**Exhibit No. \_\_\_T (JMW-1T)**

**Dockets UE-140188/UG-140189**

**Witness: Juliana M. Williams**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

|  |  |
| --- | --- |
| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,** **Complainant,****v.****AVISTA CORPORATION, DBA AVISTA UTILITIES,** **Respondent.** | **DOCKETS UE-140188 and** **UG-140189 *(Consolidated)*** |

**TESTIMONY OF**

**Juliana M. Williams**

**STAFF OF**

**WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

***Low-Income Issues***

**July 22, 2014**

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Exhibit No.\_\_\_ (JMW-2), Pilot Electric and Natural Gas Low-Income Rate Discount

Exhibit No.\_\_\_ (JMW-3), Avista Low-Income Rate Assistance Program Summary Report, Program Year 2012-13

**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Juliana Williams. My business address is 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Washington Utilities and Transportation Commission (“Commission”) as a Regulatory Analyst in the Conservation and Energy Planning Section of the Regulatory Services Division.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Commission since 2012.

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

A. I have a Bachelor of Arts in Geology from Whitman College, and a Master of Public Policy with a concentration on Energy Policy from the University of Maryland. I attended the National Association of Regulatory Utility Commissioners’ Annual Regulatory Studies Program in August 2013, the New Mexico State University’s rate case basics workshop in October 2012, as well as other sector-specific workshops, trainings and conferences. I have previously filed testimony regarding low-income assistance in PacifiCorp’s most recent general rate case,[[1]](#footnote-1) and I was the lead organizer of the Washington Utilities and Transportation Commission’s (“Commission”) recent workshop on low-income assistance programs.[[2]](#footnote-2)

**II. SCOPE AND SUMMARY OF TESTIMONY**

**Q. What is the scope of your testimony?**

A. My testimony addresses issues related to Avista Corporation’s (“Avista or “Company”) low income customers. My testimony also responds to the testimony of Mr. Kopczynski, Exhibit No. ­\_\_\_ (DFK-1T), regarding Avista’s Low-Income Rate Assistance Program (“LIRAP”) and proposes changes to that program.

**Q. Please summarize Staff’s proposed changes to LIRAP.**

A. Staff’s recommendations generally fall into three categories. First, Staff recommends the Commission order Avista to adopt express LIRAP program goals of minimizing disconnections and reducing energy burden, as well as performance targets for those goals. Second, Staff recommends the Commission order Avista to establish Pilot Electric and Natural Gas Low-Income Rate Discounts, to be funded from the surplus of existing LIRAP funds. Third, Staff recommends the Commission order Avista to implement a multi-year plan to improve LIRAP through incremental improvements to the existing LIRAP program, including increasing funding by twice the percentage of any residential general rate increase. Staff expects these changes to significantly improve Avista’s service to its low-income customers, and move the company toward eventually serving all eligible customers.

**Q. Have you prepared any exhibits in support of you testimony?**

A. Yes. I prepared the following exhibits in support of my testimony:

* Exhibit No. \_\_\_ (JMW-2), Pilot Electric and Natural Gas Low-Income Rate Discounts.
* Exhibit No. \_\_\_ (JMW-3), Avista Low-Income Rate Assistance Program Summary Report, Program Year 2012-13.
1. **LOW-INCOME RATE ASSISTANCE PROGRAM OVERVIEW**

**Q. What is your understanding of the Commission’s statutory authority regarding low-income assistance?**

A. The Commission’s statutory authority regarding low-income programs is set forth in RCW 80.28.068, which was enacted in 1999, and states:

Upon request by an electrical or gas company, or other party to a general rate case hearing, the commission may approve rates, charges, services, and/or physical facilities at a discount for low-income senior customers and low-income customers. Expenses and lost revenues as a result of these discounts shall be included in the company’s cost of service and recovered in rates to other customers.

 In addition, RCW 80.28.010, sections four through seven, outline certain specific protections for low-income customers regarding termination of service between November 15 and March 15. Staff considers its recommendations to be consistent with these protections, specifically the requirement to stop disconnection proceedings if the customer has applied for low-income bill assistance and low-income weatherization assistance, among other actions taken by the customer;[[3]](#footnote-3) the requirement to offer budget billing to customers without regard to payment status;[[4]](#footnote-4) and the requirement to establish payment plans with an energy burden of no more than 7 percent of household income.[[5]](#footnote-5)

 Lastly, Staff notes that RCW 80.28.080 allows utilities to establish free and reduced rates for “destitute and indigent persons.” Staff believes low-income customers fall into this definition.

**Q. Please generally describe Avista’s low-income assistance program.**

A. The Commission allowed Avista to begin LIRAP as a pilot program in 2001, in Dockets UE-010436 and UG-010437. LIRAP is modeled after the federal Low-Income Home Energy Assistance Program (LIHEAP), and provides grants based on household size, income and energy costs. The program consists of three major components: LIRAP Heat, which is the standard energy assistance program; LIRAP Senior Energy Outreach, which provides assistance for seniors whose income exceeds the threshold for other assistance; and LIRAP Share, which provides emergency assistance to customers in imminent danger of disconnection. Avista collects funds for LIRAP from ratepayers through electric and natural gas surcharges on Schedules 91 and 191, respectively, entitled the “Public Purposes Rider Adjustment – Washington.”[[6]](#footnote-6) Community Action Agencies (“CAAs”) determine customer eligibility and the amount of assistance each eligible customer receives.

**Q. Please describe the Commission’s recent actions involving Avista’s LIRAP.**

A. In Avista’s most recent general rate case, the Commission approved a multiparty settlement that provided for an increase in LIRAP funding for 2013 and 2014.[[7]](#footnote-7) Avista also committed to discuss with Commission Staff (“Staff”) and all interested parties the merits of the LIRAP program and other potential program design options, including a discounted rate design, and to propose changes to the program in its next general rate case, if necessary.

**Q. Please describe subsequent discussions between Avista and Staff regarding LIRAP.**

A. Following that order, Staff worked with Avista to host a meeting on September 11, 2013, to discuss low-income assistance program design elements and administration. That meeting was attended by representatives from each electric and natural gas investor-owned utility in Washington, Public Counsel, The Energy Project, and several CAAs. No consensus emerged from that meeting, and the group agreed that such discussion should continue.

 On May 29, 2014, the Commission hosted a workshop on electric and natural gas low-income assistance program design (“workshop”).[[8]](#footnote-8) The workshop was attended by representatives from each Washington electric and natural gas investor-owned utility, Public Counsel, The Energy Project, several CAAs, and the Washington State Department of Commerce. The workshop focused on what goals should guide the implementation of low-income assistance programs, which program design elements best support various goals, and how to provide fair access if funds are insufficient to serve all eligible customers.

 There was general consensus that keeping customers connected to electricity or gas service and reducing energy burden should be the primary goals guiding low-income assistance programs, although several parties acknowledged that data to track progress on minimizing disconnections may be difficult to acquire.

 At the conclusion of the workshop, the Commission acknowledged that uniformity of low-income program structures is not necessary and that additional efforts are needed to improve eligible customers’ access to assistance.

**Q. What does Avista propose in this case regarding low-income assistance?**

A. Avista witness Mr. Kopczynski does not propose making any changes to LIRAP in this case. He states, “At this time, the Company believes it is premature to propose a change to its current program and will continue to meet with parties in 2014 to discuss results, ideas and possible proposals for future changes.”[[9]](#footnote-9)

**Q. Does Staff agree that changes to LIRAP would be premature?**

A. No. Given that low-income assistance was discussed in the prior rate case and throughout the past two years, it is appropriate to propose changes to LIRAP now.

**Q. What threshold issues are Staff’s recommendations intended to address?**

A. Staff’s recommendations principally address two threshold issues. First, there is an absence of performance and impact data available for LIRAP and low-income programs in general. Second, there is a significant gap between the number of customers eligible for LIRAP and the number of customers actually receiving assistance.

Developing specific goals and performance metrics for LIRAP will establish appropriate priorities and generate additional and higher-quality data on disconnections, participation, and energy burden reduction for all LIRAP recipients. Understanding the impact of LIRAP assistance on customers’ ability to stay connected to electric or natural gas service is essential to effectively managing ratepayer funds and informing program strategy.

Although LIRAP continues to serve an increasing number of eligible customers, Staff estimated in the previous rate case that only about one-fifth of eligible customers were receiving assistance.[[10]](#footnote-10) Moreover, LIRAP has finished each program year with an account surplus since the program’s inception.[[11]](#footnote-11) Avista holds any program funds left unspent at the end of a program year in the LIRAP account to be used in future years. In order to increase the availability of assistance to eligible customers, Avista must both find ways to draw down the LIRAP account surplus and increase the overall funding available for assistance. A rate discount may be an appropriate mechanism to serve more of those additional low-income customers and draw down the account surplus. A pilot rate discount program would also generate useful data and help inform future program design.

Staff’s proposals make incremental improvements to the existing program and they are targeted to increase the LIRAP participation rate among eligible low-income customers, and improve the amount and quality of program performance data.

1. **DISCUSSION**

**A. Specifying LIRAP Program Goals**

**Q. Please describe Staff’s recommendations regarding program goals for LIRAP.**

A. Staff recommends the Commission direct Avista to establish two specific goals for LIRAP. The Company’s primary goal for LIRAP should be keeping low-income customers connected to electricity and natural gas service. Avista should establish a secondary goal of reducing low-income customers’ energy burden to an appropriate amount compared to Avista’s non-low-income customers, to be determined in coordination with the CAAs and Staff.

**Q. Please briefly describe what you mean by “energy burden.”**

A. Energy burden is a statistic that measures the proportion of a customer’s annual income that is spent on energy costs. I estimate that the average energy burden for Avista’s electric residential customers in Spokane County is approximately 2 percent.[[12]](#footnote-12) Another organization estimated that the United States average energy burden for non-low-income customers was just over 3 percent.[[13]](#footnote-13)

 In contrast, as shown in Avista’s 2013 Low-Income Rate Assistance Program Annual Summary Report, on page 11 of my Exhibit No. \_\_\_ (JMW-3), the energy burden for LIRAP participants before receiving assistance ranges from approximately 6 to 26 percent. As a point of reference, RCW 80.28.010(4)(d) identifies 7 percent as an energy burden ceiling for arrearage payment plans.

**Q. What additional efforts should the Commission direct Avista to undertake to implement Staff’s recommended goals?**

A. The Commission should order Avista to work with the CAAs and Staff to establish specific performance targets for reducing disconnections and reducing energy burden, as well as develop a data-collection plan that will enable Avista to track its progress toward those targets. The targets and data collection plan should be filed by December 31, 2015, with the company’s annual LIRAP report for program year 2014-15.

**B. Low-Income Rate Discount Pilot Program**

**Q. Please state the elements of Staff’s proposed Low-Income Rate Discount Pilot Program.**

A. Staff’s low-income rate discount proposal includes four major elements: (1) program purpose and structure; (2) funding; (3) customer eligibility; and (4) program performance, including data collection. I explain each of these elements below.

1. **Low-Income Rate Discount Purpose and Structure**

**Q. Please explain why Avista should add low-income rate discounts to LIRAP.**

A. Programs that offer a variety of options to customers are more likely to serve diverse customers’ needs. Avista’s current program structure with LIRAP Heat, LIRAP Share and Senior Energy Outreach is a great start for tailoring benefits to different customer needs. However, as in Avista’s prior rate case, Staff maintains that the addition of rate discounts to LIRAP would better serve low-income customers because it includes the added benefits of smoothing out monthly bills for eligible customers and providing greater predictability throughout the year, while encouraging consistent payment behavior.[[14]](#footnote-14)

 Therefore, Staff recommends that Avista add an electric and natural gas rate discount on a pilot basis to its menu of low-income assistance options.

**Q. Please describe Staff’s recommendations regarding rate discounts.**

A. Staff proposes that Avista create Schedule 89 – Electric Low-Income Rate Discount and Schedule 189 – Natural Gas Low-Income Rate Discount, which would provide an annual per kilowatt-hour discount and per therm discount, respectively, according to customer income level.

 The discounts would consist of three tiers: the first tier would include customers with income below 50 percent of the Federal Poverty Level (FPL); the second tier would include customers with income from 51 to 100 percent of the FPL; and the third tier would include customers with income from 101 to 125 percent of the FPL.[[15]](#footnote-15) Customers in the lower income tiers would receive a greater discount. Details of the rate discount calculations are included in my Exhibit No. \_\_\_ (JMW-2).

Staff’s proposed rate discount program would be launched as a two-year pilot, beginning in the 2015-16 LIRAP program year. Funding for the rate discounts would be drawn from the existing LIRAP budget surplus, up to $500,000 for each year of the pilot. Verification of customer eligibility would be done by the CAAs, similar to the process currently used for determining LIRAP and LIHEAP eligibility. During the course of the pilot, Avista would track certain performance metrics, as described below, to compare the impact of the rate discounts on disconnection rates, arrearage levels and energy burden to that of the existing LIRAP grant structure.

**Q. Please explain why the discount should vary by income tier.**

A. As identified in Exhibit No. \_\_\_ (JMW-3), for the October 2012 to September 2013 program year, customers below 50 percent of the FPL had an estimated energy burden of approximately 26 percent.[[16]](#footnote-16) For customers in the 51 to 100 percent and 101 to 125 percent of FPL tiers, the energy burden drops significantly to approximately 9 and 6 percent, respectively.

 This means that establishing one rate discount for all low-income customers would likely underserve those customers in the lowest income tier and over-serve the customers in the higher income tiers. Given that Avista already tracks information by these income tiers, Staff proposes continued use of these tiers for administrative ease.

**Q. Please explain how the rate discount for each income tier is calculated.**

A. The total annual benefit would be approximately equivalent to the average annual LIRAP grant benefit for each income tier.[[17]](#footnote-17) Instead of applying a grant to the annual energy bill, roughly the same energy burden reduction can be accomplished by applying a discount to volumetric rates.

 For example, electric customers in the income tier below 50 percent of the FPL saw their energy burden drop from about 26 percent to about 14 percent after receiving LIRAP assistance. This represents a 46 percent reduction in energy burden. Applying a 46 percent discount to the per kilowatt-hour or per therm rate achieves roughly the same energy burden reduction.[[18]](#footnote-18) Based on the energy burden reductions identified in the LIRAP Report, the proposed electric and natural gas discounts for each income tier are provided in Table 1, below. My Exhibit No. \_\_\_ (JMW-2) shows detailed billing rate calculations for each tier.

 **Table 1. Proposed Electric and Natural Gas Low-Income Discounts**

|  |  |  |
| --- | --- | --- |
| **Income Level** | **Electric Discount** **(per kilowatt-hour)** | **Natural Gas Discount (per therm)** |
| **0-50% of FPL** | 45% | 50% |
| **51-100% of FPL** | 40% | 45% |
| **101-125% of FPL** | 35% | 40% |

1. **Low-Income Rate Discount Funding**

**Q. What is the source of funding for the rate discounts?**

A. Avista would fund the pilot rate discounts with surplus funds from the Company’s LIRAP account. The LIRAP program has averaged an annual surplus of more than $1 million since 2001, and LIRAP began the current program year with a surplus of $1,469,468.[[19]](#footnote-19) This revenue has already been collected from residential customers for the purpose of assisting low-income customers, but has not been spent.

**Q. Will the surplus be used up in one year?**

A. No. Staff believes it is necessary to run the pilot for two years because the first year of a pilot often faces lower participation. Therefore, in order to fund a two-year pilot while still allowing a buffer for annual variation in program expenditures, Staff proposes that $500,000 of the surplus be allocated each year to fund the rate discount pilot. Should the surplus at the beginning of year two of the pilot be less than $500,000, Staff proposes that the Commission allow Avista to file an adjustment to its Schedule 91 and 191 LIRAP surcharges. Should the surplus increase, which Staff does not anticipate, Staff proposes that the Commission allow Avista to increase the rate discount program budget, filing the necessary tariffs changes.

**Q. Why has LIRAP ended each program year with a surplus?**

A. The fact that LIRAP has had a budget surplus at the end of each program year indicates that there are structural barriers to distributing the funds to eligible customers. One factor is that LIRAP funds can roll over from one program year to the next, whereas federal LIHEAP funds are only available for the given program year. This means that the CAAs rightly prioritize spending the LIHEAP funds over LIRAP funds.

 Another factor is that the amount and release of federal LIHEAP funds is unpredictable each year, impeding the CAAs’ ability to plan how many customer appointments can be scheduled in any given year. Additionally, revenue collection occurs throughout the program year and is dependent on consumption and weather conditions in any given year, leading to further uncertainty about funding levels. Due to these factors, the LIRAP account surplus is likely the result of conservative estimates of the number of customers that can be served, rather than overfunding.

**Q. Is $500,000 a reasonable annual budget for the rate discount pilot program?**

A. Yes. In the last two LIRAP program years, Avista has disbursed roughly six million dollars. A pilot budget of $500,000 would represent approximately 8 percent of annual expenditures. For comparison, Avista is allowed to spend up to 10 percent of its demand-side management budget on programs like pilots.[[20]](#footnote-20) LIRAP program funds are held by Avista until they are disbursed to either the CAAs or customer accounts, so Avista would be able to manage the LIRAP budget to adequately fund the rate discounts and the existing grant program.

1. **Low-Income Rate Discount Customer Eligibility**

**Q. Please describe the process and associated costs of determining customer eligibility for the rate discounts.**

A. In the existing LIRAP program, the CAAs schedule in-person meetings with customers and review documentation related to annual income, building type, number of people in the household, energy bills and heating fuel type. This allows the agencies to gather the data needed to determine the appropriate grant level for each eligible customer. However, this is a labor-intensive process, leading to average administrative costs of approximately $82 per customer, with a range of approximately $74 to $178 per customer.[[21]](#footnote-21)

 The proposed rate discounts would only require the CAAs to review documentation of household income compared to the FPL, because the benefit amount would not vary by individual customer. Recognizing this reduced administrative burden, Staff proposes that the pilot rate discount program allow up to $70 per customer certification.

**Q. How many customers would be eligible for the rate discounts?**

A. Approximately 940 customers each year would be eligible for rate discounts. The calculation is shown on my Exhibit No. \_\_\_ (JMW-2).

 As with the existing LIRAP program, the number of customers receiving assistance is ultimately limited by the funds available. To determine the total cost per customer, Staff added the proposed administrative costs of $70 per customer to the estimated annual benefit per customer for each income tier. From there, Staff estimated the expected number of participants in each income tier based on the breakdown of 2012-13 program year recipient income tiers.

According to Avista’s LIRAP Report, of all customers receiving LIRAP assistance in the 2012-13 program year, approximately 23 percent were in the income tier below 50 percent of FPL, 58 percent were in the 51 to 100 percent of FPL tier, and 18 percent were in the 101 to 125 percent of FPL tier.[[22]](#footnote-22) Staff then multiplied the overall program budget of $500,000 by the income tier proportions to determine the budget per income tier.

Finally, Staff divided the program budget for each income tier by the total cost per customer in that tier to determine the expected total number of participants per income tier, for a total of approximately 940 customers each year.

**Q. Would the number of customers eligible for the rate discounts be limited by income tier?**

A. No. The rate discounts would be available to all eligible customers, regardless of income tier, until 940 customers are receiving the rate discounts.

**Q. Would eligible customers be allowed to receive the rate discounts multiple years in a row?**

A. Yes. Similar to the LIRAP eligibility, customers would be able to receive the rate discounts in both the first and second years of the pilot, so long as they remain eligible and apply for the discounts each year.

**Q. Avista’s current program prevents customers from receiving both LIHEAP and LIRAP Heat assistance. Would eligible customers be allowed to receive both the rate discount and LIHEAP or LIRAP Heat assistance?**

A. Yes, but only if the rate discount is received first. The rate discount is designed to approximate the amount of assistance customers would receive from a LIRAP Heat or LIHEAP grant. If a customer is already receiving the rate discount and applies for a LIRAP Heat or LIHEAP grant, the rate discount will lower the overall energy costs, resulting in a lower grant amount.

 However, if a customer were to receive the grant first, and then the rate discount, this would double the amount of assistance that customer receives, effectively preventing another eligible customer from receiving that assistance. Customers receiving either program would still be able to apply for emergency assistance through LIRAP Share.

**Q. Would eligible customers be able to receive the rate discounts for both electric and natural gas service?**

A. Yes. A customer with natural gas heating would effectively replace the benefit they would have received from the discount on electric heating load with the benefit from the natural gas rate discount.

**Q. Are there any other eligibility considerations associated with the proposed rate discounts?**

A. Yes. The rate discounts should be available to eligible customers, regardless of their account balance. Avista should make every effort to get low-income rate discount customers with outstanding balances on an extended-period arrearage payment plan. Should a participating customer get disconnected from service due to non-payment, that customer would continue to be eligible for the rate discounts for the remainder of the program year.

1. **Low-Income Rate Discount Program Performance and Data Collection**

**Q. What performance metrics should Avista track?**

A. In addition to tracking basic data essential to managing the rate discount pilot, such as the number of customers receiving the discount by income tier, the average annual discount per customer in each income tier, and total expenditures, Staff expects Avista to track metrics that can be used for comparing the impact of the rate discounts to the existing LIRAP grant structure.

 These metrics include the number of customers receiving assistance, the total rate discount expenditures, the average annual assistance amount, average annual consumption by income tier, the impact of each program on preventing disconnections and reducing arrearages, the average reduction in energy burden from each type of assistance by income tier, the number of customers receiving both a rate discount and other assistance, and the number of customers receiving a rate discount in both years of the pilot.

Additionally, Avista must begin tracking the locations of customers receiving the rate discounts for comparison with the residences receiving low-income weatherization, to inform programmatic outreach and long-term trends.

**C. Recommended Improvements to Existing LIRAP program**

**Q. Please describe Staff’s recommendations regarding incremental improvements to Avista’s existing LIRAP efforts.**

A. Staff recommends that Avista clearly define its data needs and data collection plan for determining the impact of low-income assistance, help low-income customers avoid disconnection if they have started the process of applying for assistance, and commit to a funding plan to minimize the impact of near-term general rate increases.

**Q. Please describe Staff’s recommendations for improved data collection.**

A. Staff recommends the Commission order Avista to work with the CAAs to develop a plan for estimating or counting the number of customers who are interested but unable to get access to LIRAP assistance, and that Avista file this plan with its annual LIRAP report for program year 2014-15.

 Additionally, the Commission should order Avista to work with the CAAs to explore the option of creating a waiting list between one program year and the next for customers who were unable to get an appointment.

As I noted earlier in my testimony, a threshold problem for LIRAP is that many eligible customers are not currently participating. The CAAs’ appointment schedules fill up quickly each program year, and customers who have received assistance in the past are more likely to know when to reserve an appointment than customers who may need assistance later in the year. Once all of the appointments are full, no more calls are taken. There are currently no data on the number of customers who are interested in receiving low-income assistance but cannot get an appointment.

Additionally, Avista should work with the CAAs to better estimate the number of appointments that could be made available halfway through the program year, based on expected LIRAP collections.

**Q. Please describe Staff’s recommendations regarding Avista’s disconnection policy.**

A. Staff recommends that Avista adopt a policy to hold off on disconnecting a customer that is in the process of applying for assistance through any of the existing LIRAP programs or the proposed rate discounts. Because one of the goals of low-income assistance should be to minimize disconnections, it is reasonable and consistent with RCW 80.28.010 to allow time for the customer to receive assistance and apply it to the bill prior to getting disconnected.

 As discussed at the workshop, Puget Sound Energy has such a policy, and Staff believes it is appropriate for Avista to do the same. Implementing this policy may require closer coordination between Avista and the CAAs regarding the customers who have begun the process of applying for assistance but have not yet received assistance. Staff recommends that Avista identify any actions needed to implement this policy for program year 2014-15.

**Q. Please describe Staff’s recommendation regarding LIRAP funding.**

A. Staff recommends that in this rate case, and any rate case filed prior to September 2017, the funding for low-income assistance increase by twice the percentage of any general rate increase for residential customers, by service type (electric or natural gas). If residential rates do not change or decline as a result of a general rate case, Staff recommends maintaining the level of low-income assistance funding.

In this case, Staff proposes a decrease in electric residential volumetric rates,[[23]](#footnote-23) and no change to natural gas residential volumetric rates.[[24]](#footnote-24) As a result, Staff recommends Avista maintain current funding levels.

**Q. Why do you recommend this increase in low-income funding for rate cases filed prior to September 2017?**

A. As mentioned above, Avista’s current programs serve only approximately one-fifth of eligible low-income customers. Staff believes the program changes proposed will begin to increase the participation in the low-income programs. Further, it is likely that Avista will file another general rate case within the next three years, and agreeing on a multi-year approach to funding for low-income programs is the most efficient way to steadily increase funding levels to meet need. Establishing a funding plan will allow stakeholders in the next rate case to focus on other aspects of LIRAP, such as increases in the number of participating customers, performance toward goals and data tracking. Further, the proposed low-income rate discounts are a two-year pilot set to begin October 2015 and end in September 2017. After the conclusion of the pilot, parties may want to revisit the structure of Avista’s LIRAP program, and it would be appropriate to discuss funding levels in the context of any structural changes.

**Q. Does this conclude your testimony?**

A. Yes.

1. *Wash. Utilities and Transp. Comm’n v. PacifiCorp,* Docket UE-130043, Williams, Exhibit No.\_\_\_ (JMW-1T). [↑](#footnote-ref-1)
2. Docket U-140632, Workshop on electric and natural gas utility low-income assistance program design. [↑](#footnote-ref-2)
3. RCW 80.28.010(4)(c) and (d). [↑](#footnote-ref-3)
4. RCW 80.28.010(7). [↑](#footnote-ref-4)
5. RCW 80.28.010(4)(e). [↑](#footnote-ref-5)
6. On May 30, 2014, in Dockets UE-141208 and UG-141210, Avista filed revisions to its electric and natural gas tariffs, proposing to create LIRAP-specific funding tariff schedules, Schedule 92 (electric) and Schedule 192 (natural gas). The new tariff schedules would be separate and independent from Schedules 91 and 191, and are currently scheduled to become effective August 1, 2014. [↑](#footnote-ref-6)
7. *Utilities & Transp. Comm’n v. Avista Corp.,* Dockets UE-120436 and UG-120437, Order 09 (December 26, 2012), Attachment A, ¶ 20-21. [↑](#footnote-ref-7)
8. Docket U-140632. [↑](#footnote-ref-8)
9. Kopczynski Direct, Exhibit No.\_\_\_ (DFK-1T) at 17:14-16. [↑](#footnote-ref-9)
10. Dockets UE-120436, et al., Reynolds, Exhibit No. \_\_\_ (DJR-5T), at 29:6-15. [↑](#footnote-ref-10)
11. At the beginning of the 2014 program year, the LIRAP program had an account balance of $1,469,468. Avista Response to Staff Data Request 153. [↑](#footnote-ref-11)
12. Assuming average electric usage of 965 kWh per month at current rates, and 2013 median income estimate for Spokane County of $49,373, from the Washington State Office of Financial Management. <http://www.ofm.wa.gov/economy/hhinc/>. [↑](#footnote-ref-12)
13. Applied Public Policy Research Institute for Study and Evaluation, *LIHEAP Energy Burden Evaluation Study* (2005), at 10. <http://www.appriseinc.org/reports/LIHEAP%20BURDEN.pdf> [↑](#footnote-ref-13)
14. Dockets UE-120436 and UG-120437, Reynolds, Exhibit No. DJR-5T, at 32:14-15. [↑](#footnote-ref-14)
15. The 2014 Federal poverty guidelines are available at <http://aspe.hhs.gov/POVERTY/14poverty.cfm>. [↑](#footnote-ref-15)
16. Williams, Exhibit No. \_\_\_ (JMW-3), at 11. [↑](#footnote-ref-16)
17. *Id.* Setting the rate discount benefit equivalent to the benefit customers would receive through a LIRAP Heat grant will allow Avista to assess the relative effectiveness of each program structure in keeping customers connected to their energy service. [↑](#footnote-ref-17)
18. The per kilowatt-hour discount would not apply to the basic charge, so the energy burden reduction would not be perfectly identical. [↑](#footnote-ref-18)
19. Williams, Exhibit No. \_\_\_ (JMW-3), at 11. [↑](#footnote-ref-19)
20. *In re Avista Corp.,* Docket UE-132045, Order 01 (December 19, 2013), Attachment A, condition 7(d). [↑](#footnote-ref-20)
21. Avista Response to WUTC Staff Data Request 168. [↑](#footnote-ref-21)
22. Total does not add to 100 percent due to rounding. Exhibit No. \_\_\_ (JMW-3), at 11. See also, Exhibit No. \_\_\_ (JMW-2) for calculations. [↑](#footnote-ref-22)
23. Mickelson, Exhibit No. \_\_\_ (CTM-3) at 1, column h. [↑](#footnote-ref-23)
24. Mickelson, Exhibit No. \_\_\_ (CTM-6) at 1, column h. [↑](#footnote-ref-24)