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UTIL. AND TRANSP.
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June 1, 2021

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

Re: Avista Utilities Tariff WN U-28 Revisions, Schedule 90 – Electric Energy Efficiency Programs

Dear Mr. Johnson:

Attached for filing with the Commission is an electronic copy of Avista Corporation's, dba Avista Utilities' (Avista or the Company), filing of its proposed revisions to the following electric tariff sheets, WN U-28:

Fourth Revision Sheet 90	Canceling	**Third Revision Sheet 90**
Ninth Revision Sheet 90A	Canceling	**Eighth Revision Sheet 90A**
Seventh Revision Sheet 90B	Canceling	**Sixth Revision Sheet 90B**

The primary purpose of these requested tariff revisions is to 1) introduce the Company's On-Bill Repayment (OBR) Program; 2) incorporate provisions for vulnerable populations and/or highly impacted communities, as defined by RCW 19.405.020; and 3) clarify Avista's policy regarding providing incentives for distributed renewable energy measures.

I. <u>On-Bill Repayment Program</u>

As part of the Settlement Stipulation (Stipulation) approved by the Commission in its Final Order 09 in Dockets UE-190334, UG-190335 and UE-190222 (*Consolidated*),[1] Avista agreed to the following:

> <u>On-Bill Repayment/Financing Program</u> – Avista will provide a proposal for the Energy Efficiency Advisory Group (EEAG) for on-bill repayment/financing programs for residential and small business customers (Schedules 1, 11, and 101). Avista will incorporate feedback from the EEAG in the final program designs by March 3,2021.[2] If Avista and the EEAG reach agreement on program terms and design, the Company will file the programs with the Commission such that the programs are implemented by September 30, 2021. Based on the outcome of discussions with the EEAG, the Company may file small business and residential programs together or individually with the Commission. The Company will file a status report with the Commission if agreement is not reached with the EEAG for programs offered to the enumerated customer classes by September 30, 2021. Development costs associated with this program will be recoverable from customers and means of recovery will be addressed in a future GRC.

In compliance with the above Stipulation requirement, Avista provided information to, and collaborated with, its EEAG regarding OBR on several occasions in 2020 and 2021. On October 22, 2020, the Company provided an overall review of the types of OBR options available within its service territory and informed the group of its plans for an upcoming Request for Proposals (RFP) to be issued to select a potential OBR vendor, as well as the associated timeline for the selection process. On January 19, 2021, the Company reviewed the RFP process results with its EEAG, presented high-level program designs and cost estimates of the two final candidates, and requested feedback to be ultimately incorporated into the final OBR Program design. The final announcement of the vendor selected to be Avista's On-Bill Repayment Program partner, Puget Sound Cooperative Credit Union (PSCCU), was made on February 18, 2021, with the full OBR Program proposal provided to the EEAG along with an additional request for feedback. After incorporation of all EEAG input, the Company stands ready to provide the OBR Program to its customers effective October 1, 2021, as described herein.

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[1] Dockets UE-190334, UG-190335 and UE-190222 (Consolidated) – Partial Multiparty Settlement Stipulation at page 10, ¶14 item (d).

[2] In Order 10 issued on December 14, 2020, the Commission granted the Company's Petition to Amend Final Order 09, such that the deadline to incorporate feedback from its EEAG into the on-bill repayment/financing program design was extended from the January 2, 2021 stated in the Stipulation to March 3, 2021.

OBR Program Loans

Avista's proposed OBR Program will enable customers to access low-interest financing to complete various energy efficiency projects by 1) subsidizing loan interest rates such that no OBR Program Loan (OBR Loan) interest rate will exceed 5%,[3] and 2) facilitating the repayment of such loans from a third-party lender through the customer's Avista bill. The OBR Program will be made available to all Washington residential or small business customers taking electric or natural gas service through Avista's rate Schedules 01, 02, 11, 12, or 101. The Company will establish a list of qualified potential projects or measures, with those projects meeting the efficiency standards outlined on the list able to be funded 100% by an OBR Loan. Any Health, Safety and Repair measures that are needed in order to move forward with the qualified project can be included in the OBR Loan amount, for up to 30% of the total project cost. PSCCU, Avista's third-party lender, requires that the borrower be the owner of the premise and will assess a $5 membership fee for all new customer accounts.

Upon customer application for an OBR Loan, PSCCU will obtain written consent from the participating customer that confirms the customer's agreement to allow Avista to provide PSCCU with customer-specific bill payment information and certifies the customer's awareness of the Avista's limited role in the OBR Loan repayment process. Avista will not be responsible for determining the credit worthiness for OBR Loans, assessing cost-effective improvements, measuring and/or verifying the work performed, or financing of the OBR Loan. OBR Loan terms, such as the amount to be billed monthly for each OBR Loan and the number of months to be billed, are also determined by PSCCU. The monthly billing amount and billing duration are communicated to Avista solely for the purposes of billing the customer. The specified OBR Loan repayment amount will be billed according to the customer's standard billing cycle and payment will be required by the due date assigned to the Avista electric and/or natural gas service charges.[4] While Avista will display the amount due for the customer's OBR Loan on its bill each month, and it is the customer's responsibility to remit payment for both the billed amount due for their Avista electric and/or natural gas service in addition to the agreed-upon OBR Loan amount, the

[3] Interest rate percentages for customers with a credit score below 680 are typically above 5%; for these customers, Avista will buy-down the interest rate to the 5% threshold. Customers with higher scores that qualify for a loan already under 5% will not require Avista subsidization.

[4] Due to the complexity of the loan billing process, customers enrolled in the OBR Program may not select a preferred due date that falls outside of the Company's standards for electric and/or natural gas service billing.

customer's OBR Loan repayment behavior will have no impact on the customer's standing with Avista. Therefore, any default on the customer's OBR Loan will not result in any collections activity or potential interruption of electric or natural gas service on behalf of Avista.

The OBR Loan repayment amount will appear as a specific line item on the customer's monthly Avista bill until such time as:

- The customer has failed to make timely OBR Loan repayments and delinquency has exceeded OBR Program limitations (as described below);
- The customer's Avista electric and/or natural gas service account is closed;
- PSCCU provides Avista with written notification that the OBR Loan billing should be removed from the Avista account;[5] or
- OBR Loan repayment timeframe is completed, and the Loan is paid in full.

OBR Loan payments received by Avista will be applied pursuant to the Company's existing Schedule 70 rules. Any underpayment of the monthly OBR Loan amount will be sent to PSCCU as long as no other utility charges are outstanding. Delinquent OBR Loan amounts will be added to the subsequent month's bill one time; if two consecutive OBR Loan payments are missed, PSCCU will remove the OBR Loan from Avista's OBR Program and follow-up with the customer directly. Conversely, any payment to the customer's account that exceeds the full monthly amount due (overpayment) will remain on the customer's account as an excess credit to apply towards future utility charges as designated above. The customer may contact the Company to request a refund of any overpayment or to direct the Company accordingly if the intention of the overpayment was to be used towards the OBR Loan. All intended payment(s) toward the OBR Loan amount in excess of the calculated monthly repayment amount due on the Customer's bill will be paid directly to PSCCU by the customer. As a matter of process, Avista will not offer payment arrangements for the OBR Loan, and the Company will refer any customer disputes regarding such matters – including, but not limited to, an OBR Loan balance, refunds, or payoffs – to PSCCU. Recovery of the OBR Loan amount and all interest and associated expenses are the sole responsibility of PSCCU.

[5] In rare instances, PSCCU may become privy to information that necessitates its business with the customer to be conducted outside of the OBR Program.

Proposed Funding and Tariff Modifications for the OBR Program

Implementation costs to adapt billing and financial systems to accommodate the OBR Program, which are estimated at approximately $388,200, will be funded as a capital project and later addressed for a recovery in a future General Rate Case (GRC) proceeding. As is the nature of an On-Bill Repayment Program, future program costs are highly dependent on customer throughput, as the number of customers that ultimately participate will inform the total costs incurred. The Company estimates that the interest rate buydown costs will be approximately $500 per loan issued. For ongoing administrative costs, estimated at one full-time employee (FTE), and all costs resulting from the interest rate buydown for the OBR Program, Avista believes the appropriate method for recovering these is through its tariff Schedules 91 and 191, electric and natural gas Demand Side Management (DSM) Rate Adjustments. Tariff Schedules 91 and 191 provide the most appropriate cost recovery method for these non-capital costs, as the OBR Program is dedicated towards assisting customers with energy efficiency projects.

To address the aforementioned Stipulation provision that states that "Development costs associated with this program will be recoverable from customers and means of recovery will be addressed in a future GRC", the Company has submitted a concurrent request in its current GRC, Docket Nos. UE-200900, UG-200901, and UE-200894 (*Consolidated*), to provide clarification and approval of its proposal to include ongoing OBR Program costs in its DSM tariffs. If the Commission approves of the Company's OBR Program as proposed herein, and determines that the costs to offer the program are best suited for Schedules 91 and 191 via the current GRC, the Company would begin to charge all costs of the program to Schedules 91 and 191 effective October 1, 2021, when the current GRC concludes. The Company has worked with its EEAG to develop the OBR Program and presented the cost estimates to the EEAG to offer such a program, including the Company's proposal for cost recovery within tariff Schedules 91 and 191, and did not receive any feedback in opposition of such a funding structure.

To appropriately incorporate the OBR Program offering in tariff, the Company believes that it can leverage its existing section 4.2.2., which states:

> **4.2.2.** Financial activities intended to reduce or eliminate the financial barriers to the adoption of electric efficiency measures. This may include programs intended to reduce the payment rate for resource efficiency measures, direct provision of leased or loaned funds or other approaches to financial issues with better than existing market terms and conditions.

This language, coupled with the addition of the following statement, allows for the OBR Program, as proposed, to become effective pending the appropriate approvals within the Company's current GRC:

> **4.1.6** Effective October 1, 2021, pending Commission approval, On-Bill Repayment (OBR) Program interest rate buydowns for qualifying electric energy efficiency measure financing as provided through the Company's partner lender.

II. CLEAN ENERGY TRANSFORMATION ACT (CETA) ALIGNMENT

As is the basis for its proposed OBR offering above, Avista continuously strives to present its customers with opportunities to reduce their overall energy burden through energy efficiency improvements and endeavors to eliminate any funding constraints or cost barriers potentially encountered by customers in their pursuit of such progress. Additionally, as the Company evolves to meet the clean energy goals laid forth in CETA, the importance of equity within these processes and the hinderance of undue burdens on those most affected by the increasing costs of the clean energy future become paramount. To address such concerns, Avista proposes the addition of an incentive structure intended to provide flexibility in energy efficiency program funding and allow for targeted efforts to be made in serving its customers that are part of a highly impacted community (HIC) or vulnerable populations (VP), pursuant to RCW 19.405.020(23) and 19.405.020(40), respectively. Avista propositions that these customers be incentivized similar to that of its low-income customers, as all three groups may face similar financial barriers when it comes to securing energy efficient upgrades for their households. As such, the following specification has been added in tariff:

> **4.1.7** Incentives for customers designated as part of a vulnerable population or highly impacted community pursuant to RCW 19.405.020. Funding is limited to 100% of the project costs for installation and use of energy efficiency equipment. Equipment or repairs related to the health and safety of the customer or community is also allowed under this section.

Avista believes that providing such an allowance for these named communities (HIC/VP) may help to promote a more equitable distribution of energy efficiency opportunities, help to remove at least some of the many potential barriers these customers are encountering in the transition to cleaner and more efficient energy, as well as provide clearer alignment with the future intentions of CETA. These proposed changes were presented to Avista's EEAG on May 13, 2021, with no objections noted from any members.

III. Incentives for Distributed Renewables

The intention of Avista's Schedule 90 has been primarily to pursue cost-effective energy efficiency, demand response efforts, and serve low-income customers with energy efficiency opportunities. Expenses incurred for these efforts are viewed as prudent to the extent that they support the Company's progress towards meeting the conservation goals as set forth in the Energy Independence Act (EIA), or I-937, and subsequently, the objectives of CETA. Avista's current Schedule 90 language regarding incentives for distributed renewables, effective since August 1, 1999 (several years prior to EIA), is, in the Company's opinion, outdated information that has been inadvertently carried forward with little-to-no participation from the Company's customers. Additionally, the purpose of the Company's Energy Efficiency Programs is to incent customers to install high efficiency equipment or measures that result in a reduction of energy use. The installation of distributed generation does not align with this purpose as it does not result in an overall reduction in energy use.

Avista has not, in recent years, actively pursued a rebate program for providing monetary incentives for the installation of distributed generation to customers through its Energy Efficiency Program, as the Company believes that net metering of the installed distributed generation is a benefit in-and-of itself by providing the customer with the ability to offset their energy use. The current language in Schedule 90 suggests that distributed generation projects may be eligible for energy efficiency incentives if cost-effective, however, it is highly unlikely that such project will be cost-effective and would therefore not receive an incentive. Currently, if a customer inquires about incentives for distributed generation, Avista would then be obligated to perform a cost-effectiveness test for the proposed project and, if cost-effective, provide an incentive for this customer. The Company is unaware of any historical instances in which Avista has offered such an incentive based on this language, however, has recently been in conversations with a customer that may be interested in pursuing a determination of cost-effectiveness of a potential project in an effort to receive an incentive. In fairness to this customer, the Company has proposed a sunset date of this language in tariff rather than simply striking the provision from its Schedule 90 language. As such, Avista will evaluate any distributed renewable project for cost-effectiveness, and provide an incentive if warranted, for any project that is submitted in full before December 31, 2021, with actual project completion by December 31, 2022. These proposed changes were presented to Avista's EEAG on May 13, 2021, with no objections noted from any members.

IV. CONCLUSION

The Company believes that though its Schedule 90 tariff allows for considerable flexibility in how its energy efficiency programs are designed and delivered, there remains the occasional need for modifications to help meet current and future market conditions, legislation changes and other opportunities. Incorporating an OBR Program, integrating provisions for highly impacted communities or vulnerable populations, and clarifying the future of incentives for distributed renewables are just a few ways in which Avista continues to adaptively manage its programs for the overall benefit of its customers and the communities it serves.

This filing is being made concurrently with the Company's 2020 Annual Conservation Report (ACR), a parallel update for its natural gas Schedule 190, and its annual revisions to tariff Schedule 91. Avista respectfully requests that these proposed tariff revisions become effective August 1, 2020, in alignment with its revisions for its DSM Rate Adjustment Schedules 91.

Please direct any questions on this matter to Ryan Finesilver, Energy Efficiency Manager at (509) 495-4873.

Sincerely,

/s/Shawn Bonfield

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Enclosure
cc: Avista Energy Efficiency Advisory Group