

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



August 14, 2008

David Danner, Executive Director
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Mr. Danner:

Enclosed for electronic filing with the Commission is a copy of Avista Utilities' Low-Income Rate Assistance Program (LIRAP) Annual Report for the period May, 2007 through April, 2008. This is the Company's Seventh LIRAP Annual Report and is filed pursuant to authorizations in Docket Nos. UE-010436 and UG-010437. A hard copy is being provided via overnight mail.

Please contact me at (509) 495-4975 or Jeanne Pluth at (509) 495-2204 regarding any related matters.

Sincerely,

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

Linda Gervais
Manager, Regulatory Policy
509-495-4975
linda.gervais@avistacorp.com

cc: Deborah Reynolds

Enc.



Low-Income Rate Assistance Program (LIRAP)

Seventh Annual Report

For the period May 2007 through April 2008

Submitted August 14, 2008

Table of Contents

	<u>Page</u>
1.0 Executive Summary	1
2.0 Outreach Process	2
2.1 Summary of Process	2
3.0 Program Results	4
3.1 Participants and Fund Distribution	4
3.2 Energy Burden	7
3.3 Unspent Funding	9
4.0 Key Events and Future Issues	9
4.1 Advisory Meetings	9
4.2 Administration & Program Support Reporting	9
4.3 Energy Conservation Television Programming	9
4.4 Fall Energy Conservation Programs	10
4.5 Senior Energy Workshops and Kits	11
4.6 Children's Energy Conservation Program	11
4.7 SNAP Educational Video	12
4.8 Earned Income Tax Credit	13
4.9 KHQ.com – Caregivers Resource	13
4.10 Senior Wellness Conference	13
4.11 Senior Directories and Publications	14
5.0 Reporting Protocols	14
5.1 Key Terms	14
5.2 Data Collection Measures	14
5.3 Participating LIRAP Agencies	14
6.0 Contacts	15

1.0 EXECUTIVE SUMMARY

Avista Utilities' Low-Income Rate Assistance Program (LIRAP), proposed and approved by the Washington Utilities and Transportation Commission (WUTC) 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) 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. This is the evaluation report for the seventh program year, from May 1, 2007 through April 30, 2008.

The Company, as a result of its last general rate case, increased the LIRAP portion of Schedules 91 and 191 to reflect the overall percentage increase in retail rates.

Over 6,290 electric and natural gas customers in the Company's Washington service territory received 6,678 grants averaging \$396. Approximately \$2,123,897 of electric revenue was collected during the program year and \$1,178,194 natural gas revenue was collected for a total of \$3,302,091.¹

In this program year, 70 percent of LIRAP participants had household average incomes less than \$15,000. Approximately 31 percent of the grant recipients had annual household incomes less than \$8,000. Over 64 percent of the LIRAP participants had households of two or more people. Customers renting their residences constituted 68 percent of the total.

This program year saw the energy burden reduced by approximately 47 percent for customers between 51 percent and 100 percent of the Federal Poverty Level (FPL); the energy cost burden was reduced by 41 percent for LIRAP participants between 100 percent and 125 percent of the FPL.

The Company met on two occasions with its LIRAP External Energy Efficiency Board (Triple E), to review program implementation.² This report is intended to be responsive to several areas identified for evaluation as part of the WUTC's authorization of this program.

¹ \$3,302,091 of the gross revenue generated from Schedules 91 and 191 over the twelve-month reporting period. \$132,084 of that was applied to Avista's Conservation Education component.

² 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 Community Action Agencies (CAAs) for help on their utility bills comprise the primary pool of potential participants. Avista's Customer Assistance Referral and Evaluation Services (CARES) representatives refer customers in need to the 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), the eligibility determination is the same as the Federal LIHEAP program. The amount of the assistance provided is based on household income, energy costs (all electric or 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 are 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 Economic and Trade 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 provided through Schedules 91 and 191.

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

Conservation education has proven to be a key component of energy assistance programs. Teaching and demonstrating improved approaches to managing energy costs can reduce customers' bills and increase customers' ability to pay. The CAAs, as part of their LIHEAP activities, have active education components. However, participation in educational activities to receive emergency assistance is no longer required. The Company has created a conservation education kit that includes weatherization and conservation materials for distribution by the agencies. Information on the value and use of the materials is included as well. 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 "Wattson Avista's Energy Watchdog."

3.0 PROGRAM RESULTS

3.1 Participants and Fund Distribution

Avista Utilities' Low-Income Rate Assistance Program provided 6,678 grants in the current program year, which averaged \$396 per customer. There was a decrease in the number of grants in the current program year, due to additional funding that had been provided in the previous program year. Table 1, below, shows the number of grants and the amounts by program for the current and previous program years.

Table 1 -- Number and Amount of Grants by Component

Year 7			
<u>Program Component</u>	<u>Number of Grants</u>	<u>Grant Amount</u>	<u>Avg. Grant Amt.</u>
LIRAP Heat	3,919	\$1,933,460	\$493.36
LIRAP Project Share	1,892	\$470,538	\$248.70
Senior Outreach	867	\$237,836	\$274.32
Total	6,678	\$2,641,834	\$396

Year 6			
<u>Program Component</u>	<u>Number of Grants</u>	<u>Grant Amount</u>	<u>Avg. Grant Amt.</u>
LIRAP Heat	5,453	\$2,619,482	\$480.37
LIRAP Project Share	2,453	\$627,638	\$255.87
Senior Outreach	643	\$176,145	\$273.94
Total	8,549	\$3,423,265	\$400

Table 2 shows the number of customers who received multiple LIRAP grants on different days during program years 7 and 6. Customers may have received a total of two grants from LIHEAP, LIRAP and LIRAP Project Share at different times during the program year. CAAs served repeat customers according to LIHEAP/LIRAP guidelines, specifically income qualifications and demonstrated need.

Table 2 -- Number of Customers Receiving Multiple Grants

Year 7	
Number of Customers that received multiple grants during program year	497
Number of Customers that received LIRAP grants during current program year and previous program year	2,149
Total Amount of Grants	\$177,715
Average per Customer	\$358

Year 6	
Number of Customers that received multiple grants during program year	1,184
Number of Customers that received LIRAP grants during current program year and previous program year	2,172
Total Amount of Grants	\$442,463
Average per Customer	\$374

Table 3 shows a collection of demographic data intended to be responsive to requests for general information of participating customers. This data was collected by participating Community Action Agencies.

Table 3 -- Demographic Data

Year 7			
	<u># of Households</u>	<u>% of Households</u>	<u>Cumulative %</u>
Home Ownership			
Own	1,877	32.06%	32.06%
Rent	3,977	67.94%	100.00%
Total	5,854		
Heating Fuel Source			
Electric	3,209	54.82%	54.82%
Natural Gas	2,645	45.18%	100.00%
Other	0	0.00%	100.00%
Total	5,854		
Size of Household			
1 Person	2,088	35.68%	35.68%
2 People	1,365	23.32%	59.00%
3 People	959	16.38%	75.38%
4+ People	1,441	24.62%	100.00%
Total	5,854		
Annual Income Level			
Under \$2,000	285	4.87%	4.87%
\$2,000-\$3,999	138	2.38%	7.25%
\$4,000-\$5,999	358	6.12%	13.37%
\$6,000-\$7,999	1,038	17.73%	31.10%
\$8,000-\$9,999	716	12.23%	43.33%
\$10,000-\$11,999	612	10.45%	53.78%
\$12,000-\$14,999	962	16.43%	70.21%
Over \$15,000	1,765	29.79%	100.00%
Total	5,854		

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 (SNAP), depicts reductions in the program year of the energy burden experienced by LIRAP participants.

The column titled “Before Benefits” represents the energy burden to low-income customers prior to LIRAP benefits. Each successive column illustrates low-income customers’ energy burden after receiving the specified LIRAP benefit. For customers receiving LIRAP benefits, the energy burden has been reduced by approximately 47 percent for customers between 51 percent and 100 percent of the federal poverty level (FPL). The energy burden was reduced by 41 percent for LIRAP participants between 101 percent and 125 percent of the FPL.

Table 4 has been calculated as follows: A total of 7,493 Avista households were served with some type of energy assistance, either LIHEAP or LIRAP. 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 twelve months energy usage from the date of application. When annual energy costs are not available, a backup amount developed on the average cost for households, with that fuel type and vendor, was used.

Table 4 - Energy Burden -- Total Energy costs divided by household income

ENERGY BURDEN 2008								
Table 4 - Energy Burden -- Total Energy costs divided by household income								
		Energy costs are reduced by benefits for these calculations						
		Before Benefit	EAP or Avista	Plus Fema	Plus PS	Plus Senior	Plus Avista Emergency	All Benefits
%Pov								
0-50%FPL	N							
	878 Elec	20.70%	11.30%	11.30%	11.10%	11.30%	11.00%	10.70%
	643 Gas	26.20%	13.00%	13.00%	12.90%	13.00%	12.50%	12.40%
	1521 All	23.00%	12.00%	12.00%	11.90%	12.00%	11.60%	11.40%
51-100%FPL	N							
	2376 Elec	8.70%	5.00%	5.00%	5.00%	5.00%	5.00%	4.90%
	2047 Gas	10.80%	5.60%	5.60%	5.50%	5.60%	5.40%	5.40%
	4423 All	9.70%	5.30%	5.30%	5.20%	5.30%	5.20%	5.10%
101-125%FPL	N							
	722 Elec	6.30%	4.10%	4.10%	4.00%	4.10%	4.00%	3.90%
	827 Gas	7.30%	4.20%	4.20%	4.20%	4.20%	4.20%	4.10%
	1549 All	6.80%	4.20%	4.20%	4.10%	4.20%	4.10%	4.00%

3.3 Unspent Funding

The Company continues to monitor the agencies regarding unspent funding at the end of each program year. Currently a balance of \$563,327 or 19 percent of direct service funding was unspent at the end of the program year, which is within the acceptable range (15 percent - 20 percent 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 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. The Federal Government does not commit to their LIHEAP funding amount until the end of December, and sometimes not until as late as March. The Company and the participating LIRAP agencies had determined early in the program that an acceptable carryover amount was approximately 15 percent - 20 percent.

4.0 KEY EVENTS AND FUTURE ISSUES

4.1 Advisory Meetings

Avista continues to meet regularly throughout the year with the LIRAP agencies. Valuable discussion occurs during the meetings that often results in continued fine-tuning and clarifying of processes. The Company appreciates the time invested by the LIRAP agencies; their experience and knowledge continue to make LIRAP an effective program.

4.2 Administration and Program Support Reporting

The agencies currently submit monthly Administration and Program Support reports. The reporting has been time consuming and burdensome for the agencies and has provided no additional information to Avista. Therefore, the Company will discontinue the request for this monthly report from the agencies.

4.3 Energy Conservation Television Programming

Avista Utilities continued its partnership with BELO Television (the parent company of local affiliates KREM, KSKN and NW Cable News) for the half-hour "Power to Conserve" program. The program covers low-cost and no-cost ways to save energy at home and maintain comfort during winter

and summer. The goal of the program is to help limited income seniors and other vulnerable populations with their energy bills by providing home energy conservation education. Avista uses television in order to reach the largest number of the target group at the least cost. The television special, targeted to low-income, senior and vulnerable customers, provides helpful energy conservation tips, information on community resources and ways for customers to manage their energy bills. In addition, the program is available on DVD for distribution and viewing through community groups and outreach efforts.

Last year, for the first time, the program was shown from July through February. This was a change from previous years when the program was shown only during the fall and winter. Since the program contains both heating and cooling tips, it is appropriate to include the summer months as well. Avista achieved this at no additional cost by running the program every other week instead of every week. In addition to this change, KREM opted to show the program at 7:00 p.m. once each month. The number of households reached increased dramatically because of this. In the past, the “Power to Conserve” reached 94,000 households. This last year, that number was 364,000, still focusing on the target audience of low-income, senior and other vulnerable populations, but enabling Avista to reach the rest of its customer base as well. The 30-minute program was supplemented by four different 30-second spots, highlighting energy conservation tips in a “man-on-the-street” question and answer format. These spots ran throughout the day and evening from July through February.

4.4 Fall Energy Conservation Programs

During the 2007 heating season, each Avista customer that received either a LIHEAP or a LIRAP Heat grant was given an energy conservation kit by the agencies. Each kit contained a compact fluorescent light bulb, a package of rope caulk, plastic window covering, night light, draft stoppers for exterior light switches and outlets, hot water temperature gauge and a calendar with energy saving tips on each month. The agencies and customers reported that the kits were well received. However, the agencies had issues with storage of the kits and they had to manage frequent orders and distribution of the kits.

A second program was developed that included a follow-up letter to the customer once their grant was applied to their Avista account. This letter included more energy saving tips, an Energy Saving Tip Sheet and two coupons for a free compact fluorescent light bulb and a free furnace filter coupon. A

reply card that the customer could use to request a DVD of “The Power to Conserve” or express interest in an energy conservation workshop was also included.

In the coming year, the Company is considering merging the two programs. If this occurs, customers who receive a LIHEAP or a LIRAP Heat grant will have a combined kit and letter mailed to them from the Company, rather than having a kit handed to them by the agency and a letter mailed later. The kit will include conservation and weatherization materials along with the letter, tip sheet and coupons.

4.5 Senior Energy Workshops and Kits

Energy workshops were presented to both senior and low-income customers this past year. An energy conservation kit was given to each attending customer. The contents include energy-saving items such as compact fluorescent light bulbs, rope caulking to reduce drafts, plastic window covering, night light, draft stoppers for exterior light switches and outlets, hot water temperature gauge and a calendar with energy saving tips on each month. Having an energy efficient lifestyle is discussed and use of the contents is demonstrated during the workshop. Over 637 low-income and senior participants received a free energy efficiency kit and information while attending workshops this past year. An additional 1,940 seniors received similar materials and information at larger event gatherings for seniors. “Power to Conserve” DVDs along with Energy Efficiency Tip Sheets were available and provided at both the workshops and senior events as well.

In the coming year, the Company intends to increase the number of Senior Energy Workshops. Currently, workshops are presented by the LIRAP Program Manager. By increasing the number of presenters, Avista will reach more seniors and vulnerable adults with energy efficiency information and materials.

4.6 Children’s Energy Conservation Program

LIRAP's energy conservation education was expanded to include outreach to low income children (primarily ages 3-8) and families with the goal of adopting lifestyle habits of using energy wisely and efficiently.

In the pilot year, Avista first introduced the mascot character “Wattson Avista's Energy Watchdog” at a community New Year's celebration. Later, through the spring and summer months, Wattson and his human pal Edison attended community events and shared energy saving tips with children and families.

The Company developed a toolkit of collateral materials and performance routines featuring Wattson and Edison. Wattson and Edison perform a fun skit to raise awareness about the power of conservation to help the planet and teach kids easy ways they can conserve energy. We also developed a fun worksheet and craft project, a story time lesson, a website and television commercials that reach our target audience with conservation messages.

Attendance at events where Wattson was featured has been particularly encouraging in the pilot year. The New Year's launch event alone attracted nearly 4,000 parents and children, and we estimate more than 16,500 children have been in attendance at events where Wattson was featured. Popularity for the Wattson character and his conservation message will grow exponentially as the television commercials run.

In the coming year Avista plans to refine the comprehensive program elements and capitalize on more opportunities to engage an increased number of children and families in reducing energy use as part of a lifestyle change.

4.7 SNAP Educational Video

Avista supported the production of a video that provided information to the community about SNAP's numerous low-income programs. The video is used to educate groups and individuals about the services that are available, including weatherization, conservation education and energy assistance. It was initially shown to over 290 people at SNAP's Community Breakfast in September 2007. Since then, it has been shown to 47 community organizations, increasing awareness and providing additional opportunities for fundraising.

4.8 Earned Income Tax Credit

Avista worked as a partner with Spokane County United Way as a member of the Cash, Assets, Savings and Hope (CASH) Coalition to help working low-income families receive the Earned Income Tax Credit (EITC). As a member of CASH, the Company participated in strategic planning and outreach. The outreach effort provides free tax aide to enable families to receive the EITC. Using a bill insert and the Connections customer newsletter, information about EITC and free tax preparation sites was disseminated. Over 6,000 households received \$1.3 million in EITC as a result of the involvement of the coalition. Low-income families were also offered financial management classes as well as no service fee bank accounts. Part of this effort includes educating families to steer them away from predatory lenders and by helping them acquire a no service fee bank account in order to receive their refund electronically. Partners of the CASH Coalition include AARP, SNAP, VOICES, DSHS, Wells Fargo Bank and American West Bank.

4.9 KHQ.com – Caregivers Resource

Beginning last spring, the Company sponsored the Caregivers Resource page as part of the Senior Life website on KHQ.com, which is the website of Spokane’s NBC affiliate. The site connects caregivers and seniors to a wide variety of resource information, including energy efficiency and energy assistance information, CARES and Senior Energy Outreach assistance, and videos of Avista’s Senior Energy workshops. In its first full month online, the “Avista Cares” energy efficiency banner received an estimated 50,000 impressions by site visitors.

4.10 Senior Wellness Conference

As one of the sponsors of the Senior Wellness Conference, Avista connected with nearly 2,000 of its senior customers at this major event. Energy efficiency information, Senior Energy Outreach assistance information, “Power to Conserve” DVD’s, compact fluorescent light bulbs and weatherization materials were distributed. Mini demonstrations showing the use of the various materials were provided throughout the day.

4.11 Senior Directories and Publications

Avista created a one page ad that has been placed in several directories, as part of a strategic effort to reach seniors with information about energy efficiency, the Senior Energy Outreach assistance and CARES.

5.0 REPORTING PROTOCOLS

5.1 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 Heat—Benefit calculated using customer heating costs. The LIRAP Heat funding is patterned after LIHEAP (Low Income Home Energy Assistance Program).
- 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.

5.2 Data Collection Measures

The data collection and measures used by Avista Utilities in the evaluation of LIRAP include:

- LIRAP Database
- Customer Service System (Avista Utilities’ information management data base)
- Community Action Agency records
- Ongoing External Energy Efficiency Board review

5.3 Participating LIRAP Agencies

- Spokane Neighborhood Action Programs (SNAP)
- North Columbia Community Action Council
- Community Action Center of Whitman County
- Community Action Agency (Asotin County)
- Washington Gorge Development Council
- Rural Resources Community Action.

6.0 CONTACTS

For further information, please contact:

- Christine M. McCabe, Manager, LIRAP

509.495.7979

chris.mccabe@avistacorp.com

Avista Utilities

1411 E. Mission, MSC-68

P.O. Box 3727

Spokane, WA 99220-3727

- Linda Gervais, Manager, Regulatory Policy

509.495.4975

linda.gervais@avistacorp.com

Avista Utilities

1411 E. Mission, MSC-29

P.O. Box 3727

Spokane, WA 99220-3727