops, articles, brochures and newsletters, etc. The production of educational materials, including how well the message is structured, ease with which it can be comprehended by customers and whether or not there are alternative forms of educational materials to enhance conservation measures, should be evaluated by consultants." Also provided in Staff's memo is the inclusion of the 4% funding level.

In the spirit of the Con-Ed program, the Company has created a conservation education kit that includes weatherization and conservation materials for distribution by the agencies. 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 CAA's as part of their educational activities. Avista continues to research and expand the Conservation Education and Weatherization components of LIRAP with programs such as the "Every Little Bit House," a "Low Cost/No Cost

Energy Efficiency Tips” video and “Wattson Avista’s Energy Watchdog” which are discussed in more detail below:

Energy Conservation Television Programming

Avista continued its partnership with BELO Television (the parent company of local affiliates KREM, KSKN and NW Cable News), focusing on creating awareness about energy efficiency. The Every Little Bit House is a production of thirteen, 15 second vignettes and seven, 30 second vignettes. KREM, in conjunction with Avista, filmed the installation of several key measures being installed in a SNAP qualified customer’s home. The measures included insulation, installation of a high efficiency furnace, new windows, ENERGY STAR® appliances, CFLs and a home energy audit. 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. Television efficiently covers Avista’s large market area because of its broad reach and is excellent at visually demonstrating the value of products and services.

The television spots target low-income, senior and vulnerable customers, providing helpful energy conservation tips, information on community resources and ways for customers to manage their energy bills. In 2010, Avista did not make a media buy for the Every Little Bit House, instead focused on the new Low-Cost/No-Cost Energy Efficiency Tips Video using multiple stations. KREM continued to promote the Every Little Bit House as Public Service Announcement (PSA) spots running them from February through the end of June 2011.

Low-Cost/No-Cost Energy Efficiency Tips Video

Avista produced a DVD that demonstrates low-cost/no-cost energy efficiency tips that was specifically related to the low-income kit contents. The DVD was included in each kit mailed to energy assistance grant recipients. It was also distributed at Senior Energy Workshops and Avista's Energy Fairs. The DVD was produced using a chapter format that was then able to be viewed on the Company's website by topic as well as was able to be used as PSA vignettes on local television. The vignette spots ran approximately 300 times using a media buy that targeted low-income and seniors. We achieved a 90% reach with an 8+ frequency overall for both of these audiences.

Fall Energy Conservation Programs

Conservation Education is a critical component for customers to reduce their energy use. It is the Company's goal that each Avista customer who applies for either a LIHEAP or LIRAP Heat grant receives both information and materials to help them live a more energy efficient life. We've accomplished this goal by creating an Energy Efficiency Kit to be provided to these customers. Each kit contains plastic window covering, draft stoppers for exterior light switches and electrical outlets, weather stripping for exterior doors, a shower timer, a calendar that includes seasonally appropriate energy efficiency tips and a hot water temperature gauge. Each customer also receives a letter with information about the kit contents and a tip sheet with no-cost/low-cost energy efficiency ideas. The CAAs, as well as customers, reported that the kits were well received.

In past years, kits were mailed to the agencies for distribution to Avista customers who were applying for energy assistance. The CAAs commented that storage of the kits as well as having to manage frequent orders and distribution of the kits added to an already hectic energy season. A change was implemented and in the past two years, the kits have been mailed directly to customers

who received a LIHEAP grant or a LIRAP Heat grant. All customers who received a LIHEAP grant or a LIRAP Heat grant were mailed a kit. The process insured that every eligible customer received important information and materials to help them save energy, as well as, it reduced the burden on the CAAs. Avista mailed 9,462 kits to its low income customers this last program year. Rural Resources distributed an additional 1,800 kits to Avista customers as well. Avista's low-income customers received a total of 11,294 energy efficiency kits during this past program year.

Low Income Kit Survey

Avista contracted with DHM Research in Portland, Oregon to conduct a telephone survey of 400 customers who had received an Energy Efficiency Kit this past heating season. The purpose of the survey was to determine if customers found the information included in the kits helpful and if they used the materials provided in the kits. The survey was conducted between March 30 and April 20, 2011. The average survey time was approximately 15 minutes and controls included call backs and validation.

The results of the survey were both informative and encouraging. Some of the survey results were as follows:

- 94% of survey respondents are taking small behavioral steps to conserve energy.
- Recipients age 65 or older are more likely to turn their heat down than those households with children.
- Nine out of ten recipients use one or more of the items in the kit, with an average of 4.3 of the 8 items being used.
- Recipients stated the weatherization materials were the most beneficial (window plastic, outlet seals and weather stripping).
 - Four out of ten used the window plastic and 94% stated it was very beneficial.
 - Five out of ten used the outlet seal and nearly all stated it was beneficial.
 - A narrow majority used the weather stripping and nine out of ten found it beneficial.

The results also showed that six out of ten customers had received an energy assistance grant previously and two thirds of them were women. Financial constraints and rising energy costs were stated most often as the reason for their difficulty in paying their bill.

Using the information resulting from the survey, Avista will continue to design and provide kits to its customers who receive a LIHEAP/LIRAP Heat grant in the future.

Senior Energy Workshops and Kits

Twenty-four Senior Energy Workshops were held during the past program year. Over 2,365 seniors were reached and were given Senior Energy Efficiency kits along with learning about low-cost/no-cost ways to reduce energy use. The increase in the number of seniors reached is due in part to additional workshop presenters as well as purposefully targeting larger senior events. Each kit contains energy-saving items such as compact fluorescent light bulbs, plastic window covering, draft stoppers for exterior light switches and outlets, v-seal for drafty doors and a polar fleece lap blanket. The Company approaches talking with seniors about reducing their energy use very respectfully and carefully to assure health, safety and comfort. We discuss lifestyle changes that could be made and steps to take before turning the thermostat up, and not necessarily keeping the thermostat too low.

Senior Wellness Conference

Over 3,000 seniors attended the Senior Wellness Conference in the fall of 2010. As one of the event sponsors, Avista provided energy efficiency information in the form of live demonstrations throughout the day of how to install compact fluorescent light bulbs, window plastic covering, v-seal for drafty doors, rope caulking as well as other weatherization materials. Over 500 seniors attended the demonstrations, learned the benefits of using the materials as well as how to install them. They also received the materials that were shown during the demonstrations.

Children's Energy Conservation Program

The Children's Energy Conservation Program, featuring the character of "Wattson the Energy Watchdog," was developed in 2008 to engage children in learning about the things that they and their family could do to conserve energy. Since the inception of the program, Wattson is growing in recognition and impact among children. Beginning in 2008, a portion of the conservation education funds were dedicated to the education of low-income children on energy efficiency to help reduce the energy cost burden for low-income customers. Reaching children with energy conservation education is part of the overall comprehensive approach to help our customers, in particular our limited-income customers, learn to use energy saving behaviors to help reduce their energy bill. The Wattson program utilizes a mascot to reach the target audience of low-income children and their families. The Wattson mascot attends affordable family events, Avista's regional energy fairs, and various school programs. "Wattson" the Energy Watchdog is fast becoming a household name within Avista's service territory. Kids love to tell Wattson what they're doing to use less energy and get an encouraging high five from the larger-than-life mascot dog.

The popular mascot duo appeared in more than 20 major community events including two televised parades and several other school and neighborhood venues that reached an estimated 120,000 kids in 2010. The events are carefully selected to assure that they reach a large number of children and families and are considered to be affordable, family-friendly venues. We are able to interact with audiences and distribute our age-appropriate collateral materials including educational puzzle pages and coloring books.

SNAP Educational Video

Avista continues to support the production and updating of SNAP's video that provides information to the community about their low-income programs. The video is used to educate the community about the many other services that are available at SNAP including weatherization, energy conservation, energy assistance and household budgeting. This past year the video was presented at SNAPS's community breakfast and lunch events where over 600 guests attended. The video has also been shown to community groups throughout the year, increasing awareness and providing additional opportunities for fundraising.

Senior Directories and Publications

Avista is continues to place ads in local directories and senior publications. These ads are part of a strategic effort to reach seniors with information about energy efficiency, billing assistance, Senior Energy Outreach workshops and CARES information.

Energy Fairs

In November 2010, Avista hosted its second Energy Fair in Spokane. The Energy Fair was once again held at the Spokane Community College where limited income families and senior citizens were able to talk with Avista staff and community partners about energy savings measures, energy assistance, and customer billing options. SNAP was available to provide energy assistance information along with qualifying customers for the Hardship and Senior Grant Programs. In partnership with the Community Colleges of Spokane, the event served to provide a series of informative demonstrations, including helpful giveaways of energy efficiency items like compact fluorescent light bulbs, low-flow showerheads, window plastic, v-seal, etc. A workshop format was

added this year and provided topics such as Senior Energy Efficiency Tips, It's Your Money – Keep It! (Earned Income Tax Credit), Blower Door Demonstrations, and Avista Rebates. The forty-five minute workshops were presented by Avista employees and its community partners. In addition to the Community Colleges of Spokane, other partner organizations included SNAP, WorkSource Spokane, Goodwill, the CASH Coalition, Money Management Inc., Community Frameworks and Vanessa Behan. Together we provided information about employment and training opportunities, along with how to create an effective resume. There was information about the Earned Income Tax Credit benefit, child care options, community college offerings and other community resources. The children learned about energy efficiency from Wattson with activities that included Wattson crafts about how to save energy. The attendees' feedback was consistently positive and affirmed that the event was informative and helpful. An estimated 350 people attended throughout the day.

Earned Income Tax Credit

As a member of the Cash, Assets, Savings and Hope (CASH) coalition, Avista helps low-income, working families receive the Earned Income Tax Credit (EITC) benefit. In partnership with Spokane County United Way, SNAP, AARP, VOICES, DSHS, and many banks and credit unions, Avista participates in strategic planning and outreach. This includes the use of an Avista bill insert and an Avista Connections customer newsletter article to disseminate information about the EITC and free tax preparation sites. Low-income families are offered financial management classes as well as no-service-fee bank accounts. Families are also educated of the danger of predatory lenders by helping them acquire a no-service-fee bank account in order to receive their refund electronically. In Spokane County, the coalition sites helped to prepare 4,794 returns; of those 1,111 were EITC which resulted in

\$1,580,132. The percentage of low-income returns that were prepared was 3.35% (compared to 3.66% Washington State and 3.17% national average).

LIHEAP Outreach

LIHEAP funds were still available in late spring due in large part to the late distribution by the federal government. The agencies used several means of communication to make customers aware of the funding availability, including media, flyers and even telephone calls to individuals who had received a LIHEAP/LIRAP Heat grant the previous year but had not yet applied for one this year. Avista participated in this effort through the use of its Customer Service Representative as well as CARES when talking with customers on the phones. Additionally, the Company promoted the availability of funds through the Avista Blog and Avista Cares Twitter social media venues. The Company also supported that the Agencies halt distributing LIRAP funds in order to fully expend their LIHEAP funds.

Low-Income Work Bench

In the fall of 2009, the Company launched “Avista Energy Assistant”, a web-based, self-service tool that enables CAAs to access usage history and credit and collection information needed to qualify customers for energy assistance grants. The Avista Energy Assistant was designed at no cost to the LIRAP program in partnership with the local Agencies. Both the agencies and Avista benefit from this new program. The agencies no longer have to call Avista for the information needed to help our customers. With the customer’s permission, they are able to access the information they need, as well as, enter a grant promise on the customer’s Avista account. In many cases, the agencies are able to stop collection activity by entering the grant promise, serving our customers in a timely manner and

saving the agency the time of calling the Company. The CAAs have all reported positive feedback regarding Avista's Energy Assistant.

Key Events

Advisory Meetings

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

LIRAP Audit

Per Order No. 07, in Docket Nos. UE-100467 and UG-100468 (consolidated); the Company's Internal Audit (IA) Department was to perform an internal audit of calendar year 2010 of the Company's LIRAP expenditures. The audit consisted of reviewing tariff rider revenues, allocation of revenues to the Agencies, and expense transactions that occurred during the calendar year 2010. The findings of this audit resulted in 9 errors, totaling \$2,320 of internal labor incorrectly charged to the LIRAP program⁹. The Company has removed these transactions, as well as an additional \$21,111 of additional internal labor, effectively removing all internal labor expenses charged to the LIRAP program in error.

⁹ The audit revealed one employee had inadvertently been charging the LIRAP program for internal labor in error.

SNAP Energy Assistance Appointment Process

The number of customers who contact SNAP to access LIHEAP/LIRAP is increasing every year. As a result, SNAP became acutely aware that its existing processes were inadequate to meet the need and were increasingly time consuming and frustrating to its clients. With the help of David R. Thompson, Problem Resolution Advocate, SNAP made significant changes to its energy assistance appointment process. The previously used system involved customers trying to reach SNAP by phone or via the website during a specific two-hour timeframe two-days each week. SNAP would take enough calls to make enough appointments for the following week or two. The results were that the majority of individuals attempting to call for an appointment received a constant busy signal for the entire two hours, and then would be required to start the same process over again the next available day. Customers continued this process every Tuesday and Thursday until they were successful, however we suspect some may not have been fortunate to get through at all. The consultant described this process as being not unlike a lottery.

As a result of Mr. Thompson's analysis, SNAP opened up its telephone and website appointment lines early September 2010, and kept them open until all available appointments were filled through the end of the year. In some instances, individual appointments were scheduled up to three (3) months out. The new process resulted in approximately 4,500 appointments which were equivalent to the 2008 LIHEAP funding level distributed.

Although LIHEAP funds were not available, SNAP began to make appointments; customers were clearly informed that even though they had an appointment, their grant was not guaranteed until a budget was finalized by the federal government. The decision to proceed with this practice was based on the assumption that LIHEAP funding levels would be similar to what they had been in recent, previous years.

SNAP developed an extensive communication plan with consistent information message points for all of its stakeholders. They are to be commended for how smoothly they managed such a significant process change that impacts many stakeholders, which includes thousands of low-income individuals, families and seniors. For the most part, the results were positive. SNAP, Avista, government agencies and other utilities all reported little to no complaints about the new appointment process. That is not to say the new process was perfect, but clearly SNAP is on a good path by addressing the need for change. SNAP is committed to process improvement. They will continue to work with Mr. Thompson to make the necessary changes to make their energy assistance appointment process the best it can be for their clients. It is possible that when they reach that point, they may have a model that others around the nation may replicate.

Rural Resources Converts Funds

As of May 2011, Rural Resources utilized \$4,000 of their Administrative funds to provide additional direct services to their clients. They plan to distribute those dollars using the same guidelines as the Hardship Program.

Future Issues

Children's Energy Conservation Outreach

In the upcoming program year, Avista will be running new television ads with conservation and safety messages during the early morning and prime time slots. All of the ads are also available for viewing on Avista's website at www.AvistaKids.com.

The Company took into consideration the feedback received from audiences after the first commercial messages ran and have made improvements to these new ads. Kids still see themselves as the “topic expert” in the new ads, however they are foiling the plots of animated energy wasters instead of correcting adults who waste energy. A phone survey was planned last fall to compare to a baseline study done at the inception of the program that was to measure the recognition level of the Wattson character among the target audience and the effectiveness of his conservation education message. Due to cost constraints, we adjusted our plans to conduct the phone survey later this calendar year instead.

SNAP Energy Assistance Appointment Process

SNAP intends to continue its work with David Thompson, Problem Resolution Advocate to improve the energy assistance appointment process. In addition to continuous process improvement, part of the next body of work will include analyzing the percentage of LIHEAP funds allocated to Avista customers pre and post LIRAP, to insure that LIRAP extended the LIHEAP benefits to Avista customers and not replaced them.

Energy Fairs

With the success of its Energy Fairs, Avista plans to expand the number and locations during the next program year. The Company plans to partner with two Community Centers in Spokane. The North East and West Central Community Centers are located and serve some of the poorest zip codes in the State of Washington. The goal is to make the Energy Fairs more accessible for low income families and seniors by presenting them closer to where they live. Avista also intends to offer an Energy Fair in Clarkston, WA during the next program year.

Reporting Protocols

The Company reviewed the program year report in the Fall of 2010 with its External Energy Efficiency Board (Triple E)¹⁰ and provided an update regarding program implementation in Spring of 2011. This Report is intended to be responsive to several areas identified for evaluation as part of the UTC's authorization of this program.

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).
- Project Share—Customer, community, and company-funded program that provides one-time emergency energy assistance to families in our region.
- 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.

¹⁰ 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.

Data Collection

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; and
- Ongoing External Energy Efficiency Board review.

Participating LIRAP Agencies

- Spokane Neighborhood Action Programs
- Opportunities Industrialization Center
- Community Action Center of Whitman County
- A Community Action Partnership (Asotin County)
- Washington Gorge Action Programs
- Rural Resources Community Action

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