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IDAHO PUBLIC
UTILITIES COMMISSION



December 19, 2008

Jean Jewell, Commission Secretary
State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise, ID 83720

Re: Comments of Avista Corporation in GNR-U-08-1

Dear Ms. Jewell:

Enclosed for filing is an electronic copy of Avista's comments regarding "The Commission's Inquiry about Energy Affordability Issues and Workshops, Case No. GNR-U-08-1." The original and seven (7) copies are being provided via overnight mail. Copies are also being provided to the service list in this case.

If you have any questions regarding this filing, please feel free to contact me at (509) 495-4975.

Sincerely,

A handwritten signature in cursive script that reads "Linda Gervais".

Linda Gervais
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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S)
INQUIRY ABOUT ENERGY AFFORDABILITY)
ISSUES AND WORKSHOPS)
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CASE NO. GNR-U-08-1
COMMENTS OF AVISTA CORPORATION

Avista Corporation ("Avista" or "Company") hereby submits comments in response to the Idaho Public Utilities Commission's ("Commission") Case No. GNR-U-08-1 "Energy Affordability Issues and Workshops. The Commission initiated these workshops to provide a forum for the exploration of issues related to the affordability of energy in Idaho. Avista participated in all the workshops.

The Company appreciates the opportunity to comment on the IPUC Staff Comments dated November 26, 2008 and look forward to the outcome of these proceedings. The following are comments on Staffs "Proposals to Address Energy Affordability:"

- 1) **Staff believes that a LIRAP program would be beneficial for Idaho low-income utility customers. Staff recommends that the Commission support legislation to allow it to consider adoption of such a program.**

The Company currently has the Low Income Rate Assistance Program (LIRAP) in both Washington and Oregon. LIRAP, proposed by the Company and approved by the Washington Commission in 2001, collects approximately \$3.75 million (natural gas and electric combined) per year through electric and natural gas tariff surcharges on Schedules 91 and 191. In Oregon, a total of 3,758 energy grants totaling \$1.1 million have been provided since the LIRAP program inception in 2002. These funds are distributed by Community Action Agencies (CAAs) in a manner similar to the Federal and State-sponsored Low Income Heating Energy Assistance Program (LIHEAP). The purpose of Avista's LIRAP program is to reduce the energy cost burden among those customers least able to pay energy bills.

Over 6,290 electric and natural gas customers in the Company's Washington service territory received 6,678 grants averaging \$396 during the 07/08 heating season. Households contacting Community Action Agencies (CAAs) for help on their utility bills comprise the primary pool of potential participants. Avista's Customer Assistance Referral and Evaluation Services (CARES) representatives refer customers in need to the CAAs. Additional targeted marketing focuses on payment-troubled households – those experiencing a shutoff notice, carrying a large arrearage, etc.

For clients receiving "regular" assistance (i.e., LIRAP Heat), the eligibility determination is the same as the Federal LIHEAP program. The amount of the assistance provided is based on household income, energy costs (all electric or natural gas costs, used for space heating or base load) and housing type (single family, multifamily, etc.) and then calculated using the Office of Community Development's (OCD) mechanism. The benefits of using this mechanism include leveraging systems and staff knowledge already in place at the agencies as well as using a system that indexes assistance to income and need.

For clients receiving “emergency” assistance (i.e., LIRAP Project Share) or small benefit amounts, the process is similar to that used for Project Share. The amount of emergency assistance is determined on a case-by-case basis not to exceed \$300. Emergency assistance includes items such as imminent danger of disconnection. All energy costs resulting from electric or natural gas usage are eligible (including kWh and therm consumption, applicable taxes, and arrearages).

Additional benefits to customers having LIRAP include The Senior Energy Outreach provided through the Avista CARES, via Elder Services and Aging and Long Term Care of Eastern Washington (ALTCEW), in-home caregivers, and case managers, as well as the CAAs. Program guidelines are designed to help mitigate the impact of energy costs on vulnerable seniors living in their own homes, yet who are over income guidelines for energy assistance. Included in this program are conservation education workshops specifically designed for seniors.

Conservation education has proven to be a key component of energy assistance programs. Teaching and demonstrating improved approaches to managing energy costs can reduce customers’ bills and increase customers’ ability to pay. The CAAs, as part of their LIHEAP activities, have active education components. However, participation in educational activities to receive emergency assistance is no longer required. The Company has created a conservation education kit that includes weatherization and conservation materials for distribution by the agencies. Information on the value and use of the materials is included as well. The Company originally directed some energy assistance program funds to the production of support materials such as an updated video presentation that is currently used by the CAAs as part of their educational activities. The Company continues to research and expand the Conservation Education and Weatherization components of LIRAP with programs such as “Power to

Conserve” and “Wattson Avista’s Energy Watchdog,” the energy conservation program for children.

Avista believes it would be “seamless” and in our customers’ best interest to add LIRAP to its Idaho service territory as the agencies serving Avista customers are already poised to deliver the program. The Company agrees with Staffs recommendation to support legislation that would allow the Commission to adopt programs such as LIRAP. The Company believes that the legislation should allow the Commission to implement programs for the benefit of low-income residential customers, proposed by the individual utilities and approve rates or charges designed to recover the costs of such programs.

2.) Staff encourages all utilities to increase awareness of and funding for nonprofit fuel funds.

Avista has taken the lead in promoting Project Share in the communities we serve and supports Staff’s recommendation for utilities to increase awareness of and funding for nonprofit fuel funds. The Company is currently making enhancements to the promotion of Project Share in conjunction with Spokane Neighborhood Action Programs (SNAP), the recipient and administrating agency for Project Share. Avista has also formed partnerships with local businesses to help in this effort with the sale of Project Share branded products.

3.) Staff recommends that a dialogue be initiated with Idaho's Congressional delegation regarding increased awareness of LIHEAP's value and the critical need for additional program funding. Staff also recommends that the utilities, Commission Staff, and other interested parties partner with CAP AI to identify ways in which to further leverage existing federal LIHEAP funding.

The Company continues to support increased awareness of LIHEAP's value and congratulates the Idaho delegation for their work to secure the increased funding level for this heating season. Avista will support the delegation's efforts to maintain these levels. The Company will also continue to work with CAPAI and others to seek legislative solutions that will allow for greater customer participation in these programs.

- 4.) Staff recommends that additional funding for weatherization and energy conservation education programs be addressed in future rate cases. Staff recommends that utilities develop energy conservation education programs targeted to low-income customers. Staff further recommends that utilities examine their incentive programs regarding higher efficiency appliances, including consideration of no interest/low interest loans for customers to purchase higher efficiency appliances and encourage the Northwest Energy Efficiency Alliance to include multi-family and manufactured homes in the Energy Star Home Program.**

The Company historically has addressed weatherization funding levels in our rate cases. Most recently, in the Settlement Agreement in Docket Nos. AVU-E-08-01 and AVU-G-08-01, Avista increased its support of low-income weatherization and conservation education support by almost 40% to a total of \$485,000. Avista appreciates the partnership it has with the Community Action Partnership of Lewiston, Idaho to deliver weatherization services to our customers. The Company's approach has been to recognize that Community Action Agencies (CAA) have several funding sources, each with specific requirements and obligations. Our policy is to, while retaining our responsibility for the appropriate use of our CAA funding, provide flexibility in program design so that CAAs can pool and thereby optimize their resources. Avista anticipates that this beneficial relationship and program delivery model will continue.

Avista is an advocate for energy conservation education. We have sponsored and led conservation education workshops, prepared written material for distribution, provided specific

measures (compact fluorescent lightbulbs, caulking, gaskets, etc.) free-of-charge, responded to requests for speaking engagements and worked closely with our agencies to educate customers on the wise use of energy and options they have for no-cost and low-cost energy saving improvements. In 2008, the Company introduced Wattson, the energy saving watchdog, for visits to schools and children's events. Wattson is both animated for use in collateral material and is a "live" version when dressed as a six-foot costumed mascot, and is another valuable tool to attract attention to the energy efficiency message.

Avista continues to review our incentive programs and the level of incentive amounts on an ongoing basis. For example, in 2008 the Company increased our support of ENERGY STAR[®] appliance rebates and increased our Washington cap on incentives from 30% on natural gas to 50% (as we had previously established in Idaho).

In regards to low- or no-interest loans, we are examining expansion of current customer options. In 2008, Avista worked with the Sustainable Lending Investment Partnership (SLIP), a consortium of local banks that desire to offer customer loans for energy efficiency improvements. SLIP's initial focus is on commercial customers, however offerings to residential customers is under consideration. Avista would prefer to work with the existing financial institution infrastructures that have this function as their primary service. The Company prefers to focus on our area of specialty, energy service provision, and rely on banks and other lending institutions to assist with customer loans. A host of issues would need to be addressed if Avista were to become a direct intermediary for customer loans, including the costly potential for bill redesign, computer and data enhancements, and contractual liabilities. If the Company were to "buy-down" the interest rate of consumer loans, this would likely decrease the amount of

incentive payments by a corresponding level. Avista recommends that the provision for low-cost consumer loans be pursued with area lending institutions.

Avista strongly supports initiative(s) by the Northwest Energy Efficiency Alliance to include multi-family and manufactured homes in the ENERGY STAR® Home Program. Avista has contracted with UCONS, a third party energy efficiency service provider, to increase our energy efficiency savings in the hard-to-reach multi-family market. And, in 2008, we initiated a market transformation program to increase the penetration of natural gas in multi-family new construction. We estimate that less than 10% of new construction in our service territory has installed natural gas heating; the national average is greater than 60%.

Avista's regular-income residential and commercial energy efficiency programs provide a host of financial rebates and incentives. These programs are based on the principle that all cost-effective efficiency should be acquired for measures installed by customers with a simple pay-back of greater than one year. This includes over 300 measures that are packaged into over 30 programs for customer convenience. Avista's "Every Little Bit" campaign (www.EveryLittleBit.com) is aimed at making customers more efficient in their use of energy and provides tips on low-cost and no-cost measures, with additional information on rebates. Further, customers can determine their energy efficiency needs by using the comprehensive Home Energy Analyzer at www.avistautilities.com. Avista's energy efficiency programs are funded by the Company's energy efficiency tariff riders Schedules 91 and 191, the first "system benefit charge" in the country to fund demand-side management and now celebrating its fourteenth year.

- 5.) Staff encourages utilities to actively advocate for adoption and implementation of energy efficient construction standards, including provisions for single family rental, multifamily, and manufactured homes.**

Avista supports improved appliance and building standards and codes as the most cost-effective means for energy efficiency delivery. Avista was a strong proponent for improved appliance codes, as evidenced by testimony presented in August 2006. Avista will continue to advocate for enhanced energy efficiency codes and standards.

6.) Staff recommends that utilities and the Commission consider tiered rates for residential customers within the context of future rate cases.

As stated in Staff comments, the Company has a two-tiered residential rate structure. The present rate structure essentially provides a price-signal for all weather-sensitive usage (greater than 600 kWhs per month). The Company had a three-tiered inverted rate structure in effect from 1980-1999. The Commission approved the Company's proposal to move from three to two tiers in 1999 partly because of the high proportion of low/limited income households who used electric heat.

7.) Staff recommends that utilities offer more flexibility in negotiating payment arrangements. Staff further recommends that Staff and utilities further investigate payment arrangement alternatives.

Avista works with customers that are having difficulty paying their bill. At the earliest sign that the customer may be unable to pay their bill, we encourage them to contact us. The Company can usually work out special payment arrangements or help them find other forms of assistance during difficult times. For customers with special needs, Avista has a case management program available.

The Company offers several convenience options for customers that are generally able to pay, such as, automatic payment service, debit and credit card service, check by phone or over the web, preferred due date and e-billing. This provides help for those who need more flexibility. Self services on our Website or Interactive Voice Response system are also available.

The Company supports Staff's recommendation and will continue to work with customers and look forward to collaboration with parties to investigate alternatives.

8.) Staff recommends more investigation and discussion among all interested parties regarding how convenience fees can be eliminated or reduced.

The Company is currently negotiating with a new vendor to reduce its convenience fees for 2009. We look forward to more discussion with the interested parties regarding this issue.

9.) Staff recommends more investigation and discussion among all interested parties regarding the circumstances, if any, under which reconnection and interest charges could be eliminated.

The Company would not support the elimination of these charges; however, we will work with interested parties as they review these charges.

In Cast No. AVU-E-07-09 "Application to Implement a Pilot Program for Remote Disconnects and Reconnects," the Company has reduced its reconnection charge by 50% for participating customers. The measurement and evaluation process for this program will provide additional insight on the opportunity to reduce this cost.

10.) Staff recommends further discussion of alternatives to existing deposit policies, including an increase in installment payment plan timelines. Staff also recommends that one or more of the utilities conduct a study of the effectiveness of collecting residential deposits.

The Company supports further discussion of alternatives to existing deposit policies, including an increase in installment payment plan timelines. The Company will conduct a study of the effectiveness of collecting residential deposits and will provide its results to the Commission in 2009.

11.) Staff recommends that utilities adopt new policies whereby lower risk applicants be permitted to payoff old bills in installments while receiving new service.

Avista works with customers on a case by case basis. Customer Service Representatives analyze each customer's current situation and previous payment history to determine the best arrangement. If a customer is not able to agree to a payment arrangement and has special needs, customers are referred to our Customer Assistance Referral and Evaluation Services (CARES). Our CARES representatives will take time with customers experiencing situations that are out of their control and cause difficulty for them to pay their utility bill. CARES representatives attempt to reach a solution that is beneficial to both the customer and Avista.

12.) Staff recommends that all energy utilities develop arrearage forgiveness plans.

In an effort to offer bill payment solutions for our low income customers, Avista has researched arrearage forgiveness plans. Based on this research, the Company's preference would be to offer a LIRAP program for its Idaho customers. Arrearage forgiveness programs can be positive for some customers; however, the amount recovered from all other ratepayers when you offer an arrearage forgiveness plan is unknown and would require additional research and planning. As mentioned earlier, implementation of a LIRAP program could be achieved quickly, since Avista currently offers the program in Washington and Oregon, and the infrastructure is already in place to deliver the program through the Community Action Agencies.

13.) Finally, Staff recommends that all utilities implement case management programs if they have not already done so.

The Company is very proud of its Customer Assistance Referral Evaluation Service (CARES) program. Avista CARES representatives assist customers with special needs -- the elderly, the disabled and customers who find themselves in difficulty due to health, employment, family or other problems. They provide assistance in understanding energy bills, payment arrangements and advice on budgeting, and make referrals to community agencies that can also help. They also administer the Life Support and Gatekeepers Programs. In Idaho, Avista is currently working with over 1,255 special needs customers in the CARES program. Specially-trained representatives provide referrals to area agencies and churches for customers with special needs for help with housing, utilities, medical assistance, etc.

In conclusion, the Company appreciates the time and work that Staff has put in to the workshops and generally supports their recommendations. We look forward to participating in more discussions regarding the issues addressed in Staff's comments and look forward to a positive outcome to more effectively address the needs of low-income customers.

Respectfully submitted this 19th day of December 2008.

AVISTA CORPORATION



KELLY NORWOOD

Vice President, State and Federal Regulation

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19TH DAY OF DECEMBER 2008 SERVED THE FOREGOING AVISTA COMMENTS, IN CASE NO. GNR-U-08-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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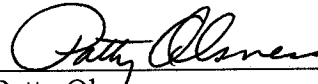
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