



Avista Utilities

Disconnection Reduction Plan

March 2021

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Background

The Disconnection Reduction Plan (Plan) has been prepared in accordance with the Settlement Stipulation (Stipulation) in the Company's 2019 General Rate Case.¹ The objective of this Plan is to describe the Company's strategy to reduce disconnections, as well as to gather and track disconnection data, with an ultimate goal of substantially reducing the number of customers that lose essential utility service due to non-payment. Included as Exhibit A to this Plan is the Company's first annual Disconnection Reduction Report pursuant to the Stipulation.² The Disconnection Reduction Report serves as a baseline for comparison purposes to future disconnection statistics.

The Plan includes the implementation of additional Low Income Rate Assistance Program (LIRAP) offerings while utilizing existing tools, such as budget alerts and customer preferred due dates, with the intention of reducing disconnections for non-payment. Leveraging enhanced communications with low-income customers prior to a potential service disconnection is essential to the success of this Plan. Actions outlined in the Plan are designed to reach customers in an effective manner with a heightened focus on placing the customers' needs at the center of the Company's disconnection practices.

Current Business Practices

Avista's current business practices regarding collections center around customer engagement efforts, and the idea that reaching the customers to provide them with information about the various options available to them will help prevent them from falling behind on their utility bill and, ultimately, avoid potential disconnection of utility services for non-payment. Disconnection for non-payment is always viewed as a last resort as the Company first attempts to work with customers to discuss their unique situation, establish payment arrangements or refer them to apply for energy assistance. The following sections highlight options currently available to customers

¹ See Final Order 09 in Dockets UE-190334, UG-190335 and UE-190222 (consolidated) issued on March 25, 2020.

² See Section 14(d) of the Settlement Stipulation in Docket Nos. UE-190334 and , UG-190335 and UE-190222 (*Consolidated*), at page 10.

and the assistance the Company provides to help customers manage their energy bills and prevent disconnection for non-payment from occurring.

Payment Options

Avista provides its residential customers with several convenient payment options, all of which are free to use. Customers can remit payments for through the Company’s website, Interactive Voice Response (IVR) system, or by speaking with a Customer Service Representative (CSR). Additionally, return envelopes are provided to customers who receive paper billing statements providing an easy method to submit payments through the mail. Avista also accepts cash and check payments in person at many of its office locations and some office locations are equipped with payment kiosks for a safe and easy way to pay with a debit or credit card or with the customer’s bank account.³ Lastly, the Company offers 46 different designated pay stations and drop box locations throughout its Washington service territory for customers to submit payments in person.

Payment Arrangements

Avista has worked diligently to help customers in maintaining their utility service, providing flexible and customer focused payment arrangement options. In 2019, the Company recognized the number of customers that were able to satisfy the full term of their arrangements was only 34 percent. This low percentage prompted Avista to change its payment arrangements guidelines to better align with the needs of its customers. One significant change is the first question a CSR asks a customer who is seeking payment arrangements which is, “What arrangements are you hoping to set up today?” This allows the customer to take control of their own payment arrangements by telling Avista what arrangements work best for their financial situation rather than attempting to create an Avista-suggested arrangement that the customer agrees to in the moment but potentially cannot keep, but fits within Avista’s previous guidelines. After providing more flexible payment arrangement options for customers, Avista has seen an increase in its percentage of payment arrangements that are successful through the full term of the arrangement. With the new flexible

³ Due to COVID-19 all Avista office locations have stopped accepting in-person payments. The Company plans to continue to offer in-person payments at its office locations when they reopen following the pandemic. Customers can still pay in-person at pay stations scattered throughout its service territory.

guidelines in place, Avista has maintained a percentage of 42 percent of arrangements kept, which is an improvement to the previous experience in years past.

Lastly, Avista has provisions for customers to establish payment arrangements through its website. This option allows customers to effortlessly view and enroll in short term and long-term payment arrangement options through a mobile device or computer.

Comfort Level Billing

Avista's Comfort Level Billing (CLB) plan provides customers with an effective budgeting tool that is designed to average the customer's utility bill over twelve months. It levels out the seasonal highs and lows to one level payment all year, enabling customers to anticipate the amount that will be billed in advance. CLB is a tool that helps customers to manage their household budget and remain current on their utility bill. CLB is only available to customers who are current on their utility bill. If a customer is in arrears, then gets caught back up, they are eligible to enroll in CLB.

Energy Assistance

Energy assistance through the Company's LIRAP offerings, administered through Community Action Agencies (CAAs or Agencies), is promoted by CSRs with the intent to financially assist low-income customers, those experiencing hardship and/or customer's facing service disconnection. Customers with a collection notice that have an appointment for energy assistance will have their collections process placed on hold until their appointment date in an effort to ensure any energy assistance can be used towards the customers arrears and ultimately prevent a disruption in service.

Customers seeking energy assistance have several options available to them through the Low-Income Home Energy Assistance Program (LIHEAP), LIRAP and Project Share.⁴ One LIRAP offering is LIRAP Heat, which provides financial assistance to customers below 150 percent of the Federal Poverty Level (FPL). Similar to LIHEAP, the benefit amount is based on household

⁴ Project Share is a donation-based, fuel-blind, energy assistance fund.

size, income, energy costs (all electric or natural gas costs, used for space heating or base load), and housing type (single family, multifamily, etc.), then calculated using the mechanism approved by the Department of Commerce. LIRAP Emergency Share and Project Share are available to customers experiencing hardship or those in jeopardy of utility service disconnection. The amount of emergency assistance is determined on a case-by-case basis and does not exceed \$350. Through its LIRAP, Avista also offers a Senior/Disabled Rate Discount which is a rate discount program designed to help mitigate the impact of energy costs for seniors and/or individuals with disabilities who have variable incomes between 151-200 percent FPL.

Early Intervention

The Company utilizes an early intervention strategy to ensure appropriate accounts are sent through the credit & collections process. This model evaluates each customer account two days after its bill due date to determine the amount past due along with the accounts credit code. Credit codes range from zero to three, and are determined by the customer's overall payment history with the Company, including frequency of payments, duration as a customer, number of previous disconnections for non-payment, and if the customer has an outstanding balance owed to the Company with a third-party collection agency (third-party collection agencies are only used to collect debt owing on closed or inactive accounts including prior obligation accounts). Customers that consistently make payments towards their balance owed each month yield a credit code 3, while customers that make payments less frequently and have previous disconnections for non-payment produce a lower credit code of 1 or 0. Balance thresholds are used for early intervention based on an account's credit code; accounts with higher credit codes have a slightly higher threshold than those with lower credit codes. Establishing lower thresholds to begin the collections process for those customers that have historically had more difficulty keeping current on their utility bill allows notification of arrears to be sent prior to account balances becoming potentially unmanageable. The Company has found this strategy to be successful in helping customers to keep arrears manageable.

Disconnection Notices

Once an account is selected through the early intervention thresholds described above, the collections process begins by the issuance of a past due notice, followed by a final disconnection notice, and lastly, a phone call to the customer. These actions are taken in an effort to connect with customers to establish payment arrangements and/or offer energy assistance options to avoid a disruption in electric or natural gas service. CSRs are well equipped to converse with customers to find a solution that is mutually agreeable between the customer and the Company. The collections process has historically resulted in 16 percent of notice recipients contacting the Company after receiving a past due notice to make payment or establish payment arrangements, 31 percent after the delivery of a final notice, 21 percent after the automated phone call, and 26 percent prior to the customer's service being disconnected. In total, the Company's current collections process results in approximately 94 percent of customers facing potential disconnection making a payment, establishing a payment arrangement, or qualifying for energy assistance to resolve their past due balance.

LIRAP Pilot Programs

In October of 2018, Avista launched a one-year pilot program (Pilot) for a Percent of Income Payment Plan (PIPP) and Arrearage Management Plan (AMP), which ran through September 30, 2019.⁵ The Pilot was performed in partnership with two of the Agencies that administer LIRAP, Spokane Neighborhood Action Partners (SNAP) and Rural Resources. The PIPP was intended to reduce the energy burden for low-income customers to six percent of their annual household income, while the AMP was aimed at supporting low-income customers in reducing their arrears to a manageable level. Recruitment for the Pilot resulted in 170 participants. Evergreen Economics was commissioned to conduct an analysis of the Pilot and report its findings.⁶ The analysis showed that PIPP participants averaged an annual savings of \$789 with a 57% reduction in bill costs and the AMP average benefit was \$114.⁶⁰ A few significant results from the evaluation that identified

⁵ For purposes of the Pilot, the PIPP was known as the Income-Based Payment Program (IBPP), and the AMP was a Balance Management Arrangement (BMA).

⁶ See Docket Nos. UE-210077 and UG-210078, Attachment A, for the "Avista Income Based Payment Program / Balance Management Arrangement Pilot Program Evaluation" Final Report submitted by Evergreen Economics

the PIPP and AMP combined reduced the likelihood of missed payments by 63% and likelihood of disconnects by 95% among the participants.

Energy Assistance Advisory Group Input

In partnership with its Energy Assistance Advisory Group (EAAG), as directed in Final Order 09 in Dockets UE-190334 and UG-190335, Avista developed its approach for reducing credit related disconnections for residential customers to the maximum extent feasible. The group acknowledged that a 100 percent reduction in disconnections for non-payment is an aspirational goal, that may never be realized. The group determined there are a variety of reasons that a customer may not pay their bill that are outside the influence of programs and processes designed to help with affordability and keeping services connected. The EAAG first met to discuss a disconnection reduction strategy on August 11, 2020, where Avista introduced its current disconnection practices and potential solutions to reduce the number of customers disconnected. The primary component discussed to reduce disconnections was the Company's 2018 Pilot described above. The EAAG determined that the best way to avoid disconnections was to address customers' energy burden and ability to pay their utility bills. Energy assistance plays a central role in this.

The "Staying Connected Subcommittee" (Subcommittee) was then formed of EAAG participants, tasked with molding the Disconnection Reduction Plan discussed below. The Subcommittee met on August 20th, August 27th, and September 17th to discuss important topics such as solutions for zero income customers, AMP benefit amounts (percent forgiven and minimum, maximum), and to review program implementation estimates to best determine PIPP and AMP funding impacts. Additional details of the Plan, as outlined below, were also discussed and agreed by the group as a comprehensive offering for improving the probability of disconnection of services for non-payment.

Disconnection Reduction Plan

In order to achieve Avista's goal of significantly reducing the number disconnections for non-payment, the Company is taking a multifaceted approach which includes implementing an AMP and PIPP as a permanent offering of LIRAP, as well as continuing to offer flexible payment

arrangements, preferred due dates, Cash Coaches (discussed later), multiple payment options, and budget alerts. The intention is to offer customers self-service tools that allow them to manage their energy bills and for customers that struggle to pay their utility bills, provide them with a variety of energy assistance options to meet their needs. The sections below further describe each of the areas to prevent and reduce the number of disconnections for non-payment.

In support of this effort and to aid in the financial hardships customers incurred through the COVID-19 pandemic, on February 5, 2021, the Company filed proposed revisions to Schedules 92 and 192 “Low-Income Rate Assistance Program”, to incorporate a permanent AMP and PIPP into its tariffs as further described in Dockets UE-210077 and UG-210078. Avista recognizes the need to reduce the energy burden for low-income customers and to provide additional flexibility around payment due dates and payment arrangement options that allow customers to stay connected to their utility services. Avista believes the actions outlined in the Plan below will aid in reaching its disconnection reduction goals.

Arrearage Management Plan

The AMP as proposed will provide financial relief to residential low-income customers who have unmanageable past-due balances (arrears) on their utility account. Customer eligibility will be performed through Avista’s partner Agencies and administration actions for enrollment will be provided by Avista. Enrollment includes benefit determination and account activity to operationalize the program for each customer with the company’s billing system. The AMP will be offered in instances where energy and emergency assistance options have been exhausted yet the customer still requires financial aid in reducing their remaining unpaid arrears. This program will support residential customers whose annual income is between 51 percent and 200 percent FPL. The AMP is designed for the customer to pay 10 percent of their arrears while the Company provides relief for the remaining 90 percent over the course of 12 consecutive months. Each month, after an on-time, in full payment of their current charges plus 1/12th of 10 percent of the arrears balance, the Company will reduce 1/12th of the remaining arrears until the full past due balance is completely forgiven.

Due to the ongoing circumstances surrounding COVID-19 and the increasing customer arrears, low-income customers can enroll in the AMP twice every seven years during the history of their account for a total maximum benefit of \$2,500 each time. Each Agency has the discretion to, on rare occasions, approve an application for a third AMP enrollment for customers experiencing severe hardship.

Upon Commission approval, Avista intends to begin offering the AMP on April 1, 2021.

Percent of Income Payment Plan

A PIPP provides an affordable utility bill to residential customers within the lowest income bracket, zero to 50 percent FPL, and for whom traditional energy assistance does not substantially reduce their energy burden. The intent of the PIPP is to reduce a customer's energy burden to six percent of their annual income through a percentage discount on their monthly bill. Customers with an income of zero percent FPL will receive bill assistance to cover 94 percent of their monthly bill.

Income qualified customers will have the option of a PIPP as an alternative to receiving LIHEAP/LIRAP Heat benefits. Customers will elect either the monthly percentage discount provided through the PIPP or the lump sum grant of LIHEAP/LIRAP. To help eliminate the strain an annual requalification process puts on some customers, customers will be qualified for the program for a two-year period. Before the period ends, a customer will need to reapply to verify continued eligibility for the program. During the PIPP term, if a customer is unable to make payment towards their current charges and becomes past due, customers will need to seek emergency assistance for subsequent arrears.

Understanding that this customer segment has struggled perpetually with the ability to pay their bill, full forgiveness for an unpaid, past-due balance on a customer's account will also be available upon PIPP enrollment. The Past Due Payoff (PDP) will not to exceed \$2,500 and is available once per the account history. However, CAAs have discretion to make an exception to the one-time rule

for customers facing extenuating circumstances and the additional benefit should not exceed the maximum benefit threshold.

Program qualification and the percentage of savings and PDP benefits will be determined by CAAs for customers who elect to participate in the PIPP. During the PIPP term, if a customer is not able to make payment towards their current charges and becomes past due, customers will need to seek emergency assistance for subsequent arrears.

Upon Commission approval, Avista intends to begin offering the PIPP with the PDP on October 1, 2021.

Preferred Due Date

Upon request from a customer, Avista provides the option for customers to update their bill due date to better align with their respective pay dates. To encompass the objective of this Plan, CSRs will take a more proactive approach by offering this choice to customers who contact the Company to start service or request an extension on their bill due date. The Company understands that the further away a bill due date falls outside of a customer's pay cycle the more arduous it becomes to submit a regular monthly payment in a timely manner. Aligning bill due dates with customer pay dates empowers customers to pay on time and stay current on their utility bill.

Cash Coaches

With the installation of the Company's Advanced Metering Infrastructure (AMI), the frequency of visiting a customer's premise has reduced significantly. In 2019, Avista had 1,873 customers pay an Outside Serviceman (OSM) at the door prior to prevent service disconnection due to non-payment. Through the Cash Coaches program, Avista will proactively contact each of these customers to educate them of payment locations near them and provide alternate payment options, establish payment arrangements and offer energy assistance options. In accordance with WAC 480-100-128(6)(d), the Company will send an OSM to the customer's premise prior to disconnection for customers who have received LIHEAP or LIRAP in the previous two years, allowing for additional communication with customers prior to any service disconnections.

Additionally, during the field visit, Avista will offer to reach out to the customers local CAA to help them in establishing an appointment to seek energy assistance.

Budget Alerts

In December 2020 Avista deployed its Budget Alerts functionality on its website. Budget Alerts provide a customer the ability to set a budget threshold that sends an email or text message to inform the customer that they are close to reaching their prearranged budget amount. Also, this tool gives customers easy access to energy conservation tips to help reduce their energy consumption to ultimately reduce the amount of their energy bill and provides customers with a trending analysis report that states if they are trending higher or lower than the same time period for the prior year. Customers have the ability to access customized energy consumption charts that allows them to drill down into their usage trends. These viewing options range from five-minute intervals to hourly, daily, monthly and yearly intervals. Customers can even see how their usage changes with the fluctuation in temperature. Employing this feature provides customers with usage data to help align energy consumption with their monetary goals. Budget Alerts allow customers to better manage their energy use in near real-time and to take corrective action if their usage is trending higher than expected.

Disconnection Reporting

Attached to this report is Avista's first annual Disconnection Reduction Report. With the onset of the COVID-19 pandemic, Avista elected to suspend disconnections for non-payment on March 13, 2020. Disconnections did not resume during the 2020 calendar year, which is why the Company elected to provide data for the 2019 calendar year to serve as a baseline for future reporting periods.

Avista performs service disconnections for varying reasons to include customer requested disconnections, non-payment and service disconnection between occupants. Service disconnections can be performed utilizing an OSM or through the Company's remote disconnect/reconnect capabilities operated through its AMI infrastructure. Exhibit A provides specific details relating to the total number of disconnections performed in 2019 and the number

of customers who submitted a payment in the field to prevent service disconnection for non-payment. Statistics on recipients of low-income bill assistance or emergency medical certifications that were ultimately disconnected for non-payment in the previous two years can also be found in Exhibit A.

Conclusion

Avista filed its proposed PIPP and AMP tariffs on February 5, 2021, as outlined in dockets UE-210077 and UG-210078. With the approval of these filings, the Company will have the ability to offer additional energy assistance options that will help customers from falling behind on their utility bills, help to reduce customers' energy burden, and ultimately lead to fewer customers facing disconnection for non-payment. In addition, Avista will utilize and offer multiple tools to assist customers in managing their energy bills and from falling behind with their payments. As described in this Plan, those tools include continuation of offering flexible payment arrangements, proactively offering preferred bill due dates, a Cash Coach program, numerous free payment options, and Budget Alerts. With the combination of energy assistance, self-service tools, and additional support from the Company's CSRs, this will help reduce the number of disconnections for non-payment and move closer to the aspirational goal of reducing disconnections for non-payment by 100%.

Exhibit A

Annual Disconnect Reporting

Total disconnections for all purposes:

Avista performed 12,888 service disconnections for all purposes throughout its Washington service territory in 2019. Disconnects identified in this data include customers requesting services to be shut off, disconnections for non-payment and disconnections between occupants. These disconnections were performed either by an OSM or remotely.

Year	2019
All Disconnects	12,888

Total disconnections for non-payment:

Of the 12,888 service disconnections performed in 2019, as defined above, 10,059 of the total services disconnected were due to non-payment. This number represents disconnections performed by an OSM in the field or through the Company's remote disconnect/reconnect technology.

Year	2019
Disconnects Non-Payment	10,059

Total remote disconnections and remote disconnection of low-income bill assistance recipients:

Avista completed 5,478 remote service disconnections for all purposes in 2019, as stated above, the remote disconnections include customers requesting service be turned off, disconnections for non-payment and disconnecting between occupants. Of the 5,478 remote disconnections performed, 2,149 of those disconnections were identified as being low-income energy assistance recipients within the previous two years.

Year	2019
Disconnects Remote (Total)	5,478
Remote Disconnects Low-Income	2,149

Total disconnections of customers receiving low-income bill assistance:

Of the total disconnections performed in 2019, remotely or through an OSM, 3,870 customers had received low-income energy assistance in the previous two years. Low-income recipients accounted for approximately 38% of disconnections performed for non-payment in 2019

Year	2019
Total Low-Income Disconnects	3,870

Total disconnections of customers with a medical emergency verified at the service location within the previous two years:

Customers with a verified medical emergency within the previous two years accounted for 141 of the total disconnections in 2019. Disconnections did not occur while customers had an active medical emergency.

Year	2019
Total Disconnects with EMC	141

Number of payments received during field/premise visits to prevent disconnection:

Of the 10,059 disconnections for non-payment in 2019, 1,873 customers paid an OSM at the door to prevent disruption in utility services.

Year	2019
Field Visit Payments	1,873

Amount received during premise visits to prevent disconnection and the mode of payment (cash, check, etc.):

The amount collected at customers' doors to prevent service disconnection for non-payment in 2019 totaled \$495,689.18. Payment types collected at customers' doors include cash, Automated Clearing House (ACH), debit or credit card, and checks. In addition, at times an OSM will arrive at a customer's residence and learns the customer already submitted a payment at a pay station or Avista lobby location prior to the Company arriving in which the Company had not been informed of the payment. When this occurs, the OSM completes the collections order as "collected payment from customer," which is reflected in the second table below, titled "Payments Prior to Arrival" A detailed breakdown of the specific payment types and corresponding amounts are reflected in the tables below.

Payments Collected at Door	2019
CASH	\$ 111,953.46
ACH	\$ 35,405.93
CARD	\$ 260,133.07
CHECK	\$ 88,196.72
TOTAL	\$ 495,689.18

Payments Prior to Arrival	2019
Lobby or Mail	\$ 51,473.96
Pay station	\$ 5,345.09
Bill Assistance	\$ 876.01
TOTAL	\$ 57,698.06

Total Payments to Prevent Disconnection in the field	\$553,384.24
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Number of free pay stations:

Avista offers 46 different designated free pay stations and drop box locations throughout its Washington service territory for customers to submit payments in person.

Number and nature of customer complaints related to disconnection:

In 2019, 19 customers submitted complaints to the Washington Utilities and Transportation Commission (WUTC) regarding potential service disconnection or disconnection of service performed by Avista. The subject of the complaints ranged from disconnection notification requirements to emergency medical certification compliance. After thorough investigation by the WUTC all complaints were deemed “Company Upheld” meaning Avista complied with all required rules relating to disconnection. See Attachment A for more detailed information pertaining to the specifics of the service disconnection complaints received by the WUTC.