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April 19, 2001

Carole Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 E. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Dear Ms. Washburn:

Enclosed are an original and nineteen copies of Spokane Neighborhood Action Programs letter supporting Avista's filings, case numbers UE-010436 and UG-010437.

Spokane Neighborhood Action Programs (SNAP) is writing in support of Avista's filings UE-010436 and UG-010437, increasing energy efficiency efforts and establishing a Low Income Rate Assistance Program (LIRAP). Both actions are necessary, reasonable and effective responses to the current energy crisis.

Low Income Rate Assistance Program

Need

SNAP submitted testimony in the recent Avista general rate case establishing the need for low income rate assistance in Avista service territory. Low-income customers of Avista face unaffordable energy burdens (the generally accepted method of inability-to-pay, energy burden is the household energy bill divided by household income). Because of these energy burdens, low-income households can be expected to experience arrears, be subject to credit and collection efforts, have their service disconnected, and be forced to make unreasonable budget decisions between basic necessities (heat, food, medicine). Increases in gas rates totaling more than 70% in the last year have greatly exacerbated the situation.

Of the 6,300 households served by SNAP with Low Income Energy Assistance Program (LIHEAP) funds this winter, 53% had incomes less than 75% of the Federal Poverty level. Sixty-two percent had annual household incomes of less than \$10,000. The cost of living index for Spokane is 108.8 (with 100 representing the U.S. city average).

As SNAP testified during the rate case, the average wage in Spokane is below both the state and national averages but the cost of living is above average. This combination makes it especially difficult to make ends meet.

Ensuring all households have access to energy services is a foundation of sound energy policy. Providing assistance to households at highest risk of disconnection will reduce the number of households that experience short or long periods without this basic necessity. RCW 80.28.068 explicitly permits the WUTC to approve low income assistance efforts.

Program Design

SNAP appreciates Avista's collaboration with Community Action Agencies (CAAs) in the development of this proposal. CAAs work with many thousands of low-income households annually and have comprehensive knowledge of their situations. They also administer the LIHEAP program, assisting low-income households with energy costs. Including CAAs in development discussions and acknowledging the importance of working with LIHEAP resulted in a program design that will effectively and efficiently address low income energy needs.

Program design was crafted to take advantage of the existing systems, staff and administrative structure in place to administer LIHEAP funds. As opposed to a rate discount, this program will not result in deepening the subsidy to the same households. Instead, the number of households assisted will increase substantially.

Using the existing LIHEAP rules for eligibility and benefit determination, and administering the program hand in hand with LIHEAP will maximize the number of households reached and lower administrative costs. LIHEAP income eligibility, set at 125% of the Federal Poverty level, strikes a balance between helping those in the most desperate situations and those with slightly higher incomes but who are nevertheless struggling to make ends meet. At this level of funding the program would reach approximately 20% of the eligible population in Spokane County.

The LIHEAP program determines benefits based on energy costs and household income; those with the highest costs and lowest incomes receive the largest benefit. This mechanism does a good job at indexing benefit to need. Staff at CAAs are already trained in completing eligibility verification and systems are in place for benefit determination and provision of assistance.

This program would substantially reduce the energy burden of low-income households. This will not only reduce the number of disconnections and arrearage amounts, it will also reduce pressure on low-income households to choose between basic necessities. Annualizing customer bills and assistance payments will help low-income people make payments and keep the power on.

Evaluation

The evaluation is an important component of this proposal. While it's not expected that the reduction in costs to Avista will equal the cost of the program, significant savings may be realized in avoided uncollectibles, avoided collection activity (such as arrears notices and the disconnect/reconnect process), and a reduced need to negotiate deferred payment plans.

The evaluation will give valuable information on the size of these cost offsets and may well suggest program modifications to increase offsets.

Energy Efficiency

SNAP also supports Avista's request to increase its energy efficiency efforts. Increased conservation is a fundamentally sound response to increased costs and short supply of energy. High prices increase the range of cost-effective measures, and short supply increases the importance of investing in them. Avista's increased conservation activity, resulting in an elimination of the balance in the rider account, erases concerns with under spending tariff funds. While conservation has always been a key component in meeting energy needs, it has never been so critical. This modest increase in the tariff rider is a conservative but reasonable adjustment, given our current energy situation.

SNAP appreciates the Commissions consideration of this filing and we support approval.

Sincerely,

A handwritten signature in cursive script that reads "Don André".

Don André
Assistant Director
Spokane Neighborhood Action Programs