Avista Corp.
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Telephone 509-489-0500
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AVISTA Corp.

June 30, 2004

California Public Utilities Commission
Attn: Docket Office
505 Van Ness Avenue
San Francisco, CA 94102

Re: Rulemaking 04-01-006

Dear Docket Clerk:

Enclosed for filing in the above-entitled matter are a verified original and seven copies of the **"APPLICATION OF AVISTA CORPORATION FOR APPROVAL OF PROGRAM YEAR 2005 LOW-INCOME ASSISTANCE PROGRAM BUDGETS"** This filing has been served to all parties in electronic form to those appearances and the service list for these proceedings.

Please contact myself at (509) 495-4975 or Katherine Mitchell at (509) 495-4706 regarding any related items. Thank you for your attention to this matter.

Sincerely,

Linda Gervais

Linda Gervais,
Regulatory Analyst
Rates and Regulation
Facsimile: 509-495-8058
Email: linda.gervais@avistacorp.com

Enclosures

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Avista Corporation for Approval of Program Year 2005 Low-Income Assistance Program Budgets	Application 04- (Filed June 30, 2004)

APPLICATION OF AVISTA CORPORATION (U 907 G) FOR APPROVAL OF PROGRAM YEAR 2005 LOW-INCOME ASSISTANCE PROGRAM BUDGETS

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June 30, 2004

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Avista Corporation for Approval of Program Year 2005 Low-Income Assistance Program Budgets	Application 04- (Filed June 30, 2004)

APPLICATION OF AVISTA CORPORATION (U 907 G) FOR APPROVAL OF PROGRAM YEAR 2005 LOW-INCOME ASSISTANCE PROGRAM BUDGETS

Avista Corporation d/b/a Avista Utilities (Avista) respectfully submits this Application pursuant to and in accordance with Ordering Paragraph 7 of Decision (D.) 03-12-016 dated December 4, 2003.

INTRODUCTION

Avista Utilities serves approximately 18,300 customers in and around the resort community of South Lake Tahoe. Additionally, Avista Utilities provides retail natural gas service to approximately 270,000 customers in Washington, Idaho and Oregon and retail electric service to approximately 320,000 customers in Washington and Idaho. The South Lake Tahoe natural gas distribution facilities were purchased from CP National Corporation in 1991.

Pursuant to Decision (D.) 03-12-016, Avista submits it proposal regarding Program Year (PY) 2005 Low-Income Assistance Programs.

CARE PROPOSAL

Avista's current CARE outreach/certification efforts consist of the following elements. Avista uses the Department of Community Services and Development (CSD) for certification services. The Company has two bill inserts (one in June after the annual update to income guidelines change and the second in October at the onset of our heating season). Pursuant to ABX 3 Avista has quarterly (August, November, February and May) messages printed on the face of its bills alerting customers to the CARE program and providing the toll-free CSD phone number. Also pursuant to ABX 3, Avista's IVR system provides an "on-hold" recorded message regarding the existence of the CARE, providing the toll-free CSD phone number.

In D.03-03-007, rendered in A.02-07-009, et al., the Commission adopted PY 2003 and PY 2004 participation targets for Avista's CARE program. The target for 2003 was 70 percent participation, or 846 CARE customers. Based on December 2003 data, Avista had 935 participating CARE customers. The CARE participation target for PY 2004 is 1,027, or 85%. Avista's current CARE enrollment as of May 31, 2004 is 1057 customers, this represents a participation rate of 86.4 percent participation. The Company proposes a minimum penetration goal of 95% for 2005.

Avista believes that the CSD enrollment/certification process and Avista's current outreach strategies work well for its existing group of CARE customers.

Avista currently uses the following outreach/certification strategies for its ongoing CARE Program:

CARE Strategies and Achievements

1) Accesses the Tahoe branch of El Dorado County Community Services as an additional CARE certification resource

2) Designates a partial FTE in South Lake Tahoe specifically for CARE outreach and certification activities to provide:
   - Interface with El Dorado County Community Services
   - Distribution of "door hangers"
   - Community outreach

3) Enhanced the billing system CSS (Customer Service System) to:
   - Assist Call Center Customer Service Reps with CARE promotion to new customers
   - Create CSS queries and CARE status reports for CARE outreach personnel
   - Facilitate exchange of CARE participant data with Sierra Pacific

4) Additional CARE Outreach/Certification materials
   - Flyer sent with all past due notice mailings
   - Doorhangers distributed by Tahoe personnel
   - CARE applications and brochures for El Dorado Community Services

In the past two years, Avista has used several different methods to inform customers of the CARE program. Based on surveys of new CARE participants, we chose direct customer contact as our preferred method. The combination of direct mail campaigns, along with mandated bill stuffers and on hold messages, allowed Avista to add 244 customers to its CARE program. The 2003 target was exceeded by almost 11%.

Avista believes that this method has provided the best opportunity to achieve (and/or exceed) the minimum penetration targets. Avista notes that its eligible CARE population to which the penetration targets apply will not be fully defined until after the completion of the Needs Assessment Study. The Draft Interim Decision orders Avista to

participate in the Study to establish the CARE eligible pool. That is, the Draft Interim Decision establishes penetration goals in terms of percentages, but indicates that until the results of the Needs Assessment Study are available, the South Lake Tahoe CARE eligible customer pool to which the percentages apply is subject to update. Until those results are available, Avista proposes to use, for planning purposes, the method of estimating the CARE eligible population described in its December 19, 2001 CARE penetration proposal and Decision 03-03-007 dated March 13, 2003.

Avista requests no change to its customers' rates as a result of this Application. Instead, Avista proposes that the current CARE balancing account mechanism continue to track the differences between the amount of CARE discount granted and CARE program costs versus the CARE surcharge collected. Appropriate true-ups to the CARE balancing account and CARE surcharge rate would be made as part of the Company's subsequent Purchased Gas Adjustment (PGA) and/or Public Purpose Program filings. Any impacts of updates to the calculation of Avista's CARE eligible population resulting from the Needs Assessment Study would be incorporated into subsequent filings. Avista proposes that its current CARE program level be continued into 2005, the proposed budget is shown as Exhibit 1 of Attachment A.

Low Income Energy Efficiency Proposal

Avista proposes that its current level and nature of Low Income Energy Efficiency programs be continued into 2005, proposed budget is shown as Exhibit 2 of Attachment A. Avista has provided funding to Project Go for these programs for over 10 years. Due to the construction and growth restrictions in the South Lake Tahoe area and to The City of South Lake Tahoe's housing rehabilitation program, the South Lake Tahoe service territory moves closer and closer to a set point for LIEE services. Avista,

therefore, neither expects or proposes changes to customer rates for LIEE programs and plans to continue its current balancing account treatment of LIEE program costs through the existing CFA (Conservation Financing Account) balancing account.

As in prior years, Avista Utilities and Sierra Pacific Power partnered together to provide low-income weatherization in South Lake Tahoe. The program ran from August through November with a goal to weatherize 80 homes. SBX1 5 funds made it possible to offer additional measures such as window replacements and furnace upgrades. A total of 83 homes were weatherized. Avista's proposes to weatherize 90 homes in PY 2005.

REPORTING REQUIREMENTS

Avista will conform to the accounting and reporting requirements adopted by the Energy Division in its Second Workshop Report dated April 5, 2004. Avista continues to believe that our customers are best served when resources are focused on program delivery rather than allocating scarce funding to enhanced reporting beyond that necessary for program evaluation. With the adoption of the new accounting and reporting requirements, Avista has shifted dollars within its budget to support more administrative costs in its CARE program. This shift does not affect a change in the total budget. Included in this filing under Attachment D, Avista's response to electronic data request from Sherrene Chew dated June 23, 2004. Data from June, 2004 will be included in Avista's August 1, 2004 Low-Income Program Accounting and Reporting Requirement.

APPLICANT AND IDENTIFICATION OF REPRESENTATIVES

This Application is filed pursuant to the Public Utilities Code ("PUC Code"), and the Commission Rules of Practice and Procedure ("Rules").

The exact legal name of the Applicant is Avista Corporation, which maintains its principal place of business at East 1411 Mission Avenue, Spokane, Washington. Avista is a corporation in good standing, incorporated under the laws of the State of Washington.

A copy of Avista's current Articles of Incorporation was filed with the Commission in A.03-07-019 and is hereby incorporated in this Application by this reference.

In accordance with Rule 23 (a), (e), and (l), attached hereto and designated Attachment B is a copy of Avista's 2003 Financial Report. Attached hereto and designated as Attachment C is a copy of Avista's Form 10-Q for the quarterly period ended March 31, 2004. Rule 23(l) requires the Applicant to state whether its request is limited to passing through to customers "only increased costs to the corporation for the services of commodities furnished by it." In this Application, Avista requests that the Commission approve a 2005 budget for CARE of $46,100 and LIEE of $81,980. These amounts are the same amounts authorized by the Commission for 2004 in D. 03-07-019.

Rule 24 of the Commission's Rules and Practice Procedure, and Public Utilities Code Section 454, require that any increase in rates or charges be noticed to individual customers of the utility. Because the proposed budgets result in no change to the PPP surcharge, notice is not required.

The name, title, address and telephone number of the persons to whom correspondence or communications in regard to this application are to be addressed are as follows:

David J. Meyer
Chief Counsel/Regulatory & Gov. Affairs
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CONCLUSION

Pursuant to the Decision 03-03-007 Avista submits its proposal (strategies and budgets/funding levels) for CARE and LIEE for 2005. Avista proposes an estimated penetration goal of 95% for 2005 for CARE. Avista proposes that its existing balancing account treatment for these two programs continue.

Wherefore, for the foregoing reasons, Avista respectfully request that the Commission:

1) Approve its proposal regarding 2005 program year plan and budgets for its CARE and LIEE programs.

2) Approve Avista's proposal to continue balancing account treatment for both the CARE and LIEE programs.

RESPECTFULLY SUBMITTED this 30th day of June, 2004

By: Kelly Norwood

Kelly Norwood
Vice President, State & Federal Regulation
Avista Corporation
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VERIFICATION

STATE OF WASHINGTON)
:ss
County of Spokane)

I, Kelly Norwood, being first duly sworn on oath, deposes and says: That he is the Vice President, State and Federal Regulation, at phone number (509) 495-4267, for Avista Corporation and makes this verification for and on its behalf of said corporation, being thereto duly authorized;

That he has read the foregoing testimony, knows the contents thereof, and believes the same to be true.

Kelly Norwood

SIGNED AND SWORN to before me this 30th day of June, 2004, by Kelly Norwood

PATTY OLSNESS
Commission Expires
NOTARY
PUBLIC
FEB 22, 2006
STATE OF WASHINGTON

Patty Olsness

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2/22/06

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have by electronic mail served Avista Corporation's CARE and LIEE PY 2005 Applications on the parties identified on Service List R04-01-006, as shown below.

Dated June 30, 2004 at Spokane, Washington

PATTY OLSNESS

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eddie@proteusinc.org	mcl@cpuc.ca.gov
joe@rhainc.com	mcl@cpuc.ca.gov
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wparker@baprc.com	ssr@cpuc.ca.gov
fosterbc@sce.com	sjr@cpuc.ca.gov
cpuccases@pge.com	tjt@cpuc.ca.gov
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Attachment A

EXHIBIT 1
AVISTA CORPORATION
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
ESTIMATED ANNUAL BUDGET 2005

Program		Total
Outreach	$	18,800
Processing/Certification/Verification	$	11,800
General	$	15,500
Total	$	46,100

EXHIBIT 2
AVISTA CORPORATION
LOW-INCOME ENERGY EFFICIENCY (LIEE)
ESTIMATED ANNUAL BUDGET 2005

Program		Total
Program Costs		
Weatherization	$	67,972
Appliance Replacement		0
Education	$	4,800
Subtotal Program Costs	**$**	**72,772**
Administrative Costs		
Outreach	$	2,000
Inspections		1,500
General		5,708
Subtotal Administrative Costs	**$**	**9,208**
Total	**$**	**81,980**

Attachment B

Avista Corp 2003 Financial Report

Appendix A

If you would like a copy of this report, please contact:

Patty Olsness
Avista Corp. MSC-29
P.O. Box 3727
Spokane, WA 99220

(509) 495-4067
patty.olsness@avistacorp.com

Form 10-Q for the quarterly period ended March 31, 2004

If you would like a copy of this report, please contact:

Patty Olsness
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Attachment D

AVISTA CORPORATION
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
HISTORICAL BUDGETS AND COSTS

Program	Approved Budget PPP 2003	Costs PPP 2003
Outreach	$ 18,800	$ 11,416
Processing/Certification/Verification	$ 11,800	$ 6,865
General	$ 5,500	$ 7,678
Total	$ 36,100	$ 25,959

TABLE 2 - CARE OUTREACH ACTIVITIES - 2003

Activity	Summary	Timeline	Status (In Progress/Completed)	Cost
Direct Mail			Completed	$9,348.00
Food Bank Bags			Completed	$808.00
Meals on Wheels Napkins			Completed	$395.00
Welfare System Envelope			Completed	$95.00
Co-Op Posters			Completed	$373.00
Co-Op Welfare Envelope			Completed	$398.00

TABLE 3 - CARE PARTICIPATION - 2003

Month	Enrolled by Non-Capitation	Enrolled by Capitation	Total Enrolled	Total CARE Participants	Estimated * Eligible	Participation Rate
January			698	698	1,163	60
February			747	747	1,163	64
March			759	759	1,163	65
April			872	872	1,163	75
May			869	869	1,163	75
June			858	858	1,163	74
July			891	891	1,163	77
August			919	919	1,163	79
September			905	905	1,163	78
October			935	935	1,163	80
November			942	942	1,163	81
December			942	942	1,163	81

*Footnote source for calculating estimated eligible

AVISTA CORPORATION
LOW-INCOME ENERGY EFFICIENCY (LIEE)
HISTORICAL BUDGETS AND COSTS

Program	Approved Budget PPP 2003	Costs PPP 2003
Program Costs		
Weatherization	$ 75,550	$ 75,234
Appliance Replacement	0	0
Education	1,248	1,295
Subtotal Program Costs	**$76,798**	**$76,529**
Administrative Costs		
Outreach	$ 1,248	$ 1,295
Inspections	1,284	1,723
General	2,650	5,083
Subtotal Administrative Costs	**$ 5,182**	**$ 8,101**
Total	**$ 81,980**	**$ 84,630**

AVISTA CORPORATION
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE)
2004 APPROVED BUDGETS, FIRST QUARTER COSTS AND PROJECTIONS

Program	Approved 2004 Budget	First Quarter Results	Projected 2004
Outreach	$ 28,800	$ -	$ 28,800
Processing/Certification/Verification	$ 11,800	$ 3,336	$ 11,800
General	$ 5,500	$ 2,897	$ 5,500
Total	**$ 46,100**	**$ 6,233**	**$ 46,100**

TABLE 3 - CARE PARTICIPATION 2004

Month	Enrolled by Non-Capitation	Enrolled by Capitation	Total Enrolled	Total CARE Participants	Estimated * Eligible	Participation Rate
January			986	986	1,223	80.6
February			994	994	1,223	81.2
March			1,020	1,020	1,223	83.4
April			1,062	1,062	1,223	86.8
May			1,052	1,057	1,223	86.4
June						
July						
August						
September						
October						
November						
December						

*Footnote source for calculating estimated eligible

AVISTA CORPORATION
LOW-INCOME ENERGY EFFICIENCY (LIEE)
2004 APPROVED BUDGETS, FIRST QUARTER COSTS AND PROJECTIONS

Program	Approved 2004 Budget	First Quarter Results	Projected 2004
Program Costs			
Weatherization	$ 67,972	$ 24,675	$ 67,972
Appliance Replacement	0	0	0
Education	$ 4,800	0	$ 4,800
Subtotal Program Costs	**$ 72,772**	**$ 24,675**	**$ 72,772**
Administrative Costs			
Outreach	$ 2,000		$ 2,000
Inspections	1,500		$ 1,500
General	5,708		$ 5,708
Subtotal Administrative Costs	**$ 9,208**	**$ -**	**$ 9,208**
Total	**$ 81,980**	**$ 24,675**	**$ 81,980**