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Amanda Maxwell
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: **Avista Utilities Tariff WN U-29, Schedule 192, Low-Income Rate Assistance Program**

Dear Ms. Maxwell:

Attached for electronic filing with the Washington Utilities and Transportation Commission (Commission) are the proposed tariff revisions of Avista Corporation, dba Avista Utilities (Avista or the Company), requesting modifications to the following natural gas tariff sheets, WN U-29:

Sixteenth Revision Sheet 192 Canceling **2nd Substitute Fifteenth Revision Sheet 192**

The primary purpose of this filing is to increase funding collected under Avista's natural gas tariff Schedule 192, "Low-Income Rate Assistance Program" (LIRAP), in support of the LIRAP design elements approved in Docket No. UG-230540 on August 24, 2023, and in alignment with the provisions of RCW 80.28.425(2) and the Commission's Final Order No. 10/04 in the Company's most recent general rate case (GRC), Docket Nos. UE-220053, UG-220054, and UE-210854 (*Consolidated*).

I. BACKGROUND

Avista's LIRAP, approved by the Commission in 2001, collects funding through electric and natural gas tariff surcharges on Schedules 92 and 192. These funds have historically been distributed by Community Action Agencies (CAAs or Agencies) in a manner similar to the

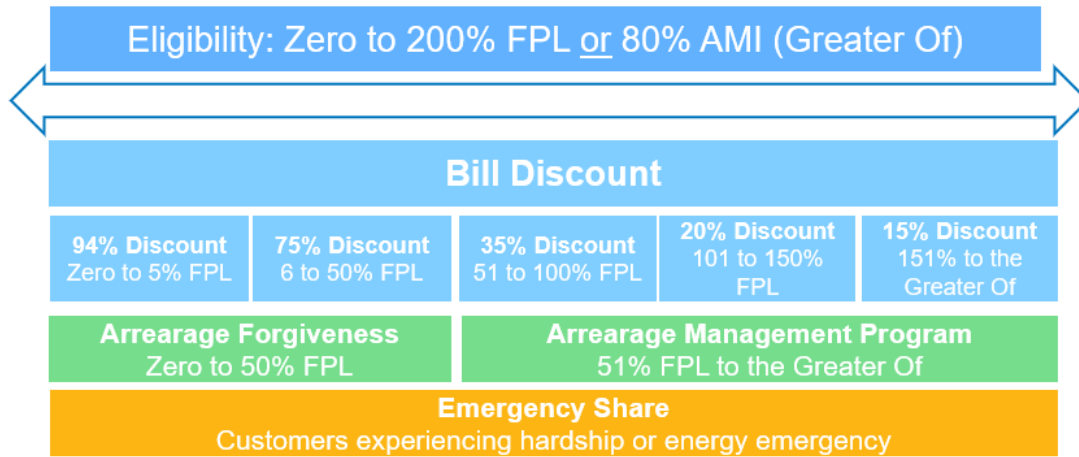
Federally sponsored and State-administered Low Income Home Energy Assistance Program (LIHEAP). LIRAP, like LIHEAP, can help a household avoid having its utilities shut off or help reestablish service after a disruption, and can also help pay ongoing energy costs. Effective October 1, 2023, Avista's LIRAP will be comprised of the following components:

- **Bill Discount:** Available to all low-income customers, and is composed of five distinct discount tiers, the amount of which is based on an individual household's total gross income. Each income group—0 to 5% FPL, 6 to 50% FPL, 51 to 100% FPL, 101 to 150% FPL, and 151% FPL to 200% FPL or 80% Area Median Income (AMI), whichever is greater—will be provided with a specified discount percentage, to be deducted from the participating customer's net bill each month.
- **Arrearage Management Plan (AMP):** Available to customers with income at 51-200 percent FPL or 80% AMI, whichever is greater. Reduces a customer's past due balance, or "arrearage," owed over a 12-month period by providing an incentive for regular, on-time payment of their current bill plus a portion of their past due balance. Maximum annual benefit of \$2,500; exceptions to maximum benefit may be made for extreme, extenuating Customer situations, as determined in collaboration with the Company's Energy Assistance Advisory Group (EAAG or Advisory Group), not to exceed \$5,000.
- **Arrearage Forgiveness:** Available to Customers with incomes at 0-50% FPL. Provides forgiveness of past due balances, not to exceed a maximum annual benefit of \$2,500; exceptions to maximum benefit may be made for extreme, extenuating Customer situations, as determined in collaboration with the Company's EAAG, not to exceed \$5,000.
- **Emergency Share:** Provides financial assistance to customers in hardship or energy emergency situations, including risk of service disconnection, with the grant amount determined on a case-by-case basis, not to exceed \$400. Benefit amount and eligibility mimic the donation-based Project Share program.
- **Automatic Hardship Grant:** A one-time grant for customers experiencing financial hardship as proven by a past due balance subject to thresholds determined by Avista's EAAG and at timing intervals determined by the EAAG. Mimics "emergency" assistance (i.e., LIRAP Emergency Share or Project Share) processes. This emergency assistance is intended to cover past due balances only, not to exceed \$350.

Also effective October 1, 2023, Avista's LIRAP will no longer be solely distributed through its partner CAAs, but will be jointly administered by both the Company and the Agencies, with the exception of Emergency Share. This means that customers can enroll in LIRAP through either entity via a simple self-declaration of income.

The below table provides an illustrative example of these LIRAP elements.

TABLE NO. 1 – AVISTA’S LIRAP



II. PROPOSED LIRAP RATE ADJUSTMENT

In previous years, Avista’s LIRAP has operated based on a set annual program budget, distributed to the CAAs based on the customer meter count within each Agency’s service area, with certain percentages allocated for direct customer assistance (“Direct Service” – 79.3% of total budget), some for administration and program support costs (“Admin” – 16.5%), as well as funds to be used for conservation education, including staff and labor (“ConEd” – 4.2%). Avista was also allocated 0.8% of this prior annual program budget for their own ConEd. With its approval within the GRC to “allow the budget for LIRAP to holistically follow the need”,¹ the LIRAP budget will no longer be set at a specific amount with specific percentages, but rather a tariff rider mechanism – much like Avista’s Schedule 191, “Demand Side Management Rate Adjustment – Washington”, which is used to support the Company’s energy efficiency customer programs – that is designed to match future revenue with budgeted expenditures. To ensure appropriate recovery of the funding needed to support ongoing LIRAP costs, the mechanism includes a true-up feature that reconciles the previous periods’ actual expenditures and collections. As provided in the approved Full Multiparty Settlement Stipulation (Settlement)² in Docket No. UE-220053 et.al., Avista will request this true-up annually, if such an adjustment is needed, to become effective November 1st of each year; this filing is intended to be the first of these annual true-ups.

¹ Docket No. UE-220053 et.al., SJB-1T, pg. 25.

² Docket No. UE-220053 et.al, Settlement, Sec. 28(b).

In its original estimates regarding the potential cost impact of the Bill Discount and associated arrearage assistance options, Avista utilized information from its 2020 Low-Income Needs Assessment (LINA)³ as well as its 2021 Energy Burden Assessment (Assessment),⁴ which provided that approximately 94,500 of 225,00 identified Avista households were estimated to qualify under LIRAP's income eligibility threshold (under 80% of the Area Median Income).⁵ Anticipated costs impacts based on this information resulted in a potential funding need of nearly \$12 million for LIRAP for the first year of implementation.⁶ While these original estimates informed the Company of the initial need, Avista soon determined that with the establishment of Performance-Based Ratemaking Metrics⁷ and the ongoing analysis expectations of the Clean Energy Transformation Act (CETA), the Company required a more long-term solution: internal management of data regarding low-income customer trends for tracking and reporting, rather than relying on periodic third-party analytics. This updated data, while comprehensive and available in real-time, has served to increase the number of customers potentially eligible for Avista's LIRAP and, therefore, reduce the Company's previously stated saturation rates for its energy assistance programs. Avista currently estimates that approximately 129,500 customers within its Washington service territory – a 37% increase from its original estimates – are potentially under the 80% AMI threshold, and therefore eligible for LIRAP. The rate adjustment request contained within this filing is inclusive of this increase in potential customer uptake, as well as the continued provision of CAA Admin and ConEd as described herein and referenced in Settlement;⁸ also included in this filing is a true-up of the estimated revenues collected for LIRAP to the actual collections for the prior October to September LIRAP program year – comprised of an estimated \$4.1 million in carryover funding from the current 2022-2023 LIRAP budget, which will serve to help offset the forecasted rate increase needed to support LIRAP.

³ *Avista Low Income Needs Assessment*. Evergreen Economics, January 2020. Included as Attachment A to the Company's 2019-2020 LIRAP Report (Dockets UE-010436 and UG-010437).

⁴ *Avista Energy Burden Assessment, Energy Burden Reduction Strategy*. Empower Dataworks, September 2021.

⁵ *Id.*, at pg. 15; 42% of households (225,000) would fall under 80% AMI.

⁶ Docket No. UE-220053 et.al., SJB-1T, pgs. 23-24.

⁷ Docket No. UE-220053 et.al., Settlement, Attachment B.

⁸ Docket No. UE-220053 et.al., Settlement, Sec. 24(c)(i).

LIRAP Administration

As committed within the GRC, the Company has included within its forecast an increase of 7%⁹ for the Agencies' Admin, in addition to the incorporation of LIRAP outreach costs,¹⁰ which will be utilized to help expand the customer engagement and outreach of Avista's LIRAP, thereby reducing the energy assistance need within its service territory. This resulting increase provides for a total of \$2,402,188 in Admin and \$728,875 in ConEd to be provided to the Agencies for the 2023-2024 program year, an increase from the prior program year's \$2,245,036 and \$681,192, respectively.

In alignment with Section 24(b) of the Settlement, Avista agreed to "collaborate with its EAAG to determine the appropriate method, amounts, and administrative structure for future program years." For the 2023-2024 program year, the EAAG has yet to make any decisions regarding these discussions, but is committed to collaborating on this issue and will include a proposal for such funding structure changes in its September 2024 rate adjustment filing.

Requested Rate Adjustment

In accordance with RCW 80.28.425(2), with the approval of the Company's multiyear rate plan in Docket No. UE-220053 et.al. Avista must concurrently increase the amount of its low-income bill assistance by "...[a]t a minimum, the amount of such low-income assistance increase must be equal to double the percentage increase, if any, in the residential base rates approved for each year of the rate plan. The commission may approve a larger increase to low-income bill assistance based on an appropriate record." Using the base rates from the most recent GRC, this would result in a minimum required increase of 4.6% for electric and 2.4% for natural gas, or \$0.4 million and \$0.1 million, respectively. For purposes of budgeting at the Agencies during this transitional program year, the CAAs were provided with a budget in May 2023 that contained a hypothetical increase of 7%, as historically established;¹¹ this increase provided the necessary 7% increase for Agencies' Admin costs, as noted above, and would have resulted in a total of nearly

⁹ Docket No. UE-220053 et.al., SJB-1T, pg. 31.

¹⁰ Docket No. UE-220053 et.al., Settlement, Sec. 24(c)(5).

¹¹ Order 05 in Docket UE-150204 et. al. established a five-year plan and true-up schedule which required Avista to file revisions to Schedules 92 and 192 by August 15th of each year, to increase LIRAP funding by the greater of 7 percent or 2-times the amount of any residential base rate increase, beginning October 1, 2016, with annual funding increases to continue through October 1, 2019. Order 09 in Docket UE-190334 et. al. extended the five-year funding plan through Avista's next GRC, and Final Order 08/05 in Dockets UE-200900 et.al. further extended this funding mechanism.

\$14.7 million available to serve LIRAP under the prior CAA-only administration model.¹² To more appropriately anticipate the amount of revenues needed to support LIRAP once the Bill Discount and associated arrearage assistance options are live on October 1, 2023, however, the Company is requesting an increase that brings the available LIRAP funding more in alignment with the approximate \$22 million total potential spend, as described below and provided within the Company’s workpapers in support of this request. This total spend estimate is derived from an approximate LIRAP expense of slightly over \$8 million for natural gas, as provided in this filing, and nearly \$14 million for electric, as provided in Avista’s parallel electric tariff Schedule 92 filing.

Avista’s forecasted LIRAP expenditures, as previously described herein, are based upon a potentially eligible customer population of 129,500; the Company has built its 2023-2024 rate adjustment with an anticipated 37% saturation rate in mind, which means that Avista expects to reach and serve approximately 47,915 customers with comprehensive LIRAP benefits during the 2023-2024 program year. The Company has also included an estimated “LIHEAP Offset”, which is representative of the anticipated amount of LIHEAP dollars to be expended to help Avista LIRAP customers during the given program year. Because receiving assistance from LIHEAP helps to lessen the funding need from LIRAP, the Company has incorporated this estimate – based on historical LIHEAP data – to provide for a more accurate depiction of the LIRAP Direct Service funding need in the coming years. The table below shows the overall financial impact of this forecast for Direct Services, Agency Admin and ConEd, and Avista Outreach/ConEd.

¹² Inclusive of Agency Direct Service, Admin, and ConEd (for both Avista and the Agencies), approximately \$9,116,660 for electric services and \$5,559,464 for natural gas services would have been made available within the LIRAP budget for the 2023-2024 program year under the prior model.

TABLE NO. 3 – LIRAP NATURAL GAS EXPENSE FORECAST, 2023-2024

LIRAP Natural Gas Expense Forecast 2023-2024	
Bill Discount	\$7,679,698
AMP	\$26,961
Arrearage Forgiveness	\$300,200
Emergency Share	\$399,307
Other Direct Service*	\$630,463
LIHEAP Offset (Estimate)**	-\$2,220,000
Direct Service Total	\$6,816,629
Agency Admin	\$909,973
Agency ConEd	\$231,629
CAA Admin/ConEd Total	\$1,141,602
Avista Outreach	\$259,000
Avista ConEd	\$44,476
Avista Outreach/ConEd Total	\$303,476
Total LIRAP	\$8,261,707

*6% Allocation of Direct Services to be usable by the CAAs for additional ConEd.

** LIHEAP Offset based off of estimated 63% electric/37% natural gas allocation. Any deviation from these allocation estimates will be trued up within the Company's next annual rate adjustment.

The estimated annual revenue change associated with this filing is an increase of approximately \$4.6 million, or an increase of 1.7% in overall billed rates. The proposed rate increase will have an average monthly bill impact of \$2.11 for residential natural gas customers using 67 therms per month, or 2.2%. If approved, the average monthly bill would increase from \$96.78 to \$98.89. The change in annual revenue by rate schedule is listed below:

Rate Schedule	Change in Annual Revenue	
	(\$)	(%)
Schedule 101/102	\$4,287,000	2.0%
Schedule 111/112	\$346,000	0.6%
Schedule 131/132	\$20,000	2.3%
Schedule 146	(\$4,000)	-0.1%
Total	\$4,649,000	1.7%

III. CONCLUSION

Avista respectfully requests that the Commission approve the proposed increase in rates and charges, to become effective on November 1, 2023. Pursuant to WAC 480-90-194(1), the Company will provide notice to customers, by way of a bill insert, in the September 2023 billing cycle, as well as a posting on the Company's website coincident with the date of the remaining

filings. A draft of this notice, as well as the Company's workpapers supporting its LIRAP rate adjustment proposal, have been provided as Attachments to this filing.

If you have any questions regarding this filing, please contact me at (509) 495-7839 or jaime.majure@avistacorp.com.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Affairs Manager