WUTC DOCKET: UE-200900 UG-200901 UE-200894
EXHIBIT: SMC-1T
ADMIT ☑ W/D ☐ REJECT ☐

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **AVISTA CORPORATION, d/b/a AVISTA UTILITIES,** **Respondent.**	DOCKETS UE-200900/UG-200901 *(Consolidated)*

RESPONSE TESTIMONY OF

SHAWN M. COLLINS (EXH. SMC-1T)

DIRECTOR OF
THE ENERGY PROJECT

Low-Income Issues

April 21, 2021

RESPONSE TESTIMONY OF SHAWN M. COLLINS (SMC-1T)

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EXHIBIT LIST

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Shawn Collins. My business address is 3406 Redwood Avenue, Bellingham, WA 98225.

Q: By whom are you employed and in what capacity?

A: I am the Director of The Energy Project (TEP), a program of the Washington State Community Action Partnership (CAP) housed at the Opportunity Council in Bellingham, WA.

Q: How long have you been employed by the Opportunity Council.

A: I have been employed by Opportunity Council since 2006. I have served as the Director of TEP since 2015.

Q: Would you please state your educational and professional background?

A: Attached as Exh. SMC-2 is a statement of my professional qualifications.

Q: On whose behalf are you testifying?

A: I am testifying for TEP, an intervenor in this proceeding, on behalf of Avista's low-income customers and the CAP organizations that provide low-income energy efficiency and bill payment assistance for customers in Avista's service territory. These agencies include:

- SNAP (Spokane Neighborhood Action Partners) (Spokane County)
- Rural Resources (Ferry, Lincoln, Stevens Counties)
- Community Action Partnership (Asotin County)
- Community Action Center (Whitman County)

- Opportunities Industrialization Center (OIC) of Washington (Adams County)
- Community Action Council of Lewis, Mason, Thurston Counties (for Skamania, Klickitat Counties weatherization)
- Washington Gorge Action Programs (for Skamania, Klickitat Counties bill assistance).

II. PURPOSE AND SUMMARY OF TESTIMONY

Q: What is the scope of your testimony?

A: My testimony is concerned with the impact of the proposed rate increases on Avista low-income customers and on the programs that provide assistance to low-income customers in Avista's service territory.

Q: Could you please summarize your testimony?

A: My testimony provides an overview of Avista's low-income bill assistance programs and the level of need in Avista service territory. I respond to Avista's proposal for a funding increase for its Low-Income Rate Assistance Program (LIRAP), recommend an alternative in order to address the level of need, and provide proposals for low-income renewable and EV initiatives. My testimony also comments on the overall impact of the Avista rate filing and addresses several other issues that affect low-income customers.

III. OVERVIEW OF AVISTA CUSTOMER LEVEL OF NEED

Q: How would you assess the level of need for low-income energy assistance in Avista's service territory?

A: There continues to be a substantial need for resources to help Avista's low-income customers meet their energy needs. The poverty rate in Avista's service territory is higher than the statewide average. The Commission has recognized that "as energy prices increase to all customers so must the available funding to those portions of the Company's customer base that are most affected by such increases."[1] In 2016, the Commission observed that "[i]t is clear … that current [energy assistance] funding levels are not sufficient to serve the eligible population in Avista's service territory."[2] This situation continues, as noted by Avista witness Joseph Miller, who reported that only about 21 percent of the 95,000 customers eligible for LIRAP receive assistance, citing the Avista Low Income Needs Assessment conducted by Evergreen Economics.[3]

Avista's Transportation Electrification Plan, in addressing low-income issues, notes that 47 percent of Avista's residential customers are living in poverty or struggling with basic living costs, using the ALICE measures (Asset Limited, Income Constrained and Employed).[4] Even using the 200 percent Federal Poverty Level (FPL) metric, which ties in with the Clean Energy Transformation Act

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[1] *Washington Utilities & Transportation Commission v. Avista Corp.*, UE-140188/UG-140189, Order 05, ¶ 44.
[2] *Washington Utilities & Transportation Commission v. Avista Corp*, UE-150204/UG-150205, Order 05, ¶ 229.
[3] Direct Testimony of Joseph D. Miller, Exh. JDM-1T at 24:22-25:3.
[4] Docket UE-200607, Avista Transportation Electrification Plan, p. 58.

(CETA) definition,[5] the Evergreen Economics assessment concluded that customers earning 200 percent FPL or lower represent 41.8 percent of the population in Spokane North, 37.5 percent in Spokane South, 36.4 percent in Spokane Valley, 32 percent in Walla Walla and 42.2 percent in Pullman.[6]

IV. AVISTA'S LOW INCOME RATE ASSISTANCE PROGRAM (LIRAP)

Q: Please generally describe Avista's bill assistance programs for low-income customers.

A: Energy assistance is provided to Avista customers through several programs, including LIRAP, the federal LIHEAP program, Project Share, and various community funds, with approximately $11.1 million in assistance coming from these combined sources.[7] In the 2019/2020 heating season (program year) the LIRAP program provided over 19,700 grants to customers, an increase of over 1300 households since the prior program year. In the program year, 56 percent of LIRAP participants had household average incomes of less than $15,000, with 28 percent having household incomes under $8000 per year. Sixty one percent of LIRAP households had two or more people and 71 percent of LIRAP recipients were renters.[8]

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[5] RCW 19.405.020(25).
[6] Avista Low Income Needs Assessment, Final Report, Evergreen Economics, January 3, 2020, p. 21, Table 4: Household Income Distribution by PUMA. Filed in Docket UE-010436/UG-010437 as Appendix A to the Annual LIRAP Report for 2019/2020.
[7] Miller, Exh. JDM-1T at 23:11-19, Illustration No. 1.
[8] Avista Low-Income Rate Assistance Program (LIRAP) Annual Summary Report for the program period October 2019 through September 20, 2020, Dockets UE-010436/UG-010437 (Annual LIRAP Report), p. 4.

As of October 1, 2021, LIRAP will have six permanent components:[9]

- LIRAP Heat. This is Avista's "regular" energy assistance, similar to LIHEAP, for customers at or below 150 percent of FPL, with the benefit amount based on household size and housing type.
- LIRAP Emergency Share. This is an "emergency assistance" program with a process similar to the donation-based Project Share. Imminent disconnection is a major qualification criterion. The benefit is determined on a case-by-case basis, not to exceed $350.
- LIRAP Senior/Disabled Outreach. This program is being phased out on September 30, 2021 and replaced with the Senior/Disabled discount program after a successful pilot.[10]
- Senior/Disabled Rate Discount program. This is a rate discount program for senior or disabled customers with variable incomes between 151-200 percent FPL.
- Percentage of Income Payment Plan (PIPP). Based on an earlier pilot, this provides a fixed percentage discount that reduces a customer's bill to 6 percent of their income. Customers with income at 0 to 50 percent FPL are eligible. The program begins on October 1, 2021.

[9] Schedules 92 and 192.
[10] *In the Matter of the Petition of Avista Corp. For An Order Authorizing Approval Of Changes To The Company's Low-Income Rate Assistance Program,* Dockets UE-190646 & UG-190648, Order 01, ¶¶ 3-4.

- Past Due Payoff (PDP). This is available to PIPP or LIHEAP recipients with incomes at 0-50 percent FPL. Past Due Payoff provides forgiveness for the full unpaid past due balance on a customer's account, not to exceed $2500. It is provided only once on an account history.
- Arrearage Management Plan (AMP). This program reduces customer arrearages owed over a 12-month period by providing an incentive for regular on-time payment. It is available twice in a 7-year period, to customers at 51-200 percent FPL.

In addition to the permanent programs, LIRAP includes a temporary COVID-19 relief program:

- Temporary COVID-19 Hardship Assistance. This is a one-time grant for customers experiencing financial hardship due to the 2020 COVID-19 pandemic. This program mimics the LIRAP Emergency Share or Project Share emergency assistance processes. The benefit is determined on a case-by-case basis, not to exceed $350.

As part of the response to the COVID-19 pandemic, Avista has also recently implemented a temporary Residential Debt Relief Program which includes an Automatic Grant component providing up to $2500 for identified energy assistance recipients, and an Arrearage Forgiveness Grant providing up to

$2500 for customers at or below 200 percent FPL who express financial hardship due to COVID-19.[11]

As detailed in the most recent LIRAP Annual Report, 94 percent of available LIRAP funds were expended in the 2019/2020 program year, with the remaining funds rolled in to funding for the following year.[12] Significant energy burden reductions are achieved by the programs, as described in the annual report. For example, for electric customers with incomes between 0-50 percent of FPL, energy burden was reduced from 27.2 percent to 14.4 percent.[13] LIRAP's success is a direct result of ongoing collaborative efforts between staff of Avista and the agencies. As CEO Dennis Vermillion testified, "[t]hese programs and the partnerships we have formed with community action agencies have been invaluable to customers who often have nowhere else to go for help."[14]

Q: Does Avista propose any changes to its low-income programs in this case?

A: Avista's initial testimony does not propose any program changes to its low-income program design or operational structures. Avista does make a proposal regarding LIRAP funding, as discussed below.

[11] Schedules 73 (electric) Schedule 173 (natural gas). The program was effective on April 1, 2021. Dockets UE-210114/UG-210115. The program is in effect until September 30, 2022, or until the spending limit is reached.
[12] Annual LIRAP Report, p. 5, Table 1 – Program Budget and Program Year Expenditures (Program budget $9.8 m, program expenditures $9.2 m)
[13] Annual LIRAP Report, p. 15, Table 8 (Energy Burden: Total Energy costs divided by household income).
[14] Direct Testimony of Dennis P. Vermillion, Exh. DPV-1T at 42:17-18.

Q: Is TEP making any proposals in this case to modify the LIRAP program design?

A: No. As discussed above, LIRAP is working well. Recent changes have been made to improve the program as described above, and there is not a need to address program design or operation in this docket. My testimony addresses LIRAP funding below.

V. THE ENERGY PROJECT'S LIRAP FUNDING PROPOSAL

Q: Please describe the recent history of LIRAP funding.

A: Until September 2020, LIRAP was operating under a five-year plan approved by the Commission in the 2015 general rate case.[15] The plan provides for an increase in LIRAP funding by seven percent annually, or twice the percentage increase in Schedule 1 and Schedule 101 base rates, whichever is greater. The program year October 1, 2019 through September 30, 2020, was the final year of the five-year plan.

In Avista's 2019 GRC, an agreement was reached between Avista, TEP and other stakeholders to extend the LIRAP funding formula through Avista's next GRC (now this GRC), that is, using the same formula as used in the five-year plan – i.e., increasing funding by 7 percent, or two times the residential base rate increase, whichever is greater. The Commission approved this agreement in its final order in the GRC.[16] Under this agreement, LIRAP funding for the

[15] *Washington Utilities & Transportation Commission v. Avista Corp.*, Dockets UE-150204/UG-150205, Order 05, ¶ 232.
[16] *Washington Utilities & Transportation Commission v. Avista Corp.*, Dockets UE-190334/UG-190335, 190222, (Avista 2019 GRC), Order 09, ¶65, Appendix A, Multiparty Partial Settlement Stipulation, at 10, ¶ 14(b).

2021/2022 program year will increase. Avista will make its normal annual LIRAP filing on October 1, 2021, requesting an increase of 7 percent for natural gas and electric service.

Q: Is there any dispute that additional funding is necessary for the LIRAP program?

A: No. Avista witness Joseph Miller testifies that "[t]he Company recognizes that much work remains to be done to expand the breadth of its reach to its most vulnerable populations, and believes that increased funding and support of LIRAP, as well as continued innovation and refinement of the offerings included as part of the program, are essential to achieving the program goals."[17] The Energy Project agrees.

Q: Does Avista propose to increase LIRAP funding in this case?

A: Yes.

Q: Please describe Avista's LIRAP funding proposal.

A: Avista proposes to increase LIRAP funding by 7 percent on November 1, 2022, 2023, and 2024. Avista states that this approach is intended to "provide budget certainty"[18] while "maintaining the flexibility to later assess the need and funding levels of the program and adjust accordingly."[19]

[17] Miller, JDM-1T at 25:3-7.
[18] Miller, JDM-1T at 26:1-2.
[19] Miller, JDM-1T at 26:15-18.

Q: Does TEP support the Avista funding proposal?

A: No, not as filed. While TEP appreciates the Company's support for increased LIRAP funding, I believe there are drawbacks to the Company proposal, and I recommend an alternative approach.

Q: Please describe TEP's recommended alternative proposal for an increase to LIRAP program funding.

A: The Energy Project recommends that the Commission approve an increase to LIRAP funding using the same formula that was employed in the last GRC settlement, i.e., LIRAP would increase by 7 percent, or two times the residential base rate increase, whichever is greater. This formula would be in effect through the next GRC.

Q: Why does TEP recommend this as an alternative to the Company proposal?

A: There are at least two drawbacks to the Company proposal. First, the Avista proposal would produce a substantially smaller increase in LIRAP support than the existing formula. In this GRC, for example, if Avista's full request were to be granted, the increase to the base tariff residential rate would be 8.3 percent, which would result in a 16.6 percent increase in LIRAP funding, more than double the 7 percent increase under the Avista proposal. A similar scenario could play out in future GRCs during the three-year period. The level of customer need reflected in the Evergreen Economics needs assessment and the fact that the LIRAP program has been spending its budgeted level of funds are also indicative of the demand for assistance in the customer base. Particularly with the current funding level reaching just over 20 percent of eligible customers, Avista's reduced support formula is insufficient under the circumstances.

The second drawback is that Avista's proposal locks in this reduced funding formula for a three-year period. This deprives LIRAP of the flexibility to adjust to future developments and challenges in that time period, such as new GRCs, or multiyear rate plans. While Mr. Miller argues that the Avista proposal allows for future flexibility, he also acknowledges that the plan would not coincide with changes in general rate cases.[20] The Energy Project believes it is preferable to allow those situations to be addressed in the future, based on the specifics of the case, rather than establishing a fixed formula at this time to deal, sight unseen, with upcoming rate increases.

VI. ADDITIONAL LOW-INCOME PROPOSALS

Renewables

Q: What does TEP propose regarding renewables?

A: The Energy Project proposes that Avista, working with its Energy Efficiency Advisory Group, establish a Low-Income Renewable Energy project or program dedicated to the benefit of low-income customers, to be implemented by 2025. Avista would present the project or projects to the Commission for approval. The costs of the project(s) would be recovered in the same manner as for other renewable projects.

[20] Miller, Exh. JDM-1T at 26:4-8.

Q: Has the issue of renewables for low-income customers been addressed previously for Avista?

A: Yes. In Avista's last GRC, the Partial Multiparty Settlement Stipulation included the following term:

> f) Renewables to Benefit Low-Income – Avista commits to discuss potential renewable programs for low-income customers within the confines of the Energy Assistance Advisory Group.[21]

Q: What was the result of this provision?

A: While some discussions did take place in the Energy Assistance Advisory Group, no definite program proposals have yet emerged from the process. The purpose of TEP's recommendation in this docket is to build on the previous settlement by providing some more definition to the process, including Commission review and a deadline by which a specific project must be implemented. Program development discussions would take place in the Energy Efficiency Advisory Committee. It is TEP's hope that Avista will agree to this proposal as a means to create new momentum towards this goal.

Q: Why does TEP support renewables projects specifically for low-income customers?

A: As a general matter, TEP has long believed that it is good public policy to find ways for low-income customers to share in the benefits of renewable energy.

[21] *Avista 2019 GRC*, Order 09, Appendix A, Multiparty Partial Settlement Stipulation, at 11, ¶ 14(f).

Unfortunately, the reality has been that access to clean energy has generally been primarily available for upper income utility customers.

Rooftop solar systems, for example, offer access to an energy resource that is clean and renewable, provides generally stable generating costs, and advances decentralized energy generation. Greater availability of financing and lowered costs has resulted in a strong, growing residential solar market. Unfortunately, the majority of low-income households have not enjoyed these benefits because they face challenges ranging from a lack of information to the inability to benefit from tax credits and difficulty obtaining low-cost financing.[22]

According to a 2018 National Renewable Energy Laboratory (NREL) report,[23] 43 percent of the U.S. population is at or below 80 percent of their area median income (The U.S. Department of Housing and Urban Development definition of low-income), representing 49.8 million low-income households in the U.S. An estimated half of these households are in buildings suitable for solar. Targeted solar policies could open up access for these families on a large scale. Reasons to develop a low-income solar program include:

- **Equitable Access.** Policy makers in California, Colorado, Illinois, and Washington D.C. have recognized that their solar programs are

[22] Bovarnick, Ben and Banks, Daryl, *State Policies to Increase Low-Income Communities' Access to Solar Power*, Center For American Progress (September 2014) https://cdn.americanprogress.org/wp-content/uploads/2014/09/LowIncomeSolar-brief.pdf

[23] Sigrin, Ben, and Mooney, Meghan. 2018. *Rooftop Solar Technical Potential for Low-to-Moderate Income Households in the United States*. Golden, CO: National Renewable Energy Laboratory. NREL/TP-6A20- 70901
https://www.nrel.gov/docs/fy18osti/70901.pdf

funded by all ratepayers/taxpayers, including low-income, and have worked to provide equitable access to incentives.

- **Participation**. Low-income solar programs offer an opportunity to be proactive in ensuring that all communities are participating early and are part of our national transition to clean energy.
- **Economic Benefit.** Because low-income families spend a disproportionate amount of their income on utility bills, they receive a proportionally greater economic benefit from solar power.
- **Environmental Justice.** Low-income communities bear the brunt of pollution and climate change.
- **Jobs.** A low-income solar program engages low-income communities in the emerging solar sector and can provide access to employment opportunities.
- **Widespread Adoption.** A low-income solar program can move local solar markets beyond the "early adopter" phase and show that solar is a viable energy solution for all communities.

In Washington, the passage of the Clean Energy Transformation Act (CETA) has enshrined in law the principle that the transition to clean energy must be done in an equitable manner.[24] The Energy Project's recommendation is consistent with the equity goals of CETA and should help Avista meet those goals as well.

[24] RCW 19.405.010(6), 19.405.040(8).

Electric vehicles

Q: What does TEP propose regarding electric vehicles?

A: The Energy Project proposes that Avista, working with its Energy Assistance Advisory Group, establish an electric vehicle project or program dedicated to the benefit of low-income customers, to be implemented by 2022, in alignment with its Transportation Electrification Plan and maintain the goal of dedicating 30 percent of transportation electrification funds to the benefit of low-income customers.

Q: Has a proposal for an Avista electric vehicle project or program for low-income customers been previously addressed?

A: Yes. In Avista's last GRC, the Partial Multiparty Settlement Stipulation included the following provision:

> g) <u>Transportation</u> – Avista is currently developing its Electric Vehicle Supply Equipment (EVSE) plan, consistent with new legislation. Avista will work with the EVSE working group to finalize such a filing. Avista is supportive of a 30 percent goal of program funding to be dedicated to low-income transportation electrification on an aspirational basis, and will consider transportation electrification impacts in demand responses pilots and integrated resource planning.[25]

[25] *Avista 2019 GRC*, Order 09, Appendix A, Multiparty Partial Settlement Stipulation, at 11, ¶ 14(g).

Q: What developments have taken place regarding EVSE and low-income electric vehicles since this agreement?

A: As mentioned in the testimony of Avista witness Kelly Magalsky, Avista filed a Transportation Electrification (TE) Plan with the Commission on July 1, 2020.[26] The TE plan addressed, among other things, community and low-income support, and reaffirmed the "budget target" of directing 30 percent of its TE budget to community and low-income EV. The TE plan identifies several general collaborative efforts Avista expects to undertake, as well as some specific projects.[27]

Q: Given that Avista already has a TE plan on file with the Commission, why is there a need to address it in this GRC?

A: The Energy Project appreciates Avista's prior work under the EVSE pilot[28] and its intent to address low-income issues under the TE plan. However, it would be helpful to have some more specificity around plans in this area. Much of the plan is aspirational and general in nature. The Energy Project's recommendation establishes a deadline for at least one initial project to be completed and is hopeful that Avista would be amenable to this target.

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[26] Direct Testimony of Kelly E. Magalsky, Exh. KEM-1T at 33:17-28.
[27] Docket UE-200607, Avista Transportation Electrification Plan, July 1, 2020, pp. 58-60. The plan was acknowledged by the Commission on October 15, 2020.
[28] Magalsky, Exh. KEM-1T at 29:22-30:9; Exh. KEM-3, Avista Corp. Electric Vehicle Supply Equipment Pilot Final Report, pp. 22-23 (exhibit pages 25-26).

VII. THE ENERGY PROJECT'S GENERAL RESPONSE TO AVISTA'S RATE REQUEST

ROE

Q: Does TEP have a concern about Avista's request for an increase in its return on equity?

A: Yes. Part of the rate increase which Avista is seeking to impose on its residential and low-income customers in this case is based on a requested increase in the shareholder profit margin (return on equity (ROE)) from the currently authorized 9.4 percent to 9.9 percent. The Energy Project does not support this request for at least two reasons. In the current economic environment resulting from the COVID-19 pandemic, when so many customers are finding it difficult to even meet basic daily living expenses for food, rent, and utility costs, increasing customers' monthly costs for an essential service in order to provide a more generous return to shareholders is not fair or just.

Second, while TEP has not performed its own cost of capital analysis in this case, the recent ROE environment in Washington for investor-owned utilities has been stable around 9.4 percent, Avista's existing ROE level. Recent GRC orders have resulted in ROEs either remaining the same or declining. In Puget Sound Energy's (PSE's) 2019 GRC, the most recent litigated cost of capital decision, the Commission reduced that company's ROE from 9.5 percent to 9.4 percent. The Commission found the range of reasonableness in that case to be between 8.9 percent and 9.5 percent and declined to go to the midpoint of the range – 9.2 percent—only out of a concern for gradualism.[29]

In 2020, the Commission approved an agreed reduction of Avista's ROE from 9.5 to 9.4 percent,[30] and a 9.4 percent ROE for Cascade Natural Gas, also based on a settlement agreement.[31] In December 2020, the Commission approved a multiyear rate plan settlement for PacifiCorp which left in place the company's existing ROE of 9.5 percent.[32] A 9.4 percent ROE was approved for Northwest Natural Gas in 2019, based on a settlement agreement.[33] Northwest Natural's currently pending GRC requested to maintain the 9.4 percent ROE level.[34]

AMI

Q: Does TEP have concerns about including AMI costs in rates in this case?

A; Yes. The Energy Project does not oppose the "recovery of" the costs of Automated Meter Infrastructure (AMI) in this case. I do have a concern about whether it is appropriate to allow Avista "recovery on" its AMI costs in this GRC. In PSE's 2019 GRC, the Commission allowed PSE "recovery of" its AMI costs, but declined to approve "recovery on" those costs because the benefits of AMI had not yet been established by the company. In that docket, the Commission

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[29] *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Dockets UE 190529/UG-190530 *et al.*, Order 08, (PSE 2019 GRC), ¶¶ 105-108.
[30] Avista 2019 GRC, Order 09, ¶¶ 34-38.
[31] *Washington Utilities & Transportation Commission v. Cascade Natural Gas*, Docket UG-190210, Order 05.
[32] *Washington Utilities & Transportation Commission v. PacifiCorp*, Docket UE-191024 *et al.*, Order 09, ¶¶ 50-57.
[33] *Washington Utilities & Transportation Commission v. Northwest Natural Gas*, Docket UG- 181053, Order 06.
[34] *Washington Utilities & Transportation Commission v. Northwest Natural Gas*, Docket UG-200994, Direct Testimony of David H. Anderson, Exh. DHA-1T at 19:13.

shared Public Counsel's concern that "PSE has not yet satisfactorily demonstrated the benefits of the AMI system as a whole" and "[a]s such PSE has not yet made a showing that would justify authorizing the Company to recover a *return on* any portion of its AMI investments made thus far.[35] Similarly in the case of Avista, given the recency of the deployment of AMI, it seems premature to conclude that the benefits are proven sufficiently so as to allow earning a return. Many of the benefit calculations, while refined from prior cases, are based on estimates of future benefits based on Net Present Value.

The six "use cases" which the Commission identified in the PSE case as important for showing the benefit of AMI are not all fully in place for Avista at this time. One of the largest of these – demand response/time of use rates—is "not currently cost-effective" for Avista, according to its own testimony, and even pilots for such pricing are uncertain.[36] Avista "will begin the process of examining the potential need for future pricing pilots" only "upon full completion of the Company's AMI metering infrastructure deployment, and the sufficient collection of data for which it could evaluate possible pricing structures."[37]

The Commission should rigorously review the evidence submitted by all parties in this record to determine if the Company has carried its burden to prove that AMI benefits exceed costs and that the benefits have been maximized. Until persuasive evidence shows that to be the case, customers should not be asked to pay Avista shareholders a profit margin on the AMI investment. Overall, at this

[35] *PSE 2019 GRC*, Order 08, ¶¶ 155-156.
[36] Avista Utilities AMI Project Report (October 2020 Update), Exh. JDD-2, p. 10, n.9.
[37] Avista Response to Staff Data Request No. 80.

stage, many of the asserted benefits are largely based on projections. The Company testimony acknowledges that benefits are not yet maximized and may be larger "perhaps in ways not yet imagined."[38] It also possible that they may be smaller than expected. The Energy Project will review the analyses of the AMI request in testimony by other parties and may adopt or support other party positions on this issue.

Rate Spread/Rate Design

Q: Does TEP have a response to Avista's rate spread and rate design proposals in this case?

A: Yes. The Energy Project generally supports Avista's rate spread proposals for its requested electric and natural gas rate increases, as generally discussed in the testimony of Joseph Miller. The Energy Project also supports Avista's rate design proposals, particular the decision to not increase the residential monthly basic/customer charges for electric or natural gas service. Avista's electric customer charge will remain at $9.00 per month while the customer charge for natural gas will remain at $9.50. Keeping the charges at current levels provides customers with rate stability, avoids increasing cost-recovery burdens disproportionately on low-volume users, and avoids creating a disincentive for conservation.

[38] Direct Testimony of Heather L. Rosentrater, Exh. HLR-1T at 103:9-11.

Q: Does TEP have any general concerns about Avista's rate request in this docket?

A: Yes. The impact of the Avista proposed increase is substantial. Residential and business customers in Avista's service territory would be asked to provide an additional nearly $57 million annually (combined for both services) to the Company if the rate request is approved in full. Over $29 million of that amount would be paid by residential customers. An average electric residential customer using 1000 kWh per month would see an increase of $7.75 per month, or $93.00 per year.[39] An average natural gas customer using 66 therms per month would pay an additional $4.46 per month, or $53.52 per year.[40]

While LIRAP increases will to some extent help to mitigate these increases for some customers, as noted, the majority of Avista low-income customers do not yet receive energy assistance and will be exposed to the full impact of any increase allowed. Avista proposes that any increases allowed in this case would be fully offset by tax effects. While this is a short-term mitigation, the tax offset will end, and the underlying rate change allowed here will ultimately be experienced by customers as a delayed increase, perhaps coinciding with future increases under GRCs or multiyear rate plans. The tax offset belongs to customers and would be passed back to them in any event, even absent a pending rate increase request. Avista's rate request should not "get a pass" or a less careful review in any manner simply because it is temporarily

[39] Vermillion, Exh. DPV-1T at 8-9, Tables 2 and 3.
[40] Vermillion, Exh. DPV-1T at 12:8-18.

masked by the tax offset. It is important for the Commission to closely scrutinize the rate request on its own merits and independently of any consideration of tax offset mitigation.

VIII. CONCLUSION

Q: Please summarize your recommendations.

A: The Energy Project makes the following recommendations:

- LIRAP – The Commission should approve an increase to LIRAP funding using the same formula that was employed in the last GRC settlement, i.e., LIRAP would increase by 7 percent, or two times the residential base rate increase, whichever is greater. This formula would be in effect through the next GRC.
- Renewables - Avista, working with its Energy Efficiency Advisory Group, should establish a Low-Income Renewable Energy project or program dedicated to the benefit of low-income customers, to be implemented by 2025. Avista would present the project or projects to the Commission for approval. The costs of the project(s) would be recovered in the same manner as for other renewable projects.
- Electric Vehicles - Avista, working with its Energy Assistance Advisory Group, should establish an electric vehicle project or program dedicated to the benefit of low-income customers, to be implemented by 2022, in alignment with its Transportation Electrification Plan, and should maintain the goal of dedicating 30 percent of transportation electrification funds to the benefit of low-income customers.

- Return on Equity – The Commission should not approve an increase in Avista's current ROE.
- AMI – The Commission should not approve recovery on Avista's AMI investment in this GRC.
- Revenue Increase – The Commission should carefully and thoroughly review Avista's request for an increase on its own merits, independently and without regard to the proposed tax offsets.

Q: Does this conclude your testimony?

A: Yes.