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REPORT NAME: Low Income Rate Assistance Program (LIRAP) Report

COMPANY NAME: Avista Utilities

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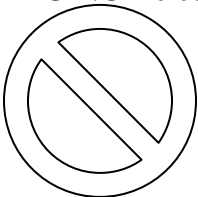
Report is required by: OAR Enter rule number
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Other The Company's Tariff Schedule 493

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**LOW-INCOME RATE ASSISTANCE PROGRAM
(LIRAP)**

ANNUAL SUMMARY REPORT

For the period July 1, 2011 through June 30, 2012

OREGON

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Overview

Avista Utilities' Low-Income Rate Assistance Program (LIRAP) approved by the Public Utility Commission of Oregon (PUC) in 2002 collects revenue under Schedule 410, "General Residential Natural Gas Service–Oregon." The current rate for LIRAP included in the Company's Tariff Schedule 410 is \$0.00438 per therm, which is approximately 0.4% of the current volumetric rate. The purpose of LIRAP is to reduce the energy cost burden among those customers least able to pay energy bills. This is the program summary report for the tenth program year, from July 1, 2011 and ending June 30, 2012.

Program Year Results

A total of 6,083 energy grants totaling \$1,701,099 have been provided since the LIRAP program inception in 2002. Approximately 71% of LIRAP participants had household average incomes less than \$15,000. Approximately 41% of the grant recipients had annual household incomes of less than \$8,000. Over 69% of the LIRAP participants had households of two or more people. Customers renting their residences constituted 70% of the total.

Avista Utilities' Low-Income Rate Assistance Program provided 607 grants and distributed a total of \$182,913 during the tenth program year. The grants averaged \$294 per customer. Table 1 shows the number of grants and the total amount distributed during the reporting program year. It also includes a collection of demographic data intended to be responsive to requests for general information regarding participating customers. This data was collected by participating Community Action Agencies (CAAs or Agencies).

Table 1
OREGON LIRAP
Data Compilation - GRANTS
Program Year 9 - JULY 1, 2011 - JUNE 30, 2012

| | # of Households | % of Households | Cumulative % |
|---------------------|--------------------|--------------------|-----------------|
| Home Ownership | | | |
| Own | 185 | 30% | 30% |
| Rent | 422 | 70% | 100% |
| Total | 607 | | |
| Heating Fuel Source | | | |
| Electric | - | 0% | 0% |
| Natural Gas | 607 | 100% | 100% |
| Other | - | 0% | 100% |
| Total | 607 | | |
| Size of Household | | | |
| 1 Person | 188 | 31% | 31% |
| 2 People | 129 | 21% | 52% |
| 3 People | 115 | 19% | 71% |
| 4+ People | 175 | 29% | 100% |
| Total | 607 | | |
| Annual Income Level | | | |
| Under \$2,000 | 90 | 15% | 15% |
| \$2,000-\$3,999 | 45 | 7% | 22% |
| \$4,000-\$5,999 | 53 | 9% | 31% |
| \$6,000-\$7,999 | 62 | 10% | 41% |
| \$8,000-\$9,999 | 77 | 13% | 54% |
| \$10,000-\$11,999 | 49 | 8% | 62% |
| \$12,000-\$14,999 | 55 | 9% | 71% |
| Over \$15,000 | 176 | 29% | 100% |
| Total | 607 | | |

Total revenue and interest funds distributed during the reporting program year were \$256,748. This amount equates to \$215,085 of new revenue collected through the 0.00438 per therm charge per Schedule 410, \$10,854 of interest income accrued, and \$75,560 of undistributed direct service funds carried forward from the previous reporting program year, less the current reporting program year administration and program delivery money paid to the agencies of \$44,750. Table 2 below is a recap of the funds collected, spent, and the amount available at June 30, 2012. (See also Attachment 2 for a summary of grant disbursements and number of household grants in total, by month and year-end 2012.)

| Table 2 | |
|--|-------------------------|
| OREGON LIRAP | |
| Program Year 10 - JULY 1, 2011 - JUNE 30, 2012 | |
| Total Carry Over from Program Year 9 | \$ 75,560 |
| Program Year 10 - Total Revenue and Interest to Distribute | 225,939 |
| Program Year 10 - Admin & Program Delivery Funds paid to Agencies | <u>(44,750)</u> |
| Net Funds Available for Direct Services | 256,748 |
| Direct Service Funds Distributed by Agencies | <u>(178,200)</u> |
| Unspent Direct Service Funds at June 30, 2012 | <u><u>\$ 78,548</u></u> |
| Percent Unspent in Comparison to Available Funds | 30.59% |
| Note: The percent unspent is calculated by dividing \$78,548 of unspent Direct Services funds from the total funds available for Direct Services \$256,748 | |

Administration and Program Delivery

The revenue collected is provided to the four Community Action Agencies in Avista’s Oregon service territory for disbursement to qualifying customers and for administration of the program.

Eligibility was determined according to existing guidelines established by Federal and State standards used for the Low Income Energy Assistance Program (LIEAP). Additionally, customers

experiencing emergencies are eligible for assistance under Project Share, an Avista donation-based program. The programs and partnerships Avista has formed have been invaluable to customers who often have nowhere else to go for help. Per the Company's Tariff Schedule 493, Agencies are allowed a net combined administration and program delivery fee not to exceed 21.78% of the low-income bill payment assistance funds collected.

For this reporting program year, a total of \$44,750 was distributed to the Agencies for administration and program delivery, which was 19.81% of revenue collections and accrued interest. This amount, including the \$19,945 carry over from the previous reporting program year, totaled \$64,695 available for administration and program delivery support costs.

Excluding the amount subsidized from other funding sources¹, the amount spent by the agencies from LIRAP funds was \$34,431, leaving an unspent administration and program delivery balance of \$30,264 at June 30, 2012. This amount will be carried forward into the next reporting program year to cover distribution costs of the undistributed direct services amount of \$78,548 described above. Table 3 represents a recap of the administration and program delivery spent and the amount available at June 30, 2012.

¹ During the fourth program year, it was brought to the Company's attention by some of the Agencies that they subsidize administration and program delivery expenses from other available funding sources. When submitting their quarterly administration and program delivery reports to Avista, the Agencies provide total costs, including their subsidies, to distribute direct service funds to customers.

Table 3
OREGON LIRAP
Admin and Program Delivery Funds
Program Year 10 - JULY 1, 2011 - JUNE 30, 2012

| | |
|---|-------------------------|
| Admin and Program Fees Carry Over from Program Year 9 | \$ 19,945 |
| Program Year 10 - Admin & Program Delivery Funds paid to Agencies | <u>44,750</u> |
| Net Funds Available for Admin and Program Fees | 64,695 |
| Admin and Program Delivery Funds Spent by Agencies | <u>(34,431)</u> |
| Unspent Admin and Program Delivery Fees at June 30, 2012 | <u><u>\$ 30,264</u></u> |
| Percent Unspent in Comparison to Available Funds | 46.78% |
| <p>Note: The percent unspent is calculated by dividing \$30,264 of unspent Admin and Program Delivery Fees from the total funds available for Admin and Program Delivery Fees available to the Agencies \$64,695.</p> | |

Unspent Funding

The Company continues to monitor the Agencies' unspent funding at the end of each program year. As shown on Table 2, based on allocated direct service funds distributed to the Agencies, the amount of unspent direct service funds at June 30, 2012 was \$78,548 or 30.59% remaining unspent.

Historically, permitting LIRAP funding to carry over to the following year has proven to be a value to all participants of the program. This policy allows the agencies to spend their LIRAP funds first and to begin the heating season in October with a specific amount of funding. While the Federal Government provides start-up funds, that are a portion of the total funding, often the Low Income Home Energy Assistance Program (LIHEAP) funding amounts are not confirmed until after the heating season starts in October. This heating season the agencies received allotments for LIHEAP in November 2011, January and February 2012.

For the current program year, the Company supports a larger than normal carryover of unspent funds for the following reasons:

The incremental release of LIHEAP funds provided a unique situation for agency spending strategies.

In addition to the incremental releases of LIHEAP funding, changes within the agencies contributed to the carryover situation. One of the agencies took over energy assistance program administration for another; this was the agency's first year with the additional funding and serving a larger population. At another agency, the energy assistance program manager was new this year and continues to develop her understanding of spending energy assistance; this agency represents 37% of the carryover amount. The LIRAP Manager will continue to work with agencies to insure spending is on target for the upcoming heating season.

It is uncertain that the 2012/2013 budget will remain funded at current levels or if LIHEAP funding will be at the 2011/2012 level, while the funding level may remain the same, it may be a decrease from previous heating season levels.

Returned Direct Services Funding

As with LIHEAP, any credit balance on a closed customer account due to a LIRAP payment may be transferred to another open Avista Utilities account or to a closed account if there is an outstanding balance. When the customer no longer has an active account with Avista, the credit balance that results from a LIRAP grant has been returned to the LIRAP general fund.

At June 30, 2012, an additional \$11,321.51 of returned LIRAP payments has accumulated and was disbursed among all of the Agencies, brings the total unallocated balance to \$0.

Outreach

Increased Energy Cost Mitigation

Although the Oregon LIRAP program does not contain a Conservation Education component, the Company provided services to assist low-income and senior customers manage their energy use, at no expense to the LIRAP program.

ACCESS Senior Fair

Over 4,000 seniors attended the ACCESS Senior Fair this past winter. As a participant, the Company was represented by an Avista's CARES representative, along with the Customer Service Manager in Medford. They personally spoke with close to 300 seniors at this event and offered low-cost, no-cost energy efficiency information as well as light weatherization materials such as rope caulking, outlet/gasket draft covers, , etc.

Energy Conservation Television Programming

Avista continued its partnership with BELO Television (the parent company of local affiliates KREM, KSKN and NW Cable News), focusing on creating awareness about energy efficiency. The Every Little Bit House is a production of thirteen, 15 second vignettes and seven, 30 second vignettes. KREM, in conjunction with Avista, filmed the installation of several key measures being installed in a SNAP qualified customer's home. The measures included insulation, installation of a high efficiency furnace, new windows, ENERGY STAR® appliances, CFLs and a home energy audit. The program covers low-cost and no-cost ways to save energy at home and maintain comfort during winter and summer. The goal of the program is to help limited income seniors and other vulnerable populations with their energy bills by providing home energy conservation education. Avista uses television in

order to reach the largest number of the target group at the least cost. Television efficiently covers Avista's large market area because of its broad reach and is excellent at visually demonstrating the value of products and services.

The television spots target low-income, senior and vulnerable customers, providing helpful energy conservation tips, information on community resources and ways for customers to manage their energy bills. In 2010, Avista did not make a media buy for the Every Little Bit House, instead focused on the new Low-Cost/No-Cost Energy Efficiency Tips Video using multiple stations. KREM continued to promote the Every Little Bit House as Public Service Announcement (PSA) spots running them from February through the end of June 2012.

Children's Energy Conservation Program

The Children's Energy Conservation Program, featuring the character of "Wattson the Energy Watchdog," was developed in 2008 to engage children in learning about the things that they and their family could do to conserve energy. Since the inception of the program, Wattson is growing in recognition and impact among children. Reaching children with energy conservation education is part of the overall comprehensive approach to help our customers, in particular our limited-income customers, learn to use energy saving behaviors to help reduce their energy bill. In 2011 (July 1 through September 4), two televised commercials featuring Wattson promoting energy conservation with specific messaging for youth was aired through network and public broadcasting service in Medford, Oregon. The networks were selected with the intent of reaching low-income families who may not have cable services. Additionally using public television and positioning the advertisements as public service announcements resulted in cost savings in placing the ads.

Low-Income Work Bench

The “Avista Energy Assistant” is a web-based, self-service tool which enables Community Action Agencies to access usage history and credit and collection information needed to qualify customers for energy assistance grants. The Avista Energy Assistant was designed at no cost to the LIRAP program in partnership with local Community Action Agencies and was successfully deployed in the fall of 2009. Both the agencies and Avista benefit from this program. The agencies no longer have to call Avista for the information needed to help our customers. With the customer’s permission, they are able to access the information they need, as well as, enter a grant promise on the customer’s Avista account. In many cases, the agencies are able to stop collection activity by entering the grant promise, serving our customers in a timely manner and saving the agency the time of calling the Company. The CAA’s have all reported positive feedback regarding Avista’s Energy Assistant.

Key Events

Advisory Group Meetings

Avista continues to meet regularly throughout the year with the LIRAP agencies. Valuable discussion occurs during the meetings that often results in continued fine-tuning and clarifying of processes. Avista appreciates the time invested by the LIRAP agencies, their experience and knowledge has made LIRAP an effective program.

Reporting Protocols

The Company reviewed the program year results in the Fall of 2011 with the Company's Advisory Group. This Report is intended to be responsive to several areas identified for evaluation as part of the PUC's authorization of this program.

Key Terms

Key terms used in this Report are described as follows.

Energy Cost Burden, Energy Burden—The percentage of income that households pay for energy service.

Participants—Customers who received LIRAP grant(s).

Project Share—Customer, community, and company-funded program that provides one-time emergency energy assistance to families in our region.

Data Collection

The data collection and measures used by Avista Utilities in the evaluation of LIRAP include:

LIRAP Database;
Customer Service System (Avista Utilities' information management data base);
Community Action Agency records; and
Ongoing Advisory Group review.

Participating LIRAP Agencies

Community Connection of Northeast Oregon
ACCESS
United Community Action Network (UCAN) – Josephine and Douglas Counties
Klamath Lake Community Action Services

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**ATTACHMENT 1
OREGON LIRAP
Monthly Revenue and Grants
Program Year 10 - JULY 1, 2011 - JUNE 30, 2012**

| | Beginning Balance | Total Revenue | Total Interest (1) | Total Revenue and Interest | Total Admin/Prog Del Pd to Agencies | Total Funds Distributed | Ending Balance |
|---------------|-------------------|---------------|--------------------|----------------------------|-------------------------------------|-------------------------|------------------|
| Jun-11 | | | | | Carry over from Program Yr 9 | | \$ 75,560 |
| Jul-11 | 75,560 | 6,132.19 | 820 | 6,953 | (1,378) | (21,329) | 59,806 |
| Aug-11 | 59,806 | 4,650.16 | 754 | 5,404 | (1,072) | (20,096) | 44,042 |
| Sep-11 | 44,042 | 4,749.46 | 645 | 5,394 | (1,071) | (5,809) | 42,556 |
| Oct-11 | 42,556 | 6,260.06 | 585 | 6,845 | (1,359) | (2,293) | 45,749 |
| Nov-11 | 45,749 | 15,387.50 | 596 | 15,983 | (3,170) | (10,956) | 47,605 |
| Dec-11 | 47,605 | 30,708.00 | 626 | 31,334 | (6,212) | (4,192) | 68,536 |
| Jan-12 | 68,536 | 38,080.10 | 734 | 38,814 | (7,694) | (5,983) | 93,672 |
| Feb-12 | 93,672 | 31,842.20 | 937 | 32,779 | (6,500) | (18,060) | 101,892 |
| Mar-12 | 101,892 | 29,733.50 | 1,134 | 30,868 | (6,122) | (7,324) | 119,313 |
| Apr-12 | 119,313 | 24,876.10 | 1,300 | 26,176 | (5,195) | (27,368) | 112,927 |
| May-12 | 112,927 | 13,798.27 | 1,377 | 15,175 | (3,017) | (22,751) | 102,333 |
| Jun-12 | 102,333 | 8,867.55 | 1,347 | 10,214 | (1,960) | (32,040) | 78,548 |
| | | 215,085 | 10,854 | 225,939 | (44,750) | (178,200) | 78,548 |

(1) Interest is computed each month based on the average monthly fund balance undistributed at the Company's currently authorized rate of return (8.19%)

**ATTACHMENT 2
OREGON LIRAP
Monthly Recap of Number and Amount of Grants
Program Year 10 - JULY 1, 2011 - JUNE 30, 2012**

| <u>Total Grant Disbursements</u> | | | <u># of Households or Grants</u> | | |
|----------------------------------|-----------------------|----------------------|----------------------------------|-----------------------|----------------------|
| <u>Month</u> | <u>Monthly Totals</u> | <u>Annual Totals</u> | | <u>Monthly Totals</u> | <u>Annual Totals</u> |
| Jul-11 | \$ (21,329) | | Jul-11 | 77 | |
| Aug-11 | \$ (20,096) | | Aug-11 | 78 | |
| Sep-11 | \$ (5,809) | | Sep-11 | 23 | |
| Oct-11 | \$ (2,293) | | Oct-11 | 10 | |
| Nov-11 | \$ (10,956) | <u>2011</u> | Nov-11 | 44 | <u>2011</u> |
| Dec-11 | \$ (4,192) | \$ (64,675) | Dec-11 | 16 | 248 |
| Jan-12 | \$ (5,983) | | Jan-12 | 23 | |
| Feb-12 | \$ (18,060) | | Feb-12 | 60 | |
| Mar-12 | \$ (7,324) | | Mar-12 | 25 | |
| Apr-12 | \$ (27,368) | | Apr-12 | 85 | |
| May-12 | \$ (22,751) | <u>2012</u> | May-12 | 65 | <u>2012</u> |
| Jun-12 | \$ (32,040) | \$ (113,526) | Jun-12 | 101 | 359 |
| Program Year 10 Totals | \$ (178,200) | | Program Year 10 Totals | 607 | |