



Washington

2018 Electric Demand-Side Management
Annual Conservation Plan (ACP)

November 1, 2017

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I. EXECUTIVE SUMMARY

Avista Utilities' (Avista or the Company) annual conservation plan (ACR or the Plan) is provided consistent with RCW 19.285.040(1), WAC 480-109-120(2)¹ and requirements outlined in Commission Order No. 01 in Docket No. UE-152076 approving Avista's 2016-2017 Biennial Conservation Plan with conditions.

Avista chose to use its 2017 Electric Integrated Resource Plan (IRP) centered on its Conservation Potential Assessment (CPA), as the basis for its 2018-2019 biennial acquisition target². Avista intends to acquire 73,636 Megawatt-hours (MWh) of qualifying energy efficiency, which is the pro rata share of the ten-year conservation potential³, during the 2018-2019 biennium in order to fulfill the I-937 and decoupling requirements. Over a ten-year horizon (2018 through 2027), the Company's CPA anticipated the acquisition of 368,181 MWh. For the 2018-2019 biennium, the Company will acquire 73,636 MWh as identified in the IRP process⁴. This amount is the pro-rata share of the ten-year conservation potential which was greater than the two-year cumulative conservation potential of 69,899 MWh.

¹ On or before November 15th of each even-numbered year, a utility must file with the commission, in the same docket as its current biennial conservation plan, an annual conservation plan containing any changes to program details and annual budget.

² WAC 480-109-100(2)(b) This projection must be derived from the utility's most recent IRP, including any information learned in its subsequent resource acquisition process, or the utility must document the reasons for any differences. When developing this projection, utilities must use methodologies that are consistent with those used in the Northwest Conservation and Electric Power Plan.

³ WAC 480-109-100(3)(b) The biennial conservation target must be no lower than a pro rata share of the utility's ten-year conservation potential.

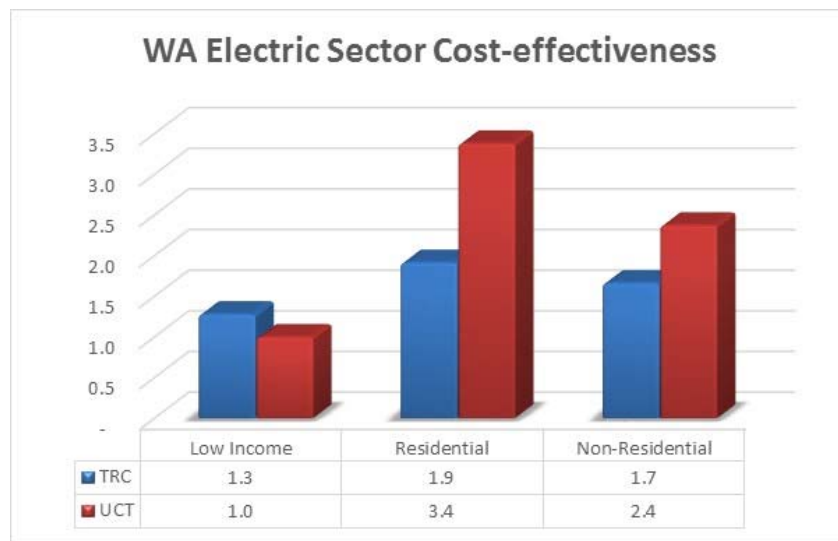
⁴ The Company will also acquire 15,386 MWh of conservation savings through its behavioral program offerings for an adjusted acquisition target of 89,022 MWh.

The 2018 Plan represents program efforts by the Company in order to achieve its expected eligible acquisition savings for the 2018-2019 biennium. For the 2018 ACP, the Company has identified planned conservation savings, including fuel conversions, of 58,342 MWh from local efforts and a total of 63,335 MWh after including NEEA. Avista has planned expenses of \$2.6 million of fully loaded labor funding across electric and natural gas programs in Washington, a 2.2% decrease from the 2017 budget. The proportion of total utility expenditures returned to customers in the form of direct incentives is 69% which is an increase from the 50% in the 2017 Annual Conservation Plan. The estimated 58,342 MWh is an increase in the forecasted energy savings from the 2017 forecasted acquisition of 35,782 MWh. Table 1 below illustrates the savings and total budget per sector for the 2018 program year. Note that budget numbers include Non-Incentive Utility Costs (NIUC).

Table 1: 2018 Savings and Budget by Sector (w/o NEEA):

Washington Electric by Sector	MWh	Budget
Low Income	848	\$ 1,281,967
Residential	33,329	\$ 6,272,844
Non-Residential	24,165	\$ 6,863,554
Total	58,342	\$ 14,418,365

Figure 1: Portfolio Cost-effectiveness



II. INTRODUCTION

The Company's approach to energy efficiency is based on two key principles. The first is to pursue all cost-effective kilowatt hours and therms by offering financial incentives for energy saving measures with a simple financial payback of over one year. The second key principle is to use the most effective "mechanism" to deliver energy efficiency services to customers. These mechanisms are varied and include 1) prescriptive programs (or "standard offers" such as high efficiency appliance rebates), 2) site-specific or "customized" analyses at customer premises, 3) "market transformational," or regional, efforts with other utilities, 4) low-income weatherization services through local Community Action Agencies, 5) low-cost/no-cost advice through a multi-channel communication effort, and 6) support for cost-effective appliance standards and building codes.

This Annual Conservation Plan is intended to be a continuous planning process. The Company is committed to maintain and enhance meaningful stakeholder involvement within this process. Over the course of the following year, revisions and updates to the plan are to be expected as part of adaptively managing the DSM portfolio.

The Company's programs are delivered across a full customer spectrum. Virtually all customers have had the opportunity to participate and a great many have directly benefited from the program offerings. All customers have indirectly benefited through enhanced cost-efficiencies as a result of this portfolio approach.

The business planning process builds upon the electric and natural gas IRP and CPA processes. These processes are an overall resource planning process completed every two years that integrate energy efficiency and generation resources into a preferred resource scenario. It is the purpose of the business plan to create an operational strategy for reaching the aggregate targets identified within the IRP in a manner that is cost-effective and with due consideration to all aspects of customer value.

The annual planning process also leads to the identification of infrastructure and support needs such as:

- defining the necessary labor complement
- establishment of an annual budget

- review of and modification to the measurement, evaluation and verification (EM&V) plan
- identification of outreach requirements
- organization of a marketable customer-facing portfolio

The budgetary projections established within the Plan are applied in a separate mid-year process to revise the DSM tariff rider funding mechanisms contained within the Schedule 91 electric and Schedule 191 natural gas tariffs. The tariff rider surcharges are periodically adjusted with the objective of moving these balances toward zero.

III. KEY CONSIDERATIONS

a. Evaluation, Measurement and Verification (EM&V) Commitments

Within its DSM portfolio, Avista incorporates EM&V activities to validate and report verified energy savings related to its energy efficiency measures and programs. EM&V protocols serve to represent comprehensive analyses and assessments necessary to supply useful information to management and stakeholders that adequately identifies the acquisition of energy efficiency attributable to Avista's DSM Programs, as well as potential process improvements necessary to improve operations both internally and for customers. EM&V includes Impact and Process, and taken as a whole, are analogous with other industry standard terms such as Portfolio Evaluation or Program Evaluation.

A primary responsibility of Avista's EM&V resources is to support the ongoing activities of the third-party EM&V consultants and evaluators performing the various analyses required to substantiate the conservation acquisition, determine market saturation and penetration and process evaluations. The 2018 EM&V budget provides for third-party EM&V services that provide an evaluation of 2018 program year portfolio, along with consolidating these findings with results obtained for 2017 for reporting requirements associated with the Energy Independence Act (EIA) biennium.

To support planning and reporting requirements, several guiding EM&V documents are maintained and published. This includes the Avista EM&V Framework, an annual EM&V Plan and EM&V contributions within other DSM and Avista corporate publications. Program-specific

EM&V plans are created as required to inform and benefit the DSM activities. These documents are reviewed and updated as necessary, serving to improve the processes and protocols for energy efficiency measurement, evaluation and verification.

EM&V efforts will also be applied to evaluating emerging technologies and applications in consideration of potential inclusion in the Company's energy efficiency portfolio. In the Electric Portfolio, Avista may spend up to 10 percent of its conservation budget on programs whose savings impact have not yet been measured if the overall portfolio of conservation passes the applicable cost-effectiveness test. These programs may include educational, behavior change and other types of investigatory projects. Specific activities can include product and application document reviews, development of formal evaluation plans, field studies, data collection, statistical analysis and solicitation of user feedback.

Avista and its customers benefit from regional activities and resources in the energy efficiency and conservation domain. To engage with and contribute to regional efforts, one Avista staff member has a voting role and a second member of the Avista staff member has a corresponding member role on the Regional Technical Forum (RTF) that serves as an advisory committee to the Northwest Power and Conservation Council (NPCC). The RTF is a primary source of information relating to the standardization of energy savings and measurement processes for electric applications in the Pacific Northwest. This knowledge base provides energy efficiency data, metrics, non-energy benefits and references that are suitable for inclusion in Avista's Technical Reference Manual (TRM) relating to acquisition planning and reporting. In addition, the Company engages with other Northwest utilities and the Northwest Energy Efficiency Alliance (NEEA) in various pilot projects or subcommittee evaluations. Portions of the energy efficiency savings acquired through NEEA's programs within the region are attributable to Avista's portfolio.

Avista's commitment to the critical role of EM&V is supported by the Company's continued focus on the development of best practices for its processes and reporting. Application of the principles of the International Performance Measurement and Verification Protocol serves as the guidelines for measurement and verification plans applied to Avista programs. Additionally, the recent compilation of EM&V protocols released under the U.S. Department of Energy's Uniform Methods Project will be considered and applied where possible to support consistency and credibility of the reported results. The verification of a statistically significant number of

projects is often extrapolated to verify and perform impact analysis on complete programs within reasonable standards of rigor and degree of conservatism. This process serves to insure Avista will manage its DSM portfolio in a manner consistent with utility and public interests.

b. Cost-Effectiveness Metrics, Methodology and Objectives

The Company's planning approach aims to maximize cost effective conservation acquired by analyzing the cost effectiveness of each segment (Residential, Commercial/Industrial and Low Income) and how the measures within the programs contribute to the cost effectiveness of that segment and eventually the individual portfolios. Non-energy benefits (NEBs) are a common topic of discussion in many energy evaluation circles and the Company is appreciative of the valuable work the RTF has done to quantify NEBs for the region. In this Plan where NEBs are calculated and the delivery method is consistent with what is required by the RTF the calculated NEBs were included in the appropriate cost effectiveness tests (Total Resource Costs (TRC) and Participant Cost Test (PCT)). Since the RTF does not currently have UES or NEB values for commercial lighting a similar methodology was used to calculate the NEB value of efficient lighting measures that have longer measure lives than the baseline technology. The Company will continue to follow and participate in RTF activities around NEBs and will include NEBs in the cost effectiveness calculation when appropriate.

Details regarding how Avista applies the avoided costs and cost-effectiveness methodologies to the estimation of the 2018 portfolio are contained in Appendix C to this Plan. The results of the TRC and Utility Cost Test (UCT) tests are summarized by program and portfolio in Appendix A.

The Company maintains an active involvement in the regional energy efficiency community and is committed to acknowledging and addressing new energy efficiency developments as they are presented. WUTC Commission Staff has worked closely with the National Efficiency Screening Project to explore and develop the National Standard Practice Manual (NSPM) which provides a thoughtful review of the challenges associated with traditional conservation cost-effectiveness tests and provides a framework to guide Conservation Program

Administrators and Regulators as they seek to address these challenges going forward. A key element of the NSPM's seven-step framework includes the completion of a Resource Value Test (RVT) questionnaire. Avista attended an introductory workshop facilitated by the WUTC on September 12th, 2017 which introduced the NSPM, the universal principles and resource value framework steps, and identified policy goals. A second workshop was scheduled for October 2, 2017 but was cancelled to provide more time for preparation. The intent of the second workshop was a more in-depth exploration and review of the RVT and the NSPM. There has been limited review and regional discussion of the NSPM to date.

At this time, Avista is unable to assess the potential value or ramifications of implementing a new cost-effective methodology and without further exploration into the NSPM and RVT is unable to advocate for this change. However, throughout 2018, the Company will work with Commission Staff, its Advisory Group, utilities and other stakeholders in a collaborative process to discuss RVT, the NSPM, cost-effectiveness calculation policy goals as well as a timeline and plan for potential incorporation. These discussions could also address how to implement potential revisions, should they be deemed warranted.

c. Schedule 90 and 190 Revisions

Avista's electric DSM operations are governed by Schedule 90 tariff requirements and natural gas DSM operations are governed by Schedule 190. These tariffs (attached within Appendix E) detail the eligibility and allowable funding that the Company provides for energy efficiency measures. Though the tariff allows for considerable flexibility in how programs are designed and delivered and accommodates a degree of flexibility around incentives for prescriptive programs subject to reasonable justification, there remains the occasional need to modify the tariff

to meet current and future market conditions and opportunities. The Company proposes revisions to three areas of its Schedule 90 and 190 tariffs.

1. The Company has identified that the current Schedule 90 and Schedule 190 tariffs do not provide low income programs an exception to the \$.20 per kWh and \$3.00 per Therm limits. The Company has proposed a modification to the language in Section 4.1 that would identify that cost effective low income programs may be funded up to 100% of the project cost.
2. The Company proposes the removal of the minimum measure life of 10 years as stated in Section 4.1 of Schedules 90 and 190.
3. The Company proposes that the language in Section 4.1 of Schedule 90 be modified so that 100% of the “project” cost is stated instead of the current language that refers to the “incremental” cost. This would make the tariff consistent with the Company’s practice for Low-Income programs. Please see Appendix E for a copy of the tariff schedule.

d. Schedule 91 and 191 Revisions

The Company is currently monitoring the balance in both the electric and natural gas tariff riders. As of the end of August 2017, the negatives (underfunded) balances were \$14 million electric and \$0.1 million natural gas. WAC 480-100-130(2) requires the utility to file on or before June 1st every year to “true up” the rider balance with an August 1st effective date. As we continue to monitor the balances, the Company may, with the guidance of its Advisory Group propose to file a true up at a time other than June 1st.

e. Washington Energy Independence Act Standards for the 2018-2019 Biennium

Washington Energy Independence Act (EIA) requirements establish a minimum electric acquisition standard for conservation resources for each designated biennium. The acquisition requirement can be met with local DSM programs, distribution efficiency acquisition or reductions in generation parasitic load. Fuel efficiency efforts (electric to natural gas conversions) and acquisition attributed to Avista through regional market transformation have been excluded from the acquisition target and are not an eligible measure towards achieving that target.

For the 2018-2019 biennium, the total BCP target subject to penalty is 79,785 MWh. This amount represents the overall conservation to be obtained by Avista before the additional 5% decoupling commitment. As part of the General Rate Case Settlement Agreement in Docket Nos.

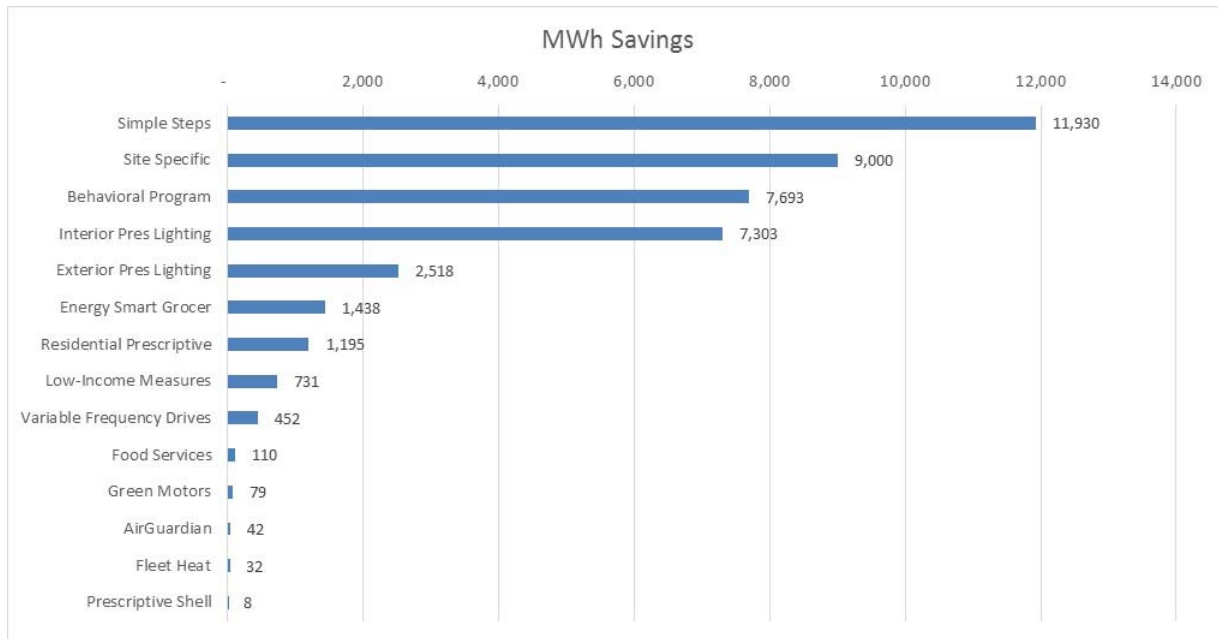
UE-140188 and UG-140189, the Company agreed, in consideration for receiving a full electric decoupling mechanism, to increase its electric energy conservation achievement by 5% over the conservation target approved by the Commission, beginning with the 2016-2017 biennial target. After applying the decoupling commitment of 3,989 MWh, the total local biennium target is 83,774 MWh for the 2018-2019 Biennium. The scope of the DSM ACP covers the majority of the acquisition eligible to achieve this target however, does not include efficiencies achieved through distribution or generation facilities.

Since the Washington EIA target was established based upon Northwest Power and Conservation Council methodologies and the Council's RTF Unit Energy Savings (UES), those same methodologies and savings are employed, to the extent possible, in measuring the savings eligible to achieve that target. The planning effort has, with a few isolated exceptions, adopted the same approach so as to generate the best prediction of how 2018 portfolio performance will be retrospectively measured. The use of RTF UES also assists in the management of the Company's EM&V expense by reducing the expenses associated with impact evaluation. However, the relationship between the regional utilities and the RTF is a symbiotic one and any impact evaluations performed on a current RTF measure will be shared with the RTF to help improve the quality of the regional deemed UES.

IV. DSM PORTFOLIO OVERVIEW

Avista's DSM portfolio is comprised of residential, low income and non-residential programs. For 2018, the Company anticipates approximately 42,530 MWh of I-937 qualified savings from its program offerings (w/o NEEA). The following figure illustrates the major categories from which those savings are achieved.

Figure 2: 2018 MWh Savings



a. Residential Portfolio Overview

The Company’s residential portfolio is composed of several approaches to engage and encourage customers to consider energy efficiency improvements within their home. Prescriptive rebate programs are the main component of the portfolio, augmented by a variety of other interventions. These include upstream buy-down of low-cost lighting and water saving measures, select distribution of low-cost lighting and weatherization materials, direct-install programs and a multi-faceted, multichannel outreach and customer engagement effort.

Prescriptive rebate programs use financial incentives to encourage customers to adopt qualifying energy efficiency measures. Customers must complete installation and apply for a rebate, submitting proper proof of purchase, installation and/or other documentation to Avista, typically within 90 days from project completion. Customers can submit this form in hard copy and several prescriptive measures are also available to submit online at www.myavista.com.

Residential prescriptive programs typically cover single family homes up to a four-plex. For multifamily situations (five-plex or larger), owners/developers may choose to treat the entire complex with an efficiency improvement. In these unique cases, the projects are treated as a

commercial project and are evaluated within the site-specific portfolio or the prescriptive commercial windows and insulation program.

Avista continues to offer programs delivered to residential customers through third-party contractors such as regional manufacturer buy-downs for small devices such as LEDs, lighting fixtures and showerheads. Avista is planning to continue offering regional manufacturer buy-downs in 2018 and will also look to introduce pilot programs to better engage residential customers.

A measure-by-measure evaluation of the incremental contribution to the TRC test cost-effectiveness of the portfolio is the primary guidance in reaching decisions regarding eligibility for measures. For natural gas, the UCT is also applied. In the event that a previously offered measure is no longer cost-effective, a transition plan is initiated to equitably treat customers who were in or about to commit to participating in the program. Typically a minimum 90-day notice is provided prior to the termination of a program.

Residential programs have a strong presence and coordination with regional efforts, such as those offered by the Northwest Energy Efficiency Alliance (NEEA). Currently there are significant regional efforts active in the markets for ENERGY STAR homes, consumer electronics, ductless heat pumps and standard improvements for new heat pump water heating technologies. Avista has offered local rebates in support of many of the NEEA market transformation ventures and will continue to do so where opportunities for local leveraging of these programs are cost-effective options.

Manufactured Homes are an important customer segment within the residential portfolio and one that is included in many of our 2018 program offerings. We provide incentives through our ENERGY STAR Homes incentive for Eco-Rated manufactured homes. The Company offers a ductless heat pump incentive and a heat pump water heater incentive that offers manufactured homes additional options especially when natural gas is not available. We continue to experience positive results in the manufactured home market with our electric to natural gas furnace incentive. The Company also offers high efficiency natural gas incentives for qualifying furnaces and tankless water heaters. Existing manufactured homes without natural gas are also eligible to apply for excess construction allowance contributions towards the cost (after DSM) for qualifying natural gas water heater and high efficiency natural gas furnaces.

These are just some highlights of continued efforts to focus on and serve manufactured homes along with stick built residential dwellings. Avista recently completed a comprehensive, direct install program treating manufactured homes and delivering \$2.4 million in duct sealing and repair. While Manufactured Homes now have a comparable ENERGY STAR rating in Eco-Rated, Avista was an early adopter in recognizing the cost-effective savings and began offering ENERGY STAR home incentives to manufactured homeowners. As another example of Avista’s efforts that may benefit manufactured housing, Avista provides \$2.7 million annually (\$2 million in Washington, \$700,000 in Idaho) to contracted Community Action Partner (CAP) agencies to treat and improve income-qualified homes. Customers in manufactured homes are an area of focus where the CAPs bring a wealth of experience and expertise to assist these customers.

b. Low Income Portfolio Overview

The Company utilizes the infrastructure of seven CAP agencies to deliver low income energy efficiency programs. The CAPs have the ability to income-qualify customers and have access to a variety of funding resources, including Avista funding, which can be applied to meet customer needs. The seven agencies serving Avista’s entire Washington service territory receive an aggregate annual funding of \$2,000,000. The distribution of these funds is represented in the following table:

Table 2: 2017 Low Income Funding by CAP Agency

CAP Agency	Counties Served	Funding Allocation
SNAP	Spokane	\$1,335,000
Rural Resources	Ferry, Lincoln, Pend Oreille, Stevens	\$174,000
CAC Whitman County	Whitman	\$146,000
Opportunities Industrialization Council	Adams, Grant	\$75,000
Spokane Indian Housing Authority	Stevens County	\$20,000
Washington Gorge Action Programs	Klickitat, Skamania	\$10,000
Community Action Partnership (Lewiston)	Asotin	\$240,000
		Total \$2,000,000

The agencies may spend their annual allocated funds on either electric or natural gas efficiency measures at their discretion as long as the home demonstrates a minimum level of the Avista fuel for space heating use. Agencies have included in their annual funding a 15% reimbursement for administrative costs. Health and human safety measures may also be completed with the amount spent on these improvements not to exceed 15% of the agency's total annual contract amount.

The list of measures offered is derived from the Department of Commerce's Weatherization Manual. To guide the agency toward projects that are most beneficial for the Company's energy efficiency efforts, an "Approved" list of measures is provided that allows for full reimbursement. Measures reimbursed at 100% have a Total Resource Cost (TRC) of 1.0 or better. Per WAC 480-109-100(10)(a), measures identified through the priority list in the Weatherization Manual are considered cost-effective. For efficiency measures with a TRC less than 1.0 and not included on the priority list, a "Rebate" that is equal to the Company's avoided cost of energy is provided as the reimbursement to the Agency.

Both the "Approved" and "Rebate" lists are made available to the agencies during the contracting process so they are aware of the eligible measures and the designated amounts if applicable. Should the Agency have an efficiency opportunity that is not on the "Rebate" list, the Company will review each project individually to determine an appropriate funding amount. The agencies may choose to utilize their Health and Human Safety allotment towards covering the full cost of the "Rebate" measure if they do not have other funding sources to fill in the difference. In 2018 some measures, particularly weatherization, have decreased TRCs below 1.0, however, most are included on the Weatherization Manual priority list and therefore reimbursed at 100%.

The Company is aware that there is concern about declining participation in Low-Income programs, however, we believe that this has been primarily driven by higher costs per weatherized household over the same fixed amount of Low-Income funds available. An actual participant goal would be difficult to determine given that the number of treated homes depends upon the depth and cost of weatherization required by the participating homes as well as the other non-utility funds available to the CAP agencies in any given year.

c. Non-Residential Prescriptive Program Overview

The nonresidential energy efficiency market is delivered through a combination of prescriptive and site-specific offerings. Any measure not offered through a prescriptive program is automatically eligible for treatment through the site-specific program, subject to the criteria for participation in that program. Prescriptive paths for the nonresidential market are preferred for measures that are relatively homogenous in scope and uniform in their energy efficiency characteristics.

Prescriptive paths do not require pre-project contracting, as the site-specific program does, and thus lend themselves to streamlined administrative and marketing efforts. Incentives are established for these prescriptive programs by applying the incentive formula contained within Schedules 90 and 190 to a prototypical installation. Actual costs and savings are tracked, reported and available to the third-party impact evaluator. Many but not all of the prescriptive measures utilize RTF UES.

d. Non-Residential Site-Specific Program Overview

Avista offers nonresidential customers the opportunity to propose any energy efficiency project with documentable energy savings (except for those eligible for a prescriptive offering) for a technical review and potential incentive through the site-specific program. Multifamily residential developments may also be treated through the site-specific program when all or a large number of the residences and common areas are treated. The determination of incentive eligibility is based upon the projects individual characteristics as they apply to the Company's Washington electric Schedule 90 or natural gas Schedule 190 tariffs. The Company has established written processes and procedures to guide the consistent calculation of project incentives. Among other tools, the Company maintains an Excel model (Dual Fuel Incentive Calculator or DFIC) to perform these calculations and conducts technical and administrative checks known as the "Top Sheets."

The site-specific program has historically been one of the more cost-effective portions of the DSM portfolio, as well as generating a substantial share of the energy savings. The year-to-year program performance can be somewhat variable due to the timing of large projects. If the Company falls short of the conservation target over the next two biennium's under WAC-109-

100(3)(c)(ii), five percent of the shortfall can come from excess conservation at a single large facility, which would require additional tracking of savings for those facilities that have loads greater than 5 aMW.

Implementation improvements recently completed that will have a positive impact on the site-specific program include:

- Revisions to the site-specific program implementation processes to improve clarity and promote the timely movement of projects through the pipeline.
- The establishment of four checklists (or “Top Sheets”), one to review the energy efficiency evaluation report, one prior to contracting and a final one prior to the payment of the incentive, in order to ensure consistent documentation and treatment of each project as it progresses through these processes towards completion.

Program marketing relies heavily upon the Account Executive infrastructure and commercial and industrial energy efficiency outreach. Outreach includes print advertising, customer newsletters, customer meetings and vendor outreach. Account Executives have actively managed accounts, but are also available to any customer based upon the geographic location or industry, and serves as their liaison for all energy needs. A portion of the Account Executives effort is expended on coordinating the customer involvement in both the site-specific and prescriptive energy efficiency programs. The program delivery and engineering teams perform additional outreach to customer groups and support of the program marketing, as well as serving their functions within the program implementation process.

The site-specific program savings can be difficult to predict due to large projects with long sales cycles. General economy shifts may also impact customer willingness to fund efficiency improvements. Increases in process and eligibility complexity, increases in customer costs to participate beyond the capital investment and costs for post measurement activities are kept in mind and managed in order to continue to successfully engage customers.

e. Regional Market Transformation

Avista’s local DSM portfolio seeks to influence the decision of customers towards the purchase of cost-effective energy efficiency products and services through a combination of incentives, awareness and addressing barriers to adoption. The local DSM portfolio is intended to

be permanent in nature with the understanding that the specific programs and eligibility criteria will be revised over time in recognition of the changing marketplace, technologies and economics. Though these efforts can, and to a degree do, create permanent changes in how our customers make energy choices, it is generally not feasible for Avista to design local programs so as to influence markets that are often regional or national in scale.

Market transformation is an alternate approach to those markets and are defined interventions occurring for a finite period of time, utilizing strategically selected approaches to influence the energy market (customer, trade allies, manufacturers or combinations thereof) followed by an exit strategy. Successful market transformations permanently change the trajectory of markets in favor of more cost-effective energy efficiency choices, well beyond the termination of the active intervention.

Electric utilities within the northwest came together in 1997 to establish and fund a cooperative effort geared towards sustaining market transformation on a regional basis with sufficient scale and diversity to deliver a portfolio capable of delivering a cost-effective electric efficiency resource. That organization, NEEA, entered its fifth funding cycle during 2015. Avista has been an active and funding participant of this collaborative effort since the beginning. Over that period of time, NEEA has delivered to Avista and the region some of the most cost-effective electric efficiency resources within the overall portfolio. Avista has committed to continuing to be part of NEEA for this fifth funding cycle encompassing the 2015-2019 period (inclusive).

It is recognized that the future NEEA portfolio may not be as cost-effective as the past. NEEA's very successful residential lighting efforts, and many other ventures, are difficult to replicate. Nevertheless, there is little doubt that there are cost-effective opportunities that can only be achieved, or that are best achieved, through a regionally cooperative effort. Avista has a high degree of confidence that the NEEA portfolio will succeed, and that Avista's Washington customers continue to benefit from these efforts.

For 2018, the Company's portion of NEEA's Electric budget is expected to be approximately \$1,400,000 for Washington.

The NEEA funding requirements are incorporated within the budget but are considered to be supplementary expenditures outside of the scope of the current year's local portfolio. The

NEEA portfolio has not been incorporated within either the acquisition projection or the cost-effectiveness of the 2018 local portfolio developed within this Plan.

V. PILOT PROJECTS

As described in WAC 480-109-100(1)(c), utilities must engage in adaptive management of conservation portfolios, to ensure that portfolios appropriately respond to changing market conditions during a biennium. Adaptive management of a conservation portfolio includes conducting pilot programs of new technologies or new approaches to engage customers in conservation.

Avista is continuously evaluating new technologies and new approaches for attaining energy conservation. As the Company pursues all cost-effective kilowatt hours and therms, piloting new programs allows the Company and its customers to explore new avenues for obtaining energy savings. For 2018, the Company is exploring multiple pilot programs for both residential and non-residential customers. The progress of these pilot programs was shared with the Advisory Group. The below outlines and describes the six plots (budgets and expected participation numbers are yet to be determined).

a. Residential In-Home Energy Audit and Weatherization

Avista presented the residential direct install program pilot idea to its advisory group for input during the Fall 2017 meeting. The program is anticipated to begin early 2018 and will be contracted through a third-party vendor. The preferred geographic locations for this pilot are populated areas that border Washington and Idaho. That way, a program could be present in both jurisdictions and serviced by a single contractor.

The pilot is designed for qualified customers that seek energy assistance in the form of a home visit to evaluate their home's current state and recommend improvements to make their home more energy efficient. At the time of the visit, the representative will also install energy saving measures along with assess the home's weatherization. The pilot includes the installation of:

- LED lamps

- Water aerators
- Showerheads
- Advanced Power Strips

Along with installing the above equipment during the site visit, the representative will also assess the current level of insulation in the home's attic and/or crawl space. Doing this will inform the customer of their home's insulation rating (R value) which will determine if the customer qualifies for an energy efficiency rebate if they choose to install additional insulation. The electrical contractor will perform audits on the qualifying customers and sent those specifications to Avista for approval.

This pilot promises to be effective in addressing Hard to Reach Markets and providing education to our customers through having direct contact with individuals knowledgeable in energy efficiency matters. In addition, it provides an improved avenue to supplying residential customers with weatherization programs by pre-verifying current insulation levels in the customers' home.

b. Multifamily Hard to Reach Program

Avista presented to the advisory group during the Fall 2017 meeting the concept of a Multifamily Direct Install Program. This program would target the hard to reach markets, limited income customers, and individuals that rent or own rental properties. This program would incentivize owners of multifamily buildings to make energy efficient improvements including weatherization improvements, water aerators, low flow showerheads, low flow faucet aerators, LED lighting, vending misers, smart power strips and other measures in both individual housing units as well as common spaces.

c. Residential Behavioral Pilot Program

The smart thermostat pilot program will be part of Avista's diverse portfolio of energy efficiency programs. The primary goal of the program is to achieve behavior-based energy savings through the use of Avista's smartphone application. Avista will partner with a 3rd party vendor to provide between 100 and 1,000 customers access to customized, dynamic energy use data. The

pilot provides customers to access usage information via energy-bridge and installed smartphone application.

The bridge will enable open platform thermostats to communicate to the third party vendor who will in turn compile the data for customer viewing. The communication will be displayed through a desktop web application or smartphone application. The customer will also have the option to select emailed monthly usage home energy reports.

This pilot would run concurrently in Idaho and Washington. The intent of the program is to determine how timely and regular energy consumption feedback will affect the behavior of users. The proposed pilot will utilize open platform smart thermostats installed in homes that are both AMI and Wi-Fi enabled. No specific preference will be given to the brand of Thermostat other than it having to be open platform. Customers participating with in the pilot will have the ability to download the application in Q1/Q2 2018.

The intent is provide customers with auditory or visual alerts that inform on energy use and give energy savings tips and a variety of information for completing various home projects that can save energy.

- Hourly (with a one day delay) interval data as well as real-time (60 second) feedback on their home's energy use, which includes allowing users to explore their energy use on a monthly, weekly, and daily basis.
- The ability to set targets for their use to enable better tracking of energy use goals.
- Weather overlays to allow the user to determine if weather changes impacted their home energy use.
- Weekly challenges, which if completed, can earn the user achievement badges and points to improve the appearance of their in-app avatar.
- Tips for completing various home projects that can save the user energy and money on their bill. These projects are labeled to indicate the level of difficulty in completing the project (i.e., do-it-yourself, intermediate, or requires a pro).

d. Residential Wall Insulation Pilot

Avista will partner with a siding and insulation company in the Spokane/CDA area and offer to pay the incremental cost of the first 25 homes that do the following when replacing their siding: add 2 inches of foam board, install a new building wrap, and allow a ¼ inch gap for humidity control under their new siding. Avista will evaluate the savings and decide if a full

program is cost effective. There is an opportunity to do a post blower door to make sure there is adequate ventilation post upgrade and offer energy recovery ventilators to control air quality.

e. **Ecova Commercial Building Operation Simulation Pilot**

Continuation of Ecova Commercial Building Operation Simulation Pilot with monthly billing data in Lewiston\Clarkston. Avista has completed the Phase 1 of this pilot and received positive results. With the bulk of AMI earmarked for 2019, the Company is considering another Phase 1 with monthly data so we can highlight customer efficiency needs prior to full AMI rollout.

f. **Low-Income Multifamily Pilot Program**

The Low-Income Multifamily Pilot Program is designed to service CAP agency owned complexes throughout Avista's service territory and offer cost effective weatherization measures. This project will be in partnership with the CAP agencies and other third-party contractors. The project's goal is to explore the potential for including weatherization projects in Avista's portfolio of measures and offer solutions for hard to reach markets such as multifamily housing. In addition, this weatherization pilot would address the Company's goal of obtaining deep retrofits. Measures proposed with this pilot program include mini-split heating systems, furnace replacements, ventilation systems, window replacements, and insulation measures. The Company, along with the Energy Project will continue to develop this pilot program going forward and will discuss the timing, cadence, and funding mechanisms going forward.

VI. AVISTA-SPECIFIC METHODOLOGIES AND ANALYTICAL PRACTICES

Over time, Avista has evolved approaches to calculating the various metrics applied within the planning effort to the needs of our portfolio and regulation. Care has been taken to ensure that these approaches are consistent with the intent of the Northwest Power and Conservation Council methodologies for the analysis of DSM. Avista completes an Annual DSM Report in the spring of each year based upon a retrospective review of actual results from the prior year. This process includes the calculation of each of the four basic standard practice tests (summarized in Appendix B). For planning purposes, the focus is upon the TRC and UCT test since that is the basis for optimizing the portfolio for the reasons previously explained, and therefore the explanation of

Avista's methodologies focus upon those two tests. Historically we have found that, absent significant mid-year changes in the portfolio, the planning estimate matches reasonably close to the actual results.

Avista's DSM portfolios are built from the bottom up, starting with the identification of prospective efficiency measures based upon the previous CPA and augmented with other specific opportunities as necessary. Since CPA's are only performed every two years, and since the inputs to the CPA are locked many months in advance of filing the IRP itself, there is considerable time for movement in these inputs and the development of other opportunities. The calculation of portfolio cost-effectiveness excludes costs that are unrelated to the local DSM portfolio in that particular year. Those excluded costs, termed "supplemental" costs in Avista's calculations, include:

- The funding associated with regional programs (NEEA)
- Cost to perform conservation potential assessment studies

Individual measures are aggregated into programs composed of similar measures. At the program level, non-incentive portfolio costs are allocated based upon direct assignment to the extent possible and cost are allocated based upon a programs share of portfolio avoided cost value acquisition when direct assignment is not possible. The result is a program-level TRC and UCT cost-effectiveness analysis that incorporates all of these allocated costs. The approach of ensuring that all costs are allocated at the program level is based upon feedback from previous Avista business planning efforts asserting that programs are generally sufficiently large and that the addition or deletion of a program should be significant enough to lead to a resizing of portfolio infrastructure cost.

Since the costs and benefits associated with the adoption of a measure may accrue over time, it is necessary to establish a discount rate. Future costs and benefits are discounted to the present value and compared for cost-effectiveness purposes. Generally, energy and non-energy benefits accrue over the measure life and costs are incurred up-front. During the late summer of 2016, the Company presented to the Advisory Group a proposal to use a real Weighted Average Cost of Capital (WACC), instead of a nominal figure. This suggestion received positive feedback,

therefore a real discount rate of 4.27% was used as the discount rate for the 2018 Plan based upon a nominal WACC of 7.45%.

The calculation of the TRC test benefits, to be consistent with Northwest Power and Conservation Council methodologies, include an assessment of non-energy impacts (both benefits and costs) accruing to the customer. These impacts most frequently include maintenance cost, water and sewer savings and (in the case of the low income program) inclusion of the cost of providing base case end-use equipment as part of a fully funded measure and the value of health and human safety funding (on a dollar-for-dollar basis).

For purposes of calculating TRC cost-effectiveness, any funding obtained from outside of Avista's customer population (generally through tax credits or state or federal administered programs) are not considered to be TRC costs. These are regarded as imported funds and, from the perspective of Avista's customer population appropriate to the TRC test, are not costs borne by our customers. Co-funding of efficiency measures from state and federal programs for low-income programs applicable to a home that is also being treated with Avista funding is not incorporated within the program cost. This is consistent with permitting tax credits to offset customer incremental cost as described within the California Standard Practice Manual description of the TRC test. A more in-depth explanation of these analytical practices is contained in Appendix B.

VII. ANALYTICAL REVIEW OF MEASURES BY PROGRAM

The annual planning process begins with a "blank slate" approach to maximizing the value of the DSM portfolio to customers. The process ends when the portfolio meets, or comes as close as possible to meeting, the desired objectives. Within this section is a summary of the composition and performance of the planned 2018 portfolio.

Decisions when incorporating a measure within a program being offered to customers were primarily, but not exclusively, made upon the contribution of each individual measure to the portfolio cost-effectiveness. Factors other than cost-effectiveness that were considered in the measure status include consistency with other measures, the incentive relative to both the incremental and total customer cost, the marketability and expected customer satisfaction of the measure and the element of uncertainty surrounding all of the inputs to the planning process.

For purposes of reviewing the contributions of these programs, the portfolio has been categorized as follows:

- Residential Prescriptive Programs
- Residential Fuel Conversions
- Low Income Programs
- Low Income Fuel Conversions
- Non-Residential Prescriptive Programs
- Non-Residential Site Specific Programs

Residential Programs

Since the residential portfolio is composed of large numbers of individual customers, the approach is almost exclusively prescriptive in nature. Programs are offered with defined eligibility criteria, and customers meeting those criteria receive a pre-determined rebate. Customers are not required to notify the Company prior to their purchase or installation.

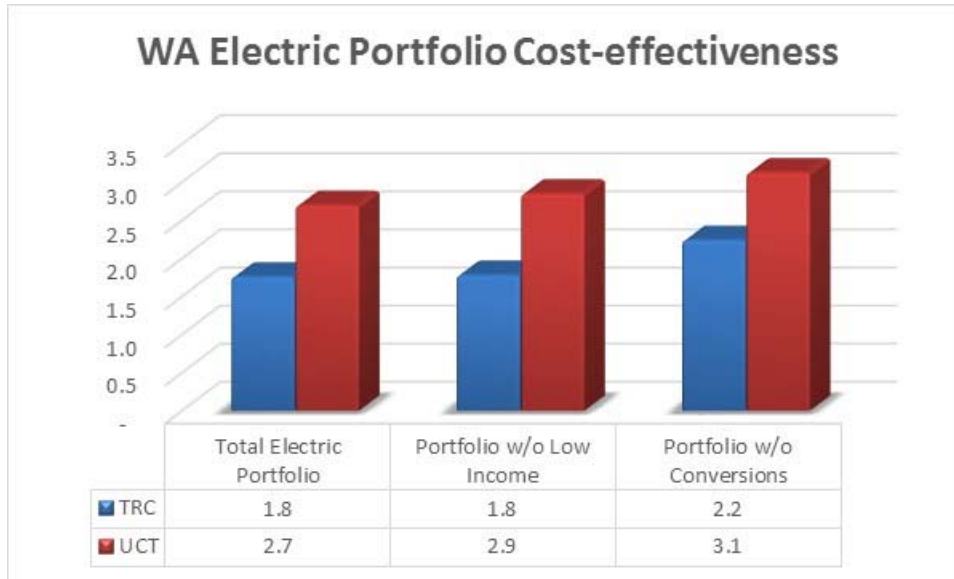
The planning process separated the residential programs into 3 individual programs:

- Residential Prescriptive
- Residential Fuel Conversions
- Simple Steps Smart Savings

All windows, thermostats, heat pump water heaters and heating/cooling equipment were analyzed under a single program but measure level cost effectiveness can be found in Appendix A. The Simple Steps, Smart Savings is an upstream buy down program and includes residential lighting and showerheads.

The program-by-program cost-effectiveness of the portfolio is graphically represented in the figure below:

Figure 3: Residential Programs Cost-Effectiveness



Avista’s movement towards Advanced Meter Infrastructure (AMI) presents multiple opportunities for both the Company and its customers. One benefit to energy conservation is that customers will be able to receive faster interval data on their energy usage and have the opportunity to adapt based on that data. As the Company approaches the implementation of AMI, changes have been made to our current behavioral program offerings.

For 2018, the Company plans to replace its current Oracle/OPower Home Energy Reports (HER) Program with a residential behavioral pilot program that focuses on providing customers with energy usage information through smart thermostats and advanced analytics tailored to customer premise. This limited pilot will be offered to 1,000 customers in Washington and Idaho and will serve as a test to determine the potential for integration of interval data feedback reporting to customers (details can be found in Section 4.c.). The program is planned to take place during 2018 which will serve to bridge the gap between the Home Energy Reports and AMI’s implementation. In addition, the pilot program will provide a more accurate baseline by allowing the persistence from the current home energy report to settle prior to AMI implementation. The planned timeframe for AMI implementation will begin in late 2018 and will continue on through the rest of the 2018-2019 biennium. The 2-year deployment is projected to install 375,000 electric and 365,000 gas meters across Avista’s service territory.

Early on in the planning process, the Company had identified that the HER program estimated 15,386 MWh of savings would be achieved in the 2018-2019 biennium. Because the Company had communicated on multiple occasions that the level of savings in the biennial conservation target were inclusive of the HER program, the Company decided to keep the 15,386 MWh in its BCP target.

Low Income Programs

Avista's low income programs are offered in a cooperative effort with Community Action Partner (CAP) agencies under annual contract to Avista. The funding contracts allow for considerable flexibility for the CAP to deliver to each individual low-income client a mix of measures customized to that particular home. For purposes of establishing a projection of program performance for 2018, Avista has defined 26 electric and natural gas measures available to Washington CAPs. Additionally, the CAP agencies are permitted to expend up to 15% of their funding on health and human safety measures on homes receiving Avista-funded treatment. Additionally, CAP agencies may charge Avista up to 15% of the total installed cost of the measures for reimbursement of administrative costs.

Avista's projected funding for each of the measure installations is limited to the present value of the energy savings, with exceptions provided for measures that have a TRC of 1.0 or greater and those measures on the Weatherization Manual priority list. Consequently, the vast majority of measures are covered at 100% reimbursement. If a CAP encounters a measure which they intend to pursue that is not fully funded, the CAP can either use Avista health and human safety funds or use non-Avista funding to complete the funding of the measure. Avista does not include the application of non-Avista co-funding for the installation of energy measures as a cost for purposes of calculating the TRC test. Avista defines two major non-energy benefits uniquely applicable to the low income program. These are:

1. End-use non-energy benefit - CAPs fund the entire cost of the installation of the measure in a customer home, not just the incremental cost of the higher efficiency value. To maintain consistency with how the utility is invoiced and with programmatic budgets, the Company includes the full invoiced cost within the TRC test. However, the energy efficiency value of the measure corresponds only to the incremental cost of the efficiency

measure. Thus, Avista values the cost associated with the baseline end-use as a non-energy benefit being provided to the customer.

2. Health and human safety non-energy benefit - The 15% health and human safety allowance permitted under the Company's funding contracts with the CAP is assumed to create, on a dollar-for-dollar basis, a quantifiable non-energy benefit. It is assumed that the CAP would only make these investments in an individually reviewed home if the benefits were equal, or in excess of, the cost. Therefore, Avista recognizes a non-energy benefit for health and human safety expenses that is equal to the amount expended.

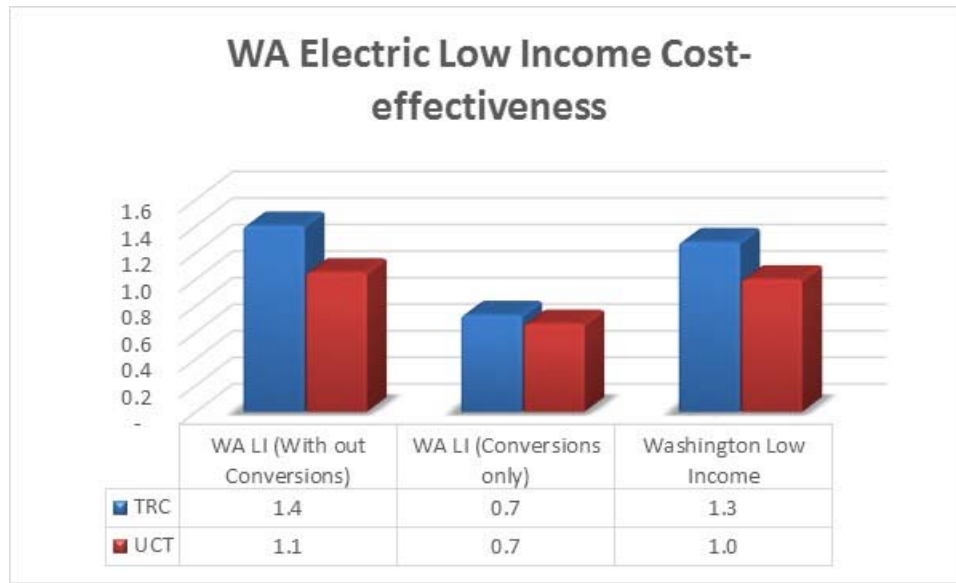
Other non-energy benefits associated with individual measures are quantified and included within the low income portfolio analysis in a similar manner to any other measure within the Avista DSM portfolio.

The UCT is calculated based upon the authorized expenditure of Avista funds, whereas the TRC cost is based upon the cost of the installation without regard to how that cost is paid. Since the authorized expenditures for a measure are potentially less than the full cost, due to the cap on funding available for most measures at the value of the energy savings, the portfolio UCT costs are lower than the TRC cost. Both the UCT and TRC costs include all assigned and allocated non-incentive utility costs.

Since there are often multiple measures installed at the same time, and these measure packages frequently consist of similar measures, it is statistically difficult to separate the individual measure savings. As a result, Avista has developed adjusted engineering estimates of UES for this program that align with actual impact evaluations for participating homes. While there is confidence that the homes achieved a certain level of savings; it is difficult to determine an individual measures contribution to the energy savings.

Fuel conversions are not included in the I-937 acquisition target therefore Low Income Fuel Conversion in Washington are analyzed separately. Figure 4 below identifies the TRC and UCT cost effectiveness for the Low-Income programs.

Figure 4: Low Income Cost-Effectiveness



Non-Residential Prescriptive Programs

Nonresidential prescriptive programs are similar to residential prescriptive programs in that they do not require a pre-installation contract and offer a fixed incentive amount for eligible measures. Measures offered through prescriptive programs are evaluated based upon the typical application of that measure by program participants. Measures that are eligible through the prescriptive program are not eligible for the otherwise all-inclusive site-specific program. Prescriptive measures are generally limited to those that are low cost, offer relatively homogenous performance across the spectrum of likely applications and would not significantly benefit from a more customized approach.

The 2018 Electric portfolio is expected to consist of ten prescriptive programs listed below:

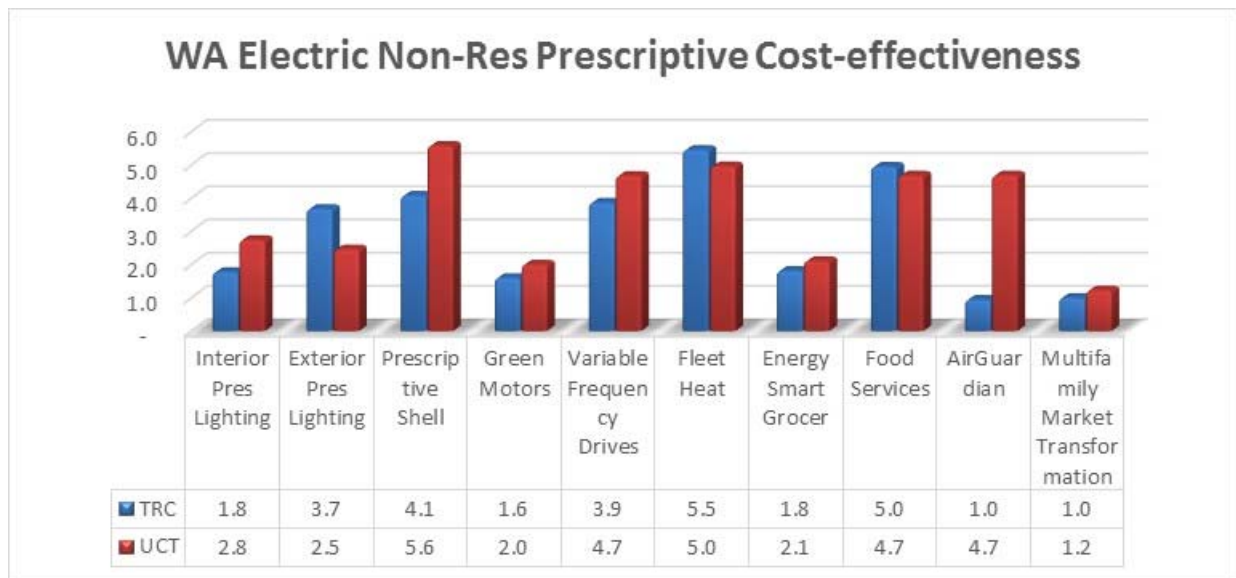
- Interior Prescriptive Lighting
- Exterior Prescriptive Lighting
- Prescriptive Shell
- Green Motors
- Motor Control HVAC (VFD)
- Fleet Heat

- EnergySmart Grocer
- Food Service Equipment
- AirGuardian
- Multifamily Market Transformation

Three of the programs (EnergySmart Grocer, Air Guardian and Green Motors) are offered to customers through third-party implementation staff (ClearResult and Green Motors Practices Group respectively) while the other seven programs are fielded by Avista DSM staff.

Quantifiable non-energy benefits are included in the TRC calculation including, but not limited to, reductions in maintenance, water, and sewer and non-utility energy costs. All assigned and allocated non-incentive utility costs have been incorporated into the cost-effectiveness calculation. Figure 5 identifies the TRC and UCT cost effectiveness for the Prescriptive Non-Residential Program.

Figure 5: WA Non-Residential Prescriptive Programs Cost-Effectiveness



Site-Specific Program

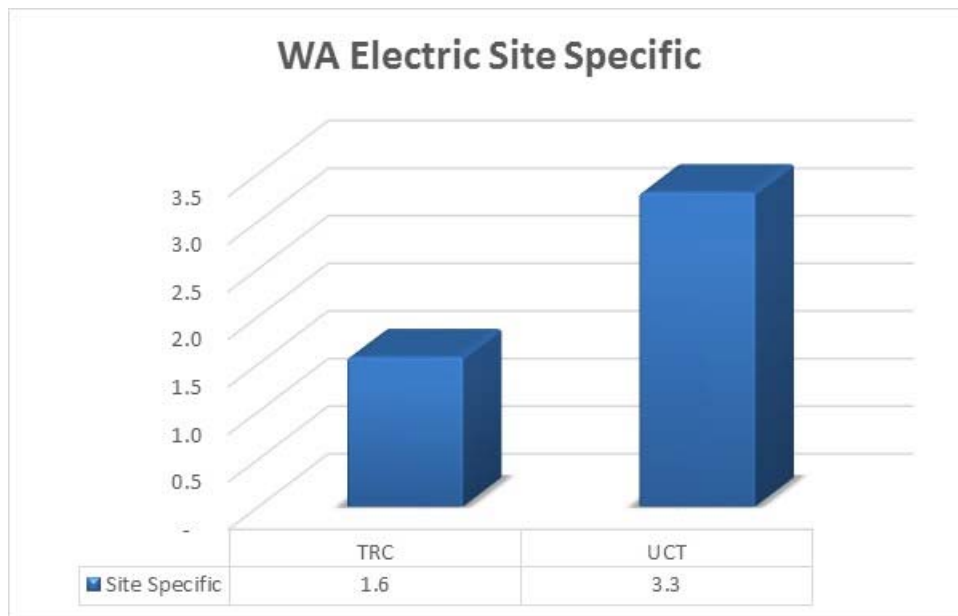
Avista’s site-specific program has historically been one of the largest and frequently one of the more cost-effective programs. Any measure with documentable and verifiable energy savings that is not otherwise covered by a prescriptive program is eligible for the site-specific

program. The all-encompassing nature of the program has led to the participation of a number of projects that would not otherwise have been incorporated within the portfolio.

For planning purposes, the program cost-effectiveness calculations were based off of the structure of schedule 90 and 190. Estimated savings from Site Specific projects for 2018 are based off of the year to date 2017 savings and then annualized for a 12 month period.

The Company does expect some site specific fuel conversion projects to occur in 2018, however the size and scope of those projects is difficult to estimate, so savings estimates have not been included with the plan. Figure 6 identifies the cost-effectiveness for the Site-Specific Programs.

Figure 6: Site-Specific Program Cost-effectiveness



VIII. SECTOR COST-EFFECTIVENESS PROJECTIONS AND RELATED METRICS

Figure 7: Sector Portfolio Cost-Effectiveness

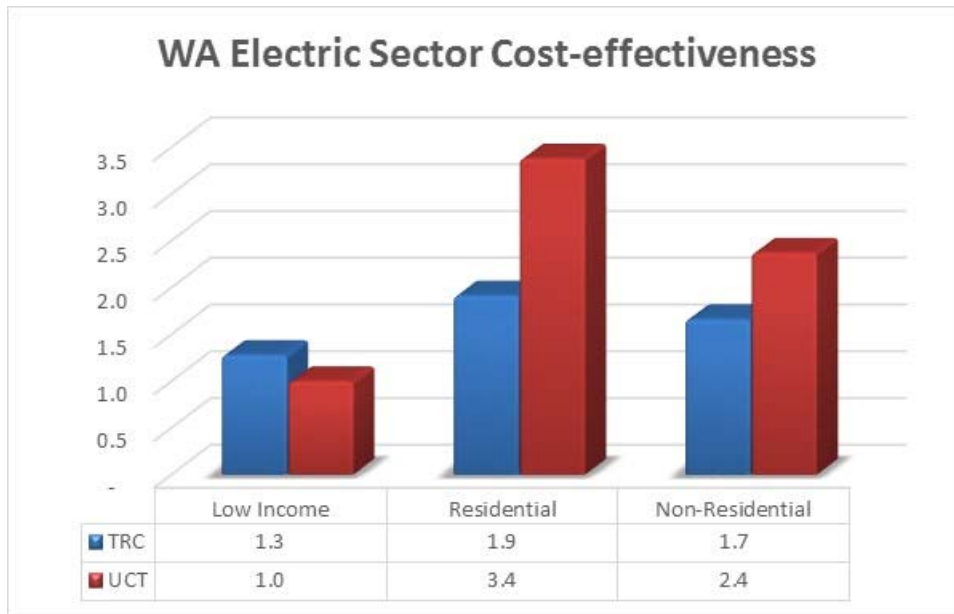


Figure 8: Sector Portfolio Savings (Excludes NEEA, Includes Fuel Conversions)

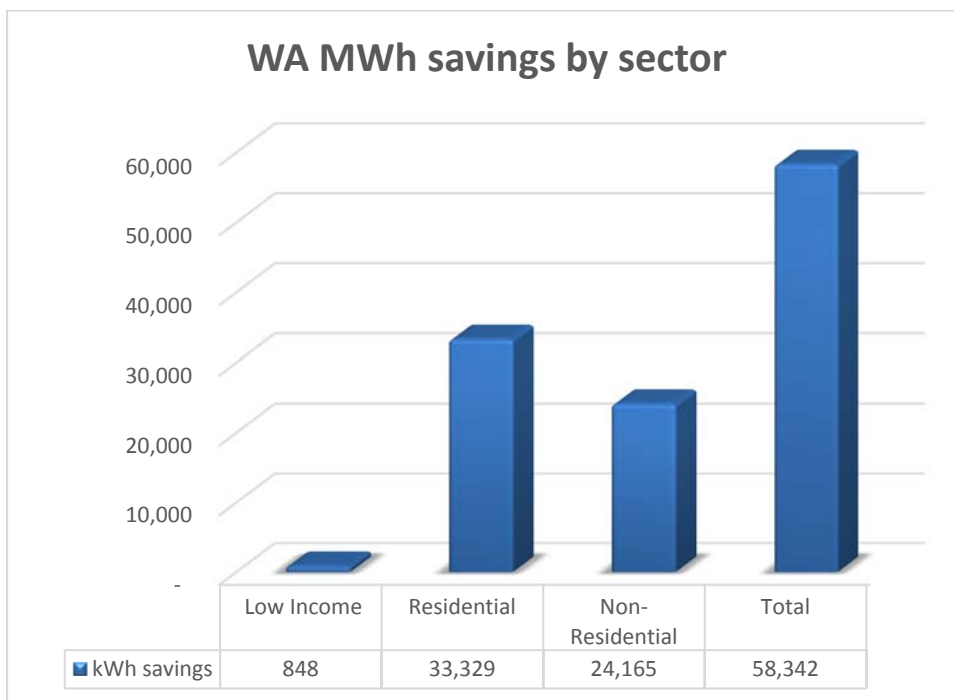
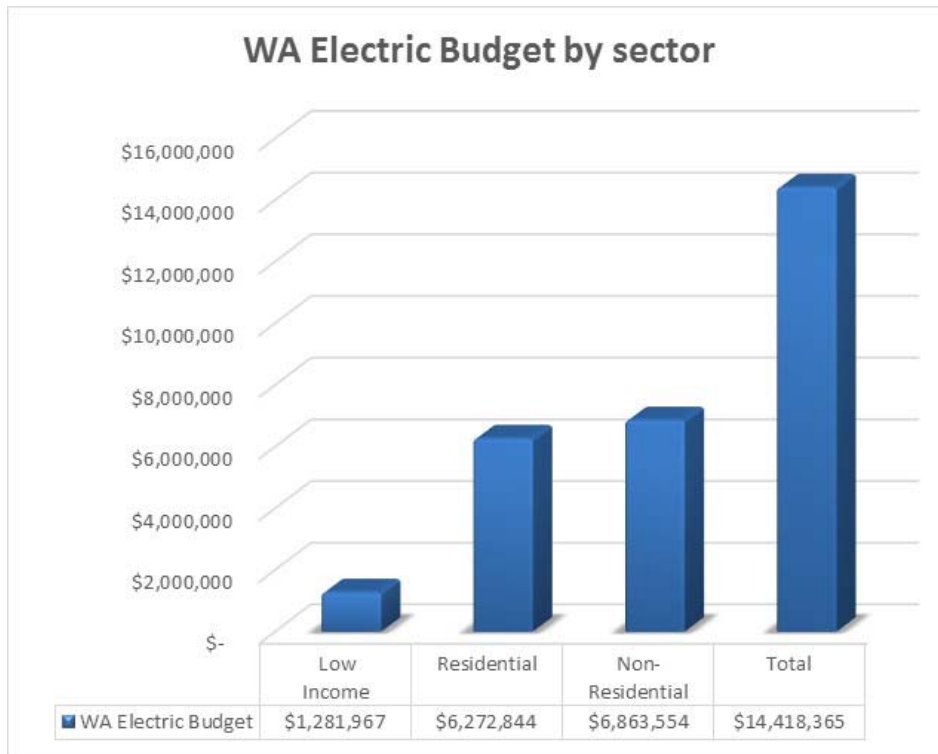


Figure 9: Sector Portfolio Budget (Includes Fuel Conversions)



The above figure represents the total budget for Low-Income, Residential and Non-Residential sectors. In addition to the amount shown below, the Company also anticipates approximately \$350,000 for new pilot programs and an additional \$1,505,000 to fund NEEA and the CPA. The total budget, after including these items, is \$16,273,365.

IX. WASHINGTON I-937 ACQUISITION TARGET

The 2018-2019 Washington I-937 DSM Local Biennial Conservation Target is 83,774 MWh. To fulfill the total biennium conservation target the 2018 business Plan’s expected eligible acquisition is 42,530 MWh. The below table illustrates the details of the I-937 acquisition target.

Table 3: Washington I-937 Goal

Category	Target (MWh)
Pro Rata Share of 10-year Conservation Potential	73,636
Behavioral Program Savings	15,386
Less: NEEA savings identified within the CPA	(9,986)
End-Use Efficiency Measures Subtotal	79,036
Distribution and Street Light Efficiency	749
Portion of BCP Target Subject to penalty	79,785
Plus 5% Decoupling Commitment	3,989
Total Local Biennium Target	83,774
Portion of savings from NEEA	9,986
2018-2019 Biennial Conservation Target	93,760

Figure 10 represents the expected 2018 ACP savings of 42,530 MWh.

Figure 10: Local I-937 Target (2018/2019) vs. 2018 WA I-937 Goal



X. SUMMARY OF 2018 BUDGET

Projections of expected labor requirements by job classification are made by managers within the DSM team and labor overheads are applied. Labor is allocated to programs based on the weighted value of benefits the program brings to the overall portfolio.

The expectations in 2018 indicate \$3.7 million of fully loaded labor funding across electric and gas programs in both Washington and Idaho, a 2.2% decrease from the 2017 budget. This amount will fund 25 FTE (Full Time Equivalent) spread across 33 different individuals compared to 24.5 FTE spread across 31 individuals in 2017.

Overall DSM Budget Projections

Based upon all of the preceding planning, a compilation of the total DSM budget is assembled at the completion of the planning process. The placement of the budget compilation at the close of the process is consistent with Avista's commitment to achieve all cost-effective DSM measures and to maximize the value of the portfolio without budgetary constraints. This process assumes that prudently incurred expenditures will be fully recoverable through the DSM tariff rider and that revisions in the tariff rider surcharge will be sufficiently timely so as to maintain a materially neutral tariff rider balance. Thus the budget is a product of the planning process and not a planning objective.

The overall 2018 budget projection is summarized below. The table includes elements of the DSM budget that have been designated as "supplemental" to indicate that they are unrelated to the current year operations and are not included in the cost-effectiveness calculation.

Table 4: Summary of the 2018 DSM Budget

	2018 Washington Electric Budget	Supplemental Budget	Non- Supplemental Budget
Total Incentives	\$9,916,317	\$0	\$9,916,317
Total Labor	\$2,210,768	\$0	\$2,210,768
Total non-labor/non-incentive	\$3,796,280	\$1,505,000	\$2,291,280
Total	\$15,923,365	\$1,505,000	\$14,418,365

The Company continues to track the proportion of total utility expenditures returned to customers in the form of direct incentives as a metric to guide the Company towards improved administrative efficiencies.

Table 5: Proportion of funds returned to customer through direct incentives

% of utility expenditures returned to customers via direct incentives	69%
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The program-by-program details of the expected incentive expenditures are provided in greater detail below. The incentives are clearly highly correlated to program throughput and energy acquisition.

Table 6: Customer Direct Incentive Expenditure Detail

	Direct Incentive Expenditure
Low Income Programs	
WA LI (With out Conversions)	\$818,136
WA LI (Conversions only)	\$128,988
Residential Programs	
Res Prescriptive	\$164,196
Res Conversions	\$2,471,450
Simple Steps	\$1,093,128
Non-Residential Programs	
Interior Pres Lighting	\$1,167,149
Exterior Pres Lighting	\$439,855
Site Specific	\$1,450,000
Pres Shell	\$1,085
Variable Frequency Drives	\$42,900
Pres Green Motor	\$7,070
Fleet Heat	\$2,082
Energy Smart Grocery	\$216,908
Food Services	\$6,289
Multifamily Market Transformation	\$1,897,000
AirGuardian	\$10,080
Total Low Income Incentives	\$947,124
Total Residential Incentives	\$3,728,774
Total Non-Residential Incentives	\$5,240,419
Total of all incentives	\$9,916,317

The non-incentive expense, including both non-supplemental and supplemental expenditures, is detailed to a lower level of aggregation and broken out by portfolio in the table below. The allocation of these expenses is allocated by the percentage of value provided by each program. The policy regarding assigning costs is based upon the source of the requirement or justification for the expense and the portfolio benefiting from the outcome of that expense.

Table 7: Non-Incentive Utility Expense Detail

	Washington electric portfolio	Supplemental budget	Non-Supplemental budget
3rd Party non-incentive payments	\$ 721,901	\$ -	\$ 721,901
Labor	\$ 2,210,768	\$ -	\$ 2,210,768
EM&V	\$ 781,004	\$ -	\$ 781,004
Memberships	\$ 59,500	\$ -	\$ 59,500
Outreach	\$ 476,000	\$ -	\$ 476,000
Training/Travel	\$ 44,625	\$ -	\$ 44,625
Regulatory	\$ 29,750	\$ -	\$ 29,750
Software	\$ 178,500	\$ -	\$ 178,500
CPA	\$ 105,000	\$ 105,000	\$ -
NEEA	\$ 1,400,000	\$ 1,400,000	\$ -
Total	\$ 6,007,047	\$ 1,505,000	\$ 4,502,047

XI. STUDIES AND OTHER ITEMS

a. On-Bill Repayment

As identified in the 2017 Washington Annual Conservation Plan, the Company researched the feasibility of providing customers with a financing option to assist in obtaining new energy efficient equipment. This specific form of assistance involved customers obtaining loans from third party lenders and having those loan repayments collected through Avista's monthly billing. The monthly payment would appear on the face of the customer utility bill as a separate line item from their utility service.

The Company is committed to exploring new avenues to make obtaining energy efficient equipment available to customers and part of that effort is removing obstacles that would hinder that acquisition. While on-bill repayment could be beneficial to the customer, the additional complexity, monitoring, and administrative burden outweighs those benefits. The Company will continue to pursue other avenues to connect with customers in a way that is beneficial for customers, the Company and its ratepayers.

b. iEnergy DSM Enterprise Software Integration

During 2017, Avista began partnering with an outside party, Nexant, to develop and integrate their Demand Side Management enterprise software suite, iEnergy. This program is a purpose-built, data management, analytics and customer engagement platform that assists utilities in managing their business processes. The platform includes an end-to-end management module that tracks and reports energy efficiency savings and expenses along with providing timely reporting for internal and external stakeholders. In addition, the software contains separate modules that provide resources and tools for trade allies, customers, and other parties. The Company anticipates that the integration of iEnergy will take place over the course of the 2018-2019 biennium with the first program transitioning to the new software beginning early 2018.

c. Particulate Matter 2.5

Using a nationwide network of monitoring sites, EPA has developed ambient air quality trends for particle pollution, also called Particulate Matter (PM). PM^{2.5} describes fine inhalable particles, with diameters that are generally 2.5 micrometers and smaller. Under the Clean Air Act, EPA sets and reviews national air quality standards for PM. Avista has entered into a contract with ABT Consulting to start to develop PM 2.5 non-energy values for offering wood burning on a measure BTU basis.

d. Real Time EM&V 2.0

The Company is also currently reviewing and analyzing the benefits of Real Time EM&V 2.0 for its customers. The purpose is to identify any measurable and immediate savings to residential customers using interval data. The Company began this effort in 2016 and hopes to finish this review in late 2017 with possible findings from November 2017 through January 2018.

Appendix A:
2018 Program Plans

Appendix A
2018 Program Plans

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I. LOW INCOME PORTFOLIO

a. Low Income Program

General Program Description:

The Company utilizes the infrastructure of seven Community Action Partner (CAP) agencies to deliver low income energy efficiency programs (aka Weatherization). The CAPs have the ability to income-qualify customers, generate referrals through their energy assistance efforts, and have access to a variety of weatherization funding sources which can be utilized to best meet the customer's home energy needs. The seven agencies serving Avista's entire Washington service territory receive an aggregate annual funding amount of \$2,000,000.

Program Implementation:

The agencies are allowed to spend their annual allocated funds on either electric or natural gas efficiency measures. The home must demonstrate a minimum level of electric or natural gas energy use for space heating use to be eligible to use the Avista funds. The agencies are authorized to use 15% of their funds for administration cost reimbursement. The Company also permits the agency to use up to 15% of their contract to fund health and safety improvements. Health and safety spend is at the agency's discretion and offers a bit of flexibility to help preserve the integrating of the improvements that have been installed in the home.

Below is the funding allocation by Agency and the county(ies) they serve:

2018 Low Income Funding by CAP Agency

CAP Agency	County	Funding
SNAP	Spokane	\$1,335,000
Rural Resources Community Action	Ferry, Lincoln, Pend Oreille, Stevens	\$194,000
Community Action Center	Whitman	\$146,000
Opportunities Industrialization Council	Adams, Grant	\$75,000
Spokane Indian Housing Authority	Stevens County	\$20,000
Washington Gorge Action Program	Klickitat, Skamania	\$10,000
Community Action Partnership	Asotin	\$240,000
		Total \$2,000,000

Spokane Indian Housing Authority (SIHA) joined the agency mix in 2016 to serve Avista's Washington customers in Stevens County. This organization has been mentored and certified by the Department of Commerce and is part of the same rigor and oversight as other traditional "network" agencies. While portions of SIHA territory overlap with an existing network agency the Company is pleased that additional effort is available to serve homes in this hard-to-reach location. Over the years,

the total low income funding allotment may not be fully spent out due to a variety of circumstances. The 2018 plan will continue with a budget of \$2,000,000 to serve the income qualified home.

To guide the agency toward projects that are most beneficial and cost-effective for the Company’s energy efficiency efforts, an “Approved” measure list is provided that in the majority of cases has a Total Resource Cost (TRC) of 1 or better for electric improvements or a Utility Cost Test (UCT) of 1 or better for natural gas improvements. The Approved list also includes measures that appear on the agency Priority List as contained in the Washington State Department of Commerce Weatherization Manual July 2017 Edition. The list of the 2018 Approved Measures can be found in the table below:

2018 Approved Measures - Washington

Electric Efficiency Measures	Natural Gas Efficiency Measures
Air infiltration	Air infiltration
Duct Sealing	Duct sealing
Attic insulation	Attic insulation
Duct insulation	Duct insulation
Floor insulation	Floor insulation
Wall insulation	Wall insulation
Energy Star Door	Energy Star door
Combo: Electric to gas furnace & water heater	Energy Star window
Electric to natural gas furnace	High efficiency furnace (90% AFUE)
Electric to ductless heat pump	High efficiency water heater (.82 EF)
Electric to air source heat pump	
Heat pump water heater(0-54 gal 1.8 EF)	
LED’s	

For efficiency measures with a TRC or UCT less than 1 a “Rebate” that is equal to the Company’s avoided cost of energy is provided as the reimbursement to the Agency. Often the rebate amount will not cover the full cost of the measure. The agencies may choose to utilize their Health and Safety allocation towards covering the full cost of the “Rebate” measure if they do not have other funding sources to fill in the difference. The list of the 2018 Qualified Rebates can be found in the table below:

2018 Qualified Rebates - Washington

Electric Efficiency Measures - Rebate
Energy Star Windows
Energy Star Refrigerator

2018 Rebates – Fully Funded and Rebated

Washington - LI Electric - 2018					
Measure Description	2018 Est Units	Total Incentive	Est. Sub TRC	Est. Sub UCT	Status
E ENERGY STAR DOORS	70	\$1,013.40	1.62	1.00	fully fund
E INS - CEIL/ATTIC	16,000	\$2.14	0.69	0.63	fully fund
E INS - DUCT	50	\$6.70	2.97	2.97	fully fund
E INS - FLOOR	50,000	\$2.14	2.47	2.41	fully fund
E INS - WALL	15,000	\$2.20	2.07	2.07	fully fund
E ENERGY STAR WINDOWS	70	\$8.55	1.44	1.11	fully fund
E HE AIR HPUMP	70	\$4,172.89	1.10	1.10	fully fund
Ductless HP	40	\$3,822.37	1.36	1.11	fully fund
Tier1 0-55Gallon HPWH	40	\$854.23	1.40	0.82	fully fund
E Energy Star Refrigerator	70	\$100.23	1.04	0.49	fully fund
E AIR INFILTRATION	70	\$730.00	1.00	0.74	fully fund
Duct sealing	50	\$608.58	2.84	2.84	fully fund
9 watt A19 bulbs - 60W replacement - (6 units)	60	\$16.92	3.38	3.38	fully fund
Elec Res --> Heat Pump	1	\$3,297.00	1.34	1.34	fully fund
E to G Furnace Conversion	22	\$5,196.30	1.10	0.81	fully fund
E to G H2O Conversion	25	\$586.78	0.33	1.00	rebate

Washington - LI - Gas 2018					
Measure Description	2018 Est Units	Total Incentive	Sub TRC	Sub UCT	Status
G INS - CEIL/ATTIC	125,000	\$2.14	0.16	0.16	fully fund
G INS - WALL	35,360	\$2.20	0.47	0.47	fully fund
G INS - FLOOR	33,570	\$2.14	0.57	0.57	fully fund
G ENERGY STAR WINDOWS	11,405	\$4.37	0.98	1.00	fully fund
G INS - DUCT	653	\$6.70	0.94	0.94	fully fund
G HE WH 50G	10	\$37.05	1.02	1.00	fully fund
G PROG TSTAT NO AC	25	\$46.66	0.16	1.00	fully fund
G PROG TSTAT W/AC	25	\$46.66	0.16	1.00	fully fund
G ENERGY STAR DOORS	50	\$193.43	0.88	1.00	fully fund
G AIR INFILTRATION	70	\$730.00	0.22	0.20	fully fund
G duct sealing	25	\$429.85	0.71	1.00	fully fund
G HE FURNACE	5	\$698.00	2.05	1.05	fully fund

2018 Program Planning

The Energy efficiency measures for Washington low income programs will remain relatively the same with minor changes. The Company will continue in the same vein as 2017 implementation by reimbursing the Agencies the full cost of the measures that appear on the State Priority List as presented in the Washington State Department of Commerce Weatherization Manual, July 2017 edition. These measures apply to both electric and natural gas heated homes and include attic, floor, wall insulation, air infiltration and LED lamps.

In addition, the Company will reimburse agencies the full cost for the conversion of electric heated homes to a natural gas forced air furnace. When natural gas is not an option the Company will cover the conversion of a straight resistant electric heating system to either an air source or ductless heat pump system.

Measures that are not cost effective will be reimbursed at the amount of the Company's avoided cost of energy savings.

Agencies are encouraged to work with the Company when considering the installation of energy efficiency opportunities that are not found on either the Approved or the Rebate list.

Avista Program Manager: Renee Coelho

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

II. RESIDENTIAL PORTFOLIO

a. Residential ENERGY STAR Homes Program

General Program Description:

The Energy Star Home program leverages the regional and national effort surrounding Department of Energy and Environmental Protection Agency's Energy Star label. Avista and partnering member utilities of the Northwest Energy Efficiency Alliance (NEEA) have committed significant resources to develop and implement a program that sets standards, trains contractors and provides 3rd party verification of qualifying homes. NEEA in effect administers the program and Avista pays the rebate for homes that successfully make it through the process and are labeled Energy Star. Additionally, after the launch of NEEA's regional effort, the manufactured homes industry established manufacturing standards and a labeling program to obtain Energy Star certified manufactured homes. While the two approaches are unique, they both offer 15-25% savings versus the baseline and offer comparable savings.

Program Implementation:

The Energy Star Home program promotes to builders and homeowners a sustainable, low operating cost, environmentally friendly structure as an alternative to traditional home construction. In

Washington, Avista offers both electric and natural gas energy efficiency programs and as a result structures the program to account for homes where either a single fuel or both fuels are utilized for space and water heating needs. The Company continues to support the regional program to encourage sustainable building practices.

The current customer descriptions of the programs with primary program requirements are available on the ENERGY STAR®/ECO-Rated Homes Rebate form.

Program Eligibility and incentives:

Any Washington and Idaho residential electric customer (Schedule 1) with a certified Energy Star Home or Energy Star/ECO-Rated Manufactured Home that is all electric is eligible. Any Washington residential electric customer (Schedule 1) with a certified Energy Star Home that has Avista electric for lights and appliances and Avista residential natural gas (Schedule 101) for space and water heating is eligible. Note for 2018, stick built Energy star homes with electric heating did not pass the TRC cost effectiveness test and were removed for this biennia.

Revised Rebates for 2018:

Energy Star/ECORated Home, Manufactured \$1,000
Energy Star/ECORated Home, Natural Gas Only \$650

A certified Energy Star Home with Avista electric or both Avista electric and natural gas service provides energy savings beyond code requirements for space heating, water heating, shell, lighting and appliances. Space heating equipment can be either electric forced air or electric heat pump in Washington and Idaho; or a natural gas furnace in Washington. This rebate may not be combined with other Avista individual measure rebate offers (e.g.: high efficiency water heaters).

Avista Program Manager: David Schafer

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

b. Residential HVAC Program

General Program Description:

The HVAC program encourages residential customers to select a high efficiency solution when making energy upgrades to their home. This prescriptive rebate approach issues payment to the customer after the measure has been installed. DSM marketing efforts build considerable awareness of opportunities in the home and drive customers to the website for rebate information. Vendors generate participants in the program as they use the rebate as a sales tool for their services. Utility website promotion, vendor training, retail location visits and presentations at various customer events throughout the year are some of the other communication methods that encourage program participation.

Overall, residential customers continue to respond well to the program. High efficiency natural gas furnace provides the largest portion of the gas savings for the residential portfolio.

Program Eligibility and incentives:

Washington electric customers (Schedule 1) who heat their homes with Avista electric may be eligible for a rebate for the installation of a variable speed motor on their forced air heating equipment or for converting their electric straight resistance space heat to an air source heat pump. Any Washington residential natural gas customers (Schedule 101) who heat their homes with natural gas may be eligible for a rebate for the installation of a high efficiency natural gas furnace or boiler.

Revised Rebates for 2018:

- Variable speed motor \$80
- Electric to Air Source Heat Pump \$700
- Electric to Ductless Heat Pump \$500
- High efficiency natural gas furnace \$300
- High efficiency natural gas boiler \$300
- Smart Thermostat \$75 (contractor install)
- Smart Thermostat \$60 (self-install)

Avista will review energy usage as part of the program eligibility requirements; customer must demonstrate a heating season electricity usage of 8,000 kWh and less than 340 therms for replacement of electric straight resistance to air source heat pump and ductless heat pump. High efficiency natural gas furnaces and boilers must have an Annual Fuel Utilization Efficiency (AFUE) of 90% or greater. Tankless water heaters must have an efficiency of .82 EF or higher. Ductless heat pumps must be 9.0 HSPF or greater. Heat pump water heaters must have an efficiency of 180% or higher. Supporting documentation required for participation includes but may not be limited to: copies of project invoices and AHRI certification.

Avista Program Manager: David Schafer

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

c. Residential Shell Program

General Program Description:

The shell program encourages residential customers to improve their home's shell or exterior envelope with upgrades to windows and storm windows. This prescriptive rebate approach issues payment to the customer after the measure has been installed. DSM marketing efforts build considerable awareness of opportunities in the home and drive customers to the website for rebate information. Vendors generate participants in the program as they use the rebate as a sales tool for their services.

Utility website promotion, vendor training, retail location visits and presentations at various customer events throughout the year are some of the other communication methods that encourage program participation.

Program Implementation:

The estimates of unit throughput for 2018 remain consistent with throughput from 2017.

Program Eligibility and incentives:

Washington and Idaho residential electric customers (Schedule 1) who heat their homes with Avista electric are eligible to apply. Washington residential natural gas customers (Schedule 101) who heat their homes with natural gas are also eligible to apply.

Revised Rebates for 2018:

Storm Windows \$1.00/sq. ft
Windows \$1.50/sq. ft

Storm windows (interior/exterior) must be new, the same size as existing window, not in direct contact with existing window, and exterior windows low-e coating must be facing the interior of the home. Glazing material emissivity must be less than .22 with a solar transmittance greater than .55.

Windows must have a u-factor rating of .30 or lower.

Avista will review energy usage as part of the program eligibility requirements. Customers in Washington and Idaho with electric heated homes must demonstrate a heating season usage of 8,000 kWh. Customers in Washington with natural gas heated homes must demonstrate a heating season usage of 340 therms.

Avista Program Manager: David Schafer

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

d. Residential Fuel Efficiency Program

General Program Description:

The fuel efficiency rebate encourages customers to consider converting their resistive electric space and water heat to natural gas. The direct use of natural gas continues to be the most efficient fuel choice when available, and over time offers the most economic value in the operating costs of the equipment. Since the early 1990's the Company has offered a conversion rebate. While natural gas prices have fallen in recent years, the cost of infrastructure continues to rise, both for the utility and for the customer's installation cost for this particular measure. In the fall of 2014, the Company requested and received approval from both commissions to increase the rebate level available for fuel efficiency

projects by allowing these measures to receive the same cents/kWh as all other electric efficiency improvements under Tariff Schedule 90. For the 2018-2019 biennium, conversions to natural gas water heaters no longer have a stand alone rebate. For this biennium, the Company will incentivize water heaters as a combination rebate with conversions to natural gas furnaces.

Program Implementation:

This is a prescriptive rebate that is paid upon installation and receipt of all relevant documentation. Customer's minimum qualifications include using Avista electricity for electric straight resistance heating and/or water heating purposes which is verified by evaluating their energy use. DSM marketing efforts build considerable awareness of opportunities in the home and drive customers to the website for rebate information. Vendors generate participants in the program as they use the rebate as a sales tool for their services. Utility website promotion, vendor training, retail location visits and presentations at various customer events throughout the year are some of the other communication methods that encourage program participation.

Program Eligibility and incentives:

Residential electric customers (Schedule 1) in Idaho and Washington who heat their homes or hot water with Avista electricity may be eligible for a rebate for the conversion to natural gas. The home's electric baseboard or furnace heat consumption must indicate a use of 8,000 kWh or more during the previous heating season (and less than 340 therms).

Revised Rebates for 2018:

Electric to Natural Gas furnace and Water Heater \$2,250
Electric to Natural Gas Direct Vent Wall Heat \$1,300

Avista Program Manager: David Schafer

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

e. Simple Steps, Smart Savings

General Program Description:

Avista collaborates with BPA on Simple Step, Smart Savings, a regional program designed to increase the adoption of energy-efficient residential products. To achieve energy savings, residential consumers are encouraged to purchase and install high-quality, light emitting diode bulbs (LEDs), light fixtures, energy-saving showerheads as well as ENERGY STAR appliances.

Simple Steps continues to provide the region's best opportunity to collectively influence both retail stocking practices and consumer purchasing. There continues to be opportunities for efficient lighting

improvements in customer residences as many residential lighting sockets are still occupied by inefficient bulbs. Incentives also encourage customers to increase efficiency before burn-out of the existing less-efficient lighting. Energy savings claimed are based on Regional Technical Forum (RTF) deemed savings.

Program Implementation:

The key drivers to delivering on the objectives of this program are the incentives to encourage customer interest and marketing efforts to drive customers to using the program. The upstream model used for lighting and showerheads uses manufacturer partnership to buy-down costs of products and allow for greater flexibility on how money is used (markdowns and/or marketing).

CLEAResult is contracted by Avista Utilities to provide the manufacturer and retail coordination. They are responsible for coordinating program marketing efforts, performing outreach to retailers, ensuring that the proper program tracking is in place and coordinating all implementation aspects of the program. Big box retailers in addition to select regional and national mass-market chains are the primary recipient of the product and typically offer a variety of the Simple Steps products at their locations. These products are clearly identified with point of purchase tags indicating they are part of the program.

Products included in program:

LED Bulbs such as General Purpose, Dimmable, Decorative, Mini-Base, Globe, Reflectors, Outdoor and Three- Way ENERGY STAR® LED Fixtures, and Showerheads with 2.0 GPM, 1.75 GPM, 1.5 GPM ratings.

Program Eligibility and incentives:

The program is applicable to existing Washington and Idaho residential customers with electric rate schedule 1 and Washington residential customers with rate schedule 101 who heat their hot water with natural gas. Simple Steps Smart Savings is available at retail locations with allocations amongst participating utilities based on estimated percent of customers shopping at specific locations.

Key external stakeholders include homeowners, landlords (and renters), retailers and trade allies. Key internal stakeholders include the contact center, accounts payable and marketing department.

Average Incentive per unit:

LED Bulb: \$2.00 - \$1.50

ENERGY STAR® LED Fixtures: \$5.00

Showerhead: \$4.50

Avista Program Manager: Rachelle Humphrey

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

III. NON-RESIDENTIAL PORTFOLIO

a. Non-Residential Prescriptive Lighting Program

General Program Description:

This program is intended to prompt commercial electric customers to increase the energy-efficiency of their lighting equipment through direct financial incentives. It indirectly supports the infrastructure and inventory necessary to ensure that the installation of high-efficiency equipment is a viable option for the customer.

There is significant opportunity for lighting improvements in commercial facilities. Avista has been offering site specific incentives for qualified lighting projects for many years. In an effort to streamline the process and make it easier for customers and vendors to participate in the program we developed a prescriptive approach, which began in 2004. This program provides for many common retrofits to receive a pre-determined incentive amount. Incentive amounts were calculated using a baseline average for existing wattages and replacement wattages. Energy savings claimed are calculated based on actual customer run times using the averages as calculated for incentive amounts.

The prescriptive lighting program makes it easier for customers, especially smaller customers and vendors, to participate in the program. We have seen a substantial increase in the number of projects that have been completed since this approach was instituted. The measures included in the Prescriptive Lighting Program include T12/T8, HID, MR16 and incandescent retrofits to more energy efficient light sources including T5 and T8 LEDs.

Program Implementation:

The key drivers to delivering on the objectives of this program are the direct incentives to encourage customer interest, marketing efforts to drive customers to the program and ongoing work with trade allies to ensure that customer demand can be met.

Key to the success of this program is clear communication to lighting supply houses, distributors, electricians and customers on incentive requirements and forms. The Avista website is also a channel to communicate program requirements and highlight opportunities for customers. Avista's regionally based Account Executives (AEs) are a key part of delivering the Prescriptive Lighting Program to commercial and industrial customers. Any changes typically include advance notice of 90 days to submit under the old requirements and/or incentive levels. This usually includes at a minimum, direct mail communication to trade allies as well as internal forms and website updates.

Program Eligibility:

This program is applicable to commercial or industrial facilities with electric service provided by Avista with rate schedules 11 or above.

Avista Program Manager: Rachelle Humphrey

Key Avista Support Staff: Lorri Kirstein, Tom Lienhard, Colette Bottinelli

Measures and Incentives: As Illustrated in Table 1 of Appendix A

Evaluation Measurement and Verification Plan: As defined within Avista’s EM&V Plan contained in Appendix B.

b. Non-Residential HVAC Program

General Program Description:

Installing energy efficient heating equipment will reduce a customer’s operating costs and save energy. This program offers direct incentives for installing high efficient natural gas HVAC equipment. The HVAC program encourages customers to select a high efficiency solution when making energy upgrades to their businesses. This prescriptive rebate approach issues payment to the customer after the measure has been installed. Eligibility guidelines for participation include but may not be limited to: confirmation of natural gas space heating usage, copies of project invoices and AHRI documentation. This program is applicable to non-residential customers in Washington with Avista natural gas as their primary heat source who install qualified new natural gas equipment.

Program Implementation:

This is a prescriptive program with six measures being offered. Customers must return to Avista a completed rebate form, invoices and an AHRI certificate within 90 days after the installation has been completed. Avista will send an incentive check to the customer (or their designee) generally within six to eight weeks. Rebates will not exceed the total amount on the customer invoice. Each rebate will be qualified and processed with the current commercial natural gas HVAC calculator to determine the savings and incentive. The key drivers to delivering on the objectives of the program are the direct incentives to fuel customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company’s EM&V Plan contained within Appendix B.

c. Non-Residential Site-Specific Program

General Program Description:

The site specific program is a major component in our commercial/industrial portfolio. Customers receive technical assistance and incentives in accordance with Schedule 90 and Schedule 190 in. Our program approach strives for a flexible response to energy efficiency projects that have demonstrable kWh/Therm savings within program criteria. The majority of site specific kWh/Therm savings are comprised of custom lighting projects that don’t fit the prescriptive path, appliances, compressed air, HVAC, industrial process, motors, shell measures and natural gas multifamily market transformation.

This program is available to all non-residential retail electric customers in Washington and Idaho and natural gas customers in Washington. The site specific program typically brings in the largest portion of savings to the overall energy efficiency portfolio.

Program Implementation:

This program will offer an incentive for any qualifying electric or gas energy saving measure that has a simple payback under 15 years

The incentive is capped at seventy percent for all of the customer incremental cost. The key drivers to delivering on the objectives of the program are the direct incentives to encourage customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

The Company initiated a market transformation program intended to increase the availability of natural gas space and water heating in multi-family residential developments. The focus is on new construction multi-family residential rentals, larger than a 5-plex. The goal of the program is to address the split incentive issue where developers are focused on first costs that drive poor, lost opportunity heating choices and tenants who have to pay those heating costs without sufficient choices in the rental market to demonstrate. Natural gas presents a preferred option with less expense and societal benefit of the direct use of natural gas. The program intends to create developer confidence in both the natural gas heating design for multi-family as well as understanding the added long term value. Similarly the program assists potential tenants who otherwise have no control and limited options in the market to influence their heating fuel and better manage their heating costs.

The launch of this program several years ago coincided with a substantial reduction in multi-family new construction starts due to the failing economy. While the Company has had success with a couple of local builders, the majority indicate the incremental costs continue to remain higher than the \$2,000 incentive offered. Initial incremental costs were primarily focused on estimates of the difference in natural gas equipment compared to electric baseboard along with estimates for additional equipment, timing/coordination, labor and carrying costs associated with penetrating building envelopes. In multifamily construction natural gas related installations and inspections can add up to 25% to the build time. Builders have also expressed concern with the possibility of the program not being available after the expense has been made to convert their designs to natural gas.

With construction activity revitalized in the past year the program has been modified and continues to be offered for a minimum of two years at a higher incentive amount of \$3,500. Builders will continue to have two years to complete the construction of the project once contracted and will continue to provide documentation of their plans and incremental costs associated with installing natural gas over the electric straight resistance baseline. The program will be monitored for activity based on the number of units contracted through 2017 with the incentive amount to be evaluated for reduction or discontinuation.

In summary the new market transformation incentive levels for installing natural gas equipment over baseline electric straight resistance would be up to \$3,500 per unit for installation of natural gas space and/or water heating improvements.

Avista Program Manager: Lorri Kirstein, Tom Lienhard, site-specific engineering, Renee Coelho, multifamily market transformation.

Measures, Incentives and Budget: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

d. Non-Residential Prescriptive Shell Program

General Program Description:

The Commercial Insulation program encourages non-residential customers to improve the envelope of their building by adding insulation. This may make a business more energy efficient and comfortable. This prescriptive rebate approach issues payments to the customer after the measure has been installed. Eligibility guidelines for participation include, but may not be limited to: confirmation of electric or natural gas heating usage, invoices and insulation certificate. Pre and/or post inspection for insulation may occur as necessary throughout the year. The program offers incentives to non-residential (Schedule 11, 21, 25) customers who have an electric primary heat source or a non-residential (Schedule 101, 111 121) natural gas primary heat source provided by Avista in Washington who install qualified insulation measures in their business are eligible to apply for this program.

Program Implementation:

All customer-facing aspects of this program are prescriptive based. Customers must return to Avista a completed rebate form within 90 days after the installation has been completed. Avista will send an incentive check to the customer (or their designee) generally within six to eight weeks. Rebates will not exceed the total amount on the customer invoice. Each rebate will be qualified and processed with the current commercial insulation calculator to determine the savings and incentive. The key drivers to delivering on the objectives of the program are the direct incentives to fuel customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

e. Non-Residential Prescriptive VFD Program

General Program Description:

This program is intended to prompt the customer to increase the energy efficiency of their fan or pump applications with variable frequency drives through direct financial incentives. This prescriptive rebate approach issues payments to the customer after the measure has been installed. Eligibility guidelines for participation include, but may not be limited to: confirmation of electric usage, invoices and verification of HP of motor. Any non-residential (Schedule 11, 21, 25) Avista electric customer installing qualified equipment is eligible for this program.

Program Implementation:

All customer-facing aspects of this program are prescriptively based. Customers must return to Avista a completed rebate form within 90 days after the installation has been completed. Avista will send an incentive check to the customer (or their designee) generally within six to eight weeks. Rebates will not exceed the total amount on the customer invoice. Each rebate will be qualified and processed with the current commercial HVAC Variable Frequency Drive Retrofit calculator to determine the savings and incentive. The key drivers to delivering on the objectives of the program are the direct incentives to fuel customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

f. Non-Residential Food Service Equipment Program

General Program Description:

This program offers incentives for commercial customers who purchase or replace food service equipment with Energy Star or higher equipment. This equipment helps them save money on energy costs. This prescriptive rebate approach issues payments to the customer after the measure has been installed. Eligibility guidelines for participation include, but may not be limited to: confirmation of electric or natural gas usage, invoices and equipment data. Any non-residential (Schedule 11, 21, 25) Avista electric customer and any non-residential (Schedule 101,111, 121) Avista natural gas customer in Washington installing qualifying equipment is eligible for this program.

Program Implementation:

All customer-facing aspects of this program are prescriptively based. Customers must return to Avista a completed rebate form within 90 days after the installation has been completed. Avista will send an incentive check to the customer (or their designee) generally within six to eight weeks. Rebates will not exceed the total amount on the customer invoice. Each rebate will be qualified and processed with

the current EnergyStar Commercial Kitchen calculator to determine the savings. The key drivers to delivering on the objectives of the program are the direct incentives to fuel customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

g. Non-Residential Green Motors Program

General Program Description:

The Green Motors Initiative is to organize, identify, educate, and promote member motor service centers to commit to energy saving shop rewind practices, continuous energy improvement and motor driven system efficiency. Green Motors Program Group launched the Green Motors Initiative in 2008 to work with northwest regional utilities and other sponsoring organizations to provide incentives, through GMPG's member motor centers, for qualifying motors meeting the GMPG's standards. Avista joined this effort in offering the program to electric customers who participate in the green rewind program from 15 HP (horsepower) to 5,000 HP industrial motors. This program provides an opportunity for Avista customers to participate in a regional effort. Without this program, this market is difficult for us to reach as a local utility. Any commercial (Schedule 11, 21, 25, 31) Avista electric customer that does a qualified green motors rewind is eligible for this program. Incentives are paid as a credit off the invoice at the time of the rewind. A \$1 per HP incentive goes to the customer and a \$1 per HP incentive is paid to the service center.

Program Implementation:

The Green Motors Initiative is a third party program that handles the measures from inception to rebate payment. There is an admin fee based on the kWh savings for Green Motors Partners. The incentive is split between the service center and the customer. The customer receives their incentive as an immediate discount off their bill. The DSM Program Management team oversees the contract, monitors the program and does input for savings and incentive information. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

h. Non-Residential AirGuardian Program

General Program Description:

The AirGuardian program is a third party delivered turnkey program for direct install compressed air and facility efficiency. The program will target compressed air users in Avista's Washington service territory. The direct install will be a compressed air leak reduction device which will generate energy savings by reducing the impact of compressed air leaks during off hour periods. While on site, a leak detection audit will also be conducted. Any commercial (Schedule 11, 21, 25) Avista electric customer installing qualified equipment is eligible for this program.

Program Implementation:

The AirGuardian program will be turnkey delivered by Sight Energy Group LLC. The target market for the direct installation of AirGuardian devices are small and medium sized businesses using rotary screw compressors of at least 15 HP. We anticipate participants to be machine shops, tire and auto body shops, small manufacturers and others using compressed air for production and tools. These facilities represent a prime opportunity for implementation of other energy efficiency measures too. The account executives are also providing customer referrals with permission from the customers. This program is available to all non-residential retail electric customers with compressed air. The DSM Program Management team monitors the contract, inputs the monthly results and runs analysis on program measures. Account executives drive customers to the program. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: *As illustrated in Table 1 of Appendix A.*

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

i. Non-Residential Fleet Heat Program

General Program Description:

Vehicle fleet operators use heating devices to heat vehicle engine blocks in cold weather. Maintaining the block temperature eases starting, reduces internal wear, and minimizes fuel consumption due to idle warm up time. Typically block heaters use 110 Volt single phase resistive elements, with no on-board controls. Heating operation is dependent solely on either the driver or fleet maintenance staff to energize the heaters as needed. In the Inland Northwest it appears many fleet operators energize vehicle heaters between October 31st and April 1st whenever the vehicle is off-shift. This 24 hour 7 day a week operation prevents freeze up and hard starting conditions, but may incur extra energy consumption and costs heating the engine block in conditions when heating is not needed. There is currently a technology available that adds logic and sensor points to control heater operation. This technology, called a thermocord, adds the ability to sense and measure block coolant temperature and ambient Outside Air Temperature (OAT). With this information the heater will only be energized when the OAT drops below a temperature set-point and the engine mounted thermostat is calling for heat.

Any commercial (Schedule 11, 21, 25) Avista electric customer installing qualified equipment is eligible for this program.

Program Implementation:

The process for the program is that Avista will have customers fill out an order/rebate form with the specifics of their fleet vehicles. When that form is submitted to Avista, we will record that information and pass the form on to the vendor for processing. Avista will pay the vendor for the cost of the thermocord and the vendor will deliver the product directly to the customer. The customer will be responsible for installation. The vendor will notify Avista when the product has been delivered and Avista will perform an installation verification within 30 days of install. The key drivers to delivering on the objectives of the program are the direct incentives to fuel customer interest, marketing efforts and account executives to drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company's EM&V Plan contained within Appendix B.

j. Non-Residential EnergySmart Grocer Program

General Program Description:

This program is intended to prompt the customer to increase the energy efficiency of their refrigerated cases and related grocery equipment through direct financial incentives. The EnergySmart Program was launched in late 2007 and is delivered by a 3rd party contractor, facilitated through CLEARResult. A Field Energy Analyst with expertise in commercial refrigeration provides customers with a no cost audit of the refrigeration in their facility. The customer receives a detailed energy savings report regarding potential savings and is guided through the process from inception through the payment of incentives for qualifying equipment. CLEARResult utilizes a modeling program called Grocer Smart to determine savings. In addition to the potential savings that will be achieved through the measures implemented, customers receive technical assistance and comprehensive audits at no charge. Refrigeration often represents the primary electricity expense in a grocery store or supermarket. Although the potential for savings is high, it is often overlooked because of the technical aspect of the equipment. This program provides a concentrated effort to assist customers through the technical aspects of their refrigeration systems while providing a clear view of what savings can be achieved. Measures are continually looked at to make sure they are cost effective and new measures are considered as they become available. Any commercial (Schedule 11, 21, 25) Avista electric customer installing qualified equipment is eligible for this program.

Program Implementation:

CLEAResult is handling the outreach effort through industry contacts, cold calling and contractor relationships. The account executives are also providing customer referrals with permission from the customers. This program is available to all non-residential retail electric customers with refrigeration facilities. Incentives are offered as a result of the facility audit report for potential savings. CLEAResult guides this process from inception through the payment of the incentives. The DSM Program Management team monitors the contract, program, evaluates new and existing measures, inputs the monthly results and runs analysis on program measures. Account executives drive customers to the program. The Avista Website is also used to communicate program requirements, incentives and forms.

Avista Program Manager: Greta Zink

Measures and Incentives: As illustrated in Table 1 of Appendix A.

Evaluation, Measurement and Verification Plan: As defined within the Company’s EM&V Plan contained within Appendix B.

IV. Table 1: Measure level summary of unit throughput, incentives and cost-effectiveness

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Washington Air Guardian	Air Guardian	7	\$ 1,440.00	1.90	1.90
LT Case: T12 to LP LED Inside Lamp	Energy Smart Grocer	77	\$ 10.00	2.66	3.99
MT Case: T12 to LP LED Inside Lamp	Energy Smart Grocer	77	\$ 10.00	1.92	2.89
MT Case: T8 to LED Inside Lamp	Energy Smart Grocer	700	\$ 10.00	1.14	1.71
LT Case: T8 to LP LED Inside Lamp	Energy Smart Grocer	105	\$ 10.00	1.57	2.35
T12 to LP LED Outside Lamp	Energy Smart Grocer	350	\$ 7.00	1.40	3.00
T8 to LP LED Outside Lamp	Energy Smart Grocer	1,400	\$ 7.00	0.83	1.78
Anti-Sweat Heater Controls - Low Temp	Energy Smart Grocer	263	\$ 40.00	3.48	4.17
Anti-Sweat Heater Controls - Med Temp	Energy Smart Grocer	350	\$ 40.00	2.48	2.96
Gaskets for Low Temp Reach-in Glass Doors	Energy Smart Grocer	70	\$ 40.00	0.35	0.96
Gaskets for Medium Temp Reach-in Glass Doors	Energy Smart Grocer	25	\$ 25.00	0.44	1.57
Gaskets for Walk-in Freezer - Main Door	Energy Smart Grocer	18	\$ 65.00	0.44	0.84
Gaskets for Walk-in Cooler - Main	Energy Smart Grocer	18	\$ 25.00	0.38	1.29

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Evap motors: shaded pole to ECM in Walk-in - Greater than 23 watts	Energy Smart Grocer	263	\$ 140.00	3.44	7.07
Evap motors: shaded pole to ECM in Walk-in - less than 23 watts	Energy Smart Grocer	35	\$ 140.00	1.40	2.87
Evap motors: shaded pole to ECM in Display Case	Energy Smart Grocer	88	\$ 55.00	1.40	7.31
Floating Head Pressure for Single Compressor Systems, LT Condensing Unit	Energy Smart Grocer	-	\$ 100.00	1.89	5.80
Floating Head Pressure for Single Compressor Systems, LT Remote Condenser	Energy Smart Grocer	-	\$ 100.00	2.85	4.65
Floating Head Pressure for Single Compressor Systems, MT Condensing Unit	Energy Smart Grocer	-	\$ 100.00	1.27	5.14
Floating Head Pressure for Single Compressor Systems, MT Remote Condenser	Energy Smart Grocer	-	\$ 100.00	1.50	3.21
Evaporated Fan - Walk-In ECM Controller - Low Temp - 1/10-1/20 HP	Energy Smart Grocer	-	\$ 35.00	0.93	4.32
Evaporated Fan - Walk-In ECM Controller - Medium Temp - 1/10-1/20 HP	Energy Smart Grocer	-	\$ 35.00	0.78	5.51
Strip Curtains for Convenience Store Walk-in Freezers	Energy Smart Grocer	-	\$ 5.00	0.17	0.35
Strip Curtains for Restaurant Walk-in Freezers	Energy Smart Grocer	-	\$ 5.00	0.73	1.48
Strip Curtains for Supermarket Walk-in Coolers	Energy Smart Grocer	245	\$ 5.00	0.69	1.41
Strip Curtains for Supermarket Walk-in Freezers	Energy Smart Grocer	210	\$ 5.00	3.02	6.12
Add doors to Open Medium Temp Cases	Energy Smart Grocer	298	\$ 253.60	2.24	3.40
Cases - Low Temp Coffin to High Efficiency Reach-in	Energy Smart Grocer	-	\$ 214.80	8.68	3.39
Cases - Low Temp Open to Reach-in	Energy Smart Grocer	-	\$ 334.80	4.02	3.39
Cases - Low Temp Reach-in to High Efficiency Reach-in	Energy Smart Grocer	70	\$ 192.60	2.31	3.39
Cases - Medium Temp Open Case to New High Efficiency Open Case	Energy Smart Grocer	-	\$ 44.40	1.70	3.39
Cases - Medium Temp Open Case to New Reach In	Energy Smart Grocer	140	\$ 117.00	4.49	3.39
Special Doors with Low/No ASH for Low Temperature Reach-in	Energy Smart Grocer	-	\$ 340.00	13.05	3.39
Advanced Floating Controls: Floating Head and Suction Pressure with Balanced Port Valves	Energy Smart Grocer	-	\$ 47.68	0.40	3.39

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Advanced Floating Controls: Floating Head and Suction Pressure with Electronic Expansion Valves (EEXVs)	Energy Smart Grocer	-	\$ 135.36	1.14	3.39
Advanced Floating Controls: Increase Suction Temperature with Electronic Expansion Valves (EEXVs)	Energy Smart Grocer	-	\$ 40.72	0.34	3.39
Efficient Compressors - Low Temperature	Energy Smart Grocer	-	\$ 159.60	1.88	3.39
Floating Head Pressure Control - Air Cooled	Energy Smart Grocer	7	\$ 66.40	4.35	3.39
Floating Head Pressure Control - Evap Cooled	Energy Smart Grocer	7	\$ 141.60	9.27	3.39
Floating Head Pressure Control w/ VFD- Air Cooled	Energy Smart Grocer	7	\$ 183.00	3.11	3.39
Multiplex - Compressors - Air-cooled Condenser	Energy Smart Grocer	-	\$ 393.60	2.59	3.39
Multiplex - Compressors - Evaporative Condenser	Energy Smart Grocer	-	\$ 393.60	2.59	3.39
Multiplex - Controls - Floating suction pressure - air cooled condenser	Energy Smart Grocer	-	\$ 45.40	1.44	3.39
Multiplex - Controls - Floating suction pressure - evaporative condenser	Energy Smart Grocer	-	\$ 46.20	1.47	3.39
Multiplex - Efficient/oversized Air-cooled Condenser for Multiplex	Energy Smart Grocer	-	\$ 412.20	13.10	3.39
Multiplex - Efficient/oversized Water-cooled Condenser for Multiplex	Energy Smart Grocer	-	\$ 310.00	9.85	3.39
VFD - Condenser Fan Motors - Air Cooled	Energy Smart Grocer	35	\$ 186.00	3.30	3.39
VFD - Condenser Fan Motors - Evap Cooled	Energy Smart Grocer	35	\$ 186.00	3.30	3.39
70-89 watt HID Fixture =< 25 watt LED Fixture	Exterior Lighting	61	\$ 60.00	1.49	3.11
90 - 100 W HID to 25-30W LED Fixture	Exterior Lighting	61	\$ 80.00	1.65	3.02
150 W HID to 30-50W LED Fixture	Exterior Lighting	92	\$ 125.00	2.16	2.98
175 W HID to 30-79W LED Fixture	Exterior Lighting	183	\$ 130.00	2.28	2.97
250 W HID to 80-140W LED Fixture	Exterior Lighting	92	\$ 140.00	1.29	2.95
320 W HID to 100-160W LED Fixture	Exterior Lighting	31	\$ 180.00	1.40	2.89
400 W HID to 100-175W LED Fixture	Exterior Lighting	305	\$ 255.00	1.84	2.92
250 watt HID New Construction Fixture =< 99 watt LED Fixture	Exterior Lighting	92	\$ 140.00	1.29	2.95
175 watt HID New Construction Fixture to =< 79 watt LED Fixture	Exterior Lighting	31	\$ 130.00	3.62	2.97

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
320 & 400 watt HID New Construction Fixture =< 175 watt LED Fixture	Exterior Lighting	175	\$ 250.00	1.84	2.98
1000W HID to 300W-400W LED	Exterior Lighting	183	\$ 610.00	1.57	2.91
Sign Lighting LED	Exterior Lighting	7,500	\$ 17.00	11.77	3.49
Washington Fleet Heat	Fleet Heat	4	\$ 520.50	8.40	8.40
0.61 to 0.80 GPM electric pre-rinse sprayer	Food	1	\$ 25.00	7.98	5.64
3 pan electric steamer	Food	1	\$ 70.00	24.88	124.03
4 pan electric steamer	Food	1	\$ 100.00	76.38	115.51
5 pan electric steamer	Food	1	\$ 135.00	81.84	106.82
6 pan electric steamer	Food	0	\$ 160.00	88.23	108.06
10 or larger pan electric steamer	Food	-	\$ 180.00	10.20	160.26
Efficient combination oven (>= 16 pan and <= 20 pan) electric	Food	2	\$ 1,000.00	5.94	8.08
Efficient combination oven (>= 6 pan and <= 15 pan) electric	Food	2	\$ 1,000.00	20.86	5.87
Efficient convection oven full size	Food	3	\$ 225.00	0.96	3.34
Efficient convection oven half size	Food	3	\$ 225.00	0.76	3.38
Efficient hot food holding cabinet, 1/2 size	Food	1	\$ 165.00	0.73	1.42
Efficient hot food holding cabinet, full size	Food	1	\$ 165.00	0.92	4.60
Electric fryer	Food	1	\$ 300.00	1.15	2.91
Standard Efficiency Appliance to H.E. electric griddle, 70% effic. or better	Food	1	\$ 505.00	0.89	1.77
High temp electric hot water dishwasher	Food	1	\$ 650.00	5.28	3.46
Low temp electric hot water dishwasher	Food	1	\$ 600.00	6.87	3.46
0.61 to 0.80 GPM gas pre-rinse sprayer	Food	-	\$ 25.00	0.37	1.39
H.E. gas griddle, 40% effic. or better	Food	-	\$ 88.00	0.88	4.91
High temp gas hot water dishwasher	Food	1	\$ 350.00	0.69	1.44
Low temp gas hot water dishwasher	Food	1	\$ 300.00	0.94	2.29
H.E. gas convection oven, 40% effic. or better	Food	-	\$ 700.00	-	2.27

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Efficient combination oven (>= 6 pan and <= 15 pan) gas	Food	-	\$ 1,000.00	0.30	1.70
Efficient convection oven full size	Food	12	\$ 700.00	0.33	2.71
Efficient combination oven (>= 16 pan and <= 20 pan) gas	Food	-	\$ 1,000.00	0.37	2.11
Energy Star 50% effic.gas fryer	Food	74	\$ 1,000.00	0.99	2.48
3 pan gas steamer	Food	1	\$ 1,300.00	1.22	1.75
4 pan gas steamer	Food	1	\$ 1,700.00	1.22	1.78
5 pan gas steamer	Food	1	\$ 2,200.00	1.21	1.72
Gas rack oven	Food	-	\$ 235.00	0.74	15.51
6 pan gas steamer	Food	1	\$ 2,600.00	1.21	1.74
10 or larger pan gas steamer	Food	1	\$ 3,200.00	2.75	3.69
15 HP Industrial	Green Motor	-	\$ 30.00	1.39	6.88
20 HP Ind	Green Motor	-	\$ 40.00	1.67	6.90
25 HP Ind	Green Motor	1	\$ 50.00	1.91	7.23
30 HP Ind	Green Motor	2	\$ 60.00	1.87	6.49
40 HP Ind	Green Motor	-	\$ 80.00	1.78	5.66
50 HP Ind	Green Motor	-	\$ 100.00	1.73	4.87
60 HP Ind	Green Motor	-	\$ 120.00	1.73	4.80
75 HP Ind	Green Motor	2	\$ 150.00	1.65	3.95
100 HP Ind	Green Motor	3	\$ 200.00	1.76	3.91
125 HP Ind	Green Motor	-	\$ 250.00	1.79	3.57
150 HP Ind	Green Motor	2	\$ 300.00	1.91	3.54
200 HP Ind	Green Motor	4	\$ 400.00	2.09	3.51
250 HP Ind	Green Motor	2	\$ 500.00	2.25	3.88
300 HP Ind	Green Motor	-	\$ 600.00	2.66	3.86
350 HP Ind	Green Motor	-	\$ 700.00	2.96	3.86
400 HP Ind	Green Motor	-	\$ 800.00	3.00	3.83

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
450 HP Ind	Green Motor	-	\$ 900.00	3.08	3.82
4500 HP Ind	Green Motor	-	\$ 9,000.00	3.80	3.49
500 HP Ind	Green Motor	-	\$ 1,000.00	3.18	3.82
600 HP Ind	Green Motor	-	\$ 1,200.00	2.48	3.67
700 HP Ind	Green Motor	2	\$ 1,400.00	2.65	3.66
800 HP Ind	Green Motor	-	\$ 1,600.00	2.72	3.65
900 HP Ind	Green Motor	-	\$ 1,800.00	2.77	3.64
1000 HP Ind	Green Motor	-	\$ 2,000.00	2.84	3.63
1250 HP Ind	Green Motor	-	\$ 2,500.00	2.95	3.60
1500 HP Ind	Green Motor	-	\$ 3,000.00	3.08	3.59
1750 HP Ind	Green Motor	-	\$ 3,500.00	3.14	3.57
2000 HP Ind	Green Motor	-	\$ 4,000.00	3.19	3.56
2250 HP Ind	Green Motor	-	\$ 4,500.00	3.27	3.54
2500 HP Ind	Green Motor	-	\$ 5,000.00	3.31	3.53
3000 HP Ind	Green Motor	-	\$ 6,000.00	3.38	3.51
3500 HP Ind	Green Motor	-	\$ 7,000.00	3.56	3.50
4000 HP Ind	Green Motor	-	\$ 8,000.00	3.64	3.50
5000 HP Ind	Green Motor	-	\$ 10,000.00	3.94	3.49
Gas Boiler <300kBtu .85-.89 AFUE	HVAC	881	\$ 5.00	1.08	2.67
Gas Boiler <300kBtu .90+ AFUE AFUE	HVAC	2,206	\$ 8.00	1.46	2.70
Singlestage Furnace <225 kBtu .90-.95 AFUE	HVAC	2,573	\$ 4.50	3.25	4.80
Multistage Furnace <225 kBtu .90-.95 AFUE	HVAC	342	\$ 6.00	3.21	4.61
Singlestage Furnace <225 kBtu .95+ AFUE	HVAC	2,736	\$ 6.00	3.21	4.61
Multistage Furnace <225 kBtu .95+ AFUE	HVAC	1,320	\$ 7.50	2.95	4.24
1000 watt HID =< 400 watt LED	Interior Lighting	511	\$ 460.00	1.45	3.14
250 watt HID to =< 140 LED	Interior Lighting	937	\$ 155.00	1.03	3.02

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Over 150 watt Incandescent to 50-60W LED	Interior Lighting	145	\$ 55.00	2.37	3.58
4-Lamp T12/T8 Fixture to 2-Lamp LED	Interior Lighting	2,469	\$ 35.00	1.13	3.74
75-100 watt Incandescent to LED* 12-20 watt Fixture	Interior Lighting	230	\$ 20.00	7.17	6.43
Occupancy sensors built in with relays for room control (not switch sensors)	Interior Lighting	94	\$ 40.00	3.07	4.31
50 watt MR16 (GU10 Base) to MR16 LED 6-9 watt	Interior Lighting	230	\$ 10.00	29.53	8.57
75-100 watt Incandescent to 12-20 watt LED lamp	Interior Lighting	1,703	\$ 8.00	12.20	9.00
T5HO - T5 TLED	Interior Lighting	16,177	\$ 15.00	1.40	3.34
3-Lamp T12/T8 Fixture to LED Qualified 2x4 Fixture	Interior Lighting	1,447	\$ 29.00	1.08	3.39
40 watt Incandescent to 6-10 watt LED lamp	Interior Lighting	1,618	\$ 8.00	9.75	6.43
60 watt Incandescent to 9-13 watt LED lamp	Interior Lighting	1,618	\$ 8.00	11.60	6.43
20 watt MR16 (GU10 Base) to MR16 LED 2-4 watt	Interior Lighting	77	\$ 10.00	11.22	3.43
T12/T8 to 8-20 W TLED	Interior Lighting	13,622	\$ 6.50	1.22	2.27
35 watt MR16 (GU10 Base) to MR16 LED 4-6 watt	Interior Lighting	77	\$ 10.00	19.53	2.57
400 watt HID =< 75 watt LED	Interior Lighting	1,447	\$ 185.00	2.56	4.72
E ENERGY STAR DOORS	Low-Income	70	\$ 1,013.40	1.62	1.00
E INS - CEIL/ATTIC	Low-Income	16,000	\$ 2.14	0.69	0.63
E INS - DUCT	Low-Income	50	\$ 6.70	2.97	2.97
E INS - FLOOR	Low-Income	50,000	\$ 2.14	2.47	2.41
E INS - WALL	Low-Income	15,000	\$ 2.20	2.07	2.07
E ENERGY STAR WINDOWS	Low-Income	70	\$ 8.55	1.44	1.11
E HE AIR HPUMP	Low-Income	70	\$ 4,172.89	1.10	1.10
Ductless HP (Average RTF of HZ2 & CZ 1-3)	Low-Income	40	\$ 3,822.37	1.36	1.11
Tier1 0-55Gallon HPWH	Low-Income	40	\$ 854.23	1.40	0.82
E ENERGY STAR REFRIGERATOR	Low-Income	70	\$ 100.23	1.04	0.49
E AIR INFILTRATION	Low-Income	70	\$ 730.00	1.00	0.74
Duct sealing	Low-Income	50	\$ 608.58	2.84	2.84

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
9 watt A19 bulbs - 60W replacement - (6 units)	Low-Income	60	\$ 16.92	3.38	3.38
Elec Res --> Heat Pump	Low-Income	1	\$ 3,297.00	1.34	1.34
G INS - CEIL/ATTIC	Low-Income	125,000	\$ 2.14	0.16	0.16
G INS - WALL	Low-Income	35,360	\$ 2.20	0.47	0.47
G INS - FLOOR	Low-Income	33,570	\$ 2.14	0.57	0.57
G ENERGY STAR WINDOWS	Low-Income	11,405	\$ 4.37	0.98	1.00
G INS - DUCT	Low-Income	653	\$ 6.70	0.94	0.94
G HE WH 50G	Low-Income	10	\$ 37.05	1.02	1.00
G PROG TSTAT NO AC	Low-Income	25	\$ 46.66	0.16	1.00
G PROG TSTAT W/AC	Low-Income	25	\$ 46.66	0.16	1.00
G ENERGY STAR DOORS	Low-Income	50	\$ 193.43	0.88	1.00
G AIR INFILTRATION	Low-Income	70	\$ 730.00	0.22	0.20
G duct sealing	Low-Income	25	\$ 429.85	0.71	1.00
G HE FURNACE	Low-Income	5	\$ 698.00	2.05	1.05
Multifamily NG Market Transformation (per unit)	MFMT	542	\$ 3,500.00	1.01	1.23
ELEC WINDOWS SP/MDP --> <0.30 U	Residential	3,400	\$ 1.44	1.89	26.76
EIEC Storm Windows	Residential	1,000	\$ 1.00	1.10	10.71
Web Tstat Elec DIY	Residential	20	\$ 60.00	2.87	11.49
Web Tstat Elec Cont	Residential	40	\$ 75.00	2.34	9.19
ELEC RESISTANCE TO ASHP	Residential	57	\$ 700.00	1.61	9.58
VARIABLE SPEED MOTOR ASHP	Residential	200	\$ 80.00	1.93	6.62
VARIABLE SPEED MOTOR FURNACE	Residential	500	\$ 80.00	1.90	6.52
E ESTAR HOME - MANUF, ELEC/DF	Residential	8	\$ 1,000.00	2.45	5.34
Tier2 0-55Gallon HPWH	Residential	17	\$ 200.00	1.06	4.94
Tier3 0-55Gallon HPWH	Residential	17	\$ 200.00	1.12	5.23
Tier1 0-55Gallon HPWH	Residential	17	\$ 200.00	0.87	3.68

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
Ductless Heat Pump	Residential	80	\$ 500.00	1.36	8.52
NG Storm Windows	Residential	7,500	\$ 1.00	0.31	3.11
G Windows Single Pane <0.30 U-value	Residential	80,000	\$ 1.50	1.44	19.65
Web Tstat Gas DIY	Residential	300	\$ 60.00	0.64	2.57
Web Tstat Gas Cont	Residential	600	\$ 75.00	0.52	2.06
TANKLESS WH (0.82+)	Residential	150	\$ 200.00	1.15	2.59
NG FURNACE/BOILER 90% AFUE	Residential	2,800	\$ 300.00	1.37	3.11
E STAR HOME - GAS ONLY	Residential	18	\$ 600.00	0.74	3.72
E --> NG Space and DHW	Residential Conversions	793	\$ 2,250.00	1.36	4.06
E --> NG DIRECT VENT WALL HEAT	Residential Conversions	29	\$ 1,300.00	2.04	7.02
ELEC RES --> CENTRAL NG	Residential Conversions	433	\$ 1,500.00	1.45	4.25
Less than R11 attic insulation (E/G) to R30-R44 Attic Insulation	Shell	10,000	\$ 0.20	1.27	4.81
Less than R11 roof insulation (E/G) to R30+ Roof Insulation	Shell	17,500	\$ 0.25	2.08	5.16
Less than R11 attic insulation (E/G) to R45+ Attic Insulation	Shell	10,000	\$ 0.25	1.62	5.56
Less than R4 wall insulation (E/G) to R11-R18 Wall Insulation	Shell	27,500	\$ 0.40	4.24	6.47
Less than R4 wall insulation (E/G) to R19+ Wall Insulation	Shell	27,500	\$ 0.45	5.95	8.60
LED - Decorative and Mini-Base - 250- 1049 lumens	Simple Steps	38,764	\$ 1.50	3.38	6.36
LED - General Purpose and Dimmable - 1490 - 2600 lumens	Simple Steps	35,163	\$ 1.00	2.17	8.07
LED - General Purpose and Dimmable - 250- 1049 lumens	Simple Steps	431,764	\$ 1.00	6.22	7.34
LED - General Purpose and Dimmable - 1050 - 1489 lumens	Simple Steps	9,164	\$ 1.00	3.06	13.21
LED - Globe - 250- 1049 lumens	Simple Steps	9,356	\$ 1.00	3.30	8.80
LED - Reflectors and Outdoor - 1490- 2600 lumens	Simple Steps	801	\$ 2.00	10.08	26.41
LED - Reflectors and Outdoor - 250 - 1049 lumens	Simple Steps	205,818	\$ 2.00	16.93	8.80
LED - Reflectors and Outdoor - 1050 - 1489 lumens	Simple Steps	12,987	\$ 2.00	4.52	7.70
LED - Decorative Ceiling Flush Mount Fixture - 500-1999 lumens	Simple Steps	4,172	\$ 1.50	8.37	11.13

Measure Description	Program	WA Units	Incentive	Est. Sub TRC	Est. Sub UCT
LED - Decorative Ceiling Flush Mount Fixture 2000-7999 lumens	Simple Steps	80	\$ 1.50	8.34	39.52
LED - Track Light Fixture 0-499 Lumens	Simple Steps	16,553	\$ 0.50	3.46	18.42
LED - Track Light Fixture 2000-7999 Lumens	Simple Steps	669	\$ 5.00	7.24	23.83
LED - Track Light Fixture 500-1999 lumens	Simple Steps	4,500	\$ 2.00	7.23	16.69
LED - Linear Flush Mount Fixture 0-499 lumens	Simple Steps	108	\$ 0.50	0.76	1.15
LED - Linear Flush Mount Fixture 500-1999 lumens	Simple Steps	61	\$ 2.00	1.33	1.73
LED - Exterior Porch Light Fixture 0 -499 Lumens	Simple Steps	68	\$ 0.50	15.35	18.42
LED - Exterior Porch Light Fixture 500-1999 Lumens	Simple Steps	133	\$ 3.00	15.93	11.13
LED - Exterior Security Fixture 500 -1999 Lumens	Simple Steps	18	\$ 2.00	14.72	20.72
LED Retro-Fit Fixture 2000 -7999 Lumens	Simple Steps	18	\$ 1.00	5.79	57.60
LED Retro-Fit Fixture 500-1999 Lumens	Simple Steps	18	\$ 1.00	5.79	16.14
LED Bathroom Vanity 2000 -7999 Lumens	Simple Steps	9,000	\$ 3.00	3.67	16.11
LED Bathroom Vanity 500-1999 Lumens	Simple Steps	19,779	\$ 1.00	3.74	13.81
Showerhead 2.0 GPM	Simple Steps	4,635	\$ 1.50	10.37	12.91
Showerhead 1.75 GPM	Simple Steps	89	\$ 5.00	8.64	8.50
Showerhead 1.5 GPM	Simple Steps	1	\$ 7.00	-	8.96
Clothing Washer	Simple Steps	1,435	\$ 25.00	1.07	2.35
Prescriptive VFDs - HVAC Cooling Pump	VFD	91	\$ 130.00	3.96	6.09
Prescriptive VFDs - HVAC Fan	VFD	91	\$ 130.00	3.71	5.70
Prescriptive VFDS - HVAC Heating Pump or combo	VFD	148	\$ 130.00	6.37	9.80
E TO G FURNACE CONVERSION	WA Low-Income Conversions	22	\$ 5,196.30	1.10	0.81
E TO G H2O CONVERSION	WA Low-Income Conversions	25	\$ 586.78	0.33	1.00

Appendix B:
2018 Evaluation, Measurement and Verification Plan

Avista Utilities

2018

Energy Efficiency
Evaluation,
Measurement and
Verification
Annual Plan

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2018 Energy Efficiency Evaluation, Measurement and Verification Annual Plan

II. Background

The Company's 2018 Energy Efficiency Evaluation Measurement and Verification (EM&V) Annual Plan, in combination with the Avista EM&V Framework, is intended to identify the evaluation, measurement and verification activities planned to be performed in 2018 in order to adequately inform and assess energy efficiency programs provided by Avista for its customers in Washington and Idaho. This evaluation effort is not only to verify savings estimates of the 2017 program year, but is to be used to enhance program design and improve the marketing and delivery of future programs. This document also provides the projected 2018 EM&V budget.

III. Overview

Avista's 2018 EM&V Annual Plan identifies evaluation activities intended to be performed during 2018 on the 2017 energy efficiency portfolio. For Washington, the evaluation of 2016 acquisition will be consolidated with results from the 2017 evaluation to satisfy biennial reporting requirements associated with Washington's Energy Independence Act (EIA), also known as I-937. The scope of this Plan is consistent with prior evaluation plans as presented to Avista's Advisory Group. A comprehensive EM&V overview and definitions are included in Avista's EM&V Framework, a companion document to this Plan.

A key consideration integrated into this Plan is the role of the independent third-party evaluator that will perform the majority of evaluation planning, tasks, analysis, and external reporting as coordinated by Avista DSM Staff. Nexant is the current evaluator for the 2016-2017 biennium and an evaluator for the next biennium is unknown at the time of this writing.

The following details the key aspects of this Plan:

- The Company continues to pursue a portfolio approach for Impact Analysis, insuring a comprehensive annual review of all programs, to the degree necessary, based on the

magnitude of savings and uncertainty of the related unit energy savings (UES) values and magnitude of claimed energy efficiency acquisition relative to the portfolio.

- Inherent in the impact analysis for 2016, a locked UES list identifying a significant number of UES values is available to leverage through verification rather than fundamental impact analysis, however this list of UES will be reevaluated for 2017 once the impact analysis from Nexant is provided. Measures will also be updated to reflect “best science” from other sources as well, primarily the RTF.
- Portfolio impact evaluations will be conducted for all electric and natural gas programs in Washington and Idaho. For programs with a majority of savings or particular aspects of interest, such as a high level of uncertainty, detailed impact evaluations using protocols from the Uniform Methods Project, International Performance Measurement and Verification Protocol (IPMVP) and other industry-standard techniques for determining program-level impacts will be used. Billing analyses will be incorporated as appropriate.
- Electric energy efficiency acquisition achieved during 2016 will contribute to the biennial savings acquisition for EIA compliance, which will complete its fourth biennium at the end of 2017.¹
- A final evaluation of the electric programs deployed during 2016 and 2017 will be initiated prior to the end of 2017 in order to meet the June 1, 2018, filing deadline in Washington.
- The evaluation will provide energy efficiency acquisition results with 90% precision with a 10% confidence interval. Discrete measures may be represented by reduced precision and wider confidence, such as 80% with a 20% confidence interval, but must support the required portfolio criteria of 90%/10%.
- This planning document will not be construed as pre-approval by the Washington or Idaho Commissions.
- Evaluation resources will be identified through the development of the 2018 evaluation work plan in conjunction with the independent, third-party evaluator. Primary segments will include:
 - Residential
 - The impact analysis will consider the portfolio of measures provided to residential customers during the program year. Evaluation effort will be focused on measures that contribute significant portfolio savings and allow consolidation and grouping of similar measures to facilitate the evaluation.
 - Low Income
 - For the impact analysis, billing analysis on the census of measures, including conversions, will be conducted. In addition, a comparison group, possibly consisting of Low Income Home Energy Assistance Program

¹ Washington Initiative 937 was approved by voters on November 7, 2006. Codified as RCW 19.285 and WAC 480-109, the energy efficiency aspects of this law became effective on January 1, 2010.

(LIHEAP) or Low Income Rate Assistance Program (LIRAP) participants, may be incorporated into the analysis if possible.

- Non-Residential
 - Interviews of Avista staff and third-party implementers will be conducted, along with customer surveys, tracking databases, marketing materials and quality assurance documents.
- Consideration will be made recognizing most of Avista’s current portfolio of electric energy efficiency offerings has been in place since 1995 and natural gas programs available since 2001.
- A Process Evaluation report will be delivered as part of the 2017 Demand Side Management Annual Conservation Report which addresses program considerations for that program year.

IV. External EM&V Budget for Evaluations

For 2018, the total budget for external evaluation is estimated to be \$1,312,612 on a total system basis. The following table identifies evaluation activities and allocations that are anticipated for 2018. The Washington and Idaho expenses include evaluation activities for both electric and natural gas fuel types.

Individual Evaluations	Evaluation Type	Contractor	Budget (System)	WA expense	ID expense
2016-2017 Electric and Natural Gas Portfolio	Impact	Nexant	\$415,000	\$315,400	\$99,600
2018 Electric and Natural Gas Portfolio	Impact and Process	TBD	\$777,612	\$544,328	\$233,283
Electric and Natural Gas DSM Operations (or components of) ²	Process	Nexant	\$120,000	\$91,200	\$28,800
Total Budget for Individual Evaluations			\$1,312,612	\$950,928	\$361,683

V. Overall 2018 EM&V Budget

The table below captures the individual evaluations specifically identified in the previous table in aggregate and augments them with the associated expenses necessary to manage EM&V activities,

² Process evaluation efforts may be directed to a further investigate past process evaluation findings rather than perform a new portfolio evaluation.

perform internal EM&V evaluations, acquire physical EM&V equipment and actively participate in and fund the activities of the Regional Technical Forum (RTF).

Activity	Budget (WA/ID system)	Internal budget	External budget	WA expense	ID expense
Individual evaluations previously specified	\$1,227,612	\$10,000	\$1,217,612	\$852,328	\$365,284
Regional Technical Forum dues	85,000	-	85,000	59,500	25,500
Total	1,312,612	\$10,000	\$1,322,612	911,828	390,784
Expected total DSM budget	\$27,474,289			\$19,547,270	\$7,927,019
EM&V as a % of total DSM budget ³	4.78%			4.66%	4.93%

VI. EM&V External Evaluation Contract

In September 2017 Avista published a Request for Proposal for the evaluation, measurement, and verification activities associated with the demand side management portfolio as executed by Avista during the 2018 and 2019 program years. The selected external evaluator is yet to be determined.

VII. Summary of Individual Evaluations

Provided below is a summary of each of the external evaluation activities anticipated to occur in 2018. All savings estimates, calculations, assumptions and recommendations will be the work product of the independent evaluator in conjunction with the respective portfolio impact, process, or market evaluation component. The final evaluation plan provided by Nexant will also be included in this plan as an appendix.

2016-2017 Electric and Natural Gas Portfolio Impact Evaluation

The electric and natural gas portfolio impact evaluation will be performed by Nexant, an independent third party evaluator that was selected through a competitive bidding process. Based

³ While EM&V expenditures will be directly assigned where appropriate, this illustrates the anticipated allocation of estimated EM&V expenditures

on the evaluator's work plan, performance data and supporting information may be derived from primary consumption data collected in the field, site audits, phone surveys, billing analysis, and other methods identified to effectively quantify the energy performance of the energy efficiency measure.

Similar to prior evaluations, billing analyses is to be conducted to identify the electric and natural gas impacts of the Low Income Program based on a census of program participants to estimate savings by state, fuel type, and overall program levels. For this evaluation cycle, savings estimates will be evaluated through a combined approach of billing and engineering analysis, as well as developing net savings estimates by measuring the effects of a comparison group.

If possible, a Low Income comparison group study may be used to evaluate this specific program activity. There are two feasible approaches for selecting this comparison group. One method would be to identify nonparticipants from data on Avista customers that receive energy assistance payments such as LIHEAP or LIRAP, who have not participated in the Low Income Program. A second method would be to consider using future program participants. The best approach will be identified as the timeline and available data are considered.

Additional participant phone surveys may be conducted to provide a better understanding of certain topics, such as primary and secondary heating sources, equipment functionality prior to replacement, customer behaviors and take-back effects, participant non-energy benefits and other building or equipment characteristics.

For nonresidential, site and metering visits on prescriptive and site specific projects will support project verification and gather necessary data to validate energy savings and engineering calculations. Sample sizes for each type of fuel will be based on the combined two-year (2016-2017) projected project count. Prior evaluations may inform sampling rates to effectively reduce the sample size in measure categories with less uncertainty, and increase the sampling for those measures with greater variation.

2017 Portfolio Process Evaluation

To identify program changes and areas of interest, brief interviews will be employed to gather relevant information. Key participants in the interview process will include Avista staff, and as appropriate, third-party implementation staff and trade allies.

The independent third-party evaluator will review communication and participant materials for critical program documents that have new or updated materials, including program tracking databases, marketing materials and trade ally materials. The program materials will be evaluated against industry best practices for their adequacy, clarity, and effectiveness. Where appropriate, feedback will be provided to support the development of new or enhancement of existing program materials.

Participant and nonparticipant surveys will be conducted in 2017 and 2018 for both residential and nonresidential segments and be used to assess differences in customer experiences, effectiveness of programs and materials available for customers and trade allies. Participant and nonparticipant surveys will focus on the decisions, attitudes, barriers, and behaviors regarding Avista's programs and efficient equipment/measure installations as well as supplement past spillover research.

Nexant Evaluation Plan

As part of Nexant's contractual requirements they provided an overall detailed evaluation plan for 2016-2017. That plan will be included attached to this EM&V plan.

2018-2019 Electric and Natural Gas Portfolio Impact Evaluation

Avista began to solicit bids for the evaluation of the 2018-2019 biennium and will work with the Advisory Group to finalize the selection of the next external evaluator.

PLAN



Reimagine tomorrow.



Evaluation Work Plan for 2016-2017 Demand Side Management Programs

Submitted to Avista Corporation

Submitted by Nexant
In partnership with: Research Into Action

October 14, 2016

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1 Introduction and Key Issues

Nexant, Inc. (Nexant) and its partner, Research Into Action (collectively, the evaluation team) have been retained by Avista Corporation (Avista) to evaluate the 2016-2017 demand side management (DSM) programs offered in Washington and Idaho. This project includes process and impact evaluations, to be completed and delivered with final evaluation results by April, 2018. The main deliverables for this evaluation include:

- **Deliverable 1: Evaluation Work Plan:** Develop an Evaluation Work Plan (the document entailed herein) outlining all evaluation activities to be conducted for the evaluation of Avista's 2016-2017 DSM programs in WA and ID, along with the presentation to Avista's DSM Advisory Group.
- **Deliverable 2: Natural Gas Impact Evaluation:** Perform the Washington and Idaho Natural Gas Portfolio Measurement and Verification Impact Evaluation for program years 2016 and 2017.
- **Deliverable 3: Electric Impact Evaluation:** Perform the Washington and Idaho Electric Portfolio Measurement and Verification Impact Evaluation for program years 2016 and 2017.
- **Deliverable 4: Process Evaluation Report:** Perform a process evaluation of the Washington and Idaho programs for years 2016 and 2017.
- **Deliverable 5: Annual Reports with Cost Effectiveness Analysis:** In both 2016 and 2017, and for the combined years, perform a cost-effectiveness analysis for each of Avista's programs and portfolio of programs in Washington and Idaho.

The evaluation team will perform a process evaluation that focuses on program design and theory, implementation and delivery, and market feedback. The programs will be evaluated through interviews with pertinent program actors including Avista and third-party implementation staff, contractors, trade allies, participants, and non-participants. The evaluation team will develop a unique survey instrument for each population to ensure that responses produce comparable data and allow the evaluation team to draw meaningful conclusions. Section 3 of this plan provides an overview of the process evaluation.

For the impact evaluation, the net and gross program energy impacts will be evaluated through a combination of documentation audits, telephone surveys, and engineering analysis and site inspections of completed program projects. Because it is not cost-effective to complete analysis and site inspection on a census of the implemented program projects, energy savings will only be verified for a representative sample of projects to draw statistically measurable results. Additionally, a subset of the residential portfolio programs will be evaluated through billing analysis. The program-reported savings will be adjusted based on the findings from the gross-verified evaluation activities conducted on the sample population. The net savings, which are an estimation of the savings directly attributable to the program and which account market

effects and customer influence, can be calculated by applying net-to-gross scaling factors to the gross program-reported savings. In order to estimate net-to-gross factors, the evaluation team will employ participant surveys to quantify the actual impact of the programs.

The primary goal of evaluation efforts is assurance that programs are cost-effectively addressing the hurdles customers face when it comes to implementing energy efficiency measures in their home or business. The primary findings from evaluation efforts, in turn, help utilities plan for future program offerings. Several factors must be included and thoroughly outlined prior to any evaluation activity to ensure that evaluation budgets are spent wisely and that the results of the evaluation efforts are statistically valid.

The evaluation team reviewed available material for each of Avista's 2016-2017 DSM programs to develop prioritization criteria for allocating the project's finite evaluation resources. The issues that we took into account when developing this work plan include:

- A program's estimated savings (kWh and therms) contribution to the sector and DSM portfolio (actual to-date information through August 2016 and planned values for 2017).
- A program's budget allocation relative to the sector and DSM portfolio (as outlined in Avista's 2016 DSM Business Plan).
- The expected degree of uncertainty in a program's savings.
- The status of measure UES values currently listed in the RTF.
- Findings and recommendations made during the prior evaluation cycle.
- Whether any special features of a program require extraordinary evaluation effort.

In the following sections of this work plan, the evaluation team presents a proven approach and the methodologies for developing accurate and defensible results on the portfolio evaluation of Avista's 2016-2017 DSM programs, which meet the understood regulatory requirements in Washington and Idaho.

1.1 Approach and Methodology

Techniques that we will use to conduct our EM&V activities and to meet the goals stated for this evaluation include site inspections, telephone surveys, document audits, billing analysis, best practice review, and interviews with implementation staff, trade allies, program participants and nonparticipants.

The primary determinants of evaluation costs are the sample size and the level of rigor employed in collecting measurable data for the impact and process analysis. The accuracy of the study findings is in turn dependent on these parameters. Avista's stated preference is to achieve 10%/90% statistical precision and confidence at the portfolio level at a minimum. This work plan balances cost and rigor using a value of information approach that starts with a determination of those programs that require a higher level of evaluation due to uncertainty in the program. We then assess the level of uncertainty in a program with the estimated value of

the program in order to determine the most cost-effective and accurate evaluation approach.

1.2 Evaluation Goals and Objectives

Over-arching project goals will follow the definition of impact evaluation established in the “Model Energy-Efficiency Program Impact Evaluation Guide – A Resource of the National Action Plan for Energy Efficiency,” November 2007:

Evaluation is the process of determining and documenting the results, benefits, and lessons learned from an energy-efficiency program. Evaluation results can be used in planning future programs and determining the value and potential of a portfolio of energy-efficiency programs in an integrated resource planning process. It can also be used in retrospectively determining the performance (and resulting payments, incentives, or penalties) of contractors and administrators responsible for implementing efficiency programs.

Evaluation has two key objectives:

- 1. To document and measure the effects of a program and determine whether it met its goals with respect to being a reliable energy resource.*
- 2. To help understand why those effects occurred and identify ways to improve.*

Avista and evaluation team has identified the following objectives for the evaluation:

- Independently verify, measure and document energy savings impacts from Avista’s electric and natural gas energy efficiency programs in 2016 and 2017,
- Calculate the cost effectiveness of the portfolio and component programs,
- Identify program improvements, if any, and
- Identify possible future opportunities.

1.3 Evaluation Management

The evaluation team has developed this general work plan to identify and outline the activities to evaluate the successes, weaknesses and market barriers for the implemented programs and assess veracity of the reported energy benefits and program cost-effectiveness. However, because this plan has been developed in the middle of the program cycle, there are areas of uncertainty and unknown key parameters. Consequently, this plan may only outline a general methodology or process until more certainty and specific data is available.

Documentation of revisions to the sampling methods, change of management memorandums, and survey instruments will be provided to Avista. In addition, quality control/assurance onsite verification activities are used to confirm measures are installed and performing as expected

beyond the quality assurance activities that the program implementation team conducts. EM&V findings will be documented in the final evaluation reports issued to Avista.

1.3.1 Project Management

In order to ensure on-going quality control, the evaluation team will adhere to professional project management procedures based on planning, monitoring, and control, as well as consistent communication with Avista. Project administration will be predicated on effective work planning, schedule and program controls, coordination of tasks, and internal reviews of work. This is accomplished in the following way:

- Closely adhering to the established processes and procedures as documented in project work plan, administrative procedures and project schedules;
- Consistently communicating with the client and other project participants via oral and written channels;
- Prioritizing and scheduling projects/tasks to best suit the needs of the client and other stakeholders; and
- Providing internal reviews of work prior to interface with customers or submission to agency clients.

The evaluation team will provide regular progress reporting to the Avista evaluation team in relation to the status and preliminary findings of the process and impact evaluation project.

1.4 Summary of Program Evaluation Activities

Table 1-1 summarizes the major survey, interview, and document audit activities for the process and impact evaluation of Avista's programs. Quantities identified are targets and could be modified by actual program participation and market actor quantities.

Table 1-1: Summary of Program Evaluation Activities

Evaluation Audience/Program	Impact	Process	Survey Quantity	Document Audit Quantity
<i>Residential – Washington/Idaho Electric Portfolio</i>				
Program Staff Interviews		√	1	N/A
Residential Focused Contractors		√	10-20	N/A
Water Heat Program	√		0	68
ENERGY STAR Homes	√		0	68
HVAC Program	√		0	68
Shell Program	√	√	42	68
Fuel Efficiency	√	√	42	68
Opower	√		N/A	N/A
Low Income	√		0	68

Evaluation Audience/Program	Impact	Process	Survey Quantity	Document Audit Quantity
Residential – Washington/Idaho Natural Gas Portfolio				
Program Staff Interviews		√	1	N/A
Residential Focused Contractors		√	10-20	N/A
Water Heat Program	√		0	68
ENERGY STAR Homes	√		0	68
HVAC Program	√	√	42	68
Shell Program	√	√	42	68
Low Income	√		0	68
Residential – General				
Nonparticipants		√	70	N/A
Nonresidential – Washington/Idaho Electric Portfolio				
Program & Implementation Staff Interviews		√	~5-10	N/A
Nonresidential Focused Contractors		√	~30-40	N/A
Prescriptive Other	√	√	24	24
Prescriptive Lighting	√	√	42	42
Small Business	√	√	34	34
Site Specific	√	√	68	68
Nonresidential – Washington Natural Gas Portfolio				
Program & Implementation Staff Interviews		√	~5-10	N/A
Nonresidential Focused Contractors		√	~15-20	N/A
Prescriptive (Shell)			0	0
Energy Smart Grocer	√		0	11
HVAC	√		0	11
Food Service	√	√	24	11
Small Business	√	√	34	23
Site Specific	√	√	24	24
Nonresidential – General				
Nonparticipants		√	70	N/A

The process and impact evaluation activities will be choreographed in a manner to maximize project efficiency and minimize customer fatigue caused by multiple interactions with the evaluation team and other Avista surveys of customers. Our approach will provide continuous feedback throughout the evaluation cycle via a quarterly cohort sample frame, which provides faster, more accurate feedback with participants being interviewed closer to the time of their program participation.

In addition to the quantities noted above, the evaluation team will also conduct onsite

measurement and verification (M&V) for a sample of nonresidential customers. Table 1-2 summarizes the target onsite M&V sample sizes for the electric and gas programs.

Table 1-2: Impact Evaluation Onsite M&V Sampling

Nonresidential Program	Impact Evaluation – Onsite M&V Sample
<i>WA/ID Electric Programs</i>	
Nonresidential Prescriptive Lighting	11
Nonresidential Prescriptive Energy Smart Grocer	11
Nonresidential Prescriptive Other	11
Site Specific	68
Small Business	16
<i>WA/ID Natural Gas Programs</i>	
Nonresidential HVAC	6
Nonresidential Food Service	6
Site Specific	24
Small Business	16

1.5 Areas of Research Emphasis

The evaluation team has developed an evaluation approach that targets programs and measures of high-impact and uncertainty, while balancing overall evaluation costs. In addition, the evaluation team intends to consider and build from findings and recommendations from the prior evaluation completed for Avista. Specifically, this evaluation includes the following highlights:

- **Rapid Market Feedback:** We will provide Avista with quarterly feedback on participant satisfaction, engineering review and other key metrics, so that Avista can quickly assess how the market is responding to its actions to continually improve program delivery. Program participants will be contacted when they have easy recall of their recent experiences.
- **T-12 Lighting Study:** The evaluation team will research strategies to encourage businesses to replace T12s, which are still in use by a significant portion of the existing small business market. Questions we will explore include: What are the barriers that are preventing customers from upgrading? Which approaches and value proposition messaging are likely to be effective at encouraging customers to transition to more efficient lighting technologies? This investigation will review and incorporate findings from Avista’s T-12 Small Business Lighting Pilot.
- **High Participation Contractor Study:** The evaluation team will conduct in-depth interviews with “high-participation” contractors who are actively engaged in Avista’s rebate programs. We will seek to understand what these contractors are doing that could be transferred to other contractors to encourage greater participation.

2 Impact Evaluation Overview

Impact evaluations seek to quantify the energy, demand, and possible non-energy impacts that have resulted from DSM program operations. These impacts may be expressed as all changes resulting from the program (gross savings), or only those changes that would not have occurred absent the program (net savings).

In general, impact evaluations consist of the following components, all of which are described in more detail in the remainder of this section:

- Understanding the Program Context
- Designing the Sample
- Conducting Gross-Verified Activities
 - Document Audits
 - Telephone Surveys
 - Onsite Verification
 - Billing Analysis
- Conducting Net-Verified Activities

2.1 Understanding the Program Context

To understand the portfolio of programs to be evaluated, the evaluation team reviewed Avista's 2016 DSM Business Plan and collected data from Avista on 2016 program performance through July 2016. Table 2-1 and Table 2-2 summarize the estimated percent of savings of each program in the portfolio as related to the total savings. Because these values are based on only part of the biennium (January through July 2016), the distribution of program contribution to the portfolio may shift as the programs progress.

Table 2-1: Percent WA/ID Electric Program Savings of Total Portfolio (2016-2017)

WA/ID Electric Programs	% of Savings of the Portfolio
<i>Residential Portfolio (WA and ID)</i>	
HVAC Program	4%
Water Heat Program	0.0%
ENERGY STAR HOMES	0.4%
Fuel Efficiency	30%
Residential Lighting Program	61%
Shell Program	4%
Opower Behavioral Program	not received
Low Income	1%
Total Residential Portfolio	100%
<i>Nonresidential Portfolio (WA and ID)</i>	
EnergySmart Grocer	4%
Food Service Equipment	0.3%
Green Motors Program	0.003%
Comm Motor Controls HVAC	2%
Appliance	0.21%
Prescriptive Lighting	76%
Shell Program	0.04%
Site Specific	18%
AirGuardian	0.06%
Fleet Heat	0%
Total Nonresidential Portfolio	100%

Table 2-2: Percent WA/ID Natural Gas Program Savings of Total Portfolio (2016-2017)

WA/ID Natural Gas Programs	% of Portfolio
Residential Portfolio	
Water Heat Program	9%
ENERGY STAR HOMES	1%
HVAC Program	56%
Shell Program	34%
Low Income	1%
Total Residential Portfolio	100%
Nonresidential Portfolio	
EnergySmart Grocer	22%
Prescriptive Shell	6%
HVAC	15%
Food Service Equipment	47%
Site Specific	10%
Total Nonresidential Portfolio	100%

2.2 Designing the Sample

Sample development is an important step that enables the evaluation team to deliver meaningful, defensible results to Avista. The evaluation team plans to use stratified random sampling approaches for much of our data collection activities. Our sampling methodology will be guided by a “value of information” (VOI) framework which allows us to target activities and respondents with expected high impact and yield, while representing the entire population of interest. VOI focuses budgets and rigor towards the programs/projects with high uncertainty and high impact.

Avista offers a large number of programs across both market segments (residential/nonresidential) and fuel type (electric/gas). For the sample design, the evaluation team organized the programs into ‘bins’, segmenting the programs based on two metrics:

- **Program Uncertainty:** The risks associated with a program’s reported savings (i.e., custom vs. deemed vs. Regional Technical Forum status), delivery mechanism, and performance goals, etc., broken into three categories: high, medium, and low.
- **Program Size:** Either large, or small; based on projected energy savings, and planned budget allocations.

Bins are created for residential and nonresidential programs separately and for electric (WA/ID) and natural gas (WA) programs separately.

In parallel, we calculate a ‘level of rigor’ value for each program, and based on assumed measure complexity and RTF influence, we identify an appropriate level of sampling and

evaluation rigor.

- **Level of Sampling:** Defined as confidence/precision for calculating sample sizes, the evaluation team is using four levels: 90/10, 80/10, 85/15, or 80/20.
- **Evaluation Rigor:** Defined as the level of detail used for the evaluation activities, including four levels: document audit, surveys, onsite inspections, and billing analysis. A detailed discussion of evaluation rigor is provided in Section 2.3 below.

The evaluation bin identified for each program is one factor in determining the sample size and level of rigor for the evaluation activities. Additional factors that influence the sample size and level of rigor include evaluation costs, Regional Technical Forum (RTF) influence, and findings and recommendations from prior evaluations.

The approaches (i.e. level of rigor) for estimating the gross energy savings for the programs being evaluated include: document audit, surveys, site inspections, and statistical billing analysis. In many cases, a combination of approaches are used to both validate savings and provide insights into any identified discrepancies between reported and verified savings values. The sampling strategy for the impact evaluation will also overlay, as applicable, with the sample approach used for the process evaluation activities in order to obtain information for both the impact and process evaluations during one single onsite inspection and/or survey. This nested sampling approach will help to minimize costs while still maintaining adequate sample sizes.

Table 2-3 and Table 2-4 show the anticipated confidence/precision level, planned sample sizes and level of rigor by program separately for WA/ID Natural Gas and WA/ID Electric portfolios. The samples are drawn to meet the specified confidence/precision for each program and to meet a 90% confidence and 10% precision at the portfolio level.

Table 2-3: Sampling and Evaluation Rigor for WA/ID Natural Gas Programs

WA/ID Natural Gas Portfolio Program Name	Target Sample Sizes based on Level of Rigor				
	Target C/P ¹	Document Audit	Surveys	Onsite Inspections	Billing Analysis
Residential (WA)					
Water Heat Program	80/20	68	-	-	-
ENERGY STAR Homes	census	68	-	-	census
Shell	census	68	42	-	census
HVAC Program	census	68	42	-	census
Low Income	census	68	-	-	census
Nonresidential (WA)					
HVAC Program	80/20	11	6	6	-
Energy Smart Grocer	80/20	11	0	0	-
Food Service Equipment	80/20	11	6	6	-
Small Business	90/15	23	16	16	-
Site Specific	85/15	24	24	24	based on IPMVP

¹Sample sizes for document audit designed to meet C/P target and are based on actual 2016 participation values through July, 2016

Table 2-4: Sampling and Evaluation Rigor for WA/ID Electric Programs

WA/ID Electric Portfolio Program Name	Target Sample Sizes for each Level of Rigor				
	Target C/P ¹	Document Audit	Surveys	Onsite Inspections	Billing Analysis
Residential (WA and ID)					
HVAC Program	census	68	-	-	census
Water Heat Program	80/20	68	-	-	-
ENERGY STAR Homes	census	68	-	-	census
Fuel Efficiency	census	68	42	-	census
Residential Lighting Program	NA	NA	-	-	-
Shell Program	census	68	42	-	census
Opower Behavioral Program	census	-	-	-	census
Low Income	census	68	-	-	census
Nonresidential (WA and ID)					
Prescriptive Lighting	80/10	42	11	11	-
Prescriptive Other ²	85/15	24	11	11	-
Small Business	90/15	34	16	16	-
Site Specific	90/10	68	68	68	based on IPMVP

¹Sample sizes for document audit designed to meet C/P target and are based on actual 2016 participation values through July, 2016

²Please note that for purposes of the evaluation sampling, the evaluation team has bundled the following Nonresidential Electric Programs into one program titled 'Prescriptive Other': EnergySmart Grocer, Food Service Equipment, Green Motors, Commercial Motor Controls HVAC, Appliance, Power Management for PC Networks, Shell, Fleet Heat, AirGuardian and Standby Generator.

2.3 Conducting Gross-Verified Activities

Based on data and information gathered as part of the evaluation activities chosen for each project and program, the evaluation team will calculate the verified energy savings for each sampled project. We will leverage existing calculations and methods that are available for review and are presented in a transparent and complete way. This also applies to those cases where the RTF has existing unit energy savings for the measure being evaluated. We will review RTF workbooks for applicable measures and assess RTF parameter assumptions in context of Avista's service territory. However, for all RTF measures, the evaluation team will default to the RTF value for reporting achieved energy savings toward Avista's biennial goals and the results of the verification analysis will only be used to inform parameter assumptions used in future RTF measure workbook iterations. For all non-RTF measures, for example gas measures, the majority of nonresidential measures, or Site Specific projects, we will use accepted evaluation practices to conclude whether or not savings estimates are adequately supported, are appropriate to the weather zone or service territory and if applicable, we will calculate savings based on engineering algorithms and/or billing regression analysis to derive a verified savings value. We will calculate realization rates based on the verified savings analysis for the sample of projects and extrapolate our findings to the program population.

The following sections outline each of the approaches we will use to estimate gross verified energy savings.

2.3.1 Document Audit

The first level of rigor to be utilized in the evaluation activities is to conduct a document audit of all sampled projects, for which documentation exists. Document audits are also a critical precursor to conducting telephone surveys and onsite inspections and more specifically for the determination of project-specific variables to be collected during these activities. The document audit for each sampled project will seek to answer the following questions:

1. Are the data files of the sampled projects complete, well documented and adequate for calculation and reporting of the savings? Do the reported values match the Technical Reference Manual (TRM) when applicable?
2. Are the calculation methods used correctly applied, appropriate and accurate?
3. Are all necessary fields properly populated?

2.3.2 Telephone Survey

A second level of evaluation rigor is to conduct stand-alone telephone surveys with program participants. Telephone surveys will be utilized to gather information on the energy efficiency measure implemented, the key parameters needed to verify the assumptions utilized by RTF for approved values or to estimate verified energy savings, and any baseline data that may be available from the participant. Surveys conducted for the process evaluation activities will

include questions relevant to the impact evaluation, and vice versa, when applicable.

Standard data collection input forms will be developed for use by field and telephone survey engineers and for ease of input into a data collection database. Our standard approach and the approach we will use are as follows:

1. Select information that we need to perform the needed impact evaluation tasks and develop appropriate survey questions to gather this information during a telephone conversation.
2. Build a database form to allow for quick and easy population of tables with data and information once information is gathered through the survey implementation.

2.3.3 Onsite Inspections

A higher level of rigor for the evaluation activities is to conduct onsite measurement and verification on a select sample of projects. Prior to conducting site inspections, it is important for the field engineer to understand the project that they are going onsite to verify. This understanding, therefore, corresponds with the document audit task discussed in the prior section. For all onsite inspections, a telephone survey will serve as an introduction to the evaluation activities and will be used to confirm that the customer participated in the program, confirm the appropriate contact, and to verify basic information such as building type and building size. Onsite recruitments will be made during the telephone survey and will be scheduled with a Nexant field engineer.

Site inspections are the key to the accurate evaluation of programs and represent a significant portion of the effort for the evaluation of the nonresidential portfolio. Because of the importance of the task, the evaluation team will work to ensure that site inspections are carefully planned and executed and that site inspectors have the appropriate experience and training. Field engineers will be fully equipped to perform a comprehensive audit with all the necessary data loggers, tools, and complete survey tools or PC tablets. Steps in the site inspection process are as follows:

1. Train site inspectors so that they can successfully collect the needed site-specific information. It is important that the inspectors are trained not only on the engineering aspects, but also on proper protocols and interaction with facility staff to ensure that the necessary data is collected and that utilities' relationship with its customers is not damaged, but rather is enhanced.
2. Group inspections by geographic location to minimize time allocation, labor and direct costs associated with getting to and conducting site inspections.
3. Perform site inspections and enter all needed data into the program evaluation database developed specifically for Avista.

The evaluation team will conduct two levels of rigor associated with the onsite inspections –

measurement AND verification (M&V) and verification-only (V). Upon review of the project documents, the evaluation team will decide which level of rigor is appropriate for each sampled project/measure. In cases where the measure being evaluated has an approved RTF UES value, the evaluation team's effort will focus on verifying quality and quantity of installation to apply the RTF UES values to. We will also gather information that ties into the RTF UES value as appropriate (examples could include heating/cooling fuel type, occupancy, operating hours, etc.).

For projects selected for measurement & verification, an M&V plan will be developed for each project based on our review of the calculation methods and assumptions used for determining measure-level energy savings (if available). These plans will aid in understanding what data to collect while onsite and during the telephone survey in order to calculate gross verified savings for each sampled project. The review may result in different energy savings values as reported by Avista, depending on the accuracy of reporting and assumption used by Avista and its contractors.

M&V plans developed for each project type will be developed with adherence to the IPMVP. The broad categories of the IPMVP are as follows:

- **Option A, Retrofit Isolation: Key Parameter Measurement:** This method uses engineering calculations, along with partial site measurements, to verify the savings resulting from specific measures.
- **Option B, Retrofit Isolation: All Parameter Measurement:** This method uses engineering calculations, along with ongoing site measurements, to verify the savings resulting from specific measures.
- **Option C, Whole Facility:** This method utilizes whole-facility energy usage information, most often focusing on a utility bill analysis, to evaluate savings.
- **Option D, Calibrated Simulation:** Computer energy models are employed to calculate savings as a function of the important independent variables. The models must include verified inputs that accurately characterize the project and must be calibrated to match actual energy usage.

In addition, the evaluation team will conduct metering tasks on a subset of the onsite inspection sample chosen for M&V level of rigor. Projects will be selected for metering activities based on the measure type, project complexity, and the level of information needed in order to estimate gross savings for the project.

2.3.4 Billing Analysis

The final evaluation level of rigor to be conducted is billing analysis, which the evaluation team will conduct on a handful of residential programs in both the electric and natural gas portfolios, including the Opower Behavioral Program.

For programs in which a comparison group can be developed and for which this is an applicable approach, the evaluation team's approach for estimating the gross annual kWh and therm

savings is a difference-in-differences comparison between participants and a comparison group of non-participating customers who resemble the participants with respect to key observable characteristics. For the participating group of customers, the difference between energy consumption before and after program intervention is attributable to two things:

1. Receipt of energy efficiency measure(s).
2. Exogenous changes not related to the program. The changes can have a positive effect (increase in consumption) or a negative effect (decrease in consumption).

For the comparison group, any differences in energy consumption between the pre-implementation period and post-implementation period can only be a function of exogenous changes because no program measures were installed. By subtracting the differences observed in a well-specified comparison group from the differences observed in the treatment group, we effectively isolate the effect of the program measures because exogenous changes will impact both groups in a similar fashion. For example, a hypothetical decline in electric consumption across a portion of Avista's territory due to adverse weather has no relation to Avista's program. The effects must be captured using a comparison group and netted out to produce accurate estimates of program impacts.

2.3.4.1 Model Specification

Rather than model each customer independently, the evaluation team prefers to analyze this data as a panel. Although the choice of technique doesn't change the underlying noisiness of the data, we've found that panel regressions, stratified by groups of interest, produce more stable estimates than running individual customers regressions and averaging the results. The basic form of the model is shown below for gas usage.

$$\text{Daily Therms}_{i,t} = \beta_0 + \beta_1 * \text{AveHDD} + \beta_2 * \text{AveHDD} * \text{Cohort}_i + \beta_{3,i} * \text{AveHDD} * \text{Cohort}_i * \text{Post}$$

Where:

Daily Therms = Billed gas usage in home i during billing period t divided by the number of days in billing period t.

Ave HDD = The average number of heating degree days in billing period t. Various base temperatures can be used as the ceiling of the heating range.

Cohort = Dummy structure to separate groups of interest. We anticipate distinguishing between Single Family Treatment, Single Family Control, Multi-Family Treatment and Multi-Family Control residences at minimum, both other groups can be formed at the direction of Avista.

Post = An indicator variable indicating that the billing period after the customer received the energy efficiency measures

β terms = Regression coefficients determined from the modeling process.

The key parameter in this model is $\beta_{3,i}$. This term should be negative and represents the average therm savings, per heating degree, for Cohort_i. For example, if the β_3 term for single-family homes is equal to -0.0059 and the 30-year average number of base 65 heating degree days for Avista sub-program participants is 5200, the calculation of weather normalized natural gas savings would be performed as follows.

$$\text{Annual Gas Impact} = \beta_3 * \text{HDD}$$

$$\text{Annual Gas Impact} = -0.0059 * 5200$$

$$\text{Annual Gas Impact} = -30.68 \text{ therms}$$

The impact will be calculated as negative (because it is a reduction at the meter), but presented as a positive savings number in any report. Exogenous impacts from the corresponding control group would then be netted out.

2.3.5 Calculating Gross-Verified Savings

The impact evaluation approaches described above will be used to calculate verified energy savings for Avista programs. If none of the above mentioned approaches are applicable for the evaluation, we will conduct a secondary review of the reported deemed energy savings values against similar measures offered in similar programs across the region. For these cases, the findings from the secondary review will be used to assess the verified energy savings.

The impact evaluation activities will result in adjustment factors, termed realization rates, which are applied to the reported savings documented in the program tracking records. We will compare reported savings within the program databases against the technical reference manual (TRM) to ensure the measure-level reported savings align with values published in the TRM. The ratio of project savings determined from the evaluation activities to the project-reported savings is the project realization rate; the program realization rate is the weighted average for all projects in the sample. The adjusted savings obtained by multiplying the program realization rates by the program-reported savings are termed the gross verified savings and they reflect the direct energy and demand impact of the program's operations. These savings do not account for customer or market behavior that may have resulted in greater or lesser savings; these market effects (freeridership and spillover) are captured through tasks carried out in net impact analysis. The following equation outlines the calculation for determining the gross savings value.

$$\text{kWh}_{\text{adj}} = \text{kWh}_{\text{rep}} \times \text{Realization Rate}$$

Where:

kWh_{adj} = kWh adjusted by the impact team for the program, the **gross savings**

kWh_{rep} = kWh reported for the program

Realization rate = kWh_{adj} / kWh_{rep} for the research sample

Natural gas (therm) savings will be treated in a similar manner.

The evaluation team will estimate realization rates for all measures being evaluated. For RTF approved measures, we will compare these verified savings values to the RTF values to inform assumptions used in future iterations of RTF measure savings. However, we will not apply realization rates to RTF-approved measures and will report the deemed RTF savings values for establishing achievement towards goal.

2.4 Overview of Net-Verified Approach and Methods

The evaluation team will derive net savings—the savings directly attributable to the program—by adjusting the gross-verified energy savings estimates to account for freeridership and spillover when applicable. We will estimate NTG values for all programs in Avista’s WA and ID service territory for which we are conducting participant surveys. For programs where we are not conducting participant surveys, we will apply the NTG values from the prior evaluation for the estimation of net savings. For those program measures that utilize an RTF defined market baseline value, we will not apply freeridership to these measures since freeridership is already accounted for in the market baseline. To rephrase, for RTF or TRM measure savings estimates based on market baselines, freeridership ratios based on the evaluation activities will not be applied and only spillover ratios will be used for the NTG adjustment.

We will rely on participant and non-participant surveys as well as interviews with trade allies, manufacturers, and other key stakeholders to estimate freeridership and spillover.

“Freeridership” refers to a participant who, on some level, would have acquired the energy efficiency measure regardless of the program influence. The effect of freeriders reduces the net savings attributable to the program. “Spillover” refers to actions taken outside the program that are attributable to participation. The spillover effect of energy-efficiency programs is an impact that evaluators can add to the program’s savings results (unlike the impact of freeriders). Freeridership and spillover are used to calculate NTG ratios for each program, through the following equation:

$$NTG\ Ratio = 1 - Freeridership + Spillover$$

The NTG ratio is applied to the program’s gross verified impacts in order to calculate the net impacts or the savings directly attributable to the program. The following equation outlines the relationship between net and gross impacts, when applying the NTG ratio:

$$Net\ Verified\ Savings = Gross\ Verified\ Savings \times NTG\ Ratio$$

We will use a battery that the evaluation team developed with Energy Trust of Oregon to assess free-ridership. This brief battery independently assesses two separate, equal, and additive

components of free-ridership: 1) the extent to which the respondent's upgrade would have differed if not for program participation (the project "change" component); and 2) the extent of program influence on the project (the "influence" component). Each component is assessed with a few brief questions and is assigned a value from 0 (no free-ridership) to 50 (complete free-ridership according to that component). The change component is assigned a value of 0 for respondents that indicate that they would have done no energy upgrade without program participation, 50 if they would have done exactly the same project without program participation, and an intermediate value if they would have done some upgrade without program participation but one that would have saved less energy. The influence component is assigned a value of 0 for respondents that report that any program assistance or service had the maximum influence (on a 5-point scale) on their decision to do the energy upgrade, a value of 50 if the maximum influence rating was 1 on the 5-point scale, and an intermediate value if the maximum influence rating was between 1 and 5. The two component scores are added to create an overall free-ridership score ranging from 0 to 100.

The evaluation team will assess spillover by asking about program influence on participant's and non-participant's decision to install non-incented equipment.

In an effort to control costs and deliver the most value to Avista, we will leverage the interviews planned as part of the impact and process evaluations for each individual program in order to capture information needed to estimate freeridership and spillover.

2.5 WA/ID Electric Program-Specific Tasks

2.5.1 Residential Programs

The following section outlines the electric residential programs offered in Avista's Washington and Idaho service territory. The general approaches used for conducting the impact evaluation activities are outlined in the sections above, therefore this section provides a brief overview of each program, the sample design for this portfolio of programs and explains any special studies or approaches that will be conducted for the impact evaluation.

2.5.1.1 Program Overview

Avista offers eight residential electric programs as summarized in Table 2-5 below. Fuel Efficiency, HVAC, Residential Shell, and Residential Water Heat are implemented directly by Avista, while ENERGY STAR Homes, Residential Lighting, Opower Behavioral, and Low-income programs have varying levels of assistance from third-party implementers.

Table 2-5: WA/ID Residential Electric Programs

WA/ID Electric Programs	Description	Implementer
ENERGY STAR Homes	Provides incentives for stick-built and manufactured homes that achieve ENERGY STAR / ECO-Rated labels.	NEEA administrators, Avista pays rebate

Fuel Efficiency	The fuel efficiency prescriptive rebate encourages customers to consider converting their electric space and water heat to natural gas.	Avista
Water Heat	Provides incentives for heat pump electric water heaters as well as low-flow showerheads and clothes washers as part of the Simple Steps program	Avista and CLEARResult for Simple Steps
HVAC	The HVAC program encourages residential customers to select a high efficiency solution when making energy upgrades to their home (prescriptive).	Avista
Residential Lighting	Direct financial incentives are offered at the manufacturer level that result in cost reductions through participating retailers on select compact fluorescent lamps (CFL's).	CLEARResult
Residential Shell	The shell program encourages residential customers to improve their home's shell or exterior envelope with upgrades to insulation and windows.	Avista
Opower Behavioral Program	In January of 2016, Avista 'refilled' their existing Home Energy Reports Program by 24,000 customers bringing total distribution to 70,000 electric customers in Washington and Idaho that will receive home energy reports throughout the duration of the 2016-2017 biennium, unless they opt-out or move. No one is allowed to opt-in.	Opower
Low Income	Avista utilizes the infrastructure of six Community Action Partner (CAP) agencies to deliver low income energy efficiency programs. The CAPs have the ability to income-qualify customers and have access to a variety of funding resources, including Avista funding, which can be applied to meet customer needs.	SNAP, Rural Resources, Community Action Center Whitman County, Opportunities Industrialization Council, Washington Gorge Action Programs, Community Action Partnership (Lewiston)

2.5.1.2 Gross-Verified Approach

Each program will be assigned a specific number of desk audits and telephone surveys in order to gather necessary data to estimate energy impacts. In addition, specific programs will be evaluated using billing analysis. Once the samples are identified, desk audits of project files will verify basic information and will inform telephone surveys and billing analysis activities.

Table 2-6 outlines the planned sample sizes and level of rigor for the impact evaluation activities for the residential electric programs in WA/ID. The Water Heat Program evaluation will also include analysis of the Simple Steps, Smart Savings high efficiency showerheads component. The evaluation of the Residential Lighting Program will include an assessment of both the upstream lighting component and the giveaway component through a database review.

Table 2-6: Sampling and Evaluation Rigor for WA/ID Residential Electric Programs

WA/ID Electric Portfolio Program Name	Target Sample Sizes for each Level of Rigor				
	Target C/P	Document Audit	Surveys	Onsite Inspections	Billing Analysis
HVAC Program	census	68	-	-	census
Water Heat Program ¹	80/20	68	-	-	-
ENERGY STAR Homes	census	68	-	-	census
Fuel Efficiency	census	68	42	-	census
Residential Lighting Program ²	NA	NA ³	-	-	-
Shell Program	census	68	42	-	census
Opower Behavioral Program	census	NA	-	-	census
Low Income	census	68	-	-	census
Total:	90/10	408	84	-	-

¹Includes Simple Steps, Smart Savings upstream showerhead component

²Includes Simple Steps, Smart Savings upstream lighting program and CFL giveaway events

³Evaluation team will conduct a review of the Simple Step's database

Residential Billing Analysis

The evaluation team will develop regression models to analyze billing data for the following programs, assuming that there is enough available billing data to conduct the analysis:

- HVAC Program
- Shell Program
- Fuel Efficiency
- Low Income
- ENERGY STAR® New Homes
- Opower Behavioral Program

The Opower Behavioral Program was designed and implemented with a defined treatment and control group, thereby allowing for a randomized controlled trial (RCT) to evaluate energy impacts from the program. The Opower program design lends itself well to a RCT as there is no recruiting process. Rather, the program employs an opt-out design whereby customers are assigned either to the treatment or the control group. This design prevents customers in the control group from knowing that an experiment is occurring and therefore do not influence the program outcomes. To evaluate the program, the evaluation team will calculate estimated savings for the program using a regression model that is appropriate for estimating impacts in the context of a RCT.

If deemed applicable, the evaluation team will attempt to conduct a billing regression approach on the other five programs using a similar analysis approach. However, because these programs were not designed as RCTs, the evaluation team will attempt to define a comparison group to conduct the analysis. The comparison group will serve the same function as a control

group and will be matched based on characteristics of the treatment group with focus on energy consumption during the pre-treatment period. If an appropriate comparison group cannot be defined, the evaluation team will use a pre-post billing regression approach for the analysis.

2.5.1.3 Net-Verified Approach

The evaluation team will derive net savings (the savings directly attributable to the program) for the electric residential programs by adjusting the gross-verified energy savings estimates to account for freeridership and spillover when applicable. We will estimate NTG values for those programs being evaluated in the residential portfolio for which NTG ratios should be applied and for which participant surveys are conducted. For programs where we are not conducting participant surveys, we will apply the NTG values from the prior evaluation for the estimation of net savings.

Section 2.4 provides an overview of the approach that will be utilized to estimate free-ridership and spillover, again, when applicable.

2.5.2 Nonresidential Programs

The following section outlines the electric nonresidential programs offered in Avista's Washington and Idaho service territory. The general approaches used for conducting the impact evaluation activities are outlined in Section 2; therefore this section provides a brief overview of each program, the sample design for this portfolio of programs and explains any special studies or approaches that will be conducted for the impact evaluation.

2.5.2.1 Program Overview

Avista offers ten nonresidential electric programs as summarized in Table 2-7 below. Avista partners with implementers on the Energy Smart Grocer, Green Motors, AirGuardian, and Small Business programs, and directly implements the remaining programs.

Table 2-7: WA/ID Nonresidential Electric Portfolio Programs

WA/ID Electric Programs	Description	Implementer
Energy Smart Grocer	This program is intended to prompt the customer to increase the energy efficiency of their refrigerated cases and related grocery equipment through direct financial incentives.	CLEAResult – outreach and referrals, Avista
Food Service Equipment	This program offers incentives for commercial customers who purchase or replace food service equipment with Energy Star or higher equipment (prescriptive).	Avista
Green Motors	The Green Motors Initiative is to organize, identify, educate, and promote member motor service centers to commit to energy saving shop rewind practices, continuous energy improvement and motor driven system efficiency.	Green Motors Practices Group, Green Motors Initiative
Motor Controls HVAC	This program is intended to prompt the customer to increase the energy efficiency of their fan or pump applications with variable frequency drives through direct financial incentives.	Avista
Prescriptive Lighting	This program is intended to prompt commercial electric customer to increase the energy-efficiency of their lighting equipment through direct financial incentives.	Avista, regional Account Executives (AEs)
Prescriptive Shell	The Commercial Insulation program encourages nonresidential customers to improve the envelope of their building by adding insulation.	Avista
AirGuardian	The AirGuardian program is a third party delivered turnkey program for direct install compressed air and facility efficiency.	EnSave
Fleet Heat	Installation of technology that reduces standby losses of vehicle engine blocks by fleet operators by adding the ability to energize block heaters only when Outside Air Temperature drops below a temperature set-point and the engine mounted thermostat is calling for heat.	Avista
Site-Specific	This program approach strives for a flexible response to energy efficiency projects that have demonstrable kWh/Therm savings within program criteria. The majority of site specific kWh/Therm savings are comprised of appliances, compressed air, HVAC, industrial process, motors, shell measures, some custom lighting projects that don't fit the prescriptive path and natural gas multifamily market transformation.	Avista
Small Business	This program provides direct-install energy efficiency measures to small business customers, as well as information about eligibility for other Avista program offerings.	SBW

2.5.2.2 Gross-Verified Approach

Each program will be assigned a specific number of telephone surveys, desk audits, and site inspections based on overall portfolio savings. Once the samples are identified, desk audits of project files will verify basic information and will inform telephone surveys, onsite inspections, and M&V activities.

Table 2-8 outlines our anticipated sample sizes and level of rigor for the impact evaluation activities for the nonresidential electric programs in WA/ID. The sample frames outlined herein

may be further stratified by measure type, based on the percent of measures approved through each program, the respective reported savings values, and any known uncertainties in a particular measure-type. Nexant may also shift sample sizes between programs depending on participation levels in order to ensure defensible program-level results.

Table 2-8: Sampling and Evaluation Rigor for Nonresidential WA/ID Electric Programs

WA/ID Electric Portfolio Program Name	Target Sample Sizes for each Level of Rigor				
	Target C/P ¹	Document Audit	Surveys	Onsite Inspections	Billing Analysis
Prescriptive Lighting	80/10	42	11	11	-
Prescriptive Other ²	85/15	24	11	11	-
Small Business	90/15	34	16	16	-
Site Specific	90/10	68	68	68	based on IPMVP
Total:	90/10	168	106	106	

¹ Sample sizes for document audit designed to meet C/P target and are based on actual 2016 participation values through July, and 2017 Business Plan values.

² Please note that for purposes of the evaluation sampling, the evaluation team has bundled the following Nonresidential Electric Programs into one program titled 'Prescriptive Other': Energy Smart Grocer, Food Service Equipment, Green Motors, Commercial Motor Controls HVAC, Shell, Fleet Heat, and AirGuardian.

We will conduct onsite metering for a subset of onsite visits. Variables targeted as part of the metering activities will be determined on a case-by-case basis depending on the project and measure type. Based on the evaluation team's experience evaluating commercial sector projects and the measures offered in Avista's programs, all projects will be measured for at least fourteen (14) days with onsite trend measurements. Seasonally variable measures may be metered for more than 2-3 months to better understand performance changes with weather conditions. Metering data available from building management systems (BMS) will be utilized, and the decision to implement metering equipment will be determined on each specific project based on preliminary desk audits. In addition, where RTF protocols have been established or are currently under review, the evaluation team will take the protocols into consideration and use them when appropriate during the development of the M&V plans and activities.

2.5.2.3 Net-Verified Approach

The evaluation team will derive net savings (the savings directly attributable to the program) for the electric nonresidential programs by adjusting the gross-verified energy savings estimates to account for freeridership and spillover when applicable. We will estimate NTG values for those programs being evaluated in the nonresidential portfolio, for which participant surveys are being conducted, and for which NTG ratios should be applied. However, for RTF measure savings estimates based on market baselines, freeridership ratios based on the evaluation activities will not be applied and only spillover ratios will be used for the NTG adjustment.

Section 2.4 provides an overview of the approach that will be utilized to estimate free-ridership and spillover (when applicable).

2.6 WA/ID Natural Gas Program-Specific Tasks

2.6.1 Residential Programs

The following section outlines the natural gas residential programs offered in Avista's Washington and Idaho service territories. The general approaches used for conducting the impact evaluation activities are outlined in Section 2 above, therefore this section provides a brief overview of each program, the sample design for this portfolio of programs and explains any special studies or approaches that will be conducted for the impact evaluation.

2.6.1.1 Program Overview

Six programs apply to Avista's Natural Gas customers in their Washington and Idaho service territories. Avista implements the HVAC, Residential Shell, and Residential Water Heat programs. Additional implementation contractors for ENERGY STAR Homes, Opower, and Low-Income programs are described with each program summary in Table 2-9 below. The descriptions for each program can be found in Table 2-5 in Section 2.5.

Table 2-9: WA Residential Natural Gas Portfolio Programs

WA/ID Electric Programs	Description	Implementer
HVAC	The HVAC program encourages residential customers to select a high efficiency solution when making energy upgrades to their home (prescriptive).	Avista
ENERGY STAR Homes	Provides incentives for stick-built and manufactured homes that achieve ENERGY STAR / ECO-Rated labels.	NEEA administers, Avista pays rebate
Shell	The shell program encourages residential customers to improve their home's shell or exterior envelope with upgrades to insulation and windows.	Avista
Water Heat	Provides incentives for heat pump electric water heaters as well as low-flow showerheads and clothes washers as part of the Simple Steps program.	Avista
Opower Behavioral Program	In January of 2016, Avista 'refilled' their existing Home Energy Reports Program by 24,000 customers bringing total distribution to 70,000 electric customers in Washington and Idaho that will receive home energy reports throughout the duration of the 2016-2017 biennium, unless they opt-out or move. No one is allowed to opt-in.	Opower
Low Income	Avista utilizes the infrastructure of six Community Action Partner (CAP) agencies to deliver low income energy efficiency programs. The CAPs have the ability to income-qualify customers and have access to a variety of funding resources, including Avista funding, which can be applied to meet customer needs.	SNAP, Rural Resources, Community Action Center Whitman County, Opportunities Industrialization Council, Washington Gorge Action Programs, Community Action Partnership (Lewiston)

2.6.1.2 Gross-Verified Approach

Each program in the WA/ID natural gas portfolio will be assigned a specific number of desk

audits or telephone surveys based on overall portfolio savings. Once the samples are identified, document audits of project files will verify basic information and will inform subsequent telephone surveys conducted with program participants.

Table 2-10 outlines the planned sample sizes and level of rigor for the impact evaluation activities for the residential natural gas programs. The Water Heat Program evaluation will also include analysis of the Simple Steps, Smart Savings high efficiency showerheads component. Billing analysis will be used to evaluate impacts for the HVAC, Shell, Low Income, and Opower programs. Additionally, ENERGY STAR Homes may also be evaluated via billing analysis if sufficient data is available. Please see Section 2.3.4 for additional discussion on the billing analysis approach.

Table 2-10: Sampling and Evaluation Rigor for Residential WA/ID Natural Gas Programs

WA/ID Natural Gas Portfolio Program Name	Target Sample Sizes based on Level of Rigor				
	Target C/P	Document Audit	Surveys	Onsite Inspections	Billing Analysis
Water Heat Program ¹	80/20	68	-	-	-
ENERGY STAR Homes	census	68	-	-	census
HVAC Program	census	68	42	-	census
Shell Program	census	68	42	-	census
Opower Behavioral Program	census	NA	-	-	census
Low Income	census	68	-	-	census
Total:	90/10	340	84	-	-

¹Includes Simple Steps, Smart Savings upstream showerhead component

2.6.1.3 Net-Verified Approach

Net to gross ratios are not required for Avista's natural gas programs. However, information necessary for estimating net to gross ratios is collected in the process of performing participant surveys.

2.6.2 Nonresidential Programs

The following section outlines the natural gas nonresidential programs offered in Avista's Washington and Idaho service territories. The general approaches used for conducting the impact evaluation activities are outlined in Section 2 above, therefore this section provides a brief overview of each program, and the sample design and impact evaluation approaches that will be conducted for this portfolio of programs

2.6.2.1 Program Overview

Avista offers five programs to nonresidential natural gas customers in Washington and Idaho. Implementation for all five programs is managed by Avista. Program summaries are listed below in Table 2-11.

Table 2-11: WA Nonresidential Natural Gas Portfolio Programs

WA/ID Natural Gas Programs	Description	Implementer
HVAC	This program offers direct incentives for installing high efficient natural gas HVAC equipment.	Avista
Food Service Equipment	This program offers incentives for commercial customers who purchase or replace food service equipment with Energy Star or higher equipment (prescriptive).	Avista
Prescriptive Shell	The Commercial Insulation program encourages nonresidential customers to improve the envelope of their building by adding insulation.	Avista
Energy Smart Grocer	This program is intended to prompt the customer to increase the energy efficiency of their refrigerated cases and related grocery equipment through direct financial incentives.	CLEAResult – outreach and referrals, Avista
Small Business	This program provides direct-install energy efficiency measures to small business customers, as well as information about eligibility for other Avista program offerings.	SBW
Site-Specific	This program approach strives for a flexible response to energy efficiency projects that have demonstrable kWh/Therm savings within program criteria. The majority of site specific kWh/Therm savings are comprised of appliances, compressed air, HVAC, industrial process, motors, shell measures, some custom lighting projects that don't fit the prescriptive path and natural gas multifamily market transformation.	Avista

2.6.2.2 Gross Verified Approach

Each program will be assigned a specific number of telephone surveys, document audits, and site inspections based on the evaluation sample design. Once the samples are identified, desk audits of project files will verify basic information and will inform telephone surveys, onsite inspections, and M&V activities.

Table 2-12 outlines the preliminary sample sizes and level of rigor for the impact evaluation activities for the nonresidential natural gas programs in WA. We will conduct the level of sampling shown here over the two-year evaluation period. The sample frames outlined herein will be further stratified by measure type, based on the percent of measures approved through each program, the respective reported savings values, and any known uncertainties in a particular measure-type. The evaluation team is not planning on conducting any impact evaluation activities on the Prescriptive Shell program, therefore it is not listed in the table.

Table 2-12: Sampling and Evaluation Rigor for Nonresidential WA/ID Natural Gas Programs

WA/ID Natural Gas Portfolio Program	Target Sample Sizes based on Level of Rigor				
	Target C/P1	Document Audit	Surveys	Onsite Inspections	Billing Analysis
HVAC Program	80/20	11	6	6	
Food Service Equipment	80/20	11	6	6	
Energy Smart Grocer	80/20	11	0	0	
Small Business	85/15	23	16	16	
Site Specific	85/15	24	24	24	based on IPMVP
Total:	90/10	80	52	52	

¹ Sample sizes for document audit designed to meet C/P target and are based on actual 2016 participation values through July, and 2017 planning values.

We will conduct metering activities for a subset of onsite visits. Variables targeted as part of the metering activities will be determined on a case-by-case basis depending on the project and measure type. Based on the evaluation team's experience evaluating commercial sector projects and the measures offered in Avista's programs, projects may be measured for up to fourteen (14) days with onsite trend measurements. Seasonally variable measures may be metered for more than 2-3 months to better understand performance changes with weather conditions. Metering data available from building management systems (BMS) will be utilized, and the decision to implement metering equipment will be determined on each specific project based on preliminary desk audits.

2.6.2.3 Net-Verified Approach

Net to gross ratios are not required for Avista's natural gas programs. However, information necessary for estimating net to gross ratios is collected in the process of performing participant surveys.

2.7 Other Tasks

2.7.1 Pullman EM&V 2.0 Pilot Study

Avista currently has Advanced Metering Infrastructure (AMI) in their Pullman, WA service territory. The evaluation team will conduct a pilot evaluation comparing traditional evaluation techniques to methods proposed as part of "EM&V2.0" in the Pullman, WA area where smart meters have been deployed. This pilot study will include a brief feasibility study and limited comparison of techniques based on outcomes of the feasibility study.

The "EM&V 2.0" concept has gained traction as interval data from advanced meters has become more common throughout the country. While interval data certainly holds promise to improve EM&V, it will be important in this task to take the opportunity to discuss the nuances of this relatively nascent concept. Therefore, the evaluation team proposes to have a 1-hour kickoff meeting specifically for the EM&V 2.0 task. In the kick off meeting, the evaluation team

will lead the group through the following agenda:

- Avista’s perception of EM&V 2.0 and the promise it holds
- Situations in which interval data can improve EM&V
- Strengths and weaknesses of various meter-based methods (pre-post, matching, etc.)
- Potential issues with using whole-premise data (measure-specific attribution, low “signal-to-noise” ratio and net-to-gross)
- Importance of real-time EM&V and the value it can provide
- Review of two Nexant EM&V 2.0 case studies and comparative analyses
- Identification of comparative analyses to be conducted in this project
- Next steps and timeline

The meeting should include key EM&V stakeholders and program managers at Avista who are interested in leveraging interval data and conducting more real-time ongoing EM&V.

The next step will be to prepare an EM&V 2.0-specific evaluation plan that will outline the specific comparative analyses that the evaluation team will conduct in this project and the associated timelines and deliverables.

The overarching objective of the study is to conduct comparative analyses that will assess the energy savings that are estimated from the traditional method as compared to meter-based (EM&V 2.0) methods. In many cases, various meter-based methods may be assessed, given that there are many potential methods, each with its specific strengths and weaknesses (as will be discussed in the kickoff meeting). Finally, the evaluation team will conduct these comparative analyses and provide a section in the draft and final Washington impact evaluation report.

2.7.2 Program Theory and Logic Model Review

The evaluation team will review and revise as necessary Avista’s program theories and logic models. To complete this task, we will review the program documentation Avista provides us, along with the existing program theory and logic models. We will interview program managers to understand the barriers the programs address, their activities to address them, and the outputs the programs are generating. We will assess this information in light of our understanding of residential and nonresidential appliance and building markets, market barriers, and common program approaches. With this information from Avista and our understanding of markets and programs, we will confirm or revise Avista’s existing theory and logic models.

If applicable, we will submit the revised logic model diagrams to Avista for review and will revise them based on comments and feedback received.

3 Process Evaluation Overview

3.1 Overview of Approach and Methods

The purpose of the process evaluation is to identify any improvements needed at the program or portfolio level to increase program effectiveness, efficiency, and opportunities for future programs. Working in collaboration with the impact activities, the process evaluation will be carried out through data and documentation analyses and by collecting primary data from program staff, program participants and nonparticipants, and participating trade allies. We will use in-depth interviews and surveys as appropriate for each of these groups.

The evaluation team has documented primary objectives and specific areas for investigation in Table 3-1 and in the following sections. In the table, a check mark illustrates the primary process evaluation objectives and the sources of information we will use to address the objective, while an “s” in a cell indicates the source will provide secondary or supporting information. We will discuss additional areas of inquiry with the Avista team in our initial round of staff interviews.

Table 3-1: Information Sources to Be Used to Meet Process Evaluation Objectives

Objective— To Assess:	Information Sources				
	Program Documents	Interviews	Surveys		
	Descriptions; procedures; design docs; application forms; participant records; marketing materials; etc.	Staff & Implementation Contractors	Participating Customers	Participating Trade Allies	Nonparticipating Customers
Appropriateness of design, participation procedures, internal communication, rebate processing activities (e.g., ease of use, cycle time)	✓	✓	✓	✓	✓
Accuracy, consistency, completeness of program records	✓	✓			
Participant satisfaction with programs		s*	✓	✓	
Barriers to participation	✓	s*	✓	✓	✓
Effectiveness of incentives in motivating action			✓	✓	✓
Effectiveness of organizational structure, communication and program processes	✓	✓			
Status of marketing research activities	✓	✓			
Effectiveness of marketing and promotional efforts	✓	✓	✓	✓	✓
Opportunities for process improvement and potential programs		✓	✓	✓	s*
Status of Avista response to previous evaluation recommendations		✓			
Obtain data for net-to-gross analysis			✓	✓	✓

*indicates the source will provide secondary or supporting information

Table 3-2 provides a summary of our interview and survey data collection for the process evaluation. These survey sample sizes will provide 10% precision at 90% confidence for most surveys. The participant survey will provide more than 90%/10% confidence/precision at the portfolio level.

Table 3-2: Sample Sizes for Process Interviews and Surveys

Sector	Contact Group	Sample Size	Method	Confidence/Precision
Residential	Avista Program Staff *	2	Interview	n/a
	Participating Customers (84 Electric, 84 NG)	168	Survey	90/10
	Nonparticipating Customers	70	Survey	90/10
	Residential Focused Contractors	38	Survey	80/10
Nonresidential	Program Staff (Avista and Implementation Contractors)*	5-10	Interview	n/a
	Participating Customers (192 Electric, 82 NG)	274	Survey	90/10
	Nonparticipating Customers	70	Survey	90/10
	Nonresidential Focused Contractors	57	Survey	80/10
Crosscutting	Avista Leadership and Management Staff*	16	Interview	n/a

* We will conduct two rounds of interviews. The sample size captures both rounds (for example, for residential program staff, we will interview one staff member on two occasions). The interviews may be with a single individual or with a group, as appropriate to the topic under discussion.

We provide details of our planned evaluation activities for each of the interviewed or surveyed data sources in the subsequent section. Specifically, we identify the primary research questions that will guide instrument development, any sampling considerations, and details of how we will implement the data collection activities. In all cases, we will submit a draft data collection instrument to the Avista evaluation lead and will revise the instrument based on comments received.

We will analyze all data using the most appropriate method for the specific type of data and for the specific research questions asked. The in-depth interviews will consist primarily of open-ended questions, while the surveys will be primarily close-ended, with some brief open-ended items.

When there are a substantial number of respondents, we use NVivo, a proprietary software tool for analysis of qualitative data.¹ This tool allows any response to be associated with multiple codes. Codes may be based on a priori considerations (as identified by interview guide topics, for example) or may arise from a content analysis of the responses themselves. This tool also allows for cross-tabulation of coded responses by other variables, such as respondent subgroups.

The evaluation team will analyze survey data (close-ended responses such as scales and categorical responses) with SPSS software, using both descriptive (e.g., frequency tables) and inferential methods (e.g., chi-square or Kruskal-Wallis H for nonparametric data and ANOVA for parametric data). We will analyze responses to open-end survey questions (e.g., an “other-specify” response from a multiple-choice item) by carrying out a content-analysis of responses using spreadsheet software such as Microsoft Excel. We will use inferential methods to

¹ For more information, see: http://www.qsrinternational.com/products_nvivo.aspx.

investigate differences between specific groups. For example, we can examine whether program satisfaction or various aspects of program experience differ among subgroups.

Below, we organize our process evaluation activities into three areas:

1. Staff and implementer interviews,
2. Market feedback, and
3. Special studies.

Within each area, we describe the planned evaluation activities for each of the relevant data sources and identify any differences in approach between residential and nonresidential programs.

3.2 Staff and Implementer Interviews

As described above, a key component of a process evaluation is identifying opportunities to improve program effectiveness and efficiency as well as identify opportunities for future programs. We will review existing program documentation and interview both Avista program staff as well as representatives of program implementation contractors to help identify opportunities.

As described in more detail below, we will conduct two rounds of in-depth interviews (IDIs). The first round will occur in late 2016 and the second round will occur in summer 2017. These IDIs will enable us to:

- Identify any changes to programs since the 2014-15 evaluation;
- Learn status of Avista's response to prior evaluation recommendations;
- Understand and confirm or revise program logic;
- Understand the process flow of implementation activities and assess effectiveness of processes;
- Assess effectiveness of current organizational structure and communication;
- Understand strategic, market, and programmatic issues of concern to staff;
- Learn of ideas under consideration for portfolio and program evolution, such as pilot programs;
- Identify what staff and implementers would like to know from the process evaluation; and
- Solicit ideas for program improvements and opportunities.

3.2.1 Interview Guide Development

We will draft interview guides that cover topics common to all staff. Working from this common core of questions, we will develop guides tailored to contacts' roles, adding questions specific to their responsibilities. While preparing the guides, we will draw on available program

documentation such as the 2015, 2016, and 2017 Demand-Side Management Business Plans. As appropriate, we will request and review additional documentation such as Avista's descriptions of marketing and outreach activities.

We will explore the following topics:

- Contact's role and responsibilities and any changes from prior evaluation
- Current staff organization (Avista's or third party implementation contractor's), any changes from prior evaluation
- Changes to programs since the 2014-15 evaluation and status of Avista's response to prior evaluation recommendations
- Program logic (objectives, activities, outputs, expected outcomes), especially relating to any program changes
- Process flow of implementation activities
- Coordination and communication among staff and decision-making processes
- Program- and market-related barriers
- Program support such as marketing and outreach
- Program tracking databases (including changes since the prior evaluation)
- Expectations for current evaluation (any programmatic, strategic, or organizational questions or concerns; commission and stakeholder expectations as applicable)
- Ideas under consideration for portfolio and program evolution, such as pilot programs, and ideas for program improvements and opportunities
- Issues relevant to the special studies (section 3.4) such as understanding barriers to T12 replacement

3.2.2 Initial Interviews with Avista and Third Party Implementer Staff

The process evaluation leads for the residential and nonresidential programs will schedule and conduct approximately one-hour telephone interviews with key Avista staff. We will audio record all interviews to ensure that we accurately capture all responses provided by staff.

We identified the following individuals as having DSM leadership and/or portfolio-wide responsibilities:

- Dan Johnson (Director of Energy Efficiency)
- Chris Drake (Manager, DSM)
- Tom Lienhard (Chief Energy Efficiency Engineer)
- Mike Dillon (DSM Analytical Manager)
- Linda Gervais (Director of Policy)
- Catherine Bryan (Manager of Energy Solutions)

- Collette Bottinelli (Marketing Communication Manager for DSM)
- Mark Baker (Utility Resource Analyst)

Following our interviews with the staff identified above, we will make adjustments to the interview guide as necessary and then schedule and conduct one-on-one or small group telephone interviews with the Avista program-specific managers and implementers. The managers and implementers we will interview for this evaluation include:

- Residential Program Managers
 - David Schafer (Rebate Programs)
- Nonresidential Program Managers and Implementation Staff
 - Greta Zink (Non-lighting prescriptive and Small Business)
 - Lorri Kirstein (Site Specific and Lighting)
 - Rachelle Humphrey (Lighting)
 - Implementer contact(s) for Energy Smart Grocer
 - Implementer contact(s) for Small Business

We will revise our list of contacts as needed based on feedback and additional information from Avista.

3.2.3 Mid-program Cycle Staff Interviews

In summer 2017, approximately three-quarters of the way through the 2016-2017 program cycle, in consultation with Avista evaluation staff, we will schedule and conduct follow-up one-on-one or small group interviews with the same staff interviewed in 2016. We anticipate interviews of up to one hour with the DSM leadership/portfolio-wide staff and update interviews of up to 30 minutes with the program-specific staff.

3.2.4 Analysis and Reporting

We will use NVivo qualitative analysis software to analyze the responses from all the in-depth interviews. NVivo enables us to analyze responses by individual contact or by question across all contacts. The software also facilitates the coding of responses to aid our analysis, as well as identifying relevant quotes suitable for the report.

We will document our analysis along with our conclusions and recommendations in one or more chapters in the draft process evaluation report. Section 6 presents our preliminary outline for the process evaluation report. In our report, we will discuss program-related activities and progress towards goals, identify success and challenges in current program design, program delivery and implementation, and recommendations for program improvement.

3.3 Customer and Contractor Feedback

3.3.1 Participating Customers

We will survey 2016 and 2017 program participants. We will survey the 2016 Q1 through Q3 participants in Q4 of 2016. We will survey the 2017 participants on a quarterly basis, starting in Q2 2015 and ending in Q1 2018. In each quarterly survey of the 2017 participants, we will survey participants that received incentives the previous quarter.

3.3.1.1 Instrument Development

We will take, as a starting point, the survey instruments used in the 2014-15 evaluation, and revise them as warranted based on the findings from the 2014-15 study. These instruments address the following topics:

- Satisfaction
- Source of awareness
- Decision-making
- Net-to-gross inputs (free-ridership and spillover),
- Motivations to participation
- Barriers to participation
- Ideas for program improvements
- Program opportunities

By using the same questions used in the 2014-2015 evaluation we will be able to provide a perspective on these issues over time.

The survey of 2016 program participants will assess both free-ridership and spillover. The quarterly cohort surveys for 2017 participants will assess free-ridership but will not assess spillover as insufficient time will have passed between participation and survey for customers to have engaged in much spillover behavior. We can apply the spillover estimate from the survey of 2016 participants to 2017 program year.

In addition to the above topics, in service of the Special Study noted in Section 3.4.1, nonresidential participants will be asked about their use of T12 lights and what, if anything, would encourage T12 replacement.

We will submit the draft survey instrument to Avista's evaluation lead and will revise the instrument within one business week after receiving comments.

3.3.1.2 Sample Development

As noted earlier, we will develop the sample in an effort to ensure coordination between the impact and process evaluations. The evaluation team will work with Avista to identify a schedule

for receiving the program data necessary to support the survey cohorts described above.

We have estimated quarterly cohort sample sizes under the simple assumption that participation rates do not vary across the year (see Table 3-3). We will revise the sample sizes as necessary to reflect participation rates by quarter in 2017. We will endeavor to design samples that represent the participant population with respect to state, fuel type, urban/rural, program, and measures.

Please note that we will only survey participants of rebate programs. The nonparticipant survey will capture responses of midstream Simple Steps and Opower HER program.

Table 3-3: Sample Sizes for Participant Survey

Programs		Q1-Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total
Electric								
Residential	Fuel Efficiency	15	5 to 6	5 to 6	5 to 6	5 to 6	5 to 6	42
	Shell Program	15	5 to 6	5 to 6	5 to 6	5 to 6	5 to 6	42
	Res. Subtotal	30	10 to 12	10 to 12	10 to 12	10 to 12	10 to 12	84
Nonresidential	Prescrip. Other	9	3	3	3	3	3	24
	Prescrip. Lighting	16	5	5	5	5	5	42
	Site Specific	26	9	9	9	9	9	68
	Small Business	13	4	4	4	4	4	34
	Energy Smart Grocer	9	3	3	3	3	3	24
	Nonres. Subtotal	73	24	24	24	24	24	192
Gas								
Residential	HVAC Program	15	5 to 6	5 to 6	5 to 6	5 to 6	5 to 6	42
	Shell Program	15	5 to 6	5 to 6	5 to 6	5 to 6	5 to 6	42
	Res. Subtotal	30	10 to 12	10 to 12	10 to 12	10 to 12	10 to 12	84
Nonresidential	Food Service	9	3	3	3	3	3	24
	Site Specific	9	3	3	3	3	3	24
	Small Business	12 to 13	4 to 5	4 to 5	4 to 5	4 to 5	4 to 5	34
	Nonres. Subtotal	30 to 31	10 to 11	10 to 11	10 to 11	10 to 11	10 to 11	82
Total	163 to 164	54 to 56	54 to 56	54 to 56	54 to 56	54 to 56	433 to 444	

3.3.1.3 Survey Implementation

The team will field the survey using Nexant's in-house call center. We will field the survey of Q1-Q3 2016 participants as soon as possible in Q4 of 2016. Our goal will be to complete the Q1 to Q3 2016 survey before we begin surveying the Q4 2016 participants. However, the Q1 to Q3 2016 cohort will be large so it may be completed only shortly before the Q4 2016 survey begins, or there may be some overlap.

We will monitor results of the survey on an ongoing (e.g., weekly or biweekly) basis. This will

enable us to determine whether we should add, drop, or revise any survey questions that appear problematic.

3.3.2 Participating Contractors

We will conduct surveys with up to 95 participating contractors, 38 who focus on the residential HVAC and shell market and 57 who focus on the nonresidential HVAC and lighting market. Because contractors often work in both sectors, we will begin the survey by asking respondents to report which sector they do the majority of their work and direct questions to them accordingly.

Below, we explain how we will ensure that this survey speaks to Avista's residential and nonresidential programs, its Washington and Idaho territories, and its electric and natural gas fuels.

3.3.2.1 Instrument Development

As with the participant survey, we already have identified several research topics to explore, which we may supplement with any additional topics or research questions identified in our interviews with Avista and implementer staff.

- We will explore contractors' familiarity and satisfaction with program offerings (including qualifying measures, incentives, and application procedures), Avista's program marketing, and their experiences and satisfaction with Avista's program communications and problem-solving.
- We will explore motivations for and barriers to participation (both the contractors' and their customers') and will seek ideas for program improvements and potential program opportunities.
- We also will ask respondents about their sales practices and their roles in identifying savings opportunities and designing solutions. We know from past studies that while some installers use a "Good, Better, Best" approach to sales – an approach that can promote qualifying measures as "Best" – other installers bid only their "Good" option, for fear of losing the bid or raising customer suspicion that they are seeking a high margin. We will investigate the use of those competing approaches.
- We will assess net-to-gross inputs, including program impact on sales, stocking and nonparticipant spillover, as applicable.
- Finally, we will assess firmographic information, such as company size, type(s) of equipment sold and installed, primary type(s) of customers, and geographic area(s) covered.

Due to the special study (described in Section 3.4.1) focus on encouraging replacement of T12s, we will survey more nonresidential lighting contractors than HVAC contractors. Lighting contractors will receive additional questions about the market and messaging about T12 replacements.

We will submit the draft survey instrument to Avista's evaluation lead and will revise the

instrument within two business weeks after receiving comments.

3.3.2.2 Sample Development

We will develop the sampling plan for the contractor survey from a roster of known contractors provided to us by program staff, the Northwestern Lighting Network, and the Northwest HVAC/R Association.

We will use the available information on contractors, such as their geographic location and the type(s) of equipment they handle (HVAC, lighting, or shell) to develop the sample. Our goal will be to ensure that the sample represents contractors that serve Avista's residential and nonresidential programs, its Washington and Idaho territories, and its electric and natural gas fuels.

Table 3-4 shows our initial expectation regarding the distribution of the sample across equipment types based on the population we determined during the last evaluation and our need to ask lighting specific questions to address the special study (Section 3.4.1). We may revise this after reviewing the available information on trade allies and interviewing Avista and implementer staff. We will submit a draft sampling plan to Avista's evaluation lead by the first week of May 2017 and may revise the plan based on feedback received.

Table 3-4: Sample Sizes for Contractor Survey

Installer Type	Population from 2014-15 Evaluation	Residential	Nonresidential	Total
HVAC	89	19	19	38
Lighting	400	-	38	38
Shell	55	19	-	19
Total	544	38	57	95

3.3.2.3 Survey Implementation

The evaluation team will field the survey using Nexant's in-house call center. We anticipate fielding the survey over a three-to-four-week period in mid-2017.

3.3.3 Nonparticipating Customers

We will survey 70 residential and 70 nonresidential nonparticipating Avista customers in mid-2017.

3.3.3.1 Instrument Development

As with the participant and trade ally surveys, we already have identified several research topics to explore, which we may supplement with any additional topics or research questions identified in our interviews with Avista and implementer staff. Again, in instrument development, we will focus on identifying the most important topics to address to minimize survey burden.

We will explore, among other topics, awareness of Avista's energy efficiency programs appropriate to their fuel usage, source of awareness, purchases in the last two years of the

types of products for which Avista provides incentives (such as water heaters), purchases of efficient equipment (spillover). We also will assess motivations for and barriers to participation and decision-making, including the role that contractors and vendors have made in their decisions.

The residential and nonresidential surveys will be tailored to their specific audiences.

We will submit the draft survey instrument to Avista's evaluation lead and will revise the instrument within two business weeks after receiving comments.

3.3.3.2 Sample Development

The evaluation team will develop the nonparticipant samples from Avista customer records, when they are made available to us. This is the best possible source of data, as it ensures that we do not contact businesses and residences outside of Avista territory (as may happen with purchased lists). Further, customer records would include energy usage data, which would be particularly valuable in developing the nonresidential sample. Basing the sample on Avista customer data also will enable us to ensure that the sample accurately represents the geographic distribution of Avista customers – so that, for example, we do not over-sample customers from areas with low population density.

3.3.3.3 Survey Implementation

The evaluation team will field the survey using Nexant's in-house call center. We anticipate fielding the survey over a three-to-four-week period in mid-2017.

3.4 Special Studies

In addition to the aforementioned process evaluation activities, we will conduct two additional special studies. The first pertains to better understanding how to encourage T12 replacement in the nonresidential market and the second aims to better understand the motivations of highly active contractors. Each of these are discussed below.

3.4.1 T12 Baseline Study

The 2014-15 process evaluation activities demonstrated that T12s are still widely used in the marketplace despite the technological advances and lower costs associated with high efficiency fluorescent lighting and LEDs over the last few years. This special study will help Avista better understand what messages and strategies may be effective in encouraging T12 owners to upgrade to higher efficiency lighting.

To accomplish this, we will ask nonresidential participants and nonparticipants, in their respective surveys, about their awareness of T12s, the energy use of T12s compared to newer technologies, and about possible incentives and messaging that would encourage T12 replacement. We will ask nonresidential lighting contractors to tell us about any strategies they used for convincing customers to replace T12s particularly since the lighting baseline changed in January 2013 lowering incentives for T12 replacement. Finally, we will ask Small Business field staff about their experiences encouraging customers to replace T12s. Because this

analysis relies partially on participant surveys which will not be done till Q1 2018, this analysis will only appear in the final report, not the quarterly memos.

Primary data source: Nonresidential participant surveys (section 3.3.1), nonresidential focused contractor surveys (section 3.3.2), and Small Business field staff.

Research Questions: What are the barriers that are preventing customers from upgrading T12s? Which approaches and value proposition messaging are likely to be effective at encouraging customers to transition to more efficient lighting technologies?

3.4.2 High Participation Contractors

The 2014-15 process evaluation activities demonstrated that a subset of contractors, both residentially and non-residentially focused, are highly engaged in Avista's rebate programs and help drive customer participation and savings. We will identify and interview up to 10 of these contractors in each sector to understand and document their approach to promoting the rebate programs and their business practices. The intent of this study is to give Avista program staff insights they can share more broadly with other contractors. For example, interviews with high-participation contractors will enable Avista to learn what specific techniques or strategies high-participation contractors use to attract customers who become participants. Lessons learned from this research could increase the number of active contractors, which in turn could boost program participation and savings

Similar to all other data collection instruments, we will draft an interview guide and submit to Avista by the end of May 2017. We will respond to comments within a week and plan on fielding the instrument starting in late June 2017.

Primary data source: In-depth interviews with 10 "high-participation" contractors in each sector who are actively engaged in Avista's rebate programs.

Research Question: What are these contractors doing that could be transferred to other contractors to encourage greater participation?

4 Other Activities

This section outlines additional activities to be conducted for the evaluation, including the cost-effective analysis, interactions with the Advisory Group and Commission staff, and the evaluation team's planned reference to the Regional Technical Forum.

4.1 Cost-Effectiveness Analysis

Cost-effectiveness analysis is critical for comparing different resource options and for optimizing investments. When completed correctly, it allows for meaningful comparisons between DSM offerings and traditional resource options (generation, transmission, and distribution,) and provides a basis for prioritizing investments. Key goals of cost-effectiveness analysis are to provide factual insights, make tradeoffs transparent, improve the planning process, and help maximize value. The evaluation team also understands that submission of annual cost-effectiveness reports and findings are a regulatory compliance requirement for Avista and must follow filed agreements. Cost-effectiveness can be assessed from a variety of perspectives, including;

- Total Resource Cost (TRC) Test; including the perspective of both the participant and the sponsoring utility,
- Program Administrator Cost (PAC) Test; as known as the Utility Cost Test (UCT), which represents the perspective of both the participant and the sponsoring utility,
- Participant Cost Test (PCT); which represents the perspective of the participant,
- Ratepayer Impact Measure (RIM) Test; which represents the perspective of rates for the general population, in particular the non-participating customer, and
- Levelized Cost of Saved Energy.

The evaluation team will complete a benefit-cost analysis to compare the value of the benefits resulting from DSM program intervention to the costs incurred. The calculations will be completed consistent with standard industry practices, including prior Avista filings, the California Standard Practice Manual, and the National Action Plan for Energy Efficiency. The evaluation team understands that Avista's regulatory compliance rules require different cost-effectiveness tests, including: the Total Resource Cost Test for electricity programs and the Program Administrator Cost Test for natural gas programs. The evaluation team will directly provide the benefits, as verified gross and net demand and energy savings, as well as time of use characteristics to calculate avoided cost benefits. It is expected that the calculation of other cost-effectiveness components, including additional resource savings, program administrative costs, and incentive payments will be generated by Avista. Table 4-1 summarizes the allocation of cost-effectiveness components as a cost or benefit to each cost-effectiveness test.

Table 4-1: Cost-Effectiveness Component Inputs

Component	Program Administrator Cost Test (PACT)	Total Resource Cost (TRC)	Participant Cost Test (PCT)	Rate Impact Measure (RIM)
Utility Energy & Capacity Avoided Costs	Benefit	Benefit		Benefit
Non-Utility Energy & Capacity Energy Costs		Benefit	Benefit	
Non-Energy Benefit Impacts		Benefit	Benefit	
Incremental Equipment and Installation Costs		Cost	Cost	
Program Non-incentive (admin) Costs	Cost	Cost		Cost
Incentive Payments	Cost		Benefit	Cost
Retail Savings due to Technology Installation			Benefit	Cost

4.1.1 Key Parameters

The evaluation team's cost-effectiveness analysis methods allow for 8,760 hourly avoided cost tables to be included, especially where the evaluation team collects or has access to 8,760 hourly load shapes (e.g., CFL hourly operation) for energy-efficiency measures. We anticipate using a 10% additional benefit for utility energy avoided costs consistent with practices in the Pacific Northwest to account for conservation preference.

The cost effectiveness analysis will include key parameters from Avista filings and/or RTF and Northwest Power and Conservation Council wherever possible. Examples would include net incremental equipment costs, measure life, discount rate, etc. Included non-energy benefits will be limited to where reliable and quantifiable research is present, such as water savings and equipment maintenance. "Softer" benefits that are significantly more difficult to quantify, such as comfort, reliability, productively, safety, etc., will not be included in the analysis.

4.1.2 Reporting

The evaluation team anticipates performing an individual annual cost-effectiveness report for each program and the portfolio by fuel and state for each year by the April following each program year. In the first annual report for 2016, we will utilize "unverified" values from Avista's internal reporting, because the evaluation research will still be underway.

4.2 Interactions with Advisory Group and Commission Staff

The evaluation team understands the importance of keeping the Advisory Group and commission staff informed of pertinent evaluation activities and findings. Applicable evaluation team members will attend, either via phone conference or in-person, quarterly Advisory Group meetings and update this group on evaluation activities as deemed appropriate and necessary. In addition, quarterly reports which will provide evaluation status and updates will be available to the Advisory Group.

4.3 Use of Reference to Regional Technical Forum

The Regional Technical Forum (RTF) has developed formalized processes for calculating, approving, and updating Unit Energy Savings (UES) for a broad spectrum of energy efficiency measures applicable across customer segments. The evaluation team recognizes the economic benefits of utilizing the RTF measure workbooks to streamline the evaluation process. Where Avista energy efficiency programs incentivize measures with proven RTF values, the evaluation team will rely heavily on this resource to manage evaluation costs. There are cases, however, in which the measures Avista incentivizes may only align with RTF measures in the Provisional or Small Saver categories or where they may be an average of multiple iterations of measures in the RTF. In these circumstances, we will review the RTF UES values and measure workbooks, as well as rely on our expertise and utilize industry best practices to evaluate the impact of these measures. We will also balance the priorities for study rigor and evaluation complexity with a focus on high impact measures, new or changed programs, and measures or programs that will be flagged for deeper focus based on a review of the prior evaluation. As noted in Section 2.3, the evaluation team will report deemed RTF measure values for establishing achievement towards goal. However, we will also complete verification activities and compare these verified savings value to the RTF value to inform assumptions used in future iterations of RTF measure savings.

We will estimate NTG values for all evaluated program savings where participant surveys will be conducted. For programs where we are not conducting participant surveys, we will apply the NTG values from the prior evaluation for the estimation of net savings. However, for those program measures that utilize an RTF defined market baseline value, we will not apply freeridership to these measures, since freeridership is already accounted for in the market baseline. In other words, for RTF measure savings estimates based on market baselines, freeridership ratios based on the evaluation activities will not be applied and only spillover ratios will be used for the NTG adjustment.

5 Schedule and Key Milestones

This section presents the schedule and budget for the evaluation activities, including major and intermediate deliverables. In addition to the deliverables outlined herein, the evaluation team will also conduct regular meetings with Avista evaluation staff to keep the team apprised of current status, upcoming tasks, and to discuss any questions or concerns.

5.1 Schedule and Key Milestones

The project timelines and completion dates shown in Table 5-1 outline the expected timing of key impact and process evaluation deliverables for the EM&V of Avista's 2016-2017 DSM Programs.

Table 5-1: Evaluation Schedule

Deliverable	Start Date	Completion Date
Draft Evaluation Work Plan		9/2/2016
Review and approval of Draft Evaluation Work Plan	9/2/2016	9/14/2016
Evaluation Kick-Off Meeting		9/14/2016
Final Evaluation Work Plan		10/14/2016
2016 Process & Impact Evaluation & Cost-effectiveness Activities	10/3/2016	4/1/2017
2016 Q1-Q3 Findings Memo		11/10/2016
2016 Q4 Findings Memo		3/10/2017
Draft WA 2016 Electric Impact Memorandum		3/17/2017
Draft ID 2016 Electric Impact Memorandum		3/17/2017
Draft WA 2016 Electric Impact Memorandum Review Comments Received		3/31/2017
Draft ID 2016 Electric Impact Memorandum Review Comments Received		3/31/2017
Draft WA 2016 Natural Gas Impact Memorandum		3/31/2017
Draft ID 2016 Natural Gas Impact Memorandum		3/31/2017
Draft WA 2016 Natural Gas Impact Memorandum Review Comments Received		4/14/2017
Draft ID 2016 Natural Gas Impact Memorandum Review Comments Received		4/14/2017
Draft WA 2016 DSM Annual Report & Cost-Effectiveness Analysis		4/14/2017
Draft ID 2016 DSM Annual Report & Cost - Effectiveness Analysis		4/21/2017
Draft WA 2016 DSM Annual Report & Cost-Effectiveness Analysis Review Comments Received		4/28/2017
Draft ID 2016 DSM Annual Report & Cost - Effectiveness Analysis Review Comments Received		5/05/2017
Final WA 2016 Electric Impact Memorandum		5/25/2017
Final ID 2016 Electric Impact Memorandum		6/02/2017
Final WA 2016 Natural Gas Impact Memorandum		5/25/2017
Final ID 2016 Natural Gas Impact Memorandum		6/02/2017
Final WA 2016 DSM Annual Report & Cost-Effectiveness Analysis		5/25/2017
Final ID 2016 DSM Annual Report & Cost - Effectiveness Analysis		6/02/2017
Presentation of 2016 Portfolio Evaluation Activities & Findings		6/1/2017
2017 Process & Impact Evaluation & Cost-effectiveness Activities	2/15/2017	5/2/2018
2017 Q1 Findings Memo		5/12/2017
2017 Q2 Findings Memo		8/11/2017
2017 Q3 Findings Memo		11/10/2017
Draft Portfolio 2016-2017 Process Evaluation Report		4/6/2018
Draft Portfolio 2016-2017 Process Evaluation Report Review Comments Received		4/20/2018

Deliverable	Start Date	Completion Date
Draft WA 2017 DSM Annual Report & Cost-Effectiveness Analysis		4/13/2018
Draft WA 2016-2017 Electric Impact Report		4/13/2018
Draft WA 2016-2017 Natural Gas Impact Report		4/20/2018
Draft WA 2017 DSM Annual Report & Cost-Effectiveness Analysis Review Comments Received		4/27/2018
Draft WA 2016-2017 Electric Impact Report Advisory Group Review Comments Received		4/27/2018
Draft WA 2016-2017 Natural Gas Impact Report Advisory Group Review Comments Received		5/04/2018
Final Portfolio 2016-2017 Process Evaluation Report		5/25/2018
Final WA 2017 DSM Annual Report & Cost-Effectiveness Analysis		5/25/2018
Final WA 2016-2017 Electric Impact Report		5/25/2018
Final WA 2016-2017 Natural Gas Impact Report		5/25/2018
Draft ID 2017 DSM Annual Report & Cost-Effectiveness Analysis		4/27/2018
Draft ID 2016-2017 Electric Impact Report		4/27/2018
Draft ID 2017 DSM Annual Report & Cost-Effectiveness Analysis Review Comments Received		5/11/2018
Draft ID 2016-2017 Electric Impact Report Review Comments Received		5/11/2018
Draft ID 2016-2017 Natural Gas Impact Report		5/11/2018
Draft ID 2016-2017 Natural Gas Impact Report Review Comments Received		5/25/2018
Final ID 2017 DSM Annual Report & Cost-Effectiveness Analysis		6/15/2018
Final ID 2016-2017 Electric Impact Report		6/15/2018
Final ID 2016-2017 Natural Gas Impact Report		6/15/2018
Presentation of 2016-2017 Portfolio Evaluation Activities & Findings		6/20/2018

5.2 Budget

Table 5-2 outlines the evaluation team's cost to complete the scope of work for each deliverable outlined in this work plan. The services will be conducted on a time and materials basis (T&M) with a total not-to-exceed of **\$995,291**.

Table 5-2: Evaluation Team Budget Per Deliverable

Deliverable	Cost
Deliverable 1: Evaluation Work Plan	\$36,322
Deliverable 2: Natural Gas Impact Evaluation	\$213,514
Deliverable 3: Electric Impact Evaluation	\$420,284
Deliverable 4: Process Evaluation Report	\$284,371
Deliverable 5: Annual Reports with Cost Effective Analysis	\$40,800
Total Base Cost	\$995,291

6 Evaluation Reports

The evaluation team anticipates providing quarterly and annual memos with impact and process evaluation findings as well as 2016-2017 impact evaluation reports by fuel and state and a 2016-2017 process evaluation report (see Table 5-1). The following subsections detail the preliminary outline for the 2016-2017 impact and process evaluation reports. We may revise these outlines as needed based on feedback from Avista and our judgment on how to best present findings.

6.1 2016-2017 Impact Evaluation Report

The 2016-2017 Impact Evaluation will report on activities using the following outline as guidance:

- Executive Summary
- Introduction
 - This section will summarize the purpose of the impact evaluation, evaluation goals and objectives, and provide descriptions and reported participation of evaluated programs
- Impact Evaluation Methodology
 - This section will provide an overview of the impact evaluation methods utilized for the 2016-2017 evaluation.
- Impact Evaluation (one section for Nonresidential and one section for Residential)
 - These sections will explain the specific evaluation activities and findings for each evaluated nonresidential and residential program.
- Conclusions and Recommendations
 - This section will present the overall impact evaluation findings and provide program-specific recommendations.

6.2 2016-2017 Process Evaluation Report

For the 2016-2017 process evaluation report, the team will use the following outline to guide reporting:

- Executive Summary
- Introduction
 - This section will address process evaluation objectives and descriptions of evaluated programs
- Methods

- This section will describe nonresidential, residential, and crosscutting secondary and primary data collection activities
- Nonresidential Process findings
 - This section will describe program administration and delivery, organizational structure, program awareness and engagement, program experience (including reasons for participation), barriers to participation, effectiveness of incentives and marketing promotions, opportunities for program improvement, and net-to-gross changes over time, all as related to the 2016-2017 program years.
- Residential Process findings
 - This section will describe program administration and delivery, organization structure, program awareness, program experience (including reasons for participation), barriers to participation, effectiveness of incentives and marketing promotions, and opportunities for program improvement, all as related to the 2016-2017 program years.
- Special Studies
 - This section will cover two special studies: 1) T-12 analysis of opportunities to encourage T12 replacement with advanced lighting technologies and 2) high participation contractor interviews to learn about contractor promotions of rebate programs
- Conclusions and Recommendations
 - This section will discuss conclusion and recommendations as well as Avista response to prior evaluation recommendations.



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Appendix C:
Summarization of Cost-Effectiveness Methodology

Cost-Effectiveness Methodology

The cost-effectiveness evaluation of DSM programs has been standardized to a significant degree in order to provide for greater transparency and understanding of the metrics. Avista has brought these standardized¹ approaches into the evaluation of the cost-effectiveness of our portfolio through a series of specific interpretations, approaches and policies. The summarization of these key guidelines provides a greater insight into the evaluation and how to interpret the results.

The cost-effectiveness of DSM programs can be viewed from a variety of perspectives, each of which lead to a specific standardized cost-effectiveness test. The below outlines and describes the various perspectives.

1. The perspective of the entire customer class of a particular utility. This includes not only what they individually and directly pay for efficiency (through the incremental cost associated with higher efficiency options) but also the utility costs that they will indirectly bear through their utility bill. When looking at the full customer population, incentives are considered to be a transfer between ratepayers and not a cost for the overall ratepayer class. This perspective is represented in the total resource cost (TRC) test. Avista has included a 10% conservation credit to the TRC calculation adding a benefit to the overall cost effectiveness.
2. If the objective is to minimize the utility bill, without regard to costs borne by the customer outside of that which is paid through the utility bill, then cost-effectiveness simply comes down to a comparison of reduced utility avoided cost and the full cost (incentive and non-incentive cost) of delivering the utility program. This is the utility cost test (UCT) also known as the program administrator cost test (PAC).
3. A participating customer's view of cost-effectiveness is focused upon their reduced energy cost (at their retail rate). Avista also includes the value of any non-energy benefits that they may receive. Incentives received by the customer offset the incremental cost associated with the efficiency measure. This is the participant cost test (PCT). Since participation within utility programs is voluntary it could be asserted that well-informed participating customers are performing their own cost-effectiveness test based upon their own circumstances and voluntarily participate only to the extent that it is beneficial for them to do so. Avista has included a 10% conservation credit to the PCT calculation adding a benefit to overall cost effectiveness.
4. A non-participating customer is impacted by a utility program solely through the impact upon their retail rate. Their usage, since they are a non-participant, is unaffected by the program. The impact of a DSM program on the utility rate imposed upon these non-participating customers is the result of the reduced utility energy costs, diminished

¹ California Standard Practice Manual: Economic Analysis of Demand Side Program and Projects

utility revenues and the cost associated with the utility program. Since utility retail energy rates exceed the avoided cost under almost all scenarios (peak end-use load and a few other exceptions apply) the non-participant rarely benefits. This is the rate impact measure (RIM), also known as the non-participant test. The following table summarizes Avista’s approach to calculating the four basic cost-effectiveness tests. The categorization and nomenclature have been worded so as to provide the clarity regarding each cost and benefit component. Please note that some of the values within the table below represent negative values.

Appendix C, Table 1: Summarization of Standard Practice Test Benefits and Costs

	<u>TRC</u>	<u>UCT</u>	<u>PCT</u>	<u>RIM</u>
<u>Benefit components</u>				
Avoided cost of utility energy	\$	\$		\$
Value of non-utility energy savings	\$		\$	
Non-energy impacts	\$		\$	
Reduced retail cost of energy			\$	
<u>Cost components</u>				
Customer incremental cost	\$		\$	
Utility incentive cost		\$	-\$	\$
Utility non-incentive cost	\$	\$		\$
Imported funds (tax credits, federal funding etc)	-\$		-\$	
Reduced retail revenues				\$

A summary of some of the approaches by which Avista measures these values and how they are applied within Avista’s evaluation of cost-effectiveness is contained below.

Avoided cost of utility energy: The avoided cost of electricity and natural gas is based upon the results of the most recent Integrated Resource Plan (IRP) to include the valuation of several avoided costs that are somewhat unique to energy-efficiency (e.g., distribution losses, the monetary cost of carbon etc.). The cost of electric transmission and distribution (T&D) capacity benefits was adjusted to align with the upcoming 7th Power Plan and a \$34.41 per kW-yr for 20 year levelized cost was used to bring electricity into the Avista Balancing Area from the Mid-C Market.

The electric IRP provides 20 years of Mid-C prices for every hour of the year (8,760 hours) and system capacity benefits for generation and T&D. Different measures have different distribution of their savings of the year so to properly value the commodity portion for individual measures the 175,200 market prices (8,760 x 20) are multiplied by the individual load shapes yielding 23 different end use commodity avoided costs.

To calculate the capacity value an average of the percentage of savings on January weekdays between 7:00–12:00 and 18:00–23:00 was used to estimate the peak coincidence to be multiplied by that year's generation, transmission and distribution capacity benefits.

The commodity and capacity benefits are summed for each year and the combined avoided costs are increased to account for avoided line loss rates (6.04%).

The avoided cost of the natural gas IRP produces an annual and winter avoided therm value which an avoided delivery charge is added (represented by the demand portion of Schedule 150) to each as well as an estimated carbon tax starting in 2020 with a cost of \$10/ton and escalating at 3% per year.

The application of the avoided cost of energy to a DSM measure includes all interactive impacts upon the own fuel (e.g. interactive impacts upon electric consumption by electric programs) and cross fuel (e.g. interactive impacts upon natural gas usage as a result of an electric program). This includes the natural gas usage associated with electric to natural gas (fuel conversion) programs.

Value of non-utility energy: For forms of energy not provided by the utility, such as propane or wood fuel, and for which there is no Integrated Resource Plan valuation of the avoided cost, all savings are valued based upon the customers retail cost of energy.

Non-energy impacts: Impacts of efficiency measures unrelated to energy usage are incorporated into the appropriate standard practice tests to the extent that they can be reasonably quantified and externally represented to a rational but critical audience. The company is appreciative to the Regional Technical Forum (RTF) for the increased focus they have done on quantifying non-energy impacts. Savings most typically quantified are related to reductions in lighting maintenance, reduced replacement costs (LEDs vs. halogen) and water and sewer cost savings. Additionally when the Company pays the full cost of a measure within the low-income portfolio, and includes that full cost as a customer incremental cost, the value of the baseline measure is included as a non-energy benefit as a representation of the end-use service beyond the energy-efficiency impact. Those impacts that have been determined to be unquantifiable within reasonable standards of rigor consist of both benefits and costs. For example, the Company has not been able to quantify the value of comfort, preventing us from valuing the benefit of draft reduction from efficient windows, or the increased productivity due to lighting upgrades.

Reduced retail cost of energy: For the participant test it is the participating customers reduced retail cost of energy and not the utility avoided cost of energy that is relevant to that perspective.

Customer incremental cost: This represents the additional cost of an efficient measure or behavior above the baseline alternative. To the maximum extent possible the determination

of customer incremental cost is based upon alternatives that are identical in all aspects other than efficiency. When a clear comparison isn't possible an individualized adjustment is made to the extent possible.

Utility incentive cost: Direct financial incentives or the utility cost of physical products or services distributed to individual customers are transfer payments between participating and non-participating customers. The provision of program delivery services is not a transfer cost and is not incorporated into the definition of the utility incentive cost.

Utility non-incentive cost: These costs consist of all utility costs that are outside of the previously defined incentive costs. It typically consists of labor, EM&V, training, organizational memberships and so on.

Imported funds: Avista includes the value of imported funds (generally tax credits or governmental co-funding of programs) to be a reduction in the customer incremental cost of the measure for purposes of calculating the TRC Test and the Participant Test. These funds are acquired from entities outside the ratepayer population or the individual participant.

The alternative approach to treating imported funds as an offset to the customer incremental cost is to consider these funds to be a benefit. For purposes of Avista's cost-effectiveness objective (maximize residual net TRC benefit) there would be no mathematical difference between these two approaches.

Reduced retail revenues: For purposes of the RIM test the loss of retail revenue is a cost to the non-participating customer.

The means by which Avista's DSM portfolio is defined for purposes of evaluation and cost allocation is also an important part of our methodology. The various definitions used to define the different levels of aggregation are explained below followed by an explanation of how these are applied in the allocation of costs.

Sub-Measure: A sub-measure is a component of a measure that cannot be coherently offered without aggregating it with other sub-measures. For example, an efficient three-pan fryer couldn't be offered as part of a sensible customer-facing program if the program did not also include two-pan and four-pan fryers. Avista may offer sub-measures that fail cost-effectiveness criteria if the overall measure is cost-effective. This is the only area where Avista permits the bundling of technologies for purposes of testing offerings against the cost-effectiveness screen. There are relatively few sub-measures meeting the criteria specified above within the portfolio.

Measure: Measures are stand-alone energy efficiency options. Consequently measures are generally expected to pass cost-effectiveness requirements barring justifiable

exceptions. Exceptions include, but are not necessarily limited to, measures with market transformation value not incorporated into the assessment of the individual measure, significant non-energy benefits that cannot be quantified with reasonable rigor and cooperative participation in larger regional programs.

Programs: Programs consist of one or more related measures. The relation among the measures may be based upon technology (e.g. an aggregation of efficient lighting technologies) or market segment (e.g. aggregation of efficient food service measures). The aggregation is generally performed to improve the marketability and/or management of the component measures.

Portfolio: Portfolios are composed of aggregations of programs. The aggregating factor will vary based upon the definition of the portfolio. The following portfolios are frequently defined in the course of Avista's DSM reporting and management:

Customer segment portfolio: An aggregation of programs within a customer segment (e.g. low-income, residential, nonresidential).

Fuel portfolio: Aggregating electric or natural gas DSM programs.

Regular vs. low income portfolios: Separating income qualified measures delivered through CAP agencies from the remainder of the portfolio.

Jurisdictional portfolio: Aggregating programs within either the Washington or Idaho jurisdiction.

Local or Regional portfolio: Aggregating all elements of the local DSM portfolio vs. the regional market transformation portfolio.

Fuel/Jurisdictional portfolio: Aggregating all programs within a given fuel and jurisdiction (Washington electric, Washington natural gas, Idaho electric or the currently suspended Idaho natural gas portfolio).

Overall portfolio: Aggregating all aspects of the Washington and Idaho, electric and natural gas DSM portfolio.

Methodology for Allocation of DSM Costs

The Avista methodology for cost-allocation builds from the measure or sub-measure analysis to the program and ultimately portfolio analysis. At each level of aggregation those costs that are incremental at that stage are incorporated into the cost-effectiveness analysis. Incremental customer cost and benefits are fully incorporated into measure-level analysis. Utility costs (both labor and non-labor) are currently fully incorporated within the program level of aggregation based

upon previous Advisory Group discussions regarding the Company's ability to expand or contract the portfolio to meet acquisition target. Cost allocations are made based upon the expected adjusted BTU acquisition of the program, with adjustments by the relative avoided cost of electricity and natural gas (i.e. a kWh is a highly processed btu compared with an equivalent natural gas).

Generally little of the non-incentive utility cost (labor and non-labor) are allocated at the measure level with the exception of programs delivered through a third-party contractor where those costs are truly incremental. Other non-incentive utility costs are allocated at the program level in the belief that the addition or elimination of programs would lead to a change in the scale of the overall portfolio and that therefore these costs are incremental at the program level.

It should be noted that costs not associated with the delivery of local DSM within the planned year are excluded from the cost-effectiveness calculations. These are termed "supplemental costs" and consist of NEEA funding, funding low income educational outreach programs, Idaho research funding and similar expenses unrelated to the planned 2018 local portfolio.

Unit Energy Savings

The quantification of energy savings applicable towards achieving Washington EIA acquisition targets has been an ongoing topic of discussion since the effective date of this requirement became effective. The company plan will create an annual locked UES associated with the TRM that will be updated on an annual basis. The savings will primarily be derived from the RTF or previous impact evaluations. The next annual update will be utilize the upcoming Nexant evaluation for the 2016-2017 Biennium.

For planning purposes the business plan has applied the same assumptions regarding unit energy savings to the Idaho portfolio as our best current estimate of savings. However, the retrospective Energy Efficiency Annual Report may displace these assumptions with the results of actual impact evaluations when available and appropriate.

Analytical Methodology Applicable to the Low Income Programs

Avista has developed several analytical methodologies that are specific to the evaluation needs of the low income portfolio. These include the (a) accommodation of incentive levels equal to the entire cost of the measure, including the cost of the baseline measure and (b) the treatment and quantification of the considerable non-energy benefits incorporated within the low income portfolio. Beyond these two rather significant analytical issues the treatment of the low income portfolio is similar to that applied to the other portfolios.

Except for the low income program, Avista does not typically fully fund the customer incremental cost and even less frequently the full installed cost of an end-use. For low income programs delivered with Avista funding in partnership with Community Action Program (CAP) agencies the

participating customer may receive full funding of the end-use. There is a need to appropriately represent this expenditure within the overall DSM expenditure budget, but at the same time it is necessary to recognize that only a portion of this expenditure is dedicated toward energy efficiency. The Company does so by recognizing the full expenditure as a cost but also recognizing that there is a non-energy benefit associated with the provision of base case end-use services. The full cost less this non-energy benefit is equal to the amount invested in energy efficiency. Thus the assessment of the cost-effectiveness of the energy efficiency investment is appropriately based upon the value of the energy savings of the efficient measure in comparison to this incremental cost. In situations where a measure might be found cost-effective under one fuel it will be reimbursed at the full cost for both fuels.

The Company has also defined the expenditure of non-energy health and safety funds as a non-energy benefit (on a dollar-for-dollar basis). This quantification is based upon the individual assessment of each of these expenditures by the CAP agency prior to the improvements being made. This approval process provides reasonable evidence that the improvements are worth, at a minimum, the amount that has been expended upon them through CAP agency funds.

As a consequence of these two assumptions the low income portfolio accrues considerable non-energy benefits.

The 15% administrative reimbursement permitted to the CAP agency is considered to be a component of the measure cost. This amount reimburses the CAP for back office costs that would, in a typical trade ally bid, be incorporated into the project invoice.

Appendix D:
Quick Reference Guide to Commonly Used Terms

Quick Reference to Commonly Used Terms

The following common terms are used frequently within Avista's business planning and portfolio management process. The definitions are presented here to provide greater clarity and more constructive discussion throughout the review of the business plan and for the external oversight of Avista's DSM portfolio in general.

8760

Total number of hours in a year.

Adjusted Market Baseline

Based on the RTF Guidelines, represents a measurement between the energy efficient measure and the standard efficiency case that is characterized by current market practice or the minimum requirements of applicable codes or standards, whichever is more efficient. When applying an Adjust Market Baseline, no net-to-gross factor would be applied since the resultant unit energy savings amount would represent the applicable savings to the grid.

Advisory Group (formerly known as the Triple E Board)

Avista's group of external stakeholders who comment about the Company's DSM activities.

Avoided Cost

Theoretical costs that the Company would not incur by selecting an alternative path or option. Avoided costs, as defined by the Public Utility Regulatory Policies Act (PURPA), are incremental energy or capacity or both which but for the purchase from qualifying facilities the utility would either generate itself or purchase from another source.

AFUE (Annual Fuel Utilization Efficiency)

The measure of seasonal or annual efficiency of a furnace or boiler. It takes into account the cyclic on/off operation and associated energy losses of the heating unit as it responds to changes in the load, which in turn is affected by changes in weather and occupant controls.

AMI (Advanced Metering Infrastructure)

Systems that measure, collect and analyze energy usage, from advanced devices such as electricity meters, gas meters and/or water meters through various communication media on request or on a pre-determined schedule.

AMR (Advanced Meter Reading)

The technology of automatically collecting data from energy metering devices and transferring that data to a central database for billing and/or analyzing.

aMW

The amount of energy that would be generated by one megawatt of capacity operating continuously for one full year. Equals 8,760 MWh of energy.

ANSI (American National Standards Institute)

A source for information on national, regional, international standards and conformity assessment issues.

ASHRAE (American Society of Heating, Refrigeration and Air-Conditioning Engineers)

To advance “technology to serve humanity and promote a sustainable world. Membership is open to any person associated with the field.”

Base Load Generation

Electric generating facilities that are operated to the greatest extent possible to maximize system mechanical and thermal efficiency and minimize system operating costs.

BCP – Biennial Conservation Plan

Referring only to state of Washington; a result of RCW 19.285, Energy Independence Act (also known as Initiative Measure No. 937 or “I-937”) mandate that utility companies obtain fifteen percent of their electricity from new renewable resources such as solar or wind by 2020 and to undertake all cost-effective energy conservation. The Washington State Utilities and Transportation Commission adopted WAC 480-109, Acquisition of Minimum Quantities of Conservation and Renewable Energy to effectuate RCW 19.285. The BCP is responsive to the energy efficiency requirements of WAC 480-109 and describes the savings targets, the programs that will achieve the targets and how those energy savings targets will be measured and presented.

Black Scholes Model

An option-pricing model derived in 1973 for securities options. It was later refined in 1976 for options on futures (commonly referred to as the Black 76 or simply “Black model”). The Black model is widely used in the commodity arena to value commodity options. The model can also be used to distinguish between underlying certain equivalent value of an asset and the risk premium associated with price volatility.

BTU (British Thermal Unit)

The amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit. It is used to compare the heat producing value of different fuels. Natural gas futures and forward contracts typically are traded in MMBTU (million of Btus).

CAP (Community Action Partnership)

General term for Community Action Programs, Community Action Agencies, and Community Action Centers that through federal and state and other funding sources (e.g. utility constitutions) provide services such as low-income weatherization.

Capacity

Electricity: The rated load-carrying capability of a power generating unit or transmission line, typically expressed in megawatts. Some forward power contracts will specify the amount of capacity available that the purchaser pays a demand charge on the right to call on this amount of energy when needed. Many capacity contracts are analogous to a call option. Also, the maximum generation capability of an electric generating plant in any given hour.

Natural Gas: The rated transportation volume of natural gas pipelines, typically expressed in MMBTU. Also, the maximum amount of Dth that can pass through a pipeline in any given day.

Capacity Charge

In natural gas or electricity markets, a price set based on reserved capacity or measured demand and irrespective of energy delivered. Also know as a demand charge.

CEE (Consortium for Energy Efficiency)

Consortium of efficiency program administrators from across the U.S. and Canada who work together on common approaches to advancing efficiency. Through joining forces, the individual efficiency programs of CEE are able to partner not only with each other, but with other industries, trade associations, and government agencies. By working together at CEE, administrators leverage the effect of their funding dollars, exchange information on effective practices and by doing so achieve greater energy efficiency for the public good.

CFL (Compact Fluorescent Lamps)

CFLs use between one fifth and one third of the power of equivalent incandescent lamps. While the purchase price of an integrated CFL is typically 3 to 10 times greater than that of an equivalent incandescent lamp, the extended lifetime and lower energy use will compensate for the higher initial cost.

CNG (Compressed Natural Gas)

The compression of natural gas in storage vessels to pressures of 2,400 to 3,600 pounds per square inch, generally for use as a vehicle fuel.

COB (California Oregon Border)

Area where utilities in the Northwest connect to those in California and a very common trading hub or pricing point for forward electricity contracts.

Coincidence Factor

The ratio of the maximum simultaneous total demand of a group of customers to the sum of the maximum power demands of the individual customers comprising the group (in percent).

CPA (Conservation Potential Assessment)

An analysis of the amount of conservation available in a defined area. Provides savings amounts associated with energy efficiency measures to input into the Company's Integrated Resource Planning (IRP) process.

COP (Coefficient of Performance)

The coefficient of performance of a heat pump is the ratio of the output of heat to the supplied work or $COP = Q/W$; where Q is the useful heat supplied by the condenser and W is the work consumed by the compressor.

Cost of Service

The actual costs of providing service to individual customers, groups of customers, or an entire customer base. In the energy industry, cost-of-service analyses are performed at all stages of the supply chain from generation through billing. Utilities use these studies to determine how to spread the rate increase to customer classes such as residential, commercial, industrial, and irrigation end-users.

Council

See the NPCC (Northwest Power and Conservation Council).

Critical Energy

The average energy produced under coordinated operation during the critical or highest-use period.

Customer/Customer Classes

A category(ies) of customer(s) defined by provisions found in tariff(s) published by the entity providing service, approved by the PUC. Examples of customer classes are residential, commercial, industrial, agricultural, local distribution company, core and non-core.

DCU (Digital Control Unit)

Load control switch usually associated near end-use equipment (e.g. on an exterior wall of a home to control a hot water tank).

Decoupling

In conventional utility regulation, utilities make money based on how much energy they sell. A utility's rates are set based largely on an estimation of costs of providing service over a certain set time period, with an allowed profit margin, divided by a forecasted amount of unit sales over the same time period. If the actual sales turn out to be as forecasted, the utility will recover all of its fixed costs and its set profit margin. If the actual sales exceed the forecast, the utility will earn extra profit.

DEER (Database for Energy Efficient Resources)

A California Energy Commission and California Public Utilities Commission (CPUC) sponsored database designed to provide well-documented estimates of energy and peak demand savings values, measure costs, and effective useful life (EUL) all with one data source. The Company and its third-party evaluators may reference this resource as they compile Technical Resource Manuals or Conservation Potential Assessments.

Degree-Day

A measure of the variation of one day's temperature against a standard reference temperature. There are both cooling degree-days (CDDs) and heating degree-days (HDDs). Utilities typically use degree days as a common measure of the trend amount of electric power to be consumed based on the heating or cooling demand. The difference between the mean daily temperature and 65 degrees Fahrenheit. A general measure of the need for heating (negative) or cooling (positive).

Demand

The load that is drawn from the source of supply over a specified interval of time (in kilowatts, kilovolt-amperes, or amperes). Also, the rate at which natural gas is delivered to or by a system, part of a system or piece of equipment, expressed in cubic feet, therms, BTUs or multiples thereof, for a designated period of time such as during a 24-hour day.

Demand Factor

The ratio of the maximum demand to the total connected load for a defined part of the electric system (in percent).

DG (Distributed Generation)

Electricity that is generated from many small energy sources usually at the end-use or customer site.

Distribution

The portion of the utility system from the transformer in the substation to the Point of Delivery for the customer. The Distribution System is the “last stage” in providing service to the customer. It is typically the (lower voltage) circuits that are rated for 13.8 kV in Avista’s system. These are the “lines behind your house” and can be underground as well as overhead.

DR (Demand Response)

Mechanisms to manage the demand from customers in response to supply condition; for example, having electricity customers reduce their consumption at critical times or in response to market prices. Passive DR is employed to customers via pricing signals, such as inverted tier rates, time of use (TOU) or critical peak pricing (CPP).

DSM (Demand Side Management)

The process of helping customers use energy more efficiently. Used interchangeably with Energy Efficiency and Conservation although conservation technically means using less while DSM and energy efficiency means using less while still having the same useful output of function.

Dth (Decatherm)

A measure of gas volume equal to one million BTU.

EF (Energy Factor)

The measure of overall efficiency for a variety of appliances. For water heaters, the energy factor is based on three items: 1) the recovery efficiency, or how efficiently the heat from the energy source is transferred to the water; 2) stand-by losses, or the percentage of heat lost per hour from the stored water compared to the content of the water; and 3) cycling losses.

Electric PCA, ERM

The Purchase Cost Adjustment (PCA) and Energy Recovery Mechanism (ERM) are regulatory accounting mechanisms designed to recover/rebate deferred power supply costs associated with such things as abnormal stream flow conditions and changes in the wholesale market prices.

Electric Trading Time Frames

- 1) Heavy Load or Peak: Standard time frame for purchase/sale of electricity, 16 hours per day, Monday through Saturday, hours 0700 through 2200.
- 2) Light load or Off-Peak: Standard time frame for purchase/sale of electricity, Monday through Saturday, hours 0100 through 0600, 2300 and 2400, and all 24 hours on Sunday. 3 of Flat - 24

hours, every day of the time period. Forward electric transactions – Trade in standard time frames of balance of the month, forward individual months, calendar quarters – January-March, April-June, July-September and October-December, and calendar years. All forward transactions can be peak, off-peak or flat.

3) Real -Time or Hourly: Electricity is purchased and sold every hour.

4) Pre-Schedule - Electricity Heat Rate Swap: Selling gas and purchasing electricity or purchasing gas and selling electricity in proportions to roughly equate if generating at a specific plant with an estimated heat rate. Transaction is made to take economic advantage of changing relationship between electric and gas prices.

EM&V (Evaluation Measurement & Verification)

This is composed of impact analysis (the measurement of the impact of the installation of an efficiency measure), process analysis (the evaluation of a process with the intent of developing superior approaches through obtaining a better understanding of the process itself), market analysis (evaluating the interaction between the market and measure to include the estimation of net-to-gross ratios, technical, economic and acquirable potentials) and cost analysis (the estimation of the cost characteristics of a measure with particular attention to incremental cost and the influence that a program may have upon those cost characteristics).

EPA (United States Environmental Protection Agency)

EPA leads the nation's environmental science, research, education and assessment efforts. The mission of the Environmental Protection Agency is to protect human health and the environment.

ERM

See Electric PCA, ERM

ERV (Energy Recovery Ventilator)

An energy recovery ventilator saves energy and helps to keep indoor humidity within a healthy range. It transfers heat and moisture between the incoming and outgoing air.

FERC

Federal Energy Regulatory Commission

Firm Power

Power or power-producing capacity intended to be available at all times during the period covered by a commitment, even under adverse conditions.

Firm Service

Natural gas or electricity service offered to customers that anticipates no planned interruption.

Firm Transportation

Natural gas transportation services for which facilities have been designed, installed and dedicated to a certified volume. Firm transportation services takes priority over interruptible service.

Fixed Costs

Costs that the Company/customers will incur over various levels of activities.

GAMA (Gas Appliance Manufacturer's Association)

Represents manufacturers of appliances, components and products used in connection with space heating, water heating and commercial food service.

Heat Rate

The quantity (expressed as a ratio) of fuel necessary to generate one kWh of electricity, stated in British thermal units (Btu). A measure of how efficiently an electric generator converts thermal energy into electricity (i.e. the lower the heat rate, the higher the conversion efficiency).

HRV (Heat Recovery Ventilator)

A ventilation system that recovers the heat energy in the exhaust air, and transfers it to fresh air as it enters the building. HRV provides fresh air and improved climate control, while also saving energy by reducing the heating (or cooling) requirements.

HSPF (Heating Seasonal Performance Factor)

The measure of the heating efficiency of a heat pump. The HSPF is a heat pump's estimated seasonal heating output in Btu's divided by the amount of energy that it consumes in watt-hours.

HVAC (Heating, Ventilation, and Air Conditioning)

Sometimes referred to as climate control, the HVAC is particularly important in the design of medium to large industrial and office buildings where humidity and temperature must all be closely regulated whilst maintaining safe and healthy conditions within.

I-937

Initiative Measure No. 937 in state of Washington mandate that utility companies obtain fifteen percent of their electricity from new renewable resources such as solar or wind by 2020 and to undertake all cost-effective energy conservation.

IAQ (Indoor Air Quality)

IAQ is a measure of the content of interior air that could affect health and comfort of building occupants.

IHD (In Home Display)

A device used to provide energy usage feedback to a customer on a real or near-real time basis.

IOU (Investor-Owned Utility)

A utility whose stock is publically traded and owned by private shareholders.

IPUC (Idaho Public Utilities Commission)

The IPUC regulates investor-owned utilities within the state of Idaho.

IRP (Integrated Resource Plan)

An IRP is a comprehensive evaluation of future electric or natural gas resource plans. The IRP must evaluate the full range of resource alternatives to provide adequate and reliable service to a customer's needs at the lowest possible risk-adjusted system cost. These plans are filed with the state public utility commissions on a periodic basis.

IRP TAC (Technical Advisory Committee)

Internal and external advisory committee for the IRP process.

Interruptible Service

Natural gas or electricity sales that are subject to interruption for a specified number of days or hours during times of peak demand or in the event of system emergencies. In exchange for interruptibility, buyers pay lower prices. Also for natural gas transportation or sales service which is subject to interruption at the option of any of the involved parties (seller, pipeline, LDC, buyer) because of energy shortages, capacity constraints, or economic considerations.

Kilowatt (kW)

One thousand watts. A watt is 1/746 horsepower (kW = 1.34 horsepower) or the power produced by a current of one ampere across a potential difference of one volt.

Kilowatt-Hour (kWh)

One thousand watts operating for one hour. Energy over time becomes work or 1.34 horsepower operating for one hour.

LDC (Local Distribution Company)

A natural gas utility providing service to customers.

LED (Light Emitting Diode)

Electronic semiconductor device that produces light, commonly used as an efficient lamp or display.

Line Losses

The amount of electricity lost or assumed lost when transmitting over transmission or distribution lines. This is the difference between the quantity of electricity generated and the quantity delivered at some point in the electric system.

LIHEAP (Low Income Home Energy Assistance Program)

Federal energy assistance program, available to qualifying households based on income, usually distributed by community action agencies or partnerships.

LIRAP (Low Income Rate Assistance Program)

LIRAP provides funding (collected from Avista's tariff rider) to CAP agencies for distribution to Avista customers who are least able to afford their utility bill.

LMS (Load Management System)

LMS is used by Avista to send load control signals to Demand Response equipment to cycle and/or curtail customer appliances.

LNG (Liquefied Natural Gas)

Natural gas that has been liquefied by reducing its temperature to minus 260 degrees Fahrenheit at atmospheric pressure. It remains a liquid at minus 116 degrees Fahrenheit and 673 psig. In volume, it occupies 1/600 of that of the vapor.

Load

The amount of power carried by a utility system at a specified time. Load is also referred to as demand.

Load Factor

The ratio between average and peak usage for electricity and gas customers. The higher the load factor, the smaller the difference between average and peak demand. The average load of a customer, group of customers, or entire system, divided by the maximum load can be calculated over any time period. For example, assuming 3650 therms of natural gas usage over a year, the average daily load is $3650/365$ or 10 therms. If the peak day load or maximum load was 20 therms, the load factor was 50 percent.

Load Growth

This is the change, +/-, in the total therms (natural gas) and kWh (electric) that is consumed by retail customers from year to year. The amount the peak load or average load in an area increases over time (usually reported as an annual load growth in some percentage).

MAP (Maximum Acquisition Potential)

The maximum amount of energy savings the Company could achieve under the Biennial Conservation Plan.

MDM/MDMS (Meter Data Management System)

Used to organize meter interval data from an automated meter reading system.

Measure

A measure is a energy-efficiency product or service that can be offered relatively independently of other similar products or services.

MEF (Modified Energy Factor)

A new equation that replaced Energy Factor as a way to compare the relative efficiency of different units of clothes washers. The higher the Modified Energy Factor, the more efficient the clothes washer.

Megawatt (MW)

One million Watts, or one thousand kilowatts. Forward power contracts are normally traded in megawatts.

Megawatt-hour (MWh)

One million watts operating for one hour, energy over time becomes work or 1,340 horsepower operating for one hour. An MWh is an average megawatt produced or consumed for one hour.

MERV (Minimum Efficiency Reporting Value)

MERV ratings are used to rate the ability of an air conditioning filter to remove dust from, the air as it passes through the filter. MERV is a standard used to measure the overall efficiency of a filter.

Mid-Columbia (Mid-C)

Electricity transacting hub or point, and points-of-connection to the transmission lines of the five non-feeder Columbia River coordinated hydro-generation facilities. The most common electricity trading point in the Northwest.

MMBTU

A unit of heat equal to one million British thermal units. Natural Gas contracts are typically traded in MMBTU. One futures contract is 10,000 MMBTU/day.

NARUC

National Association of Regulatory Utility Commissioners is an association representing the State public service commissioners who regulate essential utility services, such as electricity, gas, telecommunications, water, and transportation, throughout the country. As regulators, their members are charged with protecting the public and ensuring that rates charged by regulated utilities are fair, just, and reasonable.

Native Load

The retail customer load in which Avista has responsibility to plan and provide electric supply (includes scheduled losses incurred by Avista's systems; and does not include scheduled losses incurred by other parties wheeling of power on Avista's system).

Natural Gas

A naturally occurring mixture of hydrocarbon and non-hydro carbon gases found in porous geologic formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.

NEB (Non-Energy Benefits)

Benefits (or costs) resulting from the installation of an efficiency measure that are unrelated to the energy resource. This may any value or cost but is most commonly the impact of changes in water

usage, sewage cost, reduced maintenance cost, etc. Values or costs which cannot be reasonably quantified (such as security, safety, productivity) are not included in Avista's measurement of non-energy benefits

NEEA

The Northwest Energy Efficiency Alliance is a non-profit organization working to encourage the development and adoption of energy-efficient products and services. NEEA is supported by the region's electric utilities, public benefits administrators, state governments, public interest groups and efficiency industry representatives. This unique partnership has helped make the Northwest region a national leader in energy efficiency. NEEA operates programs in Idaho, Montana, Oregon and Washington. It is funded by leading Northwest electric utilities as well as Energy Trust of Oregon and the Bonneville Power Administration, which pays on behalf of its electric utility customers. This money is pooled and used to fund projects approved by our Board of Directors.

NEET

Northwest Energy Efficiency Taskforce was formed to bring together a group of high-level leaders to focus and improve the efficiency of electricity use throughout the Pacific Northwest. The taskforce will work to pull together innovative ideas from successful energy efficiency programs and explore how, through regional collaboration, energy efficiency can be delivered more efficiently. Part of the Northwest Power and Conservation Council.

NERC

North American Electricity Reliability Council Their mission is to ensure the reliability of the bulk power system in North America by developing and enforcing reliability standards; assess reliability annually via 10-year and seasonal forecasts; monitor the bulk power system; evaluate users, owners, and operators for preparedness; and educate, train, and certify industry personnel. NERC is a self-regulatory organization, subject to oversight by the U.S. Federal Energy Regulatory Commission and governmental authorities in Canada.

Net-to-Gross Ratio

This is the percentage of program participants who have been determined to have adopted the efficiency measure as a consequence of the intervention of the utility program. Participants who were influenced by the program are the "net" participants and all program participants are contained within the "gross" participation. Net-to-gross serves to determine the energy savings attributable to a particular energy efficiency program rather than naturally occurring energy efficiency in the absence of any program.

NPCC (Northwest Power and Conservation Council)

The Council was established by the Northwest Power Act in 1980 to provide the electric customers of Washington, Idaho, Oregon and Montana with regional electric power planning coordination.

Off Peak

Times of low energy demand, typically nights and weekends. Off-peak hours in the Western U.S. are typified as the time from 10 p.m. to 6 a.m. Monday through Saturday, and all day Sunday. Forward contracts typically trade as on-peak, off peak, or flat (24 hours).

On Peak

Times of high-energy demand when it is at its peak. On-peak varies by region. In the Western United States, it is typically 6 a.m. to 10 p.m. Monday through Saturday. 0600 - 2200 Monday through Saturday, excluding NERC holidays.

OPUC (Public Utility Commission of Oregon)

The agency that regulates investor-owned utilities in Oregon.

Participant Cost Test (PCT)

One of four standard practice tests developed in California as a means to evaluate the cost-effectiveness of demand side management programs from the perspectives of different participants. The Participant Test shows the cost-effectiveness for the “participating” customer. It includes the value of the energy savings among other things from the project vs. the customer project cost.

PCA

See Electric PCA, ERM

Programmable Communicating Thermostat

A load controlling thermostat that can communicate with a utility’s load management system by internet protocol or radio frequency (RF).

Program Administrator Cost Test (PAC)

See UCT (Utility Cost Test)

Peak Load

Maximum demand, Peak demand. The greatest of all demands that have occurred during a given period.

Peaking Capability

Generating capacity normally designed for use only during maximum load period of a designated interval.

PGA (Purchase Gas Adjustment)

The Purchase Gas Adjustment is a mechanism that is periodically filed with the Utility Commissions and designed to recover or rebate the deferred changes in the cost of natural gas purchased to service customer loads.

Photovoltaic (PV)

Technology and research related to the application of solar cells for energy by converting sunlight directly into electricity.

Power Plan

The Northwest Power and Conservation Council is required to complete a regional Power Plan every five years. The Plan includes both supply-side (generation) and conservation resources. (Per the definition of “conservation” in the Northwest Power Act, electric-to-natural gas conversions are not considered to be “conservation” within the Plan). The Sixth Power Plan is currently nearing approval by the Council.

PPA (Power Purchase Agreement)

A legal contract between an electricity generator and a purchaser of energy or capacity.

Prescriptive

A prescriptive program is a standard offer for incentives for the installation of an energy efficiency measure. Prescriptive programs are generally applied when the measures are relatively low cost and are employed in relatively similar applications.

Program

A program is an aggregation of one or more energy-efficiency measures into a package that can be marketed to customers.

PUC (Public Utility Commission)

State agencies that regulate the tariffs (pricing) of investor-owned utility companies.

PUD (Public Utility District)

A political subdivision with territorial boundaries greater than a municipality and sometimes larger than a county for the purpose of generating, transmitting and distributing electric energy and/or other utility commodities.

RAP (Realistic Acquisition Potential)

The amount of energy savings the Company could realistically achieve under the Biennial Conservation Plan.

Rate Base

The capital investment (plant assets on the balance sheet) that regulatory commissions deem to be prudent and, therefore, allow to be recovered from customers. Further, it is the only utility cost that is allowed to have a profit component (return on equity) imputed upon it. All other costs are only returned dollar for dollar at the time of a rate case.

Rate Design

The manner in which retail prices are structured to recover the cost of service from each customer class. Rate design includes pricing components such as basic charges, demand charges and energy charges.

Ratepayer Impact

This concept is applied to analyses of projects to determine if the project will increase, decrease or be neutral to existing rates that customers currently are charged. This impact can be interpreted in total over the life of the project or year-by-year during the project's duration.

RGI (Renewable Generation Incentive)

Avista's distributed renewable incentive in Washington.

RIM (Rate Impact Measure Test)

One of four standard practice tests developed in California as a means to evaluate the cost-effectiveness of demand side management programs from the perspectives of different participants. The RIM Test (aka the "non-Participant Test") indicates if the program will result in a rate increase or decrease. The non-participating customer bears the cost of the rate increase without obtaining any program benefits.

RTF (Regional Technical Forum)

An advisory committee established in 1999 to develop standards to verify and evaluate conservation savings. Members are appointed by the Council and include individuals experienced in conservation program planning, implementation and evaluation. The RTF is also responsible for developing a conservation and renewable rate discount (C&RD) for the Bonneville Power Administration. The C&RD program awards rate discounts to customers who have implemented effective energy conservation measures. The RTF serves as a subcommittee to the Northwest Power and Conservation Council.

R-Value

A measure of thermal resistance used in the building and construction industry. The bigger the number, the better the building insulation's effectiveness. R value is the reciprocal of U factor.

Schedules 90 and 190

These tariffs authorize Avista to operate electric-efficiency (Schedule 90) and natural gas efficiency (Schedule 190) programs within Washington and Idaho. Electric to natural gas conversions are considered electric-efficiency programs, subject to achieving a specified net BTU efficiency.

Schedules 91 and 191

These tariffs establish a surcharge levied upon retail electric (Schedule 91) and natural gas (Schedule 191) sales to fund electric and natural gas-efficiency portfolios respectively.

Seasonality

The seasonal cycle or pattern refers to the tendency of market prices to move in a given direction at certain times of the year. Generally, seasonality refers to the changing supply and demand over various times of the year.

SEER (Seasonal Energy Efficiency Factor)

Performance Rating of Air-Conditioning and Air-Source Heat Pump Equipment. The higher the SEER rating of a unit, the more energy efficient it is. The SEER rating is the Btu of cooling output during a typical cooling-season divided by the total electric energy input in watt-hours during the same period.

Site Specific

A nonresidential program offering individualized calculations for incentives upon any electric or natural gas-efficiency measure not incorporated into a prescriptive program.

SNAP (Spokane Neighborhood Action Program)

A Spokane organization that provides financial, housing, and human services assistance to low-income customers.

Societal Test

The Societal Test is one of four standard practice tests developed in California as a means to evaluate the cost-effectiveness of demand-side management programs from the perspectives of different participants. This is a true societal cost-benefit test in that all transfer payments are excluded and externalities are fully incorporated into the calculations.

T-5

Usually most efficient Tubular Type, 5/8 inch diameter fluorescent lighting.

T-8

More efficiency Tubular Type, 1 inch diameter fluorescent lighting.

T-12

Tubular Type, 12/8 inch diameter fluorescent lighting.

Tariff Rider

The surcharge on retail electric and natural gas sales that provides the funding for Avista's DSM programs. This surcharge is authorized under Schedule 91 (for electric programs) and Schedule 191 (for natural gas programs).

T&D (Transmission and Distribution)

Transmission is the portion of the utility plant used to transmit electric energy in bulk to other principal parts of the system. Distribution is the portion of the utility system from the transformer in the substation to the Point of Delivery for the customer. These are the "lines behind your house" and can be underground as well as overhead.

Technical Committee

Avista's group of external stakeholders who comment about the company's approach to the measures and measurements associated with DSM activities.

Therm

A measure of the heat content of gas equal to 100,000 Btu.

Throughput

Related to natural gas load change, but usually referenced to the energy use per customer/premises/meter from year to year.

TRC (Total Resource Cost)

One of the four standard practice tests commonly used to evaluate the cost-effectiveness of DSM programs. The TRC Test evaluates the cost-effectiveness from the viewpoint of all customers on the utility system. The primary benefits include the avoided cost of energy and non-energy benefits in comparison to the customer incremental cost and non-incentive utility expenditures. The California standard practice allows for tax credits to be considered offsets to the customer incremental cost (though Avista calculates the TRC Test with and without this offset).

TRM (Technical Resource Manual)

A central document that provides a list energy efficiency measures and their associated savings values. Useful with regards to program management and evaluation, measurement and verification activities.

Triple-E (External Energy Efficiency Board – see Advisory Group)

Avista's group of external stakeholders who comment about the company's DSM activities.

U-Factor

U-Factor measures the heat transfer through a window, door, or skylight and tells you how well the product insulates. The lower the U-Factor, the greater resistance to heat flow (in and out) and the better its insulation value. ($1/U = R\text{-Value}$)

UCT (Utility Cost Test)

One of the four standard practice tests commonly used to evaluate the cost-effectiveness of DSM programs. The UCT evaluates the cost-effectiveness based upon a programs ability to minimize overall utility costs. The primary benefits are the avoided cost of energy in comparison to the incentive and non-incentive utility costs.

UES (Unit Energy Savings)

The amount of energy saved per unit of specific conservation measure; referenced in the Technical Resource Manual, Conservation Potential Assessment or Regional Technical Forum documentation.

UTC (Washington Utilities and Transportation Commission)

The agency that regulates investor-owned utilities in Washington.

WACOG (Weighted Average Cost of Gas)

The price paid for natural gas delivered to an LDC's city gate, purchased from various entities, such as pipelines, producers or brokers, based on the individual volumes of gas that make up the total quantity of supplies to a certain region.

Ways to Save

Avista's Energy Efficiency Campaign showing customer ways to save by utilizing energy efficiency programs and energy savings tips.

Weather Normalized

This is an adjustment that is made to actual energy usage, stream-flows, etc., which would have happened if "normal" weather conditions would have taken place.

Appendix E:
Schedule 90, Washington

AVISTA CORPORATION
dba Avista Utilities

**SCHEDULE 90
ELECTRIC ENERGY EFFICIENCY PROGRAMS
WASHINGTON**

1. AVAILABILITY

The services described herein are available to specified residential, commercial, and industrial, retail electric distribution customers of Avista for the purpose of promoting the efficient use of electricity. Customers receiving electric distribution service provided under special contract and/or customers receiving electric services not specified under Tariff Schedule 91 (Energy Efficiency Rider Adjustment) are not eligible for services contained in this schedule unless specifically stated in such contract or other service agreement. The Company may provide partial funding for the installation of electric efficiency measures and may provide other services to customers for the purpose of identification and implementation of cost effective electric efficiency measures as described in this schedule. These services are available to owners of facilities, and also may be provided to tenants who have obtained appropriate owner consent.

Assistance provided under this schedule is limited to end uses where electricity is the primary energy source. Assistance may take the form of monetary incentives or non-monetary support, as further defined within this tariff. The Company shall strive to develop a portfolio of programs that is cost-effective on an aggregate basis. Customer participation under this schedule shall be based on eligibility requirements contained herein.

2. ELIGIBLE CUSTOMER SEGMENTS

All customers in all customer segments to whom this tariff is available are eligible for participation in electric efficiency programs developed in compliance with this tariff. The broad availability of this tariff does not preclude the Company from targeting measures, markets and customer segments as part of an overall effort to increase the cost-effectiveness and access to the benefits of electric efficiency.

3. MEASURES

Only electric efficiency measures with verifiable energy savings and demand response measures intended to achieve capacity reductions are eligible for assistance. Measure eligibility may not necessarily apply to all customer segments. Final determination of applicable measures will be made by the Company. Eligible technologies may include, but are not limited to, energy-efficient appliances, assistive technologies, controls, distributed renewable energy, motors, heating, ventilation and air-conditioning (HVAC) systems, lighting, maintenance, monitoring, new technologies, and shell.

Incentives for distributed renewable energy measures will be limited to net-metering facilities operating under Avista Utilities Idaho/Washington Rate Schedule 63 Net Metering rules. Incentives will be limited to energy production not to exceed 100% of the average annual energy use of the facility for the preceding three years or if new, a similar facility's annual use as calculated by the Company. Incentives will be limited to

(N)

Issued August 8, 2014

Effective September 15, 2014

Issued by Avista Corporation
By

Kelly Norwood, Vice President, State and Federal Regulation

AVISTA CORPORATION
 dba Avista Utilities

SCHEDULE 90 continued

the amount specified in section 4.1 below. This market transformation effort supports renewable energy measures in the residential and small commercial segments.

Market transformation ventures will be considered eligible for funding to the extent that they improve the adoption of electric efficiency measures that are not fully accepted in the marketplace. These market transformation efforts may include efforts funded through regional alliances or other similar opportunities.

4. FUNDING AND NONMONETARY ASSISTANCE

4.1 Funding

The Company shall offer incentives for projects with measure lives of ten years or greater based upon the simple payback of the individual project, relative to the current energy code or industry practice that is applicable to the project. Simple payback is defined as the incremental capital cost associated with the energy efficiency of the project divided by the energy savings per year. Energy savings are calculated using the current retail energy rates. Fuel-conversion incentives are available only for conversion to natural gas with an end-use efficiency of 44% or greater. The incentives shall be as follows:

Simple Pay-Back Period	Incentive Level (cents per first year kWh saved)
Under 15 years*	20 cents
Over 15 years	0 cents

(D)
(N)

Incentives will be capped at 70% percent of the incremental project cost for all projects with simple paybacks less than fifteen years. Incentives for efficiency measures within the following categories shall not exceed 100% of the project cost:

(C)

* Low Income measures that have a TRC of 1.0 or higher are incentivized at 100% of the project cost. For measures that have a TRC of less than 1, the project is incentivized at an amount equal to the present value of avoided cost.

(N)
(N)
(N)

Issued November 1, 2017

Effective January 1, 2018

Issued by Avista Corporation
 By

Patrick Ehrbar, Director of Rates

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 90 continued

- 4.1.1 Energy efficiency programs delivered by community action agencies contracted by the Company to serve Low Income or vulnerable customer segments including agency administrative fees and health and human safety measures;
- 4.1.2 Low-cost electric efficiency measures with demonstrable energy savings (e.g. compact fluorescent lamps);
- 4.1.3 Programs or services supporting or enhancing local, regional or national electric efficiency market transformation efforts.
- 4.1.4 Prescriptive programs are guided by the typical application of that measure in accordance with the previously defined incentive structure. Incentive levels for these programs are based on market conditions at the time of program design and are not dependent on actual project cost relative to incentive caps. Incentives shall not exceed project costs.
- 4.1.5 Incentives for demand response programs shall not exceed 75% of the calculated capacity present value of the measure if and when an interruption event is triggered.

(T)
(T)

The Company will actively pursue electric efficiency opportunities that may not fit within the prescribed services and simple pay-back periods described in this tariff. In these circumstances the customer and the Company will enter into a site specific services agreement.

4.2 Non-Monetary Assistance

Assistance without the granting of direct monetary incentives to the customer is available across all applicable segments and may be provided in various ways, that include, but are not limited to, the following:

- 4.2.1. **Educational**, training or informational activities that enhance electric efficiency. This may include technology or customer-segment specific seminars, literature, trade-show or community events, advertising or other approaches to increasing the awareness and adoption of resource efficient measures and behaviors.
- 4.2.2. **Financial** activities intended to reduce or eliminate the financial barriers to the adoption of electric efficiency measures. This may include programs intended to reduce the payment rate for resource efficiency measures, direct provision of leased or loaned funds or other approaches to financial issues with better than existing market terms and conditions.

Issued November 1, 2017

Effective January 1, 2018

Issued by Avista Corporation
By

Patrick Ehrbar, Director of Rates

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4.2.3. Product samples may be provided directly to the customer when energy efficiency products may be available to the utility at significantly reduced cost as a result of cooperative buying or similar opportunities.

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4.2.4. Technical Assistance may consist of engineering, financial or other analysis provided to the customer by or under the direction of, Company staff. This may take the form of design reviews, product demonstrations, third-party bid evaluations, facility audits, measurement and evaluation analysis or other forms of technical assistance that addresses the cost- effectiveness, technical applicability or end-use characteristics of customer alternatives.

5. BUDGET & REPORTING

The electric efficiency programs defined within this tariff will be funded by surcharges levied within Schedule 91. The Company will manage these programs to obtain resources that are cost-effective from a Total Resource Cost (TRC) perspective and achievable through utility intervention. Schedule 91 will be reviewed annually and revised as necessary to provide adequate funding for electric efficiency efforts.

6. GENERAL RULES AND PROVISIONS

Service under this schedule is subject to the General Rules and Provisions contained in this tariff and is limited to facilities receiving electric service from the Company. All installations and equipment must comply with all local code and permit requirements applicable and be properly inspected, if required, by appropriate agencies.

The Company may establish specifications regarding any electric efficiency measures and modifications to be effected under this schedule and may conduct inspections to insure that such specifications are met.

Issued June 26, 2013

Effective August 15, 2013

Issued by Avista Corporation
By

Kelly Norwood, Vice President, State and Federal Regulation

Appendix F:
Program Summary

Program Summary

Program:	MWh Savings	Estimated Electric Budget	Therm Savings	Estimated Gas Budget	Total Tariff Budget
WA LI (With out Conversions)	731	\$ 1,121,286	15,323	\$ 852,196	\$ 1,973,482
WA LI (Conversions only)	117	\$ 160,681	(5,039)		\$ 160,681
Washington Low Income	848	\$ 1,281,967	10,285	852,196	\$ 2,134,163
Residential Prescriptive	1,195	\$ 276,122	477,504	\$ 1,580,385	\$ 1,856,507
Fuel Efficiency Conversions	12,511	\$ 3,766,476	(601,771)		\$ 3,766,476
Simple Steps, Smart Savings Behavioral Program	11,930	\$ 2,194,277	9,541	\$ 15,497	\$ 2,209,774
	7,693	\$ 35,968			\$ 35,968
Residential	33,329	\$ 6,272,844	(114,726)	1,595,881	\$ 7,868,725
Nonresidential lighting interior	7,303	\$ 1,563,959	(79,702)		\$ 1,563,959
Nonresidential lighting exterior	2,518	\$ 551,674			\$ 551,674
Nonresidential HVAC	-	\$ -	32,142	\$ 85,702	\$ 85,702
Site Specific	9,000	\$ 1,990,093	100,000	\$ 361,391	\$ 2,351,484
Prescriptive Shell	8	\$ 2,005	20,800	\$ 49,882	\$ 51,888
Variable Frequency Drives	452	\$ 70,037			\$ 70,037
Green Motors	79	\$ 13,198			\$ 13,198
Fleet Heat	32	\$ 3,519			\$ 3,519
Energy Smart Grocer	1,438	\$ 420,637	14,578		\$ 420,637
Multifamily Market Transformation (Under Site Specific)	3,184	\$ 2,226,548	(139,836)		\$ 2,226,548
Food Services	110	\$ 10,235	49,563	116,853	\$ 127,087
AirGuardian	42	\$ 11,649			\$ 11,649
Non-Residential	24,165	\$ 6,863,554	(2,456)	\$ 613,828	\$ 7,477,382
WA E/G TOTAL (W/O Conversions)	42,530	\$ 8,264,659	639,748	\$ 3,061,905	\$ 11,326,565
Res Conversions	12,511	\$ 3,766,476	(601,771)	\$ -	\$ 3,766,476
LI Conversions	117	\$ 160,681	(5,039)	\$ -	\$ 160,681
MFMT Conversions	3,184	\$ 2,226,548	(139,836)	\$ -	\$ 2,226,548
Total Before NEEA	58,342	\$ 14,418,365	(106,897)	\$ 3,061,905	\$ 17,480,270
NEEA & CPA	4,993	\$ 1,505,000		\$ 212,000	\$ 1,717,000
Pilots	-	\$ 350,000	-	\$ -	\$ 350,000
WA TOTAL Budget	63,335	\$ 16,273,365	(106,897)	\$ 3,273,905	\$ 19,547,270