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Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

March 2, 2018

Public Utilities Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

RE: Avista Utilities 2017 Oregon Low Income Energy Efficiency Annual Report –
Informational Filing Only

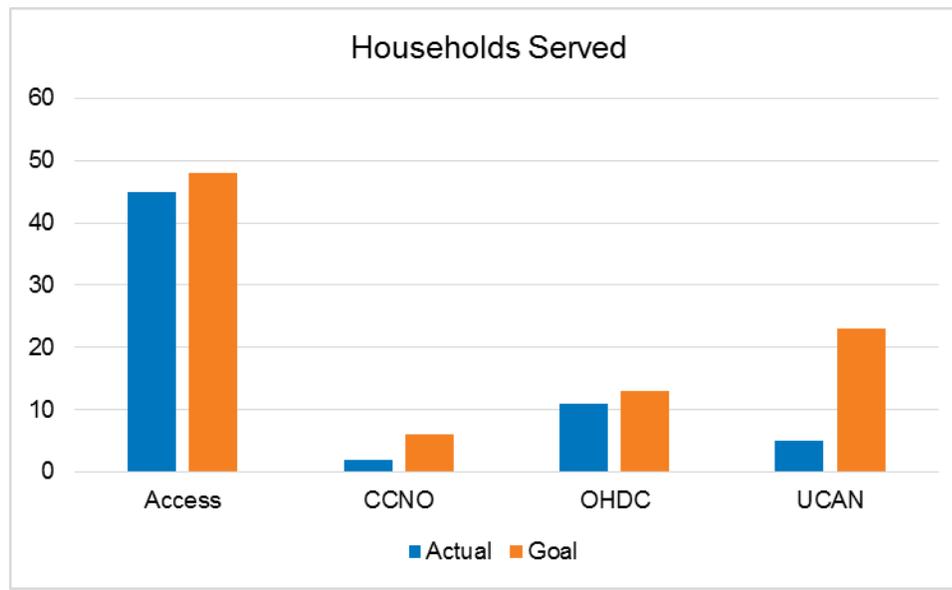
Filing Center:

Avista Corporation, dba Avista Utilities (“Avista” and/or the “Company”), hereby submits its Avista Oregon Low Income Energy Efficiency (AOLIEE) Annual Report for calendar year 2017. This report is provided for information purposes as requested by Commission Staff.

The AOLIEE program provided weatherization for 63 low-income homes during 2017, and the total savings achieved as a result was 6,586 therms of natural gas. To fund these efforts, Avista contributed \$250,806 to the four Community Action Agencies (Agencies) responsible for providing low-income energy efficiency services within the Company’s service territory. These Agencies then used Avista’s funding and a variety of other matching resource funds to weatherize the 63 homes. In total, the Company spent \$269,469 on the AOLIEE program in 2017.

Customers served through the AOLIEE program have income levels at or below 200% of the Federal Poverty Level. As shown in the following chart, each agency is given a target number of households to fully weatherize with their available funding, with the overall goal being 90 homes per year.

Chart No. 1 – Households Served



The amount of funding available per home from the program in 2017 was capped at \$3,000 for weatherization measures, \$175 for program administration, and each agency could use up to 15% of their overall annual budget for health, safety, and repair (HSR) measures. The annual budget for the program in 2017 was \$350,000, with \$329,000 being made available directly to the Agencies. Funds for the AOLIEE program are collected through the Company’s Public Purpose Charge, tariff Schedule 469.

The average cost per home weatherized has increased in comparison to prior years. The cost in 2014 was around \$4,977 per home; in 2017, the cost rose to an average of \$8,266. Each year the agencies have needed to leverage more funds to complete whole home weatherization, thus decreasing the number of Avista homes weatherized.

A total of 303 weatherization measures were installed in 2017, with six measures installed in more than half of the treated homes. The following chart depicts the percentage each measure represents as compared to the total, and the associated therm savings. All measures must meet a Savings to Investment Ratio (SIR) of 1.0 or a combined SIR of 1.0 to be performed. In addition to the measures identified, Agencies are installing showerheads and LED lightbulbs in customer homes. Eight natural gas furnaces were also replaced in 2017, with three being high efficiency and qualifying for rebates through Energy Trust of Oregon.



Chart No. 2 – Total Measures Installed

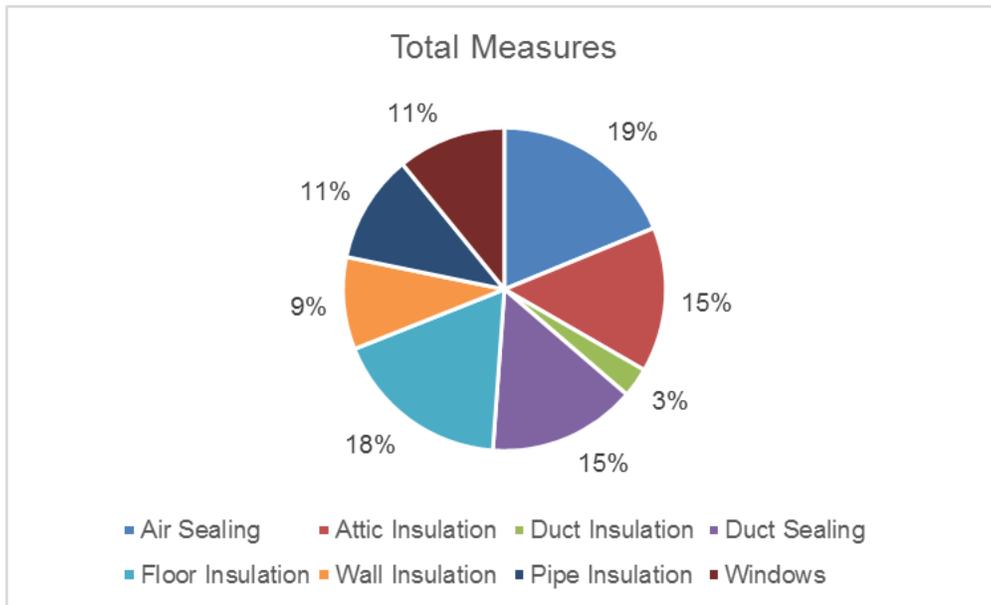
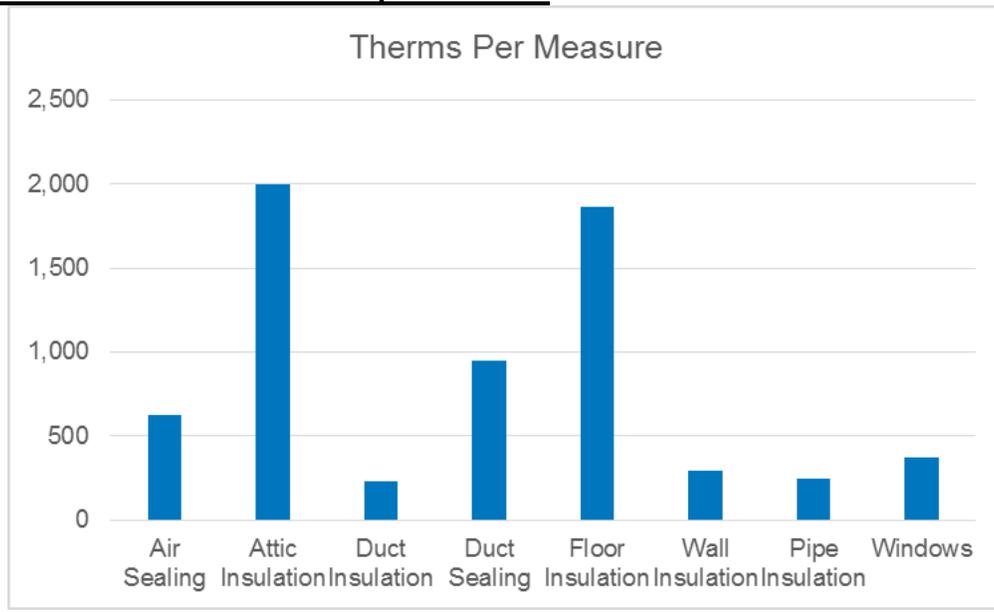


Chart No. 3 – Therms Saved per Measure



In February 2017, Avista conducted a survey of the Agencies’ program managers to obtain information to better understand each Agency’s program structure and barriers to completing jobs with the availability of funding from the AOLIEE program. Following the survey, the Company held meetings with the Agencies to obtain greater detail on their responses. The objective of this effort was to collaborate with the Agencies on potential program changes that would enhance their ability to reach the goal of weatherizing 90 homes per year.



After reviewing the discussion with the Agencies, analyzing historical results, and assessing the need for low-income weatherization services within its service territory, the Company identified several issues as limiting factors for the Agencies to weatherize homes. As a result, the Company filed changes to its tariff Schedule 485 to address those factors, which were approved by the Oregon Public Utility Commission. The changes were designed to go into effect with the 2018 program year.

To remedy issues of federal funding uncertainty, and the need to spread funds across all fuel types, Avista increased available funding to the Agencies for weatherization to an average of \$6,000 per home, with a maximum cap of \$10,000 per home. HSR measures may still be funded by the agencies as well. HSR measures must average no more than \$1,000 per home for each agency, with any amount of funding spent on HSR measures included in the \$6,000 and \$10,000 figures mentioned above. In addition, the administration fee paid to the Agencies was raised to \$500, and 6% of the overall agency budget can be used to replace unsafe natural gas heating equipment with high efficiency units.

The timing of receiving Federal funds for low-income energy efficiency was also an issue for the Agencies, who would use the federal funds to front weatherization costs of Avista customers' homes. Using these funds upfront and then getting reimbursed later by the AOLIEE program lead to an impact on the amount of work the Agencies could complete. To address this, each Agency is now allowed up to \$15,000 at the beginning of each AOLIEE program year to eliminate the need to use Federal funds to front project costs.

With the changes described above to the AOLIEE Program, the budget for the 2018 program year is as follows:

Table No. 1 – 2018 AOLIEE Program Budget

2018 AOLIEE Program Budget	
Measures*	\$540,000
Administration	\$45,000
Equipment Replacement	\$35,100
Avista Administration	\$37,206
Misc. Expenses	\$2,694
Total	\$660,000

*Includes HSR Measures

Prior to the 2018 program year, reallocation of funds was allowed at the end of September. This short time frame from the end of September until the end of the program year made it difficult to reallocate funds to be used prior to the end of each program year. In 2018, Avista will report monthly to the Agencies how much of their funding has been spent, and what is remaining. At the end of each quarter Avista will be communicating with the Agencies to see if funds needs to be reallocated. If an agency is underperforming, a portion of their funds can now be reassigned to



another Agency earlier than in past years, which will further help in reaching the annual goal of weatherizing 90 homes per year.

According to information from Oregon Housing and Community Services, poverty rates in most areas of the Company's service territory have increased slightly from an average of 18.7% to 19.3%. Even with this slight increase, the Company believes a goal of weatherizing 90 homes per year is appropriate. With the changes to the AOLIEE program for 2018, the Company is hopeful that the Agencies will find it easier to reach the goal of 90 homes. Avista will continue to monitor the overall need in its service area, availability of other funding sources that are used to match AOLIEE funds, as well as the total cost per home, to determine if additional program changes will be necessary to reach its annual goal.

If you have any questions regarding this report please contact Lisa McGarity at (541) 858-4719.

Sincerely,

Linda Gervais

Sr. Manager, Regulatory Policy
Avista Utilities
(509) 495-4975
linda.gervais@avistacorp.com

