

State Report – Washington

This Appendix furnishes detailed information for Washington, including:

- Statistical Overview – Key characteristics for Washington households and housing units.
- Needs Assessment – Statistics for Washington low-income households and estimates of the need for energy affordability and energy efficiency programs.
- Legal and Regulatory Framework – A description of the legal and regulatory framework for low-income programs and identification of any legal or regulatory barriers to program design enhancements.
- Low-Income Affordability Programs – Information on Washington’s publicly funded affordability programs, the ratepayer-funded affordability programs targeted by this study, and an assessment of the share of need currently being met.
- Affordability Program Evaluation – A summary of the available evaluation findings regarding the performance of Washington’s affordability programs.
- Energy Efficiency Programs – Information on Washington’s publicly funded energy efficiency programs and the ratepayer-funded energy efficiency programs targeted by this study (if applicable).
- Energy Efficiency Program Evaluation – A summary of the available evaluation findings regarding the performance of Washington’s energy efficiency programs.

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I. Statistical Overview

Washington is the 14th largest state in terms of population. It is in the upper third in income (16th in median family income in 2005) and in the middle third in poverty rate (30th in individuals below poverty). An important challenge for low-income households in Washington is the high cost of living. In 2005, the median housing value was \$227,700 and the median rent was \$741.

Most housing units (87%) in Washington are heated with regulated fuels, predominantly electricity (52%). Energy prices are low, with electricity 31% below, natural gas 8% below, and fuel oil 6% below the national averages. The weather is cold in the winter (5,512 heating degree days compared to the national average of 4,524) and cool in the summer (only 198 cooling degree days compared to the national average of 1,242). Households are most at risk from the cold during the months of October through April; the summer heat poses little risk to the residents of Washington.

The following population and housing statistics were developed using data from the 2005 American Community Survey (ACS).

Population Profile

| | |
|--|-----------------------------------|
| Total Population..... | 6.1 million |
| Individuals 65 and Over..... | 0.7 million (11%) |
| Individuals Under 18..... | 1.5 million (25%) |
| Individuals 5 & Over Who Speak a Language Other than English at Home.... | 0.9 million (15%) |
| Individuals Below Poverty..... | 12% (30 th nationally) |

Household Profile

| | |
|------------------------------|---|
| Total Households..... | 2.5 million |
| Median Household Income..... | \$49,262 (16 th nationally) |
| <i>Homeowners</i> | |
| Total Homeowners..... | 1.6 million (65%) |
| Median Value..... | \$227,700 (12 th nationally) |
| Median Housing Burden..... | 22% |
| <i>Renters</i> | |
| Total Renters..... | 0.9 million (35%) |
| Median Rent..... | \$741 |
| Median Rental Burden..... | 28% |

The following energy statistics were derived from a number of sources, including the 2005 American Community Survey (ACS), the Energy Information Administration's (EIA) supplier data collection, and NOAA's National Climatic Data Center (NCDC).

Energy Profile

Home Heating Fuel (Source: 2005 ACS)

| | |
|------------------|-----|
| Utility gas..... | 35% |
| Electricity..... | 52% |
| Fuel Oil..... | 4% |
| Other..... | 9% |

2005 Energy Prices (Source: EIA)

| | |
|---------------------------|---------|
| Natural gas, per ccf..... | \$1.180 |
| Electricity, per kWh..... | \$0.065 |
| Fuel oil, per gallon..... | \$1.938 |

Weather (Source: NCDC)

| | |
|---|-------|
| Heating Degree Days..... | 5,512 |
| Months of Winter (i.e., average temperature below 50°)..... | 7 |
| Cooling Degree Days..... | 198 |
| Months of Summer (i.e., average temperature above 70°)..... | 0 |
| Days with Temperatures Over 90°..... | 18 |

[Note: Updates are available for energy prices and weather for 2006. Population statistics updates for 2006 will be available in August 2007.]

II. Profile of Low Income Households

Washington policymakers have chosen to target the publicly funded and ratepayer-funded low income programs at households with incomes at or below 125% of the HHS Poverty Guideline. For 2005, the income standard for a one-person household was about \$11,963 and the income standard for a four-person household was about \$24,188. For the analysis of low-income households in Washington, we will focus on households with incomes at or below 125% of the HHS Poverty Guideline.

Table 1 furnishes information on the number of Washington households with incomes that qualify them for the LIHEAP program and the ratepayer-funded programs. About 14% of Washington households are income-eligible for these programs.

Table 1
Eligibility for Ratepayer Programs (2005)

| Poverty Group | Number of Households | Percent of Households |
|-------------------------|----------------------|-----------------------|
| Income at or below 125% | 353,335 | 14% |
| Income above 125% | 2,099,210 | 86% |
| ALL HOUSEHOLDS | 2,452,545 | 100% |

Source: 2005 ACS

Tables 2A and 2B furnish information on main heating fuels and housing unit type for Washington low-income households. Table 2A shows that about 16% of low-income households use natural gas as their main heating fuel, less than half of the 35% for all Washington households. Low-income households are more likely to heat with electricity than the Washington average. Table 2B shows that one of the reasons for the higher rate of electric main heat is that 37% of low-income households are in buildings with 5 or more units. Many multiunit buildings use electric space heating rather than natural gas or fuel oil. About 39% of low-income households live in single family homes, while 12% live in buildings with 2-4 units. Eleven percent of households live in mobile homes.

Table 2A
Main Heating Fuel for Low-Income Households (2005)

| Main Heating Fuel | Number of Households | Percent of Households |
|-------------------|----------------------|-----------------------|
| Electricity | 253,952 | 72% |
| Fuel Oil | 11,790 | 3% |
| No fuel used | 2,849 | 1% |
| Other Fuels | 28,191 | 8% |
| Utility Gas | 56,553 | 16% |
| ALL LOW INCOME | 353,335 | 100% |

Source: 2005 ACS

**Table 2B
Housing Unit Type for Low-Income Households (2005)**

| Housing Unit Type | Number of Households | Percent of Households |
|--------------------------|-----------------------------|------------------------------|
| Boat, RV, Van, etc | 2,264 | 2% |
| Building with 2-4 units | 41,819 | 12% |
| Building with 5+ | 130,254 | 37% |
| Mobile Home | 39,648 | 11% |
| Single Family | 139,350 | 39% |
| ALL LOW INCOME | 353,335 | 100% |

Source: 2005 ACS

About 353,000 Washington households are categorized as low-income. However, only those households that directly pay an electric bill or a gas bill are eligible for the Washington ratepayer-funded programs. Table 2C shows that about 90% of low-income households directly pay an electric bill and that about 19% of low-income households directly pay a gas bill.

**Table 2C
Low-Income Households
Direct Payment for Electric and/or Gas Bill (2005)**

| Poverty Group | Number of Households | Percent of Households |
|--------------------------------|-----------------------------|------------------------------|
| Electric Bill - Direct Payment | 316,348 | 90% |
| Gas Bill - Direct Payment | 67,291 | 19% |
| ALL INCOME ELIGIBLE | 353,335 | 100% |

Source: 2005 ACS

Tables 3A and 3B show the distribution of electric bills and burden for low-income households that do not heat with electricity and reported electric expenditures separately from gas expenditures.¹ Table 3A shows the distribution of electric expenditures for households that do not have electricity as their main heating fuel and Table 3B shows the electric energy burden.² Among these households, about 65% have electric bill that is less than \$1,000 per year while about 19% have an annual electric bill of \$1,500 or more. Electric energy burden is less than 5% of income for about 29% of these households, while it is greater than 15% of income for 30% of households.³

¹The ACS allows respondents who have a combined electric and gas bill from one utility to report the total for both fuels. Those households are not included in these tables.

² Electric energy burden is defined as the household's annual electric bill divided by the household's annual income.

³ About 13% of households have their electric usage included in their rent. These households have a nonzero electric energy burden, since part of their rent is used to pay the electric bill. However, since there is no way to measure the share of rent that is used to pay the electric bill, electric energy burden is unknown for these households.

Table 3A
Electric Bills for Low-Income Households without Electric Heat (2005)

| Electric Bill | Number of Households | Percent of Households |
|------------------------------|-----------------------------|------------------------------|
| \$1 to less than \$500 | 28,017 | 32% |
| \$500 to less than \$1,000 | 28,685 | 33% |
| \$1,000 to less than \$1,500 | 13,905 | 16% |
| \$1,500 or more | 16,676 | 19% |
| TOTAL | 87,283 | 100% |

Source: 2005 ACS

Table 3B
Electric Burden for Low-Income Households without Electric Heat (2005)

| Electric Burden | Number of Households | Percent of Households |
|------------------------|-----------------------------|------------------------------|
| 0% to less than 5% | 25,302 | 29% |
| 5% to less than 10% | 24,925 | 29% |
| 10% to less than 15% | 11,043 | 13% |
| 15% or more | 26,013 | 30% |
| TOTAL | 87,283 | 100% |

Source: 2005 ACS

Tables 4A and 4B show the distribution of electric bills and burden for low-income households that heat with electricity. Table 4A shows the distribution of electric expenditures and Table 4B shows the electric energy burden. Among these households, about 62% have an electric bill that is less than \$1,000 per year while about 21% have an annual electric bill of \$1,500 or more. Electric energy burden is less than 5% of income for about 23% of these households, while it is greater than 15% of income for 31%.

Table 4A
Electric Bills for Low-Income Households with Electric Heat (2005)

| Electric Bill | Number of Households | Percent of Households |
|------------------------------|-----------------------------|------------------------------|
| \$1 to less than \$500 | 56,122 | 25% |
| \$500 to less than \$1,000 | 81,013 | 37% |
| \$1,000 to less than \$1,500 | 38,155 | 17% |
| \$1,500 or more | 46,251 | 21% |
| TOTAL | 221,541 | 100% |

Source: 2005 ACS

Table 4B
Electric Burden for Low-Income Households with Electric Heat (2005)

| Electric Burden | Number of Households | Percent of Households |
|------------------------|-----------------------------|------------------------------|
| 0% to less than 5% | 51,305 | 23% |
| 5% to less than 10% | 69,745 | 31% |
| 10% to less than 15% | 32,733 | 15% |
| 15% or more | 67,758 | 31% |
| TOTAL | 221,541 | 100% |

Source: 2005 ACS

Tables 5A and 5B show the distribution of gas bills and burden for low-income households that heat with gas and report their gas bills separately from their electric bills. Table 5A shows the distribution of gas expenditures and Table 5B shows the gas energy burden. Among these households, about 72% have a gas bill that is less than \$1,000 per year while about 12% have an annual gas bill of \$1,500 or more. Gas energy burden is less than 5% of income for about 37% of these households, while it is greater than 15% of income for 26%.

Table 5A
Gas Bills for Low-Income Households (2005)

| Gas Bill | Number of Households | Percent of Households |
|------------------------------|-----------------------------|------------------------------|
| \$1 to less than \$500 | 25,229 | 42% |
| \$500 to less than \$1,000 | 18,016 | 30% |
| \$1,000 to less than \$1,500 | 9,368 | 16% |
| \$1,500 or more | 7,100 | 12% |
| TOTAL | 59,713 | 100% |

Source: 2005 ACS

Table 5B
Gas Burden for Low-Income Households (2005)

| Gas Burden | Number of Households | Percent of Households |
|----------------------|-----------------------------|------------------------------|
| 0% to less than 5% | 21,823 | 37% |
| 5% to less than 10% | 13,219 | 22% |
| 10% to less than 15% | 9,094 | 15% |
| 15% or more | 15,577 | 26% |
| TOTAL | 59,713 | 100% |

Source: 2005 ACS

Tables 6A and 6B show the distribution of total electric and gas expenditures for low-income households that pay bills directly to a utility company. Table 6A shows the distribution of electric and gas expenditures and Table 6B shows the electric and gas energy burden. About 90% of

households have an electric bill, a gas bill, or both. Half of low-income households have a total electric and gas bill that is less than \$1,000 per year while seven percent have an annual bill of \$2,500 or more. Electric and gas energy burden is less than 5% of income for 18% of low-income households, while it is greater than 25% of income for almost one in five low income households.

**Table 6A
Electric and Gas Bills for Low-Income Households (2005)**

| Electric and Gas Bill | Number of Households | Percent of Households |
|------------------------------|-----------------------------|------------------------------|
| \$1 to less than \$500 | 68,483 | 19% |
| \$500 to less than \$1,000 | 107,778 | 31% |
| \$1,000 to less than \$1,500 | 56,038 | 16% |
| \$1,500 to less than \$2,000 | 37,090 | 10% |
| \$2,000 to less than \$2,500 | 22,502 | 6% |
| \$2,500 or more | 25,106 | 7% |
| No Bill | 36,338 | 10% |
| ALL INCOME ELIGIBLE | 353,335 | 100% |

Source: 2005 ACS

**Table 6B
Electric and Gas Burden for Low-Income Households (2005)**

| Electric and Gas Burden | Number of Households | Percent of Households |
|--------------------------------|-----------------------------|------------------------------|
| 0% to less than 5% | 65,361 | 18% |
| 5% to less than 10% | 93,632 | 26% |
| 10% to less than 15% | 45,443 | 13% |
| 15% to less than 20% | 31,280 | 9% |
| 20% to less than 25% | 17,583 | 5% |
| more than 25% | 63,698 | 18% |
| No Bill | 36,338 | 10% |
| ALL INCOME ELIGIBLE | 353,335 | 100% |

Source: 2005 ACS

We have developed a series of demographic tables for households that pay an electric or gas bill. Table 7 furnishes information on the presence of vulnerable members in the household and illustrates what share of the population might be particularly susceptible to energy-related health risks. Table 8 shows the household structure for these households, and Table 9 presents statistics on the language spoken at home by these households.

Almost one-fifth of the low-income households with utility bills are elderly. About one-third do not have any vulnerable household members. Some programs choose to target vulnerable households with outreach procedures and may offer priority to these households.

Table 7
Vulnerability Status for Low-Income Households with Utility Bills (2005)

| Vulnerability Type | Number of Households | Percent of Households |
|---------------------------|-----------------------------|------------------------------|
| Disabled | 82,279 | 26% |
| Elderly | 61,681 | 19% |
| No Vulnerable Members | 103,039 | 33% |
| Young Child | 69,998 | 22% |
| Total | 316,997 | 100% |

Source: 2005 ACS

Over one-third of the low-income households have children, almost one-fifth are headed by a person 65 or older, and over two-fifths are other household types. Single parent families with children represent almost one-fourth of low-income households with utility bills.

Table 8
Household Type for Low-Income Households with Utility Bills (2005)

| Household Type | Number of Households | Percent of Households |
|--------------------------|-----------------------------|------------------------------|
| Married with Children | 45,727 | 14% |
| Other | 138,567 | 44% |
| Senior Head of Household | 59,707 | 19% |
| Single with Children | 72,996 | 23% |
| TOTAL | 316,997 | 100% |

Source: 2005 ACS

Thirteen percent of low income households speak Spanish and about 4% speak an Indo-European language (e.g., Russian, Polish). In total, program managers might find that just under one in four eligible households speak a language other than English at home.

Table 9
Language Spoken at Home by Low-Income Households with Utility Bills (2005)

| Language Spoken | Number of Households | Percent of Households |
|------------------------|-----------------------------|------------------------------|
| English | 240,019 | 76% |
| Spanish | 41,673 | 13% |
| Indo-European | 14,247 | 4% |
| Other | 21,058 | 7% |
| TOTAL | 316,997 | 100% |

Source: 2005 ACS

III. Legal and Regulatory Framework for Affordability Programs

Washington State does not have a statewide universal service program, nor does it have a comprehensive package of utility-funded programs. Pursuant to legislation enacted in 1999, the Washington Utilities and Transportation Commission (WUTC) has statutory authority to approve a low-income program only if approval of such a program is sought by the utility. According to the Commission, it may not only not *direct* a utility to promulgate a low-income affordability program, it may not, without first receiving a request from the utility, even direct a company to enter a collaborative process to consider whether a potential program design could be generated through discussions with other Washington stakeholders.

The Washington statute provides as follows:

Upon request by an electrical or gas company, the commission may approve rates, charges, services and/or physical facilities at a discount for low-income senior customers and low-income customers. Expenses and lost revenues as a result of these discounts shall be included in the company's cost of service and recovered in rates to other customers.⁴

A. The Historic Limitations

The limitations placed upon the Commission by this statute were perhaps most evident in a 1999 rate case involving Avista Corporation.⁵ In that proceeding, a local community-based low-income advocacy organization (Spokane Neighborhood Action Program: SNAP) proposed a two-part low-income customer program. According to SNAP, Avista should be required to implement a system benefits charge of one percent (1.0%) of total revenues to fund low-income programs. In addition, SNAP recommended that responsibility for the specific design of the low-income interventions be assigned to a working group charged with developing and presenting the program design to the Commission with a time-certain.⁶

The SNAP proposal was supported both by the Public Counsel and by the Northwest Energy Coalition (NWECC). According to Public Counsel, the Commission should direct Avista to engage in a collaborative planning process to develop a low-income assistance filing in time for the onset of the winter heating season. NWECC recommended that Avista's energy efficiency programs to low-income customers be combined with "meaningful programs supported by a guaranteed level of investment in low-income energy assistance."⁷

The Company opposed the proposal. If a collaborative process were to be ordered by the Commission, however, the Company continued, it should be a statewide process. That process, the Company said, should be "for the purpose of examining low-income issues, as the same may be affected by existing Commission collection and disconnection rules and practices."⁸

The Commission held that it did not have authority to grant the relief requested by SNAP, the Public Counsel and NWECC. It held:

The Commission values and encourages continued dialogue among the various parties with regard to low-income energy efficiency and assistance efforts. However, [the statute] grants no latitude to the Commission to order such rates in the absence of a company request. . . Therefore, the Commission cannot act on

⁴ RCW, § 80.28.068 (2007).

⁵ Washington Utilities and Transportation Commission v. Avista Corporation, Docket Nos. UE-991606 and UG-991607, Third Supplemental Order (WUTC 1999).

⁶ Avista, Third Supplemental Order, at para. 399.

⁷ Id., at para. 400.

⁸ Id., at para. 401.

SNAP's proposed one percent wires charge and collaborative process. In our view, the legislature has granted us authority to order a surcharge only if the Company requests it.⁹

Since that Avista decision, a variety of utilities have proposed limited low-income assistance programs to be presented by stipulation to the Commission.

B. Current Utility Bill Assistance Programs in Washington State

PacifiCorp - LIBA

PacifiCorp operates its Low-Income Bill Assistance (LIBA) program.¹⁰ Approved in 2001, LIBA provides a per kWh discount for families at or below 125 percent of the Federal Poverty Level (the Washington State LIHEAP eligibility standard). LIBA provides three different discounts, with households at the lowest poverty levels receiving the largest discount. Participation in the PacifiCorp program is quite limited, however. In 2006, participation was capped at 2,618 customers.

The PacifiCorp low-income commitment arose out of the acquisition of PacifiCorp by Scottish Power Company.¹¹ The stipulation¹² sought to resolve all low-income issues presented by the PacifiCorp merger. It involved a commitment by Scottish Power/PacifiCorp to provide \$300,000 annually of shareholder funds for the implementation of bill payment assistance and energy efficiency programs “that have been identified, developed and financially structured to ensure they are cost-effective and meet all regulatory and business requirements.” The funding commitment was to continue for three years, by which time an evaluation of the spending would be completed. According to the stipulation, “this analysis will form an important factor when deciding the appropriate level of funding going forward.”¹³ The stipulation provided finally that all of the parties would agree to support company efforts “to recover through rates, any program costs that are recoverable under Commission rules and Washington law.”¹⁴

There is a decision pending in a current rate case, which again addresses the level of funding for the LIBA program. After settlement negotiations broke down, the Energy Project filed testimony advocating that the utility bring their funding up to a level commensurate with the other electric IOU's in Washington. This would be an increase from 0.26 % of revenues to somewhere between 0.4% - 0.7% . The utility has proposed a much smaller increase, but stated in cross-examination that they would do whatever the Commission instructed. It remains to be seen whether this Commission will reach further than the previous one in this regard.

Puget Sound Energy - HELP

Puget Sound Energy's low-income electric customers would receive benefits under an agreement initiated in discussions with the Energy Project in 2001, but stipulated in the settlement of its electric rate case in 2002.¹⁵ In exchange for agreement to a two-part rate increase generating roughly \$58.3 million dollars annually in new revenues, Puget Sound Energy would require a surcharge to cover the new low-income assistance program. The

⁹ Id., at paras. 402 – 403.

¹⁰ This program is included in Tariff Schedule 17.

¹¹ Docket No. UE-981627.

¹² The stipulation was agreed to be the Company, Public Counsel, NWEAC and the Energy Project (a program of the local community action agency).

¹³ Stipulation, at §2.

¹⁴ Id.

¹⁵ Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc., Docket Nos. UE-11570 and UG-011571 (consolidated), Twelfth Supplemental Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation Subject to modifications, Clarifications and Conditions; Authorizing and Requiring Compliance Filing, (WUTC June 20, 2002).

surcharge would add roughly \$0.25 per month to a typical monthly homeowner bill. The stipulation provided that overall annual funding for the low-income assistance program would be set at \$8.6 million, or approximately 0.50% of pro forma retail revenues.¹⁶ Roughly two-thirds (67.4%) of the funding would be distributed to electric customers with the remainder being allocated to gas customers (32.6%).

The Puget Sound Energy stipulation provided that the costs of the Low-Income Program would be borne by all electric and natural gas customer classes, with the exception that no allocation would be made to natural gas special contract customers.¹⁷ The program was proposed without a termination date.¹⁸ The rate case completed in 2006 added another \$1.7 million to the energy assistance funding.

The PSE program is directed toward customers that would otherwise qualify for federal LIHEAP assistance, but do not receive such assistance because LIHEAP funds are exhausted.¹⁹

The PSE program provides benefits to income-qualified customers with the benefit amount calculated through a predetermined formula based on the household's actual energy use for which the household receives service from PSE.²⁰ Annual benefits are capped at \$750.²¹ The Company finally agreed to "coordinate the creation of a working group that will advise the Company on low income issues."²² The stipulation provided, however, that "any modifications to PSE's tariffs or schedules must be initiated by PSE and approved by the Commission."²³

Avista - LIRAP

Avista's Low-Income Rate Assistance Program (LIRAP) was approved by the Washington Commission in May 2001.²⁴ The purpose of LIRAP is to "reduce the energy cost burden among those customers least able to pay energy bills."²⁵ Through LIRAP, Avista collects new revenue from both its natural gas and electric customers. In the 2004/2005 program year, the Company collected roughly \$2.9 million from customers (\$1.85 million from electric customers; \$1.0 million from natural gas customers), which was then matched with a contribution of \$300,000 by Company shareholders.

Avista chose to use a different format which funds two programs. One is a single lump sum grant (originally \$200/yr, but now \$300) for seniors. The other is a "LIHEAP-lookalike" program that provides a lump sum payment based on formula considering income level and consumption. Money is distributed to low-income Avista customers in much the same manner as funds are distributed through the federal LIHEAP program. For clients receiving "regular" assistance, the eligibility determination is the same as the federal LIHEAP program. The amount of assistance for these households is based on the state LIHEAP office's benefit calculation. For clients receiving "emergency" assistance, the process is similar to the local fuel fund (Project Share). Emergency assistance is made available to households in imminent danger of

¹⁶ This funding level was argued to be consistent with Avista's commitment of 0.79% and PacifiCorp's commitment of 0.30% of retail revenues respectively.

¹⁷ Washington Utilities and Transportation Commission v. Puget Sound Energy, Inc., Dockets Nos. UE-011570 and UG-011571 (consolidated), Settlement Stipulation Exhibit G, Settlement Terms for Low Income, at paras. 4 and 5 (June 2002) (hereafter 2002 PSE Settlement). The Settlement Stipulation was adopted by the WUTC without comment on the low-income issues.

¹⁸ 2002 PSE Settlement, at para. 7

¹⁹ Id., at para. 14.

²⁰ Id., at para. 15.

²¹ Id., at para. 8.

²² Id., at para. 21.

²³ Id.

²⁴ Docket Nos. UE-010436 and UG-010437.

²⁵ Avista Utilities, Low-Income Rate Assistance Program (LIRAP): Fifth Annual Report, For the Period May 2005 through April 2006, at 1 (August 23, 2006).

disconnection; the amount of assistance is determined on a case-by-case basis, with a maximum of \$300.

While Avista *eligibility* is determined in the same way as other existing low-income assistance programs, the *marketing* of the program is directed toward payment-troubled customers. These customers include those experiencing a shutoff notice, those with large arrears, and the like.

Additional low-income assistance dollars were provided in a 2005 settlement of a general natural gas/electric rate increase request.²⁶ In this proceeding, Avista agreed to provide an additional \$600,000 per calendar year (for two calendar years) of funding for the Company's Low-Income Rate Assistance Program (LIRAP). The total LIRAP funding would thus reach \$3 million per year.²⁷ The funding was generated through a combination of tax credits and a reallocation of natural gas demand side management funding. The Commission approved this stipulation, noting that it "is especially important during the current period of rapidly increasing and volatile energy prices."²⁸

Cascade

Cascade Natural Gas Corporation is the most recent Washington utility to agree, by stipulation, to the creation of a low-income rate assistance program. In the stipulated settlement of its 2006 rate case, Cascade agreed to provide \$800,000 in bill assistance to low-income customers.²⁹ In addition, Cascade agreed to add all Public Utility tax credits obtained from the State of Washington – discussed in more detail below — to this base amount. The Company expects to receive an additional \$107,000 in tax credits based on its \$800,000 expenditure.

The Cascade Natural Gas program is based on a program design proposed by the Energy Project, a program of Washington's community action agencies.³⁰ Under this program design, the Company would distribute energy assistance based on a matrix similar to that used by the LIHEAP office in Washington. Some differences would exist. Rather than using the state's eligibility of 125% of Poverty Level, the Cascade program would use 150% of Poverty. Funding would be provided as an annual lump sum payment similar to LIHEAP. The Company would use the same community-based agencies as intake points for its program. The Company committed to modeling its program after other Washington utility programs that had previously been approved by the Commission.

C. Tax Credit Funding for its Utility Bill Assistance Programs.

The Washington legislature has created a supplemental funding source for utilities agreeing to provide rate affordability assistance to their low-income customers. Created in 2001, the legislature provides matching tax credits for dollars provided in rate affordability assistance.³¹ Although not required to do so, each Washington utility claiming credits under the program has agreed to devote those credits to supplementing their low-income funding.

The tax credits are provided as an incentive for the state's utilities to increase their funding of low-income affordability assistance. In order to claim the tax credit, the assistance provided

²⁶ Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities, Docket No. UE-050482 and UG-050483, Order No. 05, Approving and Adopting Settlement Agreement with Conditions, at paras. 141-147 (WUTC December 21, 2005).

²⁷ 2005 Settlement, at para. 141.

²⁸ Id., at para. 145.

²⁹ Washington Utilities and Transportation Commission v. Cascade Natural Gas Company, Order 05, Docket No. UG-060256, at paras. 41 – 44, January 12, 2007 (WUTC).

³⁰ Cascade Stipulation Order, at para. 42.

³¹ R.C.W. §82.16.0497 (2007).

must exceed 125% of the qualifying contributions made in 2000.³² A “qualifying contribution” is low-income assistance funding that is given to an organization under contract to distribute LIHEAP funds.³³ In addition, a tax credit can be obtained for providing “billing discounts” so long as the discount is greater than 125% of any discount that had been provided in 2000.³⁴ A “bill discount” is defined to include any “reduction in the amount charged for providing service” to a qualified low-income household by an electric or natural gas utility.³⁵

The Washington tax credit program allows for a tax credit equal to 50% of any contribution or billing discount provided by a Washington utility.³⁶ The maximum total credits allowed statewide, however, is set by statute.³⁷ If the tax credits for which Washington utilities qualify exceed the annual ceiling, the credits are distributed on a formula basis.³⁸ The ceiling amount is now being substantially exceeded by Washington utilities, thus impeding the incentive function the tax credit is intended to perform.

D. Summary and Conclusions

While not mandating energy affordability programs, the Washington State legislative and regulatory regime has generated a series of limited programs by each of the state’s natural gas and electric utilities. The Washington statutory approach is unique, allowing the state utility commission to approve low-income affordability programs only when such programs are requested by the utility. In contrast, unlike most other state utility commissions, the Washington Utilities and Transportation Commission (WUTC) has taken the narrowest possible path under the statute, holding that the statute “grants no latitude to the Commission. . .”

The programs that have been proposed and approved in Washington have been developed in collaboration with low-income stakeholders. Not only has the low-income energy advocacy community been involved, but service providers (such as community action agencies) and the state LIHEAP office have been a part of the collaborations that have resulted in the submission of stipulated program designs to the WUTC for approval.

In Washington, the utilities serve primarily as a funding agent, generating a revenue stream to be distributed through those agencies already involved with distributing LIHEAP funds. The rate affordability programs are not tied explicitly to producing any particular level of affordability, as measured by home energy burdens, but rather tied to extending the ability of the LIHEAP program to reach customers that might otherwise go unserved due to limited resources.

Having said that, however, the Washington programs explicitly recognize the difference between establishing eligibility standards and undertaking targeted outreach. While the Avista program, for example, is made available to customers found to be eligible under the state LIHEAP program standards, the company *markets* its program to payment-troubled customers, including those in danger of imminent service disconnection and those with large arrears.

The tax credit program offered in Washington State appears to be unique. The state expands the resources that the state’s utilities are willing to generate through a rate surcharge by matching those resources with state tax credits. Each utility, while seemingly not required to do so, has agreed to use those state matching tax credits as additional resources to expand their low-income programs.

³² R.C.W. §82.16.0497(2)(a)(1) (2007).

³³ R.C.W. §82.16.0497(1)(e) – (g) (2007).

³⁴ R.C.W. §82.16.0497(2)(b) (2007).

³⁵ R.C.W. §82.16.0497(1)(b) (2007).

³⁶ R.C.W. §82.16.0497(2)(b) (2007).

³⁷ R.C.W. §82.16.0497(3)(c) (2007).

³⁸ R.C.W. §82.16.0497(1)(a) (2007).

IV. Low-Income Affordability Programs

A number of affordability programs were available to low-income households in Washington in 2005. In addition to the LIHEAP program, ratepayer-funded programs were available from PacificCorp, Puget Sound Energy, Avista, and Cascade. To supplement the ratepayer funded programs, a tax-credit program supplements the utility contributions.

- LIHEAP Program – In 2005, the Washington LIHEAP program received about \$41.6 million in funding from the Federal government.³⁹ Since about 88% of low-income households use natural gas or electricity for their home heating fuel, we will estimate that about \$36.6 million was made available to gas and electric customers for LIHEAP benefits.
- PacificCorp LIBA Program – In 2005, the LIBA program furnished about \$300,000 in benefits to low-income
- Puget Sound Energy HELP Program – In 2005, the PSE HELP Program furnished about \$8.55 million in electric and gas benefits to low-income households.⁴⁰
- AVISTA Utility Low-Income Rate Assistance Program (LIRAP) – In 2005, the AVISTA Utilities Low-Income Rate Assistance Program (LIRAP) furnished about \$3.22 million in electric and gas benefits to low-income households.⁴¹
- Cascade Natural Gas – In 2006, the Cascade program furnished about \$800,000 to low-income households.

In total, about \$50 million was available to help pay the electric and gas bills for low-income households. Using the ACS data, we estimated the following statistics regarding the aggregate electric and gas bills for low-income households in Washington.

- Aggregate Electric and Gas Bill – The total electric and gas bill paid directly by low-income households is estimated to be about \$360 million. The available funding of \$50 million in benefits would cover about 14% of the total bill for low-income households.
- 5% Need Standard – Some analysts suggest that 5% of income is an affordable amount for low-income households to pay for the energy needs. The aggregate value of electric and gas bills that exceeds 5% of income is estimated to be about \$217 million. The available funding of \$50 million in benefits could cover about 23% of the unaffordable amount for low-income households. [Note: If benefits from any of the three programs are allocated to households with an energy burden less than 5% of income, the program would not cover 23% of the estimated need.]
- 15% Need Standard – Some analysts suggest that 15% of income is an affordable amount for low-income households to pay for the energy needs. The aggregate value of electric and gas bills that exceeds 15% of income is estimated to be about \$96 million. The available funding of \$50 million in benefits could cover about 52% of the unaffordable amount for low-income households if it were targeted to only those households with energy bills greater than 15% of income.

³⁹ Source: LIHEAP Clearinghouse

⁴⁰ Source: LIHEAP Clearinghouse

⁴¹ Source: LIHEAP Clearinghouse

- 25% Need Standard – Many low-income households pay more than 25% of income for energy service. Among the ratepayer-funded low-income programs that have used a percent-of-income guideline in their benefit determination process, none have been as high as 25% of income for combined use of electric and gas. The aggregate value of electric and gas bills that exceeds 25% of income is estimated to be about \$61 million. The available funding of \$50 million in benefits could cover about 82% of the unaffordable amount for low-income households if it were targeted to households with energy bills greater than 25% of income.

These statistics demonstrate that the Washington programs cover a significant share of the total low-income need, but do not meet the entire need for any of the three need standards examined. In part, Washington State programs cover a large share of the need because they are targeted to the lowest income households (i.e., those with incomes at or below 125% of poverty). The most common income eligibility standard for low-income programs is 150% of poverty. A number of States use still higher eligibility guidelines.

Two ratepayer funded affordability programs were targeted for analysis by this study – the PSE HELP Program and the AVISTA LIRAP Program.

Some important features of the PSE HELP Program are:

- Local Agency Integration with LIHEAP – The local agencies that furnish HELP funding take into account the client’s LIHEAP benefit prior to establishing the size of the HELP grant.
- Eligibility that Varies by Local Condition – Guideline is 50% of median income for the client’s county of residence.
- Annual Fixed Credit – The benefit is paid as an annual fixed credit on the client’s utility bill. The maximum grant is \$750. The average electric grant is \$344 and the average gas grant is \$442.

The following table furnished detailed information on the program.

| | |
|---|--|
| Program State | Washington |
| Program Name | HELP |
| Utility Company (If Applicable) | Puget Sound Energy |
| Program Goals | Provide additional bill-payment assistance (beyond the federal LIHEAP program) to qualified PSE customers. |
| Funding Source (SBC or Rates) | Rates |
| Annual Program Funds – Allocated (2006) | \$8,550,000 |
| Annual Program Funds – Expended (2006) | \$8,323,335 |
| # of Households Served (2006) | 17,973 (2005-2006) |
| Participation Limit (Maximum # of Enrollees) | Participation depends on the program’s annual budget. |
| Eligibility – % of Poverty Level | 50% of median income of the corresponding county (up to 150% of poverty level). |
| Eligibility – Other Criteria | None. |
| Targeted Groups | Residential customers whose net income meets the guideline of 50% of median income or less of the corresponding county. |
| Benefit Calculation Type (% of Income, Benefit Matrix, etc.) | Benefit Matrix. PSE HELP grant is based off a formula that takes into consideration household income, household size, annual energy usage, and the LIHEAP grant (if applicable). |

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| | Eligible customers receive a minimum grant of \$50 if the formula yields a negative number. |
| Benefit Calculation (Document Formula) | <p>PSE HELP GRANT FORMULA (NO LIHEAP GRANT) $.67 - [104.43 / (1465 - \text{monthly income/household size adjuster})] \times \text{Annual Energy Cost} = \text{Benefit Award}$</p> <p>PSE HELP GRANT FORMULA (LIHEAP GRANT) $.67 - [104.43 / (1465 - \text{monthly income/household size adjuster})] \times (\text{Annual Energy Cost} - \text{LIHEAP}) = \text{Benefit}$</p> |
| Benefit Amount (Mean Subsidy) | \$344 for Electric (2006) \$442 for Gas (2006) |
| Benefit Limit | \$750 |
| % of Program Dollars Spent on Administrative Costs | Agencies: 19% (agencies can spend a maximum of 21% of their funds on administrative costs) PSE: 2.8% |
| Benefit Distribution (Fixed Payment, Fixed Payment with a Limit, Fixed Credit, Fixed Credit with Budget Billing, etc.) | Fixed Annual Credit |
| Arrearage Forgiveness Plan – Y/N | No. |
| Amount Eligible for Forgiveness (Dollars, %, or Unlimited) | N/A |
| Forgiveness Requirement (Payments, On-Time Payments) | N/A |
| Forgiveness Period (One-Time, 12 months, 24 months, etc.) | N/A |
| Program Manager (PUC, State, Utility) | PSE |
| Data Manager (PUC, State, Utility, Other) | State |
| Enrollment Responsibility (Utility, CAP, etc.) | 12 Community Action Agencies |
| Application Method (Mail, In-Person, Phone) | In-person and by mail. Customers must provide documents showing proof of income, proof of current address, a copy of a PSE statement, a completed signed application for benefits, photo ID with Birth date. |
| Joint Application | No. |
| Recertification Required – Y/N | Yes. Customers must reapply every year for the benefit. |
| Recertification Frequency | N/A |
| Recertification Method (Agency, Automatic Enrollment, Self-Certification) | Customers must recertify through the Community Action Agency. |
| Recertification Procedures | Customer submits necessary documentation to community action agency. |
| Removal Reasons | Customer provided false information in the application process. |
| Other Communications | The community action agencies provide HELP recipients with energy conservation education. The level of energy education varies by agency. One agency has clients sign an energy conservation agreement; customers must return a response card indicating which of the energy conservation measures they actually implemented. |
| Budget Counseling | The customer is referred to PSE for budget counseling. The agency may provide information on deferred payment arrangements and budget billing. |
| Evaluation Frequency | Each year, PSE must submit an evaluation to the Washington Utilities Commission. PSE conducts an annual evaluation of each community action agency. |
| Coordination with LIHEAP | <ul style="list-style-type: none"> o Agencies first determine if the customer is eligible for the LIHEAP program and provide the customer with LIHEAP funds if there are still LIHEAP funds remaining. Agencies then subtract out the calculated LIHEAP heat cost when determining the PSE HELP grant. o If the customer is not eligible for LIHEAP benefits, but is eligible for the PSE grant, the agency will consider the customer for benefits under the Program. |
| Coordination with WAP | The agency provides all eligible customers with low-income weatherization program information. |
| Coordination with | Yes. Agencies provide clients with PSE-approved information regarding PSE's low-income |

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| Energy Efficiency Programs | weatherization program and PSE's personal energy management program. Agencies may also refer clients to in-house weatherization programs. |
| Coordination with Other Energy Affordability Programs | None. |

Some important features of the Avista LIRAP Program are:

- Targeted Programs – The LIRAP program consists of three separate program components – LIRAP Heat, LIRAP Emergency Share, and Senior Outreach. The benefit of this approach is that it explicitly establishes the program targeting.
- Eligibility for Senior Outreach – The basic guideline is 125% of poverty. However, for the Senior Outreach Program, households with net incomes up to 175% of poverty are included. [Note: Net income is income net of medical expenses.]
- Annual Fixed Credit – The benefit is paid as an annual fixed credit on the client's utility bill. The maximum grant is \$750. The average LIRAP Heat grant is \$410. The average LIRAP Emergency grant is \$248. The average Senior Outreach grant is \$256.

The following tables furnish detailed information on the programs.

| | |
|---|---|
| Program State | Washington |
| Program Name | Low-Income Rate Assistance Program (LIRAP) |
| Utility Company (If Applicable) | Avista Utilities |
| Program Goals | Reduce the energy cost burden among those customers least able to pay energy bills. |
| Funding Source (SBC or Rates) | SBC: Surcharge (limited income energy assistance tariff rider) - \$.79 surcharge on both electric and gas |
| Annual Program Funds – Allocated (2006) | \$3,157,635 |
| Annual Program Funds – Expended (2006) | \$3,221,429 (includes unspent carry over funding from previous year) |
| # of Households Served (2006) | Total: 6,980 households LIRAP Heat: 4,534 households LIRAP Emergency Share: 1,873 households Senior Energy Outreach: 573 households |
| Participation Limit (Maximum # of Enrollees) | No. Participation depends on the available funds. |
| Eligibility – % of Poverty Level | LIRAP Heat: 125% of Poverty (corresponds to current LIHEAP eligibility guidelines) Senior Energy Outreach: A client's adjusted income (income – nonrefundable medical expenses or fees) must be 175% of poverty or less to be eligible. |
| Eligibility – Other Criteria | Participants in all three program components must be Avista customers. LIRAP Emergency Share: Household must be experiencing crisis Senior Energy Outreach: <ul style="list-style-type: none"> o Avista account must list senior's name as primary or co-tenant o Seniors are age 60 and above o Household may have received Project share for current year, but is still in a hardship situation |
| Targeted Groups | LIRAP Heat: Targeted towards the low-income population. Emergency Share: Targeted towards payment-troubled households (i.e., those experiencing a shutoff notice or carrying a large arrearage). Senior Energy Outreach: Seniors on fixed incomes who are facing hardship due to impacts of higher energy bills. |
| Benefit Calculation Type (% of Income, Benefit Matrix, etc.) | Benefit Matrix |

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| Benefit Calculation (Document Formula) | <p>Two types of benefits:</p> <p>LIRAP Emergency Share (emergency assistance): The amount of emergency assistance is determined on a case-by-case basis not to exceed \$300.</p> <p>LIRAP Heat (regular assistance): The amount of the assistance provided is based on household income, energy costs, and housing type and then calculated using the Office of Community Development's matrix.</p> <p>The matrix is a calculation that includes household size, household income, housing status and the previous 12 months of heating costs (if available), or backup costs determined by CTED from the previous year averages by vendor, heat type and county. Customer may receive either LIRAP Heat or LIHEAP, but not both.</p> <p>Senior Energy Outreach:</p> <ul style="list-style-type: none"> o Provide a \$300 grant to eligible seniors who heat with Avista o Provide a \$100 grant to eligible non-heating seniors |
| Benefit Amount (Mean Subsidy) | <p>Total: \$354</p> <p>LIRAP Heat: \$410.37</p> <p>LIRAP Emergency Share: \$247.91</p> <p>Senior Energy Outreach: \$256.34</p> |
| Benefit Limit | <p>LIRAP Heat: \$750</p> <p>LIRAP Emergency Share: \$300</p> <p>Senior Energy Outreach: \$300 for heating customers and \$100 for non-electric heating customers. The Senior Energy Outreach benefit is designed to credit enough dollars to the account so that participating seniors can participate in a Comfort Level Billing plan with a manageable monthly amount.</p> |
| % of Program Dollars Spent on Administrative Costs | <p>Agencies can spend 15% of their allocated funds towards administrative costs.</p> |
| Benefit Distribution (Fixed Payment, Fixed Payment with a Limit, Fixed Credit, Fixed Credit with Budget Billing, etc.) | <p>Fixed annual credit</p> |
| Arrearage Forgiveness Plan – Y/N | <p>No. Program provides one-time energy assistance.</p> |
| Amount Eligible for Forgiveness (Dollars, %, or Unlimited) | <p>N/A</p> |
| Forgiveness Requirement (Payments, On-Time Payments) | <p>N/A</p> |
| Forgiveness Period (One-Time, 12 months, 24 months, etc.) | <p>N/A</p> |
| Program Manager (PUC, State, Utility) | <p>Avista</p> |
| Data Manager (PUC, State, Utility, Other) | <p>Avista</p> |
| Enrollment Responsibility (Utility, CAP, etc.) | <p>Six Community Action Agencies</p> |
| Application Method (Mail, In-Person, Phone) | <p>In-person, phone, and mail at the Community Action Agencies. Each Community Action Agency has different requirements.</p> <p>Senior Energy Outreach: Seniors can qualify over the telephone.</p> |
| Joint Application | <p>No.</p> |
| Recertification Required – Y/N | <p>No. Customers have to reapply every year for the grant.</p> |
| Recertification Frequency | <p>Annual</p> |
| Recertification Method (Agency, Automatic Enrollment, Self-Certification) | <p>In-person, phone, and mail through the Community Action Agencies.</p> |
| Recertification Procedures | <p>Participants must complete an application to reapply for the benefit.</p> |

| | |
|--|--|
| Removal Reasons | N/A |
| Other Communications | Senior Energy Outreach: Seniors are forwarded to CARES representatives. CARES representatives may not ever talk to the senior customer until the customer has a past due amount. When this occurs, they may refer them or connect them with other services in the senior community. Agencies send a postcard to verify the grant. Avista is currently developing a communication plan; Avista would like to start sending out a letter that provides information on energy conservation, information on payment plans, and coupons for CFLS and furnace filter replacements. |
| Budget Counseling | None. |
| Evaluation Frequency | Avista submits an annual report to the Washington Utilities and Transportation Commission. Avista is not required by statute to conduct an independent evaluation. |
| Coordination with LIHEAP | A waiver from the state allows community action agencies to use LIRAP or LIHEAP in the same manner. The design of this program extends the use of the Federal funds. |
| Coordination with WAP | No. |
| Coordination with Energy Efficiency Programs | No. |
| Coordination with Other Energy Affordability Programs | None. Two percent of the funding the agencies receive is for energy conservation training. |

V. Affordability Program Evaluation Findings

We were not able to identify any evaluation reports on the Affordability Programs for the programs studied in Washington State.

VII. Low-Income Energy Efficiency Programs

The three major sources of funding for energy efficiency programs available to low-income households in Washington are the DOE Weatherization Assistance Program (WAP), the LIHEAP Program, and the Energy Matchmaker Program.

- DOE WAP Program – In 2005, Washington received about \$4.6 million in funding for the Weatherization Program.⁴²
- LIHEAP Program – In 2005, Washington elected to use \$5.7 million (14%) of its LIHEAP funding for weatherization.⁴³
- Energy Matchmaker Program – In 2005, the Energy Matchmaker Program was funded at a level of about \$5.5 million.⁴⁴

In total, about \$15.8 million was available to help furnish energy efficiency services to low income households in Washington.

It is a little more challenging to estimate the need for energy efficiency programs. In general, we would suggest that energy efficiency programs should be used in place of affordability programs when the energy efficiency programs result in cost-effective savings to the household. The literature on energy efficiency programs demonstrates that programs that target high users achieve the highest savings levels and are the most-effective. For electric baseload, programs that target households that use 8,000 kWh or more are most cost-effective. For electric heating,

⁴² Source: LIHEAP Clearinghouse

⁴³ Source: LIHEAP Clearinghouse

⁴⁴ Source: LIHEAP Clearinghouse

programs that target households that use 16,000 or more kWh are most cost-effective. For gas heating, programs that target households that use 1,200 or more therms are most cost-effective.

Our primary state-level data source, the ACS, does not ask respondents to report on the amount of electricity or natural gas that they use. However, we can develop a proxy for usage based on the respondent's estimate of the household's electric and gas bill. [Note: kWh price = 6.5 cents, therm price = \$1.180].

Using the ACS data, we developed estimates of the number of households that would be eligible for energy efficiency programs using the cost-effectiveness targets. Table 10 shows that 68% of households could be targeted for high baseload bills, 38% could be targeted for high electric heat bills, and 13% could be target for high gas usage.

Table 10
Need for Energy Efficiency Programs for Low-Income Households (2005)

| Group | Number of Households with Bills | Number of Households with High Bills | Percent of Households with High Bills |
|--|--|---|--|
| Electric Baseload Services ⁴⁵ | 91,217 | 62,003 | 68% |
| Electric Heating Services | 221,541 | 84,406 | 38% |
| Gas Heating Services | 49,706 | 6,397 | 13% |

Source: 2005 ACS

In total, about 91,000 low-income households are eligible for and are good targets for ratepayer funded weatherization programs. Ratepayer weatherization funding tends to average between \$2,000 and \$3,000 per unit. If the \$5.5 million in Energy Matchmaker funds were used for weatherization programs with average expenditures of \$2,500 per home, about 2,200 of the households needing weatherization could be treated each year. This would be in addition to the approximately 4,120 that could be treated by LIHEAP and WAP.

VIII. Energy Efficiency Program Evaluation Findings

We were not able to identify any evaluation reports on the Affordability Programs for the programs studied in Washington State.

⁴⁵ For households that report electric and natural gas expenditures as one bill, we allocated half of the cost to electricity and half of the cost to natural gas.