

BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,
COMPLAINANT,

V.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES,
RESPONDENT.

DOCKETS UE-150204 and UG-150205 (*Consolidated*)

JOINT TESTIMONY of
SHAWN M. COLLINS (THE ENERGY PROJECT)
STEFANIE A. JOHNSON (PUBLIC COUNSEL)

EXHIBIT NO. SMC-1T

JULY 27, 2015

JOINT TESTIMONY of SHAWN M. COLLINS and STEFANIE A. JOHNSON
(EXHIBIT NO. SMC-1T)
DOCKETS UE-150204 and UG-105205 (*Consolidated*)

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(EXHIBIT NO. SMC-1T)
DOCKETS UE-150204 and UG-105205 (*Consolidated*)

EXHIBIT LIST

- | | |
|--------------------------|--|
| Exhibit No. SMC-2 | Estimated 2014-2015 Households Served Under LIRAP. |
| Exhibit No. SMC-3 | Avista's Response to Public Counsel Data Request No. 79. |
| Exhibit No. SMC-4 | <i>An Estimate of the Number of Households in Poverty Served by Avista Utilities in Washington State.</i> By: Brian Kennedy, MS, D. Patrick Jones, Ph.D. May 2015. |
| Exhibit No. SMC-5 | Impact of 5-year funding plan on percent of eligible customers served. |

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Shawn Collins. I am the Associate Director of The Energy Project, a project of the Washington State Community Action Partnership (WSCAP) housed at the Opportunity Council in Bellingham, Washington. My business address is 3406 Redwood Avenue, Bellingham, Washington 98225.

My name is Stefanie Johnson. I am employed as a Regulatory Analyst with the Public Counsel Unit of the Washington Attorney General’s Office. My business address is 800 5th Avenue, Suite 2000, Seattle, Washington 98104.

Q: On whose behalf are you testifying, Mr. Collins?

A: I am testifying for The Energy Project, an intervenor in this proceeding that advocates on behalf of low-income customers regarding energy efficiency, bill payment assistance, affordable rates, and consumer protections. The Energy Project works with the six community action agencies that provide low-income energy efficiency and bill payment assistance for customers in Avista’s Washington service territory. These agencies include Spokane Neighborhood Action Partners (a.k.a. SNAP, serving Spokane Co.), Rural Resources (Ferry, Lincoln, and Stevens Co.), Community Action Partnership (Asotin Co.), Community Action Center (Whitman County), OIC of WA (Adams Co.), and Washington Gorge Action Programs (Klickitat and Skamania Co.)

Q: On whose behalf are you testifying, Ms. Johnson?

A: I am testifying on behalf of the Public Counsel Unit of the Washington Attorney General’s Office (Public Counsel).

1 **Q: Mr. Collins, please provide information pertaining to your educational**
2 **background and professional experience.**

3 A: I have been the Associate Director of The Energy Project since May of 2015. I
4 have a Bachelors of Arts from Eastern Illinois University and have been working
5 on issues impacting low-income populations since 2002 through AmeriCorps
6 VISTA, Community Action Partnerships, and a variety of other
7 non-governmental organizations. I have been employed by the Opportunity
8 Council since 2006, and for the past five years I have, among other things,
9 managed the implementation of a Community Energy Efficiency Program
10 (CEEP) operational in northwest Washington State that benefits low and moderate
11 income households. Through my involvement with the energy efficiency and
12 regulatory sector, I have attended and presented at numerous national
13 conferences, as well as participated in sector specific workshops and trainings. I
14 am also a board member for Home Performance Washington. In all, I have about
15 13 years of experience working in anti-poverty and energy programs.

16 **Q: Ms. Johnson, please provide information pertaining to your educational**
17 **background and professional experience.**

18 I received a B.A. in Political Studies and History from Whitworth University in
19 2002. In 2005, I received a Master's degree in Public Administration from the
20 Daniel J. Evans School of Public Policy and Governance at the University of
21 Washington. Since joining Public Counsel in December 2005, I have worked on
22 a wide range of energy and telecommunications issues including utility
23 conservation programs, integrated resource planning, resource acquisition, utility

1 company mergers and acquisitions, legislative matters, and numerous items
2 associated with various regulatory procedures and ratemaking policies.

3 Most recently, I filed testimony in PacifiCorp's 2014 general rate case. I
4 have also recently filed written testimony and testified as a member of the panel
5 supporting a number of settlements, including the PacifiCorp PCAM settlement
6 (Docket UE-140762), the PSE PCA settlement (Docket UE-130617), the 2013
7 PSE Power Cost Only Rate Case. I also filed joint testimony in support of the
8 partial settlement in this docket.

9 **II. SCOPE AND SUMMARY OF TESTIMONY**

10 **Q: What is the scope of your testimony?**

11 A: Our testimony is primarily concerned with issues in Avista's rate case that have a
12 serious effect on whether low-income residential customers can stay connected to
13 vital energy services. Specifically, we will address Avista's Low-Income Rate
14 Assistance Program (LIRAP) and recommended changes to the level of funding
15 for that program.

16 **Q: Please summarize The Energy Project and Public Counsel's recommended**
17 **changes to LIRAP.**

18 A: The Energy Project and Public Counsel recommend that the Commission approve
19 a five-year LIRAP plan that annually and progressively increases LIRAP funding
20 over the previous year's budget by an amount equal to twice the percentage of the
21 final residential bill impact to customers resulting from any concurrent rate case,
22 or 10 percent, whichever is greater. Our proposal is described in more detail in a
23 later section of this testimony.

1 **III. BACKGROUND**

2 **Q: Please describe Avista’s existing LIRAP program.**

3 A: LIRAP, approved by the Commission in 2001, collects funding through electric
4 and natural gas tariff surcharges on Schedules 92 and 192. These funds are
5 distributed by Community Action Agencies (“Agencies”) in a manner similar to
6 the Federal- and State-sponsored Low-Income Home Energy Assistance Program
7 (“LIHEAP”). LIRAP, like LIHEAP assistance, helps customers avoid
8 disconnection from critical utility services, re-establish service after a disruption,
9 and/or pay ongoing heating costs. The current LIRAP program is comprised of
10 three components:

- 11 • LIRAP Heat—mimics the LIHEAP program in terms of income
12 eligibility, intake requirements, and benefit calculation.
- 13 • LIRAP Share Emergency—LIRAP Share Emergency emulates the
14 Project Share program funded through voluntary contributions that are
15 used to help customers in emergency situations.
- 16 • LIRAP Senior Energy Outreach—targets a third distinct customer
17 group by providing a one-time per program year benefit of \$100 or
18 \$300 to seniors with incomes up to 200 percent of the federal poverty
19 level (“FPL”).

20 **Q: How many households are currently served by the LIRAP program?**

21 A: We estimate that approximately 14,000 households will receive assistance during
22 the 2014-2015 program year. This estimate is derived by using the estimated
23 program year budget of \$6,437,204 and the average cost per participant for the
24 last three complete program years of \$462 as shown in Exhibit No. SMC-2. This
25 number is an estimate because the program year has not ended and because of
26 other variables involved. As described above, LIRAP has three different
27 components, each with a different benefit level. The exact mix of the allocations

1 to these different components will affect the average benefit and, thus, the average
2 cost per participant. Since the LIRAP Heat program awards the highest level of
3 benefit on average, the fact that this has been a warmer than normal year could
4 mean participants will receive smaller Heat grants or more funds are allocated to
5 the Emergency or Senior Outreach programs. All other things being equal, more
6 customers might be served.

7 **Q: Please describe the recent changes to LIRAP approved by the Commission.**

8 A: In Avista's last rate case, Dockets UE-140188 and UG-140189, the Energy
9 Project advocated for, and Public Counsel supported, a third-party facilitated
10 workgroup to address improvements to LIRAP. The Commission's order directed
11 interested parties to undertake the process, guided by four goals.¹ As a result, the
12 group recommended changes to the LIRAP program to make better use of
13 existing funds, and to target specific subset of the unserved populations, such as
14 disabled Avista customers with incomes from 126 percent – 200 percent FPL. All
15 the parties to the previous rate case signed a joint petition recommending these
16 changes, which the Commission subsequently and swiftly approved.²

17 **Q: Did the funding level for general LIRAP purposes increase as a result of the**
18 **proposed modifications approved by the Commission?**

19 A: No. As indicated in the joint petition filed May 29, 2015:

20 The Workgroup also discussed the overall level of LIRAP funding,
21 and ultimately agreed that this issue is better addressed in Avista's

¹ The four goals were: keep customers connected to services, serve more customers who need assistance, lower customers' energy burdens, and collect appropriate data to evaluate effectiveness and inform ongoing policy discussions. *WUTC v. Avista Corp d/b/a Avista Utilities*, Dockets UE-140188 and UG-140189, Order 05, Final Order Rejecting Tariff Filing, Accepting with Conditions Full Settlement Stipulation, Authorizing Tariff Filing and Requiring Compliance Filing at ¶¶ 39 and 43 (November 25, 2014).

² *WUTC v. Avista*, Dockets UE-140188 and UG-140189, Order 07, Final Order Granting Joint Petition and Approving Modifications and Additions to Avista's Low-Income Rate Assistance Program Compliance Filing (June 25, 2015).

1 current electric and natural gas general rate case. Therefore this
2 Petition does not include any request for additional or multi-year
3 funding for general LIRAP purposes.³

4 The Energy Project and Public Counsel address these remaining issues in the
5 following testimony.

6 **Q: Does Avista propose to increase the LIRAP program funding in this case?**

7 A: No, Avista does not propose any changes to LIRAP. In response to Public
8 Counsel Data Request No. 79, which is attached as Exhibit No. SMC-3, Avista
9 confirms that it did not propose any changes in its direct case, nor does it plan to
10 supplement its testimony to include a proposal for LIRAP funding.

11 **IV. NEED FOR THE LOW-INCOME RATE ASSISTANCE PROGRAM**

12 **Q: Why do The Energy Project and Public Counsel believe it is necessary to**
13 **increase the LIRAP program funding?**

14 A: We have long known that the population eligible for LIRAP surpasses the
15 availability of the resources to serve them. This was recently confirmed during
16 the workgroup as a result of a report commissioned by SNAP, discussed in further
17 detail below, which indicates that the number of households eligible for assistance
18 in Avista's service territory is much higher than previously thought. In addition,
19 any rate increase in this docket would exacerbate the existing problem twofold.
20 First, an increase in energy costs poses an added challenge to the large number of
21 low-income households who are already struggling to pay their bills. Second, if
22 LIRAP funding remains the same while bills increase, the result will be that fewer
23 low-income customers will receive assistance.

24 **Q: Please explain the background for the above-mentioned report.**

³ Joint Petition at 13.

1 A: In the public comment hearing held during the 2014 Avista general rate case,
2 Commissioner Jones asked Julie Honekamp, Executive Director of SNAP, how
3 much funding was needed to serve Avista’s eligible low-income population.
4 Ms. Honekamp responded that she did not know, but she would get an answer.
5 While participating in the LIRAP workgroup, SNAP contracted with the Institute
6 for Public Policy and Economic Analysis at Eastern Washington University
7 (Institute) to assess how great the need is. Institute staff looked specifically at the
8 utility’s service territory to estimate how many customers qualify for assistance
9 under different, commonly used federal poverty levels (FPL), including the 125
10 percent of the federal poverty level currently used for LIHEAP in Washington.

11 **Q: What did the Institute find?**

12 A: The Institute’s full report is provided as Exhibit No. SMC-4, attached to this
13 testimony. As indicated in the study, the estimated total number of households
14 within Avista’s service territory living at 125 percent FPL is 51,130 (currently the
15 highest income eligible for LIRAP and LIHEAP in Washington).⁴

16 **Q: How does this estimate compare to the previous understanding of the**
17 **number of customers eligible for LIRAP within the service territory?**

18 A: While we knew that the potential eligible population was larger than is being
19 served, this estimate is several thousand households greater than previous
20 estimates. For example, in UE-080414/UG-080417, The Energy Project testified
21 that there were “approximately 32,500” households living at or below 125 percent
22 FPL in 2007.⁵ Similarly, in its 2009 *Evaluation of Avista Natural Gas*

⁴ Exhibit No. SMC-4 at 3.

⁵ Joint Testimony of Kelly O. Norwood (Avista), Danny P. Kermod (Staff), Paula E. Pyron (NWIGU), Charles M. Eberdt (Energy Project), Docket UE-080416/UG-080417 at 14.

1 *Decoupling* Pilot, Titus researched the poverty population on a zip code-level,
2 based on the 2000 Census and 2007 American Community Survey (ACS). Titus
3 estimated 31,915 Avista customers would qualify, but cited an Applied Public
4 Policy Research Institute for Study and Evaluation (APPRISE) report that pointed
5 to 33,300.⁶ All of these previous estimates were based on the 2000 census and
6 subsequent ACS adjustments. The Institute’s Report is based on the 2010 census
7 and subsequent ACS adjustments. The Institute’s estimate is an increase of nearly
8 55-60 percent over these previous figures.

9 **Q: Has the Commission done anything recently to increase availability of the**
10 **LIRAP program for a greater number of customers?**

11 A: Yes. As mentioned above, the Commission approved the LIRAP workgroup’s
12 recommendation to initiate a pilot that would serve additional customers.
13 Additionally, even before the Institute’s Report was issued, the Commission
14 recognized the need to increase funding for LIRAP by doubling the funding level
15 agreed to in the settlement of Avista’s 2014 general rate case, which had the
16 effect of increasing the budget to an estimated \$6,437,204, and increasing the
17 potential number of customers served to an estimated 13,933 as shown in
18 Exhibit No. SMC-2.⁷

⁶ *Evaluation of Avista Natural Gas Decoupling Mechanism Pilot: Final Report to Avista and the Stakeholder Advisory Group*, March 20, 2009 at 78.

⁷ “Although we are pleased the settling parties agreed to increase LIRAP funding for electric and natural gas consumers, we find the new proposed annual LIRAP funding levels to be inadequate and modify that portion of the Settlement. We therefore find that it is in the public interest to double the increase in LIRAP funding provided for in the Settlement, to a total increase of \$400,000 for electric LIRAP funding and \$428,000 for natural gas LIRAP funding.” *WUTC v. Avista*, Dockets UE-140188 and UG-140189, Order 05, ¶ 44 (November 25, 2014).

1 **Q: If there have been recent additions to the program and increased funding,**
2 **why should the Commission again approve an increase to LIRAP at this**
3 **time?**

4 A: Despite that increased level of general funding in the 2014 GRC, many eligible
5 customers were left unserved, even under previous estimates of need. We now
6 have a clearer understanding of the unmet need in Avista's service territory,
7 which further supports an additional funding increase. In the last two complete
8 program years, the LIRAP and LIHEAP funding combined served approximately
9 37 percent of the population the Institute identified.⁸ Program year 2014-2015
10 data is not yet available, though we expect it may result in a number that is a
11 percentage point or two higher. Thus, while the recent changes, additions, and
12 funding increases to LIRAP are positive, there are still many customers who
13 remain unserved. Furthermore, a large part of the funding for the recently ordered
14 pilot will target disabled customers with incomes higher than those of the 51,000
15 in the Institute's estimate.

16 **Q: How does this proposal to increase LIRAP funding benefit all ratepayers?**

17 A: Increasing LIRAP funding to serve a greater portion of the eligible population of
18 low-income customers will ensure that more customers are able to remain
19 connected to the system and, thus, contributing to fixed cost. Additionally,
20 low-income assistance helps to reduce expenses associated with arrearage costs,
21 collection activity costs, uncollectibles, and bad debt costs. Two resolutions from
22 the National Association of State Utility Consumer Advocates (NASUCA) make

⁸ 2012-13 participation = (12,680 LIRAP + 6282 LIHEAP)/51,130 = 37.1%
2013-14 participation = (12483 LIRAP + 6222 LIHEAP)/51,130 = 36.6%

1 a similar point in support of funding low-income assistance. These resolutions
2 state “if low income customers cannot afford their electric bills and are
3 disconnected, they no longer contribute to the fixed cost base of the electric
4 supply and delivery system, and therefore all customers may be harmed,” and “it
5 is in the best interest of all customers and it is good public policy to keep the
6 customers least able to afford electric service on the system by means of
7 appropriate low-income assistance programs available for customers who need
8 them.”⁹ Moreover, APPRISE issued a report assessing ratepayer-funded, low-
9 income energy programs, which states:

10 The notion that assistance provided to low-income households
11 supports the broader public interest is not an unusual idea. In the
12 public utility industry, for example, universal service is
13 considered by many authoritative sources to be a “public good”
14 subject to the financial support of ratepayers as part of the
15 general regulatory oversight of public utilities.¹⁰

16 V. PROPOSAL FOR LOW-INCOME RATE ASSISTANCE

17 PROGRAM FUNDING

18 **Q: Please describe The Energy Project and Public Counsel’s proposal for**
19 **low-income rate assistance funding.**

20 **A:** The Energy Project and Public Counsel recommend that the Commission approve
21 a five-year LIRAP funding plan that increases funding each year by an amount
22 that is equal to twice the percentage of the final residential bill impact to
23 customers resulting from the rate case, or 10 percent of the previous year’s

⁹ National Association of State Utility Consumer Advocates, *Resolution on Universal Service, No. 1997-03*, and *Resolution on Low Income Assistance, No. 1998-06*.

¹⁰ APPRISE Ratepayer-Funded Low-Income Energy Programs: Performance and Possibilities Final Report (July 2007), p. 46 (Note, this report references “universal service” with respect to utility service, not telecommunication service alone).

1 LIRAP budget, whichever is greater. So, for the year following this rate case, the
 2 LIRAP funding would be increased over this year’s budget by a percentage equal
 3 to twice whatever the residential bill impact is, or 10 percent, whichever is
 4 greater. In subsequent years, if there is no rate case filed, or a rate case results in
 5 an increase that is 5 percent or less, LIRAP funding will be increased by 10
 6 percent of the previous year’s budget. Three different examples are provided in
 7 Table 1 below.

8 **TABLE 1: Examples of LIRAP Incremental Funding Increases**

	LIRAP PROGRAM YEAR				
	2015-16	2016-17	2017-18	2018-19	2019-20
<u>Scenario 1:</u> 2015 GRC residential rate increase 6%, no additional GRC increases.	12%	10%	10%	10%	10%
<u>Scenario 2:</u> 2015 GRC residential rate increase 6%, additional GRC residential rate increase 7% in third program year.	12%	10%	14%	10%	10%
<u>Scenario 3:</u> GRC residential rate increase ≤5% in all years.	10%	10%	10%	10%	10%

9 Our proposal is designed to increase the number of customers served
 10 while the LIRAP advisory group established by the Joint Petition will be
 11 exploring other means to reach more customers.

12 **Q: Approximately how many households would be served by the end of five**
 13 **years if your proposal is adopted?**

14 **A:** We estimate that 22,440 total customers would be receiving LIRAP assistance in
 15 the fifth year as shown in Table 2 below. This projection assumes, however, that
 16 the entire LIRAP increase will be used to serve new participants and that the

1 eligible population does not change.¹¹ Any rate increase during that period would
2 require some of the funding be used to compensate for the resulting impact on
3 bills and would reduce the number of new customers who could be added,
4 slowing the pace.

5 **TABLE 2: Incremental Increase in Program Participants Over 5 Years**¹²

	Estimated Budget	Estimated Number Served
Current: 2014-15	\$6,437,204	13,933
Projected: 2015-16	\$7,080,924	15,327
2016-17	\$7,789,017	16,859
2017-18	\$8,567,919	18,545
2018-19	\$9,424,710	20,400
2019-20	\$10,367,181	22,440

6 **Q: Why is the proposal not designed to provide assistance to all of the eligible**
7 **population?**

8 A: Not all customers who qualify will apply to receive assistance: some because
9 they are unaware of the program, others because they find assistance elsewhere,
10 and still others because they choose not to participate in the program based on
11 their individual principles.

12 **Q: How did you determine that a ten percent maximum increase in LIRAP**
13 **funding per year, staged over five years, is the right approach?**

14 A: The Energy Project and Public Counsel believe gradually ramping up the LIRAP
15 funding will allow the community action agencies to better implement
16 programmatic change. The Energy Project surveyed the agencies in preparation
17 for the LIRAP workgroup to see how much additional service they could provide

¹¹ This estimate also assumes that the average cost per customer served by LIRAP is \$462 and the incremental LIRAP increase is ten percent per year.

1 on a year-to-year basis, without other unforeseen changes. The agencies indicated
2 a ten percent increase is an amount by which they can reasonably and manageably
3 expand their programs.

4 Moreover, in the LIRAP workgroup process, it became clear the agencies
5 valued knowing what the funding levels would be ahead of time, and a five year
6 timeline provides some long-term certainty for planning purposes. One of the
7 recently approved modifications to the LIRAP program is that the agencies gave
8 up the chance for somewhat greater funding (based on month-to-month revenue
9 collection) in order to secure knowledge of what the annual budget would be
10 before the start of the year. The agencies believe this will give them greater
11 ability to plan for the year effectively and develop outreach programs to reach
12 underserved communities.

13 Finally, there is Commission precedent for a five-year funding plan of
14 low-income programs; the Commission previously approved a five-year plan for
15 increases to Pacific Power and Light's Low-Income Bill Assistance program.¹³

16 **Q: What factors were taken into consideration when developing this plan?**

17 A: The most compelling reason to create a multi-year plan for LIRAP funding is that
18 there are substantially more eligible low-income customers in Avista's service
19 territory than previously understood, as indicated in the Institute's report. To
20 effectively address this significant need, we think it is important to allow agencies
21 time to build capacity to provide effective and efficient service delivery methods

¹² See, Exhibit No. SMC-5 for calculations.

¹³ See, *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-111190, Order 07 (March 30, 2012).

1 that accommodate an increased number of client visits, as well as incorporate
2 innovative outreach methods to interface with under- or un-served eligible
3 populations.

4 **VI. CONCLUSION**

5 **Q: Please summarize The Energy Project and Public Counsel testimony and**
6 **recommendations on LIRAP funding.**

7 A: The Energy Project and Public Counsel recommend that the Commission approve
8 a five-year LIRAP funding plan that increases funding each year by an amount
9 that is equal to twice the percentage of the final residential bill impact to
10 customers resulting from a rate case, or ten percent of the previous year's LIRAP
11 budget, whichever is greater.

12 The cumulative impact of increased LIRAP funds for eligible Avista
13 customers will ultimately allow more households to stay connected to utility
14 services by helping them reduce their financial burden. This further prevents
15 these households at risk of disconnection from accumulating additional fees and
16 charges for disconnection and reconnection, which can create an overwhelming
17 barrier to getting reconnected.

18 **Q: Does this conclude your testimony?**

19 A: Yes.