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March 4, 2019

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

RE: 2018 Avista Oregon Low Income Energy Efficiency (AOLIEE) Annual Report –
Informational Filing Only

Filing Center:

Avista Corporation, dba Avista Utilities (“Avista” or “Company”), hereby submits its Avista Oregon Low Income Energy Efficiency (AOLIEE) Annual Report for calendar year 2018. This report is provided for informational purposes as requested by Commission Staff.

The AOLIEE program provides weatherization services to customers that have income levels at or below 200% of the Federal Poverty Level (FPL). Avista provides funding, on an annual basis, to each of the four Community Action Agencies (“Agency” or “Agencies”) within its Oregon service territory, and the Agencies, in turn, deliver weatherization services to qualifying customers. These Agencies are: Community Connection of Northeast Oregon (CCNO), serving Union County; Access, serving Jackson County; United Community Action Network (UCAN), serving Josephine and Douglas Counties; and Oregon Human Development Corp (OHDC), serving Klamath County. Each Agency is given a target number of low-income households to fully weatherize with their available funding, with the overall goal being 90 homes per year.

During the 2018 program year, the AOLIEE program provided weatherization for 52 low-income homes, and the total savings achieved as a result was 6,690 therms of natural gas. To fund these efforts, Avista contributed \$388,986 to the four Agencies responsible for delivering low-income energy efficiency services within the Company’s service territory. The Agencies then used Avista’s funding and a variety of other matching resource funds to weatherize the 52 homes. In total, the Company spent \$420,735 on the AOLIEE program in 2018.

I. 2018 Program Changes

Several modifications were made for the 2018 AOLIEE program year to better assist the Agencies in delivering their weatherization goals. The program budget, collected through Avista's Public Purpose Funding Surcharge, tariff Schedule 469, increased from \$350,000 to \$660,000 in order to accommodate the implemented changes, as discussed in last year's 2017 AOLIEE Annual Report:

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 [health, safety, and repair] 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.

Table No. 1 below outlines the budget for the 2018 AOLIEE program year, inclusive of the modifications detailed above, which were incorporated into Avista's tariff Schedule 485 per Commission approval, effective November 15, 2017:

Table No. 1 – 2018 AOLIEE Program Budget

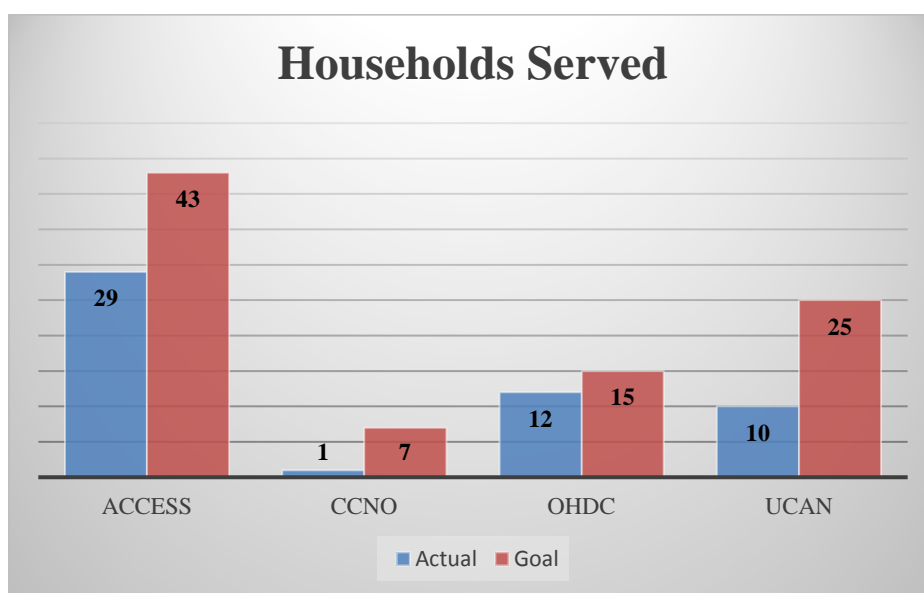
2018 AOLIEE Program Budget	
Measures*	\$540,000
Administration	\$ 45,000
Equipment Replacement	\$ 35,100
Avista Administration	\$ 37,206
Misc. Expenses	\$ 2,694
Total	\$660,000

*Includes HSR Measures

II. 2018 Program Results

The Agencies were able to complete 58% of their total home weatherization target and use 63% of their available funds during the 2018 AOLIEE program year. Chart No. 1 below illustrates the actual number of households served by each Agency, in comparison to each Agency's weatherization target.

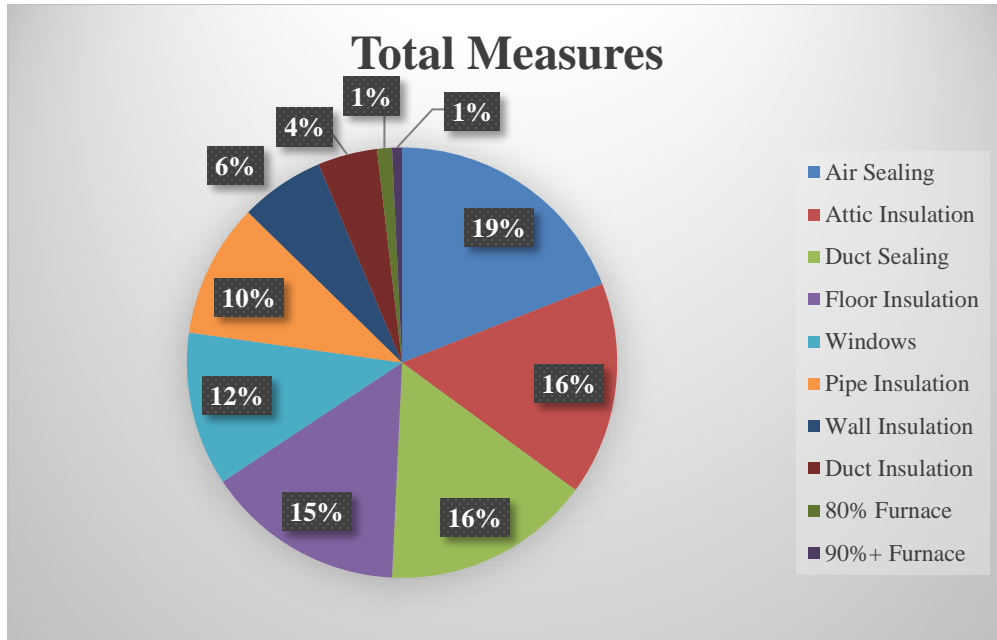
Chart No. 1 – Households Served



Each home treated during 2018 had an average of 5 measures installed, with an overall total of 268 measures completed throughout the 52 homes. To be considered a valid weatherization measure for the purposes of the AOLIEE program, all measures must meet a Savings to Investment Ratio (SIR) of 1.0, or a combined SIR of 1.0 if multiple measures are being performed.¹ Chart No. 2 below illustrates the percentage each measure represents within the total 268 measures. In addition to the measures identified in Chart No. 2, Agencies also installed LED lightbulbs and showerheads to further promote energy efficiency within the homes. Fifteen additional natural gas furnaces installed in affordable housing during 2018 qualified for energy efficiency rebates through the Energy Trust of Oregon (ETO).

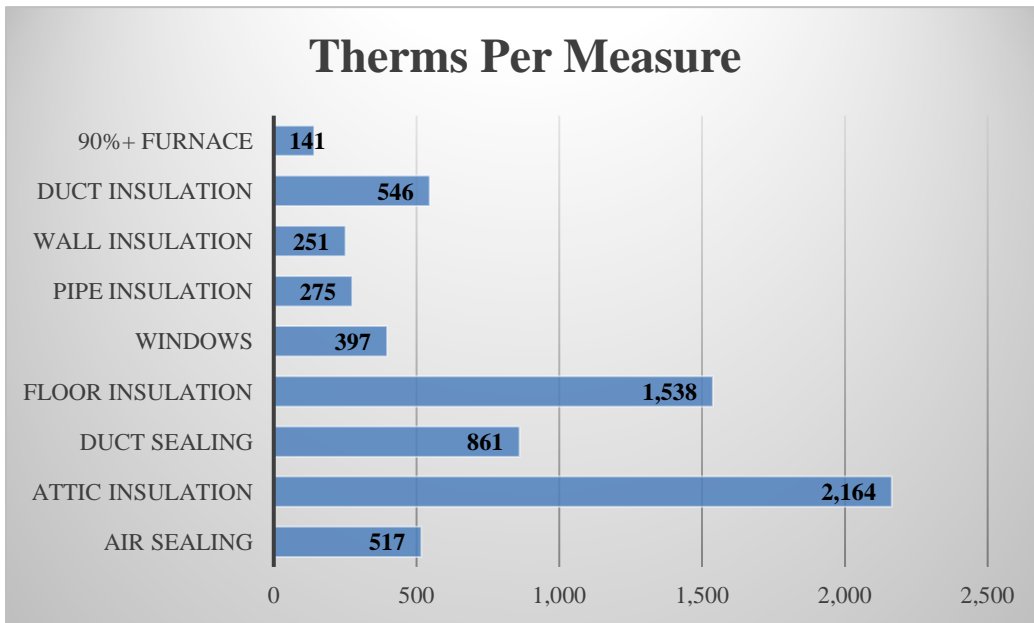
¹ As allowed by the Department of Energy.

Chart No. 2 – Total Measures Installed



The natural gas savings associated with the installation of all measures for 2018 is 6,690 therms. Chart No. 3 below details the therm savings associated with each measure.

Chart No. 3 – Therms Saved per Measure²



² 80% efficiency furnaces are omitted from Chart No. 3, as there are no incremental savings associated.



III. Agency Feedback

Throughout 2018, Avista maintained regular contact with the Agencies that administer the AOLIEE program via telephone and email correspondence, on-site visits to agency offices, and attendance to the Oregon Energy Coordinator Association meetings. Additionally, the Company participated in the OPUC's Low Income Utility Program Working Group, targeted to assess the impact of Carbon Policy on Oregon's vulnerable populations, in an effort to collaborate and ensure best practices in our work to mitigate energy burdens for these customers. In conjunction with ETO, the Company also met with two local Housing Authorities to promote available energy efficiency incentives. Although the option of funding advances was made available during the 2018 program year, no such requests were made by the Agencies. Subsequently, despite the efforts made to deliver additional provisions and an increased budget for the 2018 program year, Agencies expressed continued difficulty in reaching their weatherization targets.

Several factors were identified by the Agencies as barriers to weatherization, including the ever-increasing cost per home weatherized. In 2014, Agency invoicing showed the cost to fully weatherize one home was around \$4,977 per home; by the end of 2018, the cost rose to an average of approximately \$10,263, with \$8,148 for measures and \$2,114 for HSR. Each year the agencies have needed to leverage more funds to complete whole home weatherization, thus decreasing the total number of Avista homes weatherized. In an effort to minimize the impact of these rising costs, the Company requested to raise the amount of funding available for each home to a \$10,000 cap, with the Commission approving these updates to Tariff Schedule 485 for the 2018 program year—as discussed in Section I of this report. The corresponding requirement that the Agencies maintain a portfolio average of \$6,000 per home when completing low-income energy efficiency measures, however, has since been noted by the Agencies as administratively burdensome to track, in addition to prohibiting them from pursuing all available weatherization measure options. In response to this Agency feedback, Avista included in its November 9, 2018 update to tariff Schedule 469 a request to eliminate the requirement for Agencies to maintain the \$6,000 portfolio average. Avista will continue to provide funding for 100% of the costs of installed measures, not to exceed a maximum of \$10,000 per home³, but the added provision that Avista's share of project funding not exceed a \$6,000 average has been removed from the Company's tariff language. The Commission approved this proposed revision on December 22, 2018, to become effective with the 2019 AOLIEE Program year.

Another factor indicated as an obstacle for the Agencies was that many contractors are choosing other construction jobs over retro-weatherization. In fact, one Agency noted that it was without any available contractors for several months in 2018 due simply to the contractors' preference in choosing new development opportunities over weatherization projects. Additionally, many Agencies share the same contractors, again making contractor availability a

³ This amount does not include program administration or funds allowed for heating equipment replacement.

continuous challenge.

With the Agencies unable to spend 37% of the \$620,100 available funding in 2018, there have been no budget changes requested for the 2019 program year. The Company is hopeful that removing the \$6,000 home average will help alleviate some of the difficulties the Agencies are encountering, thus making it easier to provide weatherization services to low-income homes with the funding allotted. 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.

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

Sincerely,

Linda Gervais

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