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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE JOINT PETITION)
OF AVISTA CORPORATION, IDAHO PUBLIC) CASE NO. AVU-E-18-02
UTILITIES STAFF, AND COMMUNITY) AVU-G-18-01
ACTION PARTNERSHIP ASSOCIATION OF)
IDAHO (CAPAI) TO INCREASE LOW-INCOME) COMMENTS OF THE
FUNDING UNDER TARIFF SCHEDULES 91) COMMISSION STAFF
AND 191.)**

The Staff of the Idaho Public Utilities Commission submits the following comments in the above captioned matter.

BACKGROUND

On December 28, 2017, the Commission approved a settlement of Avista’s general rate case. *See* Order No. 33953. One provision of the settlement was that “[t]he Company and interested parties will meet and confer to consider whether the Low Income Weatherization Program and Energy Conservation Education Program funding should be increased from the current Commission approved levels...” *See* Stipulation and Settlement at 15. After extensive examination into how the low-income funding has been utilized and conferring with the parties, an agreement to increase the funding levels was reached.

On February 20, 2018, Avista Corporation, Commission Staff, and Community Action Partnership Association of Idaho (CAPAI) (“the parties”) filed a joint petition requesting approval of a settlement that will increase funding to low-income programs. The agreement

includes \$125,000 of additional funding for Avista's Low Income Weatherization Program and \$25,000 additional funding for Avista's Conservation Education Program in Idaho. This is significantly less than the \$225,000 and \$50,000 originally requested for those programs. This increase does not affect the revenue requirement established in Commission Order No. 33953, the funding will come directly from Avista's Energy Efficiency Tariff Schedules 91 and 191.

STAFF REVIEW

Commission Order No. 32788

In 2012, the Commission conducted an inquiry into the cost-effectiveness of low income programs, and their place in the regulatory environment in Idaho. *See* Order No. 32788. The Commission adopted recommendations from a Staff Report for improving the cost-effectiveness of low income programs. *Id.* In addition, the Commission also laid out factors that should be considered when deciding whether a funding increase for these programs may be appropriate:

Recommendation 16: Staff recommends that no program should receive a funding increase if it is not cost-effective according to the criteria outlined in this report. After a program is determined to be cost-effective, at least five factors should be analyzed to determine if a funding increase is appropriate.

1. Funding could be increased if the list of not-previously weatherized homes waiting for weatherization (as indicated by the LIHEAP data) has increased significantly since the last review.
2. Funding could be increased if a utility's program provides significantly less funding on a per-capita basis than the cost-effective program of another utility operating within the state of Idaho with comparable poverty levels in its service territory.
3. Funding could be increased if the utility is awarded a significant base rate increase. Rate increases impact low income customers more adversely than other customers, therefore it could be appropriate to provide increased funding for low-income weatherization when rates increase.
4. Funding could be increased if the utility does not have sufficient funds to acquire the annually achievable low income energy savings potential as indicated by the utility's most recent Conservation Potential Assessment (CPA). This criterion is similar to how utilities fund other DSM programs.

5. Funding should not be increased if a utility's CAP agencies have been unable to spend all of the available utility funding in the previous year.

Id. at 10-12. The Commission stated that when deciding whether a funding increase might be appropriate, “the recommended factors are merely a guide for when a funding increase may be in order, and that the absence of one or more factors does not necessarily preclude a funding increase.” *Id.* at 12. Consistent with that Commission direction, Staff completed an investigation that considered these factors a guide. Staff concluded that a funding increase in this case is reasonable.

Staff's Investigation

Staff's investigation in this case was extensive. Staff generated dozens of questions for Avista, CAPAI, and the Lewiston Community Action Partnership (CAP) agency that were answered in a series of conference calls, email exchanges, and meetings in Boise and Lewiston. In this process, Staff determined the program is not cost-effective,¹ the weatherization waiting list is extremely long, the program funds more on a per capita basis than the Idaho's other utility low income programs, Avista has been granted over 8.9 percent electric and 12.3 percent natural gas base rate increases since the last increase in low income funding, Staff found that there is not sufficient funding currently to acquire the low income potential, and the Lewiston CAP has consistently been able to spend all funds currently assigned. Staff established that Lewiston CAP agency manages the funding it receives from Avista extremely well.

Cost Effectiveness

In addition to identifying funding increase factors, Order No. 32788 also aimed to improve the cost-effectiveness of low income programs. Despite improvements, the Avista low income program is not cost-effective. Staff found that cost-effectiveness remains challenging because the two primary cost categories for weatherization (building materials and labor) have increased while avoided costs have decreased.

Avista and the Lewiston CAP agency have proactively responded to these challenges by funding measures based on their cost-effectiveness. Cost-effective measures are fully funded

¹ Avista's 2016 DSM reports states that the electric low income program had a 0.69 TRC and a 0.33 UCT. The natural gas low income program had a 1.18 TRC and a 0.09 UCT.

and measures that are not cost-effective are funded up the value of the avoided cost benefits they provide. The funding for each measure is adjusted as avoided costs change. While this is a reasonable approach, Staff discovered that Avista does not include CAP administrative expenses or non-incentive utility funds in the measure screening process but instead included them in the sector-level cost-effectiveness. This means that periodic updates to measure funding levels consistently overestimated the actual cost-effectiveness of the program.

Avista has agreed to include the CAP administrative expenses and non-incentive utility funds in the measure-level screening process going forward. Staff believes this will improve cost-effectiveness, though low avoided costs will remain a concern. Staff notes that these additional expenses will reduce the amount of funding Avista provides for each measure and could therefore damage the Lewiston CAP's ability to deliver this program. However, the Lewiston CAP reviewed the impact this change would have on the funding of each measure and determined it is manageable because they can reallocate other funding to make up the difference. Staff, Avista, and the Lewiston CAP will continue to monitor this approach to ensure it does not negatively impact the program. Staff appreciates the Lewiston CAP's continued commitment to understanding and adapting to utility cost-effectiveness constraints.

Weatherization Waiting List

Staff asked the Lewiston CAP if the waiting list for weatherization has increased since 2012, the last time Staff reviewed low income funding levels. The Lewiston CAP does not maintain historical waiting list records, so it is difficult to determine if the waiting list has increased since that time. As of October 2017, the waiting list had 303 income-qualified Avista customers on it. Based on the number of homes weatherized in 2016, the Lewiston CAP reported that if it was granted the entire \$225,000 funding increase originally requested and no other homes were added to the waiting list, it would take 5 years and 4 months to weatherize these homes. Without any funding increase, it would take much longer to weatherize the homes on the waiting list.

It is important to recognize that the list of 303 homes waiting for weatherization does not include referrals from the federally funded Low Income Heating Assistance Program (LIHEAP). LIHEAP provides the majority of weatherization referrals, so the pre-heating season estimate of 303 people on the weatherization list will likely grow significantly as LIHEAP referrals are added through the heating season.

Per-capita Funding for Weatherization

At the last review in 2012, recent cases had established that Avista provided \$6.69 for low income funding on a per capita basis for its Idaho electric and natural gas residential customers. By comparison, Rocky Mountain Power provided \$5.32 per residential customer and Idaho Power provided \$3.06 per residential customer.

Updated for current customer counts,² Avista now funds \$6.50 per capita, and with the proposed \$125,000 increase would fund \$7.70 per capita. Rocky Mountain funds \$5.5 per capita and Idaho Power pays \$2.70 per capita. In other words, Avista pays more per capita than the other utilities in the state.

Utility Base Rate Increases

Funding for Avista's low income program was last increased in September 2010 from \$465,000 to \$700,000. Since then, the Company has had several rate cases resulting in 8.9 percent electric and 12.3 percent natural gas base rate increases. Another 1.7 percent electric increase and 1.8 percent natural gas increase will be effective January 1, 2019. Staff continues to believe that rate increases impact low income customers more than other customers, and therefore it is appropriate to provide increased funding for low income weatherization at this time.

Sufficiency of Funds to Acquire Low Income Savings Potential

A Conservation Potential Assessment (CPA) is a study that estimates energy efficiency potential in a specified service territory. Avista reported that its CPA does not specifically identify low income savings potential as a subset of residential savings potential. In the absence of that information, Staff consulted with the Lewiston CAP to determine the need for weatherization services among Avista's customers.

The Lewiston CAP serves the ten counties in Northern Idaho, from Riggins to Canada. Seven of these ten counties have populations in which 40 percent of residents income-qualify for weatherization services.³ The Lewiston CAP estimates need by starting with the census count of

² Avista has 107,242 Idaho electric residential customers, Rocky Mountain has 63,801 Idaho residential customers, and Idaho Power has 440,978 Idaho residential customers.

³ Residents income-qualify for weatherization if their household income equals 200 percent or less of the federal poverty limit.

people of who qualify for weatherization, minus those who receive weatherization and minus those whose applications are deferred or denied. On that basis, it estimates that tens of thousands of people are potential clients, 70 percent of whom are Avista customers.

The Lewiston CAP indicated many individuals in the counties they serve are not aware that that weatherization services exist. Nonetheless, the CAP purposely spends almost no money on outreach to potential clients because demand for weatherization already overwhelms available funding. During the Staff site visit to the Lewiston CAP, the Weatherization Compliance Manager disclosed that “Demand [for weatherization] is so much greater than the supply [of funding], it is even so much greater than our ability to recognize the need.” Staff meeting on December 4.

CAP Spending of Current Utility Funding

The Lewiston CAP and Avista confirmed that it consistently spends the entire \$700,000 that Avista provides annually for qualifying projects and measures. Based on the demand for supply in its service territory, Staff believes that the Lewiston CAP will easily spend the proposed \$125,000 funding increase. In the event that those funds are not spent, the funds would revert to the Avista tariff rider balance.

Conservation Education Program

In addition to investigating the need to increase funding for low income weatherization, Staff also considered the request to increase funding for the Lewiston CAP’s Conservation Education Program. This program currently receives \$50,000 funding annually from Avista, which partially funds an employee who educates clients on how to manage their energy bills with behavioral modifications and easy to install measures. When funding is available, the Lewiston CAP also builds and distributes energy kits with CFLs, LEDs, showerheads, and similar low cost items. These kits are distributed at brick and mortar food pantries, mobile food pantries, and the CAP’s 10 satellite offices.

The Lewiston CAP stated that the proposed \$50,000 funding increase in education would be spent on materials and energy kits to support the existing education initiative. The Conservation Education program manager explained that distributing kits helps clients effectively control their energy bills. In addition to providing funding for energy kits, the increase would also be used to stock small, low cost measures at the CAP offices. The Lewiston

CAP reported that they often get walk-in requests for do-it-yourself measures like plastic window film, weather stripping, and caulk that the clients cannot afford but can install themselves. Without funding for these low-cost measures, the only option the Lewiston CAP has is to put these clients on the whole-house weatherization waiting list.

Staff was impressed with the Lewiston CAP during the course of its investigation. The Weatherization and Conservation Education staff are very responsive, experienced professionals who provided candid answers to hours of Staff questions on a range of issues. The weatherization services are rigorously managed – it is clear that the CAP has a high regard for the careful stewardship of federal funds and funds received from Avista’s customers for these programs, as well as a deep commitment to serving its clients. In addition, the Lewiston CAP understands how to effectively ramp up a program by hiring additional crew members to install weatherization measures when a large influx of funds becomes available, having done that successfully when American Recovery and Reinvestment Act of 2009 funds were distributed.

CONCLUSIONS

Staff believes that increasing the funding for Avista’s Low Income Weatherization program by \$125,000 and its Conservation Education program by \$25,000 is justified under the factors outlined in Order No. 32788. This is significantly less than CAPAI’s original request to increase weatherization funding by \$225,000 and conservation education funding by \$50,000, and less than the Lewiston CAP estimates it can use immediately.

Staff believes that this is a conservative, but reasonable increase in consideration of improvements to Avista’s cost-effectiveness measure screening, robust CAP management practices, significant base rate increases since the last low income funding increase, and the demonstrated need for these services among Avista’s customers. In addition, Staff believes it fulfills the Commission directive that utilities provide a way for all customers to participate in the energy efficiency programs which all customers fund. Without these programs, Avista’s low income customers would have no meaningful opportunity to participate in the program they help fund.

CUSTOMER COMMENTS

Customers were given until April 10, 2018, to file comments regarding the proposed increase in funding for both the Low Income Weatherization Program and Energy Conservation Program. As of April 9, 2018, no comments had been filed by customers.

STAFF RECOMMENDATIONS

Staff recommends that the Commission approve the Joint Petition filed by Avista, Staff, and CAPAI to increase Avista’s Low Income Weatherization funding by \$125,000 annually and Conservation Education Program by \$25,000 annually.

Respectfully submitted this ^{10th} day of April 2018.



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i:umisc/comments/avue18.2_avug18.1bkdejct comments

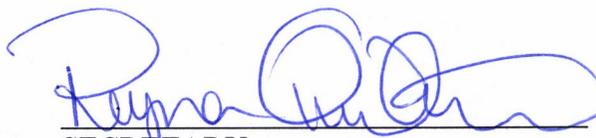
CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10th DAY OF APRIL 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NOS. AVU-E-18-02 /AVU-G-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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