

**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

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SCOPE AND SUMMARY OF TESTIMONY	2
III.	LOW-INCOME RATE ASSISTANCE PROGRAM OVERVIEW	3
IV.	DISCUSSION	8
A.	Specifying LIRAP Program Goals	8
B.	Low Income Rate Discount Pilot Program	10
1.	Low Income Rate Discount Purpose and Structure	10
2.	Low Income Rate Discount Funding	13
3.	Low Income Rate Discount Customer Eligibility	15
4.	Low Income Rate Discount Program Performance and Data Collection	19
C.	Recommended Improvements to Existing LIRAP Program	19

LIST OF EXHIBITS

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

1 I. INTRODUCTION

2
3 Q. Please state your name and business address.

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

6
7 Q. By whom are you employed and in what capacity?

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

11
12 Q. How long have you been employed by the Commission?

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

14
15 Q. Would you please state your educational and professional background?

16 A. I have a Bachelor of Arts in Geology from Whitman College, and a Master of Public
17 Policy with a concentration on Energy Policy from the University of Maryland. I
18 attended the National Association of Regulatory Utility Commissioners’ Annual
19 Regulatory Studies Program in August 2013, the New Mexico State University’s rate
20 case basics workshop in October 2012, as well as other sector-specific workshops,
21 trainings and conferences. I have previously filed testimony regarding low-income
22 assistance in PacifiCorp’s most recent general rate case,¹ and I was the lead

¹ *Wash. Utilities and Transp. Comm’n v. PacifiCorp*, Docket UE-130043, Williams, Exhibit No. ____ (JMW-1T).

1 organizer of the Washington Utilities and Transportation Commission's
2 ("Commission") recent workshop on low-income assistance programs.²

3
4 **II. SCOPE AND SUMMARY OF TESTIMONY**

5
6 **Q. What is the scope of your testimony?**

7 A. My testimony addresses issues related to Avista Corporation's ("Avista or
8 "Company") low income customers. My testimony also responds to the testimony of
9 Mr. Kopczynski, Exhibit No. ___ (DFK-1T), regarding Avista's Low-Income Rate
10 Assistance Program ("LIRAP") and proposes changes to that program.

11
12 **Q. Please summarize Staff's proposed changes to LIRAP.**

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

² Docket U-140632, Workshop on electric and natural gas utility low-income assistance program design.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

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.

III. 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-

1 income weatherization assistance, among other actions taken by the customer;³ the
2 requirement to offer budget billing to customers without regard to payment status;⁴
3 and the requirement to establish payment plans with an energy burden of no more
4 than 7 percent of household income.⁵

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

8
9 **Q. Please generally describe Avista’s low-income assistance program.**

10 A. The Commission allowed Avista to begin LIRAP as a pilot program in 2001, in
11 Dockets UE-010436 and UG-010437. LIRAP is modeled after the federal Low-
12 Income Home Energy Assistance Program (LIHEAP), and provides grants based on
13 household size, income and energy costs. The program consists of three major
14 components: LIRAP Heat, which is the standard energy assistance program; LIRAP
15 Senior Energy Outreach, which provides assistance for seniors whose income
16 exceeds the threshold for other assistance; and LIRAP Share, which provides
17 emergency assistance to customers in imminent danger of disconnection. Avista
18 collects funds for LIRAP from ratepayers through electric and natural gas surcharges
19 on Schedules 91 and 191, respectively, entitled the “Public Purposes Rider

³ RCW 80.28.010(4)(c) and (d).

⁴ RCW 80.28.010(7).

⁵ RCW 80.28.010(4)(e).

1 Adjustment – Washington.”⁶ Community Action Agencies (“CAAs”) determine
2 customer eligibility and the amount of assistance each eligible customer receives.

3
4 **Q. Please describe the Commission’s recent actions involving Avista’s LIRAP.**

5 A. In Avista’s most recent general rate case, the Commission approved a multiparty
6 settlement that provided for an increase in LIRAP funding for 2013 and 2014.⁷

7 Avista also committed to discuss with Commission Staff (“Staff”) and all interested
8 parties the merits of the LIRAP program and other potential program design options,
9 including a discounted rate design, and to propose changes to the program in its next
10 general rate case, if necessary.

11
12 **Q. Please describe subsequent discussions between Avista and Staff regarding**
13 **LIRAP.**

14 A. Following that order, Staff worked with Avista to host a meeting on September 11,
15 2013, to discuss low-income assistance program design elements and administration.
16 That meeting was attended by representatives from each electric and natural gas
17 investor-owned utility in Washington, Public Counsel, The Energy Project, and
18 several CAAs. No consensus emerged from that meeting, and the group agreed that
19 such discussion should continue.

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.

⁷ *Utilities & Transp. Comm’n v. Avista Corp.*, Dockets UE-120436 and UG-120437, Order 09 (December 26, 2012), Attachment A, ¶ 20-21.

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

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

13 At the conclusion of the workshop, the Commission acknowledged that
14 uniformity of low-income program structures is not necessary and that additional
15 efforts are needed to improve eligible customers’ access to assistance.
16

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

18 A. Avista witness Mr. Kopczynski does not propose making any changes to LIRAP in
19 this case. He states, “At this time, the Company believes it is premature to propose a
20 change to its current program and will continue to meet with parties in 2014 to
21 discuss results, ideas and possible proposals for future changes.”⁹
22

⁸ Docket U-140632.

⁹ Kopczynski Direct, Exhibit No. ___ (DFK-1T) at 17:14-16.

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

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

4
5 **Q. What threshold issues are Staff's recommendations intended to address?**

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

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

17 Although LIRAP continues to serve an increasing number of eligible
18 customers, Staff estimated in the previous rate case that only about one-fifth of
19 eligible customers were receiving assistance.¹⁰ Moreover, LIRAP has finished each
20 program year with an account surplus since the program's inception.¹¹ Avista holds
21 any program funds left unspent at the end of a program year in the LIRAP account to
22 be used in future years. In order to increase the availability of assistance to eligible

¹⁰ Dockets UE-120436, et al., Reynolds, Exhibit No. ____ (DJR-5T), at 29:6-15.

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.

1 customers, Avista must both find ways to draw down the LIRAP account surplus and
2 increase the overall funding available for assistance. A rate discount may be an
3 appropriate mechanism to serve more of those additional low-income customers and
4 draw down the account surplus. A pilot rate discount program would also generate
5 useful data and help inform future program design.

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

11 IV. DISCUSSION

13 A. Specifying LIRAP Program Goals

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

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

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

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

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

12
13 **Q. What additional efforts should the Commission direct Avista to undertake to**
14 **implement Staff’s recommended goals?**

15 A. The Commission should order Avista to work with the CAAs and Staff to establish
16 specific performance targets for reducing disconnections and reducing energy
17 burden, as well as develop a data-collection plan that will enable Avista to track its
18 progress toward those targets. The targets and data collection plan should be filed by
19 December 31, 2015, with the company’s annual LIRAP report for program year
20 2014-15.

21

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/>.

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>

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

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

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.

¹⁴ Dockets UE-120436 and UG-120437, Reynolds, Exhibit No. DJR-5T, at 32:14-15.

1 **Q. Please describe Staff's recommendations regarding rate discounts.**

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

6 The discounts would consist of three tiers: the first tier would include
7 customers with income below 50 percent of the Federal Poverty Level (FPL); the
8 second tier would include customers with income from 51 to 100 percent of the FPL;
9 and the third tier would include customers with income from 101 to 125 percent of
10 the FPL.¹⁵ Customers in the lower income tiers would receive a greater discount.
11 Details of the rate discount calculations are included in my Exhibit No. ____ (JMW-
12 2).

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

21

¹⁵ The 2014 Federal poverty guidelines are available at <http://aspe.hhs.gov/POVERTY/14poverty.cfm>.

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

2 A. As identified in Exhibit No. ___ (JMW-3), for the October 2012 to September 2013
3 program year, customers below 50 percent of the FPL had an estimated energy
4 burden of approximately 26 percent.¹⁶ For customers in the 51 to 100 percent and
5 101 to 125 percent of FPL tiers, the energy burden drops significantly to
6 approximately 9 and 6 percent, respectively.

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

12
13 **Q. Please explain how the rate discount for each income tier is calculated.**

14 A. The total annual benefit would be approximately equivalent to the average annual
15 LIRAP grant benefit for each income tier.¹⁷ Instead of applying a grant to the annual
16 energy bill, roughly the same energy burden reduction can be accomplished by
17 applying a discount to volumetric rates.

18 For example, electric customers in the income tier below 50 percent of the
19 FPL saw their energy burden drop from about 26 percent to about 14 percent after
20 receiving LIRAP assistance. This represents a 46 percent reduction in energy burden.

21 Applying a 46 percent discount to the per kilowatt-hour or per therm rate achieves

¹⁶ Williams, Exhibit No. ___ (JMW-3), at 11.

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.

1 roughly the same energy burden reduction.¹⁸ Based on the energy burden reductions
2 identified in the LIRAP Report, the proposed electric and natural gas discounts for
3 each income tier are provided in Table 1, below. My Exhibit No. ___ (JMW-2)
4 shows detailed billing rate calculations for each tier.
5

6 **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%

7
8 **2. Low-Income Rate Discount Funding**
9

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

11 A. Avista would fund the pilot rate discounts with surplus funds from the Company's
12 LIRAP account. The LIRAP program has averaged an annual surplus of more than
13 \$1 million since 2001, and LIRAP began the current program year with a surplus of
14 \$1,469,468.¹⁹ This revenue has already been collected from residential customers
15 for the purpose of assisting low-income customers, but has not been spent.
16

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

18 A. No. Staff believes it is necessary to run the pilot for two years because the first year
19 of a pilot often faces lower participation. Therefore, in order to fund a two-year pilot

¹⁸ The per kilowatt-hour discount would not apply to the basic charge, so the energy burden reduction would not be perfectly identical.

¹⁹ Williams, Exhibit No. ___ (JMW-3), at 11.

1 while still allowing a buffer for annual variation in program expenditures, Staff
2 proposes that \$500,000 of the surplus be allocated each year to fund the rate discount
3 pilot. Should the surplus at the beginning of year two of the pilot be less than
4 \$500,000, Staff proposes that the Commission allow Avista to file an adjustment to
5 its Schedule 91 and 191 LIRAP surcharges. Should the surplus increase, which Staff
6 does not anticipate, Staff proposes that the Commission allow Avista to increase the
7 rate discount program budget, filing the necessary tariffs changes.

8
9 **Q. Why has LIRAP ended each program year with a surplus?**

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

16 Another factor is that the amount and release of federal LIHEAP funds is
17 unpredictable each year, impeding the CAAs' ability to plan how many customer
18 appointments can be scheduled in any given year. Additionally, revenue collection
19 occurs throughout the program year and is dependent on consumption and weather
20 conditions in any given year, leading to further uncertainty about funding levels.

21 Due to these factors, the LIRAP account surplus is likely the result of
22 conservative estimates of the number of customers that can be served, rather than
23 overfunding.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

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 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.

3. 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

²⁰ *In re Avista Corp.*, Docket UE-132045, Order 01 (December 19, 2013), Attachment A, condition 7(d).

²¹ Avista Response to WUTC Staff Data Request 168.

1 The proposed rate discounts would only require the CAAs to review
2 documentation of household income compared to the FPL, because the benefit
3 amount would not vary by individual customer. Recognizing this reduced
4 administrative burden, Staff proposes that the pilot rate discount program allow up to
5 \$70 per customer certification.

6
7 **Q. How many customers would be eligible for the rate discounts?**

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

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

16 According to Avista's LIRAP Report, of all customers receiving LIRAP
17 assistance in the 2012-13 program year, approximately 23 percent were in the
18 income tier below 50 percent of FPL, 58 percent were in the 51 to 100 percent of
19 FPL tier, and 18 percent were in the 101 to 125 percent of FPL tier.²² Staff then
20 multiplied the overall program budget of \$500,000 by the income tier proportions to
21 determine the budget per income tier.

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.

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

4
5 **Q. Would the number of customers eligible for the rate discounts be limited by**
6 **income tier?**

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

9
10 **Q. Would eligible customers be allowed to receive the rate discounts multiple years**
11 **in a row?**

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

15
16 **Q. Avista's current program prevents customers from receiving both LIHEAP and**
17 **LIRAP Heat assistance. Would eligible customers be allowed to receive both the**
18 **rate discount and LIHEAP or LIRAP Heat assistance?**

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

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

6
7 **Q. Would eligible customers be able to receive the rate discounts for both electric
8 and natural gas service?**

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

12
13 **Q. Are there any other eligibility considerations associated with the proposed rate
14 discounts?**

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

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

3
4
5 **Q. What performance metrics should Avista track?**

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

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

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

21
22 **C. Recommended Improvements to Existing LIRAP program**

23
24 **Q. Please describe Staff's recommendations regarding incremental improvements**
25 **to Avista's existing LIRAP efforts.**

1 A. Staff recommends that Avista clearly define its data needs and data collection plan
2 for determining the impact of low-income assistance, help low-income customers
3 avoid disconnection if they have started the process of applying for assistance, and
4 commit to a funding plan to minimize the impact of near-term general rate increases.
5

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

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

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

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

1 Additionally, Avista should work with the CAAs to better estimate the
2 number of appointments that could be made available halfway through the program
3 year, based on expected LIRAP collections.
4

5 **Q. Please describe Staff's recommendations regarding Avista's disconnection**
6 **policy.**

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

13 As discussed at the workshop, Puget Sound Energy has such a policy, and
14 Staff believes it is appropriate for Avista to do the same. Implementing this policy
15 may require closer coordination between Avista and the CAAs regarding the
16 customers who have begun the process of applying for assistance but have not yet
17 received assistance. Staff recommends that Avista identify any actions needed to
18 implement this policy for program year 2014-15.
19

20 **Q. Please describe Staff's recommendation regarding LIRAP funding.**

21 A. Staff recommends that in this rate case, and any rate case filed prior to September
22 2017, the funding for low-income assistance increase by twice the percentage of any
23 general rate increase for residential customers, by service type (electric or natural

1 gas). If residential rates do not change or decline as a result of a general rate case,
2 Staff recommends maintaining the level of low-income assistance funding.

3 In this case, Staff proposes a decrease in electric residential volumetric
4 rates,²³ and no change to natural gas residential volumetric rates.²⁴ As a result, Staff
5 recommends Avista maintain current funding levels.

6
7 **Q. Why do you recommend this increase in low-income funding for rate cases filed**
8 **prior to September 2017?**

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

22
²³ Mickelson, Exhibit No. ____ (CTM-3) at 1, column h.

²⁴ Mickelson, Exhibit No. ____ (CTM-6) at 1, column h.

1 Q. Does this conclude your testimony?

2 A. Yes.