

2022-2023 Biennial Conservation Report



May 31, 2024



Avista 2022-2023 Biennial Conservation Report

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I. Definitions

Table 1: Definitions of Select Terms Used in Avista’s 2022-2023 BCR

Electric Conservation Terms	
EIA Target	All cost-effective conservation potential as required by RCW 19.285. Includes the Pro-Rata share from Avista’s Conservation Potential Assessment (CPA), plus other programs/measures with confident savings omitted from the CPA subject to the Energy Independence Act (EIA), such as distribution-level efficiency, pilots with uncertain savings, and additional portfolio buildout.
EIA Penalty Threshold	As approved by the Commission, which may rely on standard practice to set Investor Owned Utilities’ conservation targets. For purposes of Avista’s BCR, this is the EIA target without regional savings from the Northwest Energy Efficiency Alliance (NEEA).
Decoupling Penalty Threshold	Five percent of the EIA Target, as originally defined in Docket UE-140188, Order 05.
Total Local Biennium Target	EIA Penalty Threshold plus Decoupling Penalty Threshold.
Total Local Conservation Achievement	Total Conservation achieved by Avista for the biennium, including excess savings applied per WAC 480-109-100(3)(c).
Total Reported Savings	Total Local Conservation Achievement plus Avista’s share of NEEA regional savings.
Total Conservation Goal	EIA target plus Decoupling Penalty Threshold plus any additional targets identified by the utility outside of the EIA Target.
Natural Gas Conservation Terms	
Two-Year Conservation Target	All cost-effective conservation potential as required by RCW 80.28.380. Includes the Pro-Rata Share from Avista’s CPA, plus other programs/measures with confident savings omitted from the CPA, such as distribution-level efficiency, pilots with uncertain savings, and additional portfolio buildout.
Decoupling Commitment	Five percent of the Two-Year Conservation Target, as established in Dockets UE-140188 and UG-140189, Order No. 05, with incremental penalties established in Dockets UE-190334, UG-190335, and UE-190222 (<i>consolidated</i>), Order No. 09.
Total Local Biennium Target	Two-Year Conservation Target plus Decoupling Commitment.
Total Local Conservation Achievement	Total Conservation achieved by Avista for the biennium.
Total Reported Savings	Total Local Conservation Achievement plus Avista’s share of NEEA regional savings.
Total Conservation Goal	Two-Year Conservation Target plus Decoupling Commitment plus any additional targets identified by the utility.

II. Executive Summary

In accordance with RCW 19.285, WAC 480-109-120(4), and Order No. 01 in Dockets UE-210826 and UG-210827, Avista Corporation, dba Avista Utilities (Avista or the Company), respectfully submits its 2022-2023 Biennial Conservation Report (BCR or Report) to the Washington Utilities and Transportation Commission (UTC or Commission).

In its Order,¹ the Commission approved Avista’s 2022-2023 electric conservation EIA Target of 101,566 megawatt-hours (MWh), in addition to an EIA Penalty Threshold of 91,054 MWh, and a Decoupling Penalty Threshold of 5,078 MWh, for a Total Local Biennium Target of 96,132 MWh and a Total Conservation Goal of 106,644 MWh. Avista’s Energy Efficiency Program (Program) achieved 74,372 MWh towards these thresholds from its local efforts. After applying 4,841 MWh in excess conservation from prior biennia, consistent with RCW 19.285.040(c)(i), the Company achieved 79,213 MWh for the 2022-2023 biennium – falling short of the EIA Penalty Threshold by 11,841 MWh and the Total Local Biennium Target by 16,919 MWh. The following table provides a summary of Avista’s biennial accomplishments for its electric energy efficiency portfolio.

Table 2: 2022-2023 Electric Biennial Conservation Achievements

2022-2023 Electric Biennial Summary			
	Target	Actual	Percent
Savings Category	(MWh)	(MWh)	
EIA Penalty Threshold	91,054	74,372	82%
Total Local Biennium Target (including 5% Decoupling Threshold)	96,132		77%
Total Conservation Goal (including NEEA)	106,644	84,827	80%
Excess Savings			
Available Excess Savings		4,841	MWh
2022-2023 Savings in Excess of Target		0	MWh
Total Excess Savings		4,841	MWh
Conservation Expenditures			
	Budget	Actual	Percent
Total Conservation Expenditures	\$43,364,106	\$38,877,788	90%
Cost-Effectiveness			
	Total Resource Cost Test	Utility Cost Test	
Benefit-to-Cost Ratios - Planned	2.57	3.39	
Benefit-to-Cost Ratios - Actual	1.65	2.00	

¹ See Docket UE-210826, Order No. 01 and associated Attachment A.

As shown in Table 2, Avista met 80% of its Total Conservation Goal of 106,644 MWh² and 82% of its EIA Penalty Threshold (77% of its Total Local Biennium Target) with its achievement of 74,372 MWh from demand-side energy efficiency. With the excess conservation savings from prior biennia applied, the Company met 87% of its EIA Penalty Threshold and 82% of its Total Local Biennium Target. Under the Total Resource Cost (TRC) cost-effectiveness test, the electric efficiency benefits exceeded the costs by a ratio of 1.73.

For natural gas,³ the Commission approved Avista’s Two-Year Conservation Target of 2,192,434 therms and a Decoupling Commitment of 109,622 therms,⁴ for a 2022-2023 natural gas Total Conservation Goal of 2,302,056 therms. As a result of the 2022-2023 biennium, Avista’s Energy Efficiency Program achieved 1,133,548 therms towards these targets from its local efforts, falling short of its Total Conservation Goal by 1,038,575 therms. Table 3 below provides a summary of Avista’s biennial accomplishments for its natural gas energy efficiency portfolio.

Table 3: 2022-2023 Natural Gas Biennial Conservation Achievements

2022-2023 Natural Gas Biennial Summary			
	Target	Actual	Percent
Savings Category	(Therms)	(Therms)	
Two-Year Conservation Target	2,192,434	1,133,548	52%
Total Local Biennium Target (including 5% Decoupling Commitment)	2,302,056		49%
Total Conservation Goal (including NEEA)	2,302,056	1,263,481	55%
Conservation Expenditures			
	Budget	Actual	Percent
Total Conservation Expenditures	\$18,837,759	\$14,292,732	76%
Cost-Effectiveness			
	Total Resource Cost Test	Utility Cost Test	
Benefit-to-Cost Ratios - Planned	2.41	2.86	
Benefit-to-Cost Ratios - Actual	1.42	1.35	

As shown in Table 3, Avista met 55% of its Total Conservation Goal (including NEEA) and 49% of its Total Local Biennium Target (including 5% Decoupling Commitment)⁵ with its achievement of

² Total Conservation Goal is made up of the two-year EIA Target (not EIA Penalty Threshold) of 101,566 MWh and the Decoupling Penalty Threshold of 5,078 MWh.

³ See Docket UG-210827, Order No. 01 and associated Attachment A.

⁴ Pursuant to Order No. 05 in Dockets UE-140188 and UG-140189, with incremental penalties established in Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*), Order No. 09.

⁵ *Id.*

1,133,548 therms from demand-side energy efficiency. Under the TRC cost-effectiveness test, the electric efficiency benefits exceeded the costs by a ratio of 1.42.

For both the electric and natural gas energy efficiency portfolios, planned cost-effectiveness is established based on the aggregated expected costs to achieve the targeted savings utilizing all of the programs in the Company's portfolio. Tables 2 and 3 above demonstrate that both portfolios were cost effective for the biennium, yet the benefit-to-cost ratios were lower than initially planned. This difference between planned cost-effectiveness and actual cost-effectiveness is easily attributed to the significant increase in the biennial target and the realized savings from 2022 promoting the need to establish new programs, pursue higher cost measures, and, ultimately, not achieving the planned biennial savings.

Avista adaptively managed its efficiency Program throughout the biennium. As described within this Report as well as the associated Annual Conservation Reports (ACRs) filed for each year of the two-year period,⁶ Avista itself, along with external partners and trade allies, and with its Energy Efficiency Advisory Group (EEAG or Advisory Group), launched new programs, adjusted incentives, and invested in targeted efficiency approaches, all in an effort to offset the deep and lasting effects of the COVID-19 pandemic. Despite these endeavors, the sustained economic and supply chain challenges that continued during the 2022-2023 biennium resulted in curbed customer participation in Avista's efficiency programs and, consequently, unmet savings targets. While the Company saw favorable improvement in customer participation in 2023 for both electric (117% savings increase over 2022) and natural gas (6.5% savings increase over 2022) due to its agile management of its programs and a positive shift in economic conditions, these achievements during 2023 were not enough to compensate for the significant underperformance of 2022.

Despite these lingering challenges, Avista believes that it adaptively and appropriately managed its Program in the continued wake of the recent economic vacillation and, as such, requests that the Commission issue an Order determining that Avista is considered in compliance with its electric biennial acquisition target for cost-effective conservation in accordance with RCW 19.285.040(1)(e). The COVID-19 pandemic was a public health emergency that could not have been reasonably anticipated or ameliorated, resulting in extended emergency declarations and was beyond the reasonable control of the utility. While the pandemic itself has come and gone, the reverberating impacts were a primary driver in preventing Avista from meeting its conservation target. During the 2022-23 biennium, these impacts included extended COVID-19 emergency declarations, disruptions in the business and manufacturing cycles (including a lack of return to work and empty commercial office space), a dramatic rise in inflation, increased

⁶ See Dockets UE-210826 ([UTC Case Docket Document Sets | UTC \(wa.gov\)](#)) and UG-210827 ([UTC Case Docket Document Sets | UTC \(wa.gov\)](#)).

interest rates to curb inflation which impacted capital spend, and supply chain constraints limiting the ability to acquire product.

Notably, the Governor of Washington’s emergency declarations extended through October 31, 2022,⁷ meaning that approximately 10 months, or nearly 42% of the biennial time period, occurred while the state of Washington was still in an Emergency COVID Declaration. Therefore, as allowed by RCW 19.285.040(1)(e), Avista is requesting a determination of compliance with its biennial targets due to the noted circumstances of the 2022-2023 biennium, thereby waiving any conservation target penalty for electric operations. More specifically, RCW 19.285.040(1)(e) states that “A qualifying utility is considered in compliance with its biennial acquisition target for cost-effective conservation in (b) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target. Events that a qualifying utility may demonstrate were beyond its reasonable control, that could not have reasonably been anticipated or ameliorated, and that prevented it from meeting the conservation target include: (i) Natural disasters resulting in the issuance of extended emergency declarations; [Emphasis Added].

For Avista’s natural gas efficiency program, the Decoupling Commitment agreed to in Dockets UE-190334 et. al. requires that the Company 1) achieve an additional 5 percent above the natural gas conservation target required by its Integrated Resource Plan (IRP) and, 2) be subject to a penalty if it fails to meet this proposed target. This penalty, on a graduated scale, is as follows:

- \$20,000 for incremental conservation between 4.5 and 5.0 percent;
- \$50,000 for incremental conservation between 3.75 and 4.5 percent;
- \$75,000 for incremental conservation below 3.75 percent.

While the Company believes that the compliance provisions of RCW 19.285.040(1)(e) are applicable to Avista’s 2022-2023 compliance determination for its electric efficiency program, no similar code or rule exists for natural gas services. Rather than request exemption from a prior general rate case Order, Avista instead agrees to pay the penalty for incremental conservation shortfall below 3.75 percent. Such penalty will be funded from Avista’s shareholders and not recovered through customer rates.

III. Biennial Portfolio – Electric

Avista builds its Biennial Conservation Plan based on the Company’s EIA Target with additional considerations for existing program throughput, impacts of current and forecasted incentive levels, and also any additional observed or anticipated market impacts. These additional

⁷ [Inslee announces end to remaining COVID-19 emergency orders and state of emergency by October 31 | Governor Jay Inslee \(wa.gov\)](#).

considerations influence the overall savings goal and budget for the plan. Because of this, the total goal stated in the Biennial Conservation Plan may be slightly higher than that of the EIA Target. Such was the case in the 2022-2023 biennium, when the savings goal stated in the Company’s 2022-2023 Biennial Conservation Plan (BCP or Plan) was 96,949 MWh for local programs excluding NEEA. This target, as described later in this Report, marked an excessive increase from previous biennium and was a contributing factor to the Company’s unmet goals for the biennium.

Table 4 below shows the verified savings and related demand-side management (DSM) expenditures alongside the goals identified within the Company’s Plan (which is inclusive of the Company’s Total Utility Conservation Goal of 106,644 MWh, including NEEA programs).

Table 4: Biennial Conservation Plan vs. Actual 2022-2023 Electric Results

Program	2022-2023 BCP Savings Goal (MWh)	2022-2023 Budget	2022-2023 Actual Savings (MWh)	2022-2023 Actual Spend
Residential	16,969	\$5,034,258	5,831	\$1,735,718
Low-Income	1,579	\$3,952,239	809	\$2,797,251
Non-Residential	78,401	\$17,612,031	56,408	\$19,056,303
Generation, Transmission, and Distribution	-	\$-	11,324	\$-
Administration/Other	-	\$14,049,577	-	\$12,234,081
Total Before NEEA	96,949	\$40,648,105	74,372	\$35,823,353
NEEA	10,600	\$2,716,000	10,455	\$3,054,435
Total	107,549	\$43,364,105	84,827	\$38,877,788

Avista’s electric Program measures its cost-effectiveness using the Total Resource Cost Test. The overall portfolio achieved a TRC benefit-to-cost ratio of 1.65 inclusive of low-income programs and 1.73 without. Table 5 identifies the TRC with and without the impact of the low-income program.

Table 5: 2022-2023 Biennial WA Electric Total Resource Cost (TRC)

	Portfolio Without Low-Income Program	Low-Income Portfolio	Overall Portfolio
TRC Benefits	\$87,400,111	\$4,394,411	\$91,794,522
TRC Costs	\$50,545,242	\$5,040,345	\$55,585,587
TRC Ratio	1.73	0.87	1.65

Excess Conservation Utilization

As a result of the prior two biennial savings achievements, Avista has 4,841 MWh of excess savings available to apply to a potential 2022-2023 shortfall in accordance with RCW 19.285.040(c)(i) and WAC 480-109-100(3)(c). For the 2022-2023 biennium, 20% of the Company's 96,132 MWh two-year total local biennium target equates to a maximum of approximately 19,226 MWh in excess savings that may be applied from prior biennia to help mitigate Avista's current biennial shortfall. Avista will utilize the available excess savings of 4,841 MWh to address its 96,132 MWh target. Table 6 below illustrates Avista's Biennial excess savings carryforward.

Table 6: Excess EIA Savings (MWh) Available in Future Biennial Periods

Biennium	Target	Actual	Excess	Available in '18-'19	Available in '20-'21	Available in '22-'23	Available in '24-'25
18-'19	84,274	89,115	4,841		4,841	4,841	0
20-'21	63,590	54,809	0			0	0
22-'23	96,132	73,110	0				0
Total Available				0	4,841	4,841	0

IV. Biennial Portfolio – Natural Gas

For 2022-2023, Avista's natural gas Two-Year Conservation Target was informed by the Company's 2021 Natural Gas CPA, and included an additional five percent conservation adder and Decoupling Commitment as a result of agreements within Avista's 2019 Washington general rate case (GRC).⁸ The CPA found that 2,192,434 therms were available in the biennium. After adding the five percent Decoupling Commitment, the total Two-Year Conservation Target for its natural gas programs was 2,302,056 therms. Approximately 58 percent of the savings value was estimated to come from residential programs. Table 7 below shows these natural gas savings goals and projected budget in comparison to verified savings and related DSM expenditures for the 2022-2023 biennium. The Company's initial Plan varied slightly from the biennial target due to program-level savings estimates using rounded numbers.

⁸ See Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*), Order No. 09.

Table 7: Biennial Conservation Plan vs. Actual 2022-2023 Natural Gas Results

Program	2022-2023 BCP Savings Goal (therms)	2022-2023 Budget	2022-2023 Actual Savings (therms)	2022-2023 Actual Spend
Residential	1,443,092	\$10,747,000	910,436	\$6,790,203
Low-Income	48,550	\$3,483,554	26,454	\$2,306,929
Non-Residential	811,786	\$2,546,500	196,658	\$430,486
Generation, Transmission, and Distribution	0	0	0	\$0
Administration/ Other	0	\$1,248,705	0	\$3,745,088
Total Before NEEA	2,303,428	\$18,025,759	1,133,548	\$13,272,706
NEEA	697,005	\$812,000	129,933	\$1,020,026
Total	3,000,433	\$18,837,759	1,263,481	\$14,292,723

Avista’s natural gas Program measures its cost-effectiveness using the TRC test. The overall portfolio achieved a TRC benefit-to-cost ratio of 1.51 inclusive of low-income programs and 1.87 without. Table 8 identifies the TRC with and without the impact of the low-income program.

Table 8: 2022-2023 Biennial WA Natural Gas Total Resource Cost (TRC)

	Portfolio Without Low-Income Program	Low-Income Portfolio	Overall Portfolio
TRC Benefits	\$33,505,5982	\$1,541,958	\$35,047,556
TRC Costs	\$19,825,776	\$4,857,109	\$24,682,885
TRC Ratio	1.69	0.32	1.42

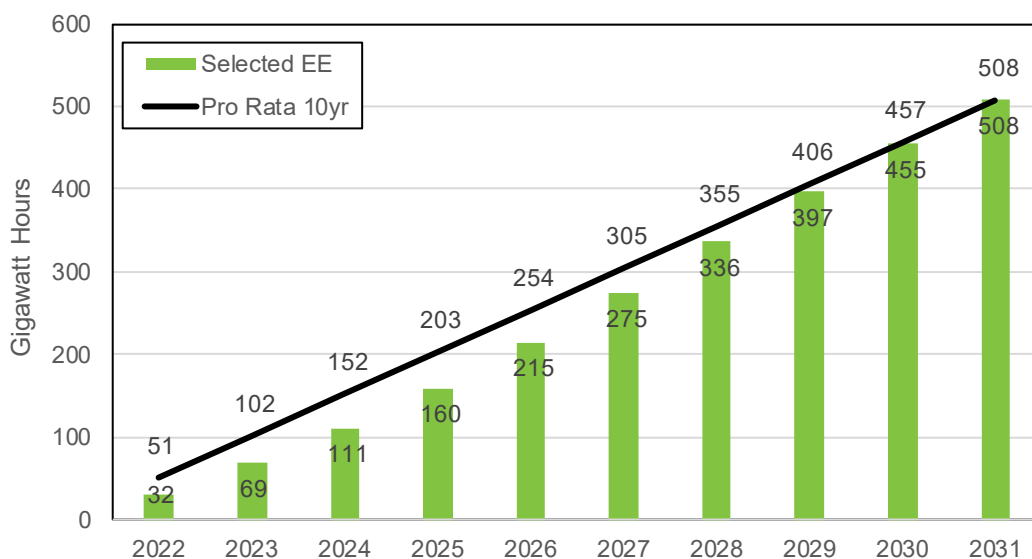
V. 2022-2023 Adaptive Management

As noted previously, acquiring energy efficiency savings during the 2022-2023 biennium was challenging. The first impediment worth noting, however, is not the multitude of barriers encountered by the Company in achieving efficiency savings, but rather an acknowledgement that the very basis for Avista’s electric energy efficiency efforts – the 96,132 MWh Total Local Biennium Target – was significantly higher for 2022-2023 than for any prior biennia. While the Company seeks to continuously improve upon its Program(s) and exceed ever-changing goals every biennium, this target, comparatively, represented an approximate 51% increase from the 63,590 MWh target established for Avista’s 2020-2021 biennium, and about 14% higher than the previous highest conservation target set, which was observed during the 2018-2019 biennium (84,274 MWh). This differentiation in initial goal baseline for the 2022-2023 biennium is largely one of timing and circumstance.

Avista’s target is set using a 10-year pro rata calculation of the 20-year conservation potential identified within the Company’s most current CPA. The CPA must consider all conservation resources that are cost-effective and available *at the time the CPA is conducted*, including a refresh of any prior assumptions regarding codes and standards in order to incorporate the best available projection of expected savings based on any forecasted changes in such standards. As a result, year to year conservation variance is expected as the anticipated codes and standards are implemented, and actual savings are realized.

Additionally, using a pro rata calculation effectively “pulls forward” savings potential by averaging a 10-year period and assigning savings equally across those years as opposed to selecting only the savings potential identified for the specific biennial period from the CPA, which follows a more logarithmic curve with higher saving achieved in future years. While this does not typically provide inconsistencies that are so difficult to overcome, the CPA utilized for this particular biennium was filed in 2021, after having been performed during 2020 using 2019 as its base year. This is important to understand because the use of a pro rata calculation, coupled with the events of the years following the CPA’s limited [2019-2020] view, converged to create a rather unrealistic expectation of what potential savings would look like for the 2022-2023 biennium. Illustration 1, taken from the Company’s 2021 Integrated Resource Plan,⁹ illustrates the difference between the two-year pro rata savings calculation (102 GWh) versus the CPA project cumulative two-year savings potential (69 GWh).

Illustration 1: Washington Annual Achievable Potential Energy Efficiency (Gigawatt Hours)



⁹ <https://www.myavista.com/-/media/myavista/content-documents/about-us/our-company/irp-documents/2021-electric-irp-w-cover-updated.pdf>, Fig 5.5, pg. 5-8.

Illustration 1 clearly demonstrates that the use of a pro rate allocation of savings disproportionately impacted 2022 and 2023 as compared to the CPA.

Additionally, the CPA conducted in 2020 could not accurately account for two very specific events that impacted the forward-looking energy efficiency potential for 2022-2023. The first was the 2019 rollback of the 2007 Energy Independence and Security Act (EISA) lighting backstop condition that was subsequently reestablished in 2021. During the 2020 CPA process, the EISA lighting standard backstop was not yet in effect. This secondary EISA rule, which requires any light bulb sold after 2019 to meet a 45 lumens-per-watt standard (thereby dramatically increasing residential lighting efficiency), caused projected lighting savings within the 2020 CPA to be much higher, essentially *overestimated*, than the actuals that would eventually be realized in 2022. With the reestablishment of the backstop in 2021, none of the identified potential was then available for Avista to achieve.

The second significant event that impacted the overall attainableness of these atypically high targets was, of course, the prolonged recovery from the COVID-19 pandemic and the adverse economic conditions impacting customers, as the CPA could not have reasonably accounted for such a drastic shift in customer behavior and economic instability resulting from a future contagion.

Aside from the higher targets themselves, Avista faced a plethora of pandemic-related challenges during the 2022-2023 biennium. In 2022 alone, continued COVID-19 emergency declarations, supply chain constraints, labor shortages, inflation, rising interest rates, and code changes all impacted the efficiency industry, severely affecting customer participation in Avista's Programs and, as a result, its ability to meet savings targets.

To counteract these obstacles and encourage customers to participate in efficiency programs, Avista implemented various adaptive management strategies including working with new partners to develop and launch innovative new programs, increasing incentives or creating new incentives, targeted marketing, introducing new funding sources to focus on Named Communities, and identifying (and incorporating savings from) generation, transmission and distribution projects that contributed to efficiency savings. The Company kept its EEAG abreast of the difficulties it was encountering throughout the biennium, seeking feedback and collaborating on potential adaptive management approaches. While 2023 brought with it less supply chain disruptions and an evident increase in customer participation in Avista's efficiency Program, the economic crises of 2022 persevered. The Company made a strong showing in 2023, achieving 98% of the electric savings targets set in its 2023 Annual Conservation Plan (ACP), but this achievement was unable to fully mitigate the drawbacks of 2022's performance. As Avista continues to cultivate and enhance its adaptive management efforts, the Company believes that the momentum from 2023 is

indicative of strengthened customer participation and overall savings escalation to be realized in the next biennium.

The 2022-2023 biennium was also characterized by a strong focus on equity in efficiency programs, as Avista worked to further align with the goals of the Clean Energy Transformation Act (CETA) and implement its Clean Energy Implementation Plan (CEIP), aiming to ensure that the benefits of the clean energy transition are realized by customers in Named Communities. As the first investor-owned utility to gain approval of its CEIP in July 2022, the Company was able to effectively engage with its Equity Advisory Group (EAG) to establish the Named Communities Investment Fund (NCIF), a commitment to invest one (1) percent of electric retail revenues to fund projects that align with goals and actions in the CEIP. Forty percent of the fund, or \$2 million annually, is allocated for energy efficiency programs in Named Communities. More information about CEIP implementation is included in the 2023 Annual Conservation Plan.¹⁰

To better understand how to reach customers that have historically been excluded from clean energy activities, Avista's energy efficiency team collaborated with the Company's business transformation and customer experience teams to lead an energy efficiency design thinking workshop in late 2022. This workshop leveraged the idea of customer-centric design thinking to encourage brainstorming and ideation around how we might help our customers with their energy needs and challenges. Strategies resulting from this workshop included the development of language-specific outreach and marketing material, translating Avista's website to Spanish, marketing programs in Spanish-speaking media, streamlining existing rebates and reducing barriers to Avista's rebate application process. All of these initiatives have now either been launched or are in development.

Avista also engaged in regular consultation with its Advisory Group to evaluate opportunities for tree planting partnerships in Spokane County. This initiative, which was identified by the Company's EAG as a priority initiative to serve Named Communities, is envisioned to leverage a partnership model to deliver outreach and education components, while increasing the tree canopy in selected neighborhoods. Avista has engaged in planning for this partnership by identifying areas within its service territory that would benefit from heat island mitigation and strategic tree planting programs. These planning activities are ongoing and will continue into the 2024-2025 biennium as Avista explores this partnership model.

Generally, the Company has placed a large emphasis on reducing barriers to its programs, to allow for more equitable participation. Several programs within Avista's Named Communities Investment Fund, as further detailed below and within the Company's ACR,

¹⁰ See Dockets UE-210826 and UG-210827, 2023 Annual Conservation Plan, filed November 15, 2022, pg. 7-13.

prioritize energy burden reduction for customers residing in these communities. Other programs have shifted from a rebate application process to either a direct-install or midstream process, reducing or eliminating administrative burden for customers. Avista continues to refine its approach to equitable program design and delivery across all departments, including energy efficiency, and recognizes this to be an iterative and everlasting cornerstone in the way the Company considers all practices and decisions.

Below are brief descriptions of several of the tactics used to adaptively manage Avista's Program throughout 2022-2023.

Increased Incentives. The Company increased its incentive levels for custom projects from \$0.20 per kilowatt to \$0.23 per kilowatt in 2022, and increased incentives for commercial and industrial lighting by approximately 15%. Avista has continued this level of incentive into its 2023 Program year to further drive conservation acquisition.

Contractor Incentive Program. Avista also introduced a contractor incentive program, offering contractors bonuses for completed site-specific projects. Avista believes these changes influenced more customers to complete their projects in situations where they would otherwise have been delayed. However, commercial customers especially continued to face headwinds such as rising interest rates, labor shortages, and supply chain constraints that likely impacted their ability to implement efficiency upgrades in 2023.

Midstream Program and Small-Business Direct Install Lighting Program. With their launch in 2023, both of these programs had a large emphasis on reducing barriers to participation in Company programs. As some of the initial impacts of the pandemic started to abate, customer participation increased drastically, approaching pre-pandemic levels by the end of the biennium. Savings for both gas and electric programs also increased significantly in 2023 over 2022, as customers embraced these new approaches to achieving efficiency upgrades. Electric savings nearly doubled, with gas savings increasing by 6.5 percent. Both of these programs are described in more detail in the 2023 ACR.

EM&V, Process and Impact Evaluations. Avista values the Evaluation, Measurement, and Verification (EM&V) process and particularly the insights gained from the Impact and Process Evaluations conducted by a third-party contractor to assess its Program and processes each biennium. These evaluations contain valuable recommendations that can greatly improve Program performance, realization rates, and cost-effectiveness. These recommendations serve as a continual "lessons learned" feedback loop that enables the Company to make informed decisions about continuing or stopping underperforming programs, adjusting measure level savings and baseline assumptions to better align expected and realized savings, and program design adjustments to lower barriers and increase participation. Examples of

adaptively managing efficiency programs by incorporating these recommendations can be found in the Company's annual ACRs.¹¹

Clean Buildings Accelerator Program. This program helps customers prepare their buildings to comply with the Clean Buildings Performance Standard¹² through individual and group training, building scans, and tailored compliance plans for each building participating in the program. The program utilizes a cohort model; two cohorts of building operators completed the program in the 2022-2023 biennium, with a third cohort launched in 2023 and future cohorts planned for 2024 and beyond, as compliance deadlines for various building sizes approach through 2028. In addition to being more prepared to comply with the new standard, building participants are being made aware of potential Inflation Reduction Act (IRA)/Infrastructure Investment and Jobs Act (IIJA) grant opportunities they may be eligible to pursue as funds become available and are informed of other Avista programs they may be eligible for.

Conservation Voltage Reduction (CVR) and Integrated Volt/VAR Control (IVVC). To identify all relevant savings, Avista's energy efficiency engineers recognized that the Company implemented CVR and IVVC on thirty-five feeders on its distribution system in 2021 and 2022. To determine electric energy savings, a year of post-implementation data is needed; with this data in place for the 2022-2023 biennium, the electric energy savings from these feeders were able to be included towards Avista's savings targets. To accomplish this, the distribution engineering team at Avista determines which feeders are suitable for CVR or IVVC and coordinates updating the control settings changes to implement it. CVR reduces the voltage and sets it at the transformer without a closed-loop control. IVVC uses voltage readings from devices along the feeder and an algorithm to update voltage on the transformer every thirty seconds to ensure the voltage is minimized while not dropping below the required threshold. CVR and IVVC implementation resulted in 10,029 MWh of electric energy savings for the 2022-2023 biennium.

Named Communities Investment Fund. Avista successfully established its NCIF during the 2022-2023 biennium, relying on guidance from its EAG and other advisory bodies to ensure that expenditures align with goals stated in the Company's CEIP. Efficiency projects funded through the NCIF in this biennium have already resulted in significant benefits to members of Named Communities. Total NCIF energy efficiency expenditures during the 2022-2023 biennium were \$1,482,964. These investments funded a large variety of projects, including health and safety upgrades for manufactured homes; weatherization for homes in Malden, Washington; lighting and HVAC equipment upgrades for numerous community organizations who serve Named Communities; energy audits for the Spokane Tribe's building portfolio; and efficiency upgrades for a community center in Spokane's East Central neighborhood. Avista is proud of projects

¹¹ 2022 ACR, page 64, 2023 ACR pages 60 & 64

¹² <https://www.commerce.wa.gov/growing-the-economy/energy/buildings/>.

achieved so far through the NCIF and looks forward to broadening the fund's impact in the next biennium.

VI. Compliance and Supporting Documentation

This Report is intended to comply with RCW 19.285.070 and WAC 480-109-120(4), as outlined below:

RCW 19.285.070. Reporting and public disclosure.

- (1) On or before June 1, 2012, and annually thereafter, each qualifying utility shall report to the department on its progress in the preceding year in meeting the targets established in RCW 19.285.040, including expected electricity savings from the biennial conservation target, expenditures on conservation, actual electricity savings results, the utility's annual load for the prior two years, the amount of megawatt-hours needed to meet the annual renewable energy target, the amount of megawatt-hours of each type of eligible renewable resource acquired, the type and amount of renewable energy credits acquired, and the percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits.

WAC 480-109-120(4) Biennial conservation report.

- (a) On or before June 1st of each even-numbered year, a utility must file with the commission, in the same docket as its current biennial conservation plan, a biennial conservation report regarding its progress in meeting its conservation target during the preceding two years.
- (b) The biennial conservation report must include:
 - (i) The biennial conservation target;
 - (ii) Planned and claimed electricity savings from conservation;
 - (iii) Budgeted and actual expenditures made to acquire conservation;
 - (iv) The portfolio-level cost-effectiveness of the actual electricity savings from conservation;
 - (v) An independent third-party evaluation of portfolio-level biennial conservation savings achievement;
 - (vi) A summary of the steps taken to adaptively manage conservation programs throughout the preceding two years; and
 - (vii) Any other information needed to justify the conservation savings achievement.
- (c) A utility must provide a summary of the biennial conservation report to its customers by bill insert or other suitable method within ninety days of the commission's final action on the report.

- (d) A utility may file the annual conservation report and the biennial conservation report together as one report, provided that the report includes all of the information required in subsections (3) and (4) of this section and states that it serves as both the annual conservation report and the biennial conservation report.

This Report is also consistent with the natural gas conditions approved in Order No. 01 of Docket UG-210827, Attachment A, Section 5(c)(i), which requires Avista to file with the Commission on or before June 15 of each even-numbered year a BCR regarding its progress in meeting its conservation target during the preceding two years.

Included as part of Avista's 2022-2023 BCR are the Company's 2023 ACR (in accordance with WAC 480-109-120(4)(d)) and its EIA/I-937 Commerce Conservation Report (RCW 19.285.070(1)). The Company will provide the necessary conservation reporting to the Washington Department of Commerce (Commerce) simultaneously with the submission of this BCR with the Commission.

VII. Conclusion

While the Company is disappointed to have not fully achieved its energy efficiency goals for the 2022-2023 biennium, Avista is proud of the efforts and innovative offerings from the energy efficiency team in 2023 that substantially narrowed the gap created from the barricades of 2022. Throughout the biennium, Avista successfully stayed above its cost-effectiveness threshold of 1.0 using the TRC cost-effectiveness test achieving an overall TRC ratio of 1.65 for its electric portfolio and 1.42 for natural gas. Due to the extraordinary conditions present during 2022 and the effective adaptive management enacted during 2023, Avista believes that it is in compliance with its electric biennial acquisition target for cost-effective conservation in accordance with RCW 19.285.040(1)(e), and is certain that the Company's unceasing pursuit of all cost-effective conservation and exploration of continuous Program improvement will result in satisfactory goal attainment in the future.