



# 2025 Washington Natural Gas Energy Efficiency Annual Conservation Plan

November 14, 2024

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# TABLE OF CONTENTS

<b>Executive Summary</b> .....	<b>1</b>
Introduction .....	3
2024-2025 Natural Gas IRP Target .....	4
<b>Energy Efficiency Portfolio Overview</b> .....	<b>7</b>
Overall Energy Efficiency Budget Projections .....	7
Residential Portfolio Overview .....	10
Residential Marketing .....	11
Residential Programs .....	12
Residential Prescriptive Programs .....	12
Program Description .....	12
Program Manager .....	12
Residential Appliance and Smart Thermostat Program .....	12
Program Description .....	12
Program Eligibility .....	12
Program Revisions .....	13
Residential ENERGY STAR Manufactured Homes Program .....	13
Program Description .....	13
Program Eligibility .....	13
Program Revisions .....	13
Residential Shell Program .....	13
Program Description .....	13
Program Eligibility .....	14
Program Revisions .....	14
Midstream Program .....	14
Program Description .....	14
Program Manager .....	15
Program Eligibility .....	15
Program Revisions .....	15
On-Bill Repayment Program .....	16
Program Description .....	16
Program Manager .....	16
Program Implementation .....	18
Program Eligibility .....	18
Residential Home Energy Audit Program .....	18
Program Description .....	18
Program Manager .....	19
Program Implementation .....	19
Program Eligibility .....	19
Program Measures and Incentives .....	19

New Residential Programs for 2025.....	20
Insulation Direct Install Program for Residential Customers.....	20
Program Description.....	20
Home Energy Reports.....	21
Program Description.....	21
Low-Income Portfolio Overview.....	22
Low-Income Program.....	22
Program Description.....	22
Program Manager.....	22
Low-Income Agency Workforce Development Pilot.....	25
Program Description.....	25
Commercial/Industrial Portfolio Overview.....	26
Commercial/Industrial Marketing.....	27
Commercial/Industrial Business Partner Program.....	28
Commercial/Industrial Programs.....	29
Commercial/Industrial Site-Specific Program.....	29
Program Description.....	29
Program Manager.....	29
Program Implementation.....	29
Commercial/Industrial Pay for Performance Program.....	30
Program Description.....	30
Program Manager.....	30
Program Implementation.....	30
Commercial/Industrial Prescriptive Shell Program.....	31
Program Description.....	31
Program Manager.....	31
Program Implementation.....	31
Washington State Clean Buildings Law Support Programs.....	32
Program Description.....	32
Pilot Projects and New Program Offerings.....	33
Hybrid Heat Pump Study.....	33
Program Description.....	33
<b>Regional Market Transformation.....</b>	<b>35</b>
<b>Avista-Specific Methodologies and Analytical Practices.....</b>	<b>37</b>
Evaluation, Measurement, and Verification.....	38
Cost-Effectiveness Metrics, Methodology, and Objectives.....	39
Schedule 190 – Energy Efficiency Programs.....	39
Schedule 191 – Demand Side Management Rate Adjustment.....	39
<b>Conclusion and Contact Information.....</b>	<b>41</b>
<b>Glossary of Terms.....</b>	<b>43</b>

## LIST OF TABLES

Table 1 – Portfolio Savings and Budget by Sector.....	1
Table 2 – Natural Gas Biennial Conservation Target .....	4
Table 3 – 2025 Tariff Rider Balance Estimates .....	5
Table 4 – Energy Efficiency Budget Summary.....	8
Table 5 – Customer Direct Incentive Expenditure Detail.....	8
Table 6 – Non-Incentive Utility Expense Detail.....	9
Table 7 – Residential Program Overview .....	10
Table 8 – Residential Prescriptive Program Metrics .....	12
Table 9 – Midstream Residential Program Metrics .....	14
Table 10 – Midstream Commercial Program Metrics .....	15
Table 11 – On-Bill Repayment Program Rates and Terms.....	17
Table 12 – Low-Income Program Metrics .....	22
Table 13 – Low-Income Program Funding by Community Action Agency.....	23
Table 14 – Low-Income Approved Measures and Direct Customer Benefits.....	24
Table 15 – Commercial/Industrial Program Overview.....	26
Table 16 – Commercial/Industrial Site-Specific Program Metrics .....	29
Table 17 – Commercial/Industrial Site-Specific Measures and Incentives.....	30
Table 18 – Commercial/Industrial Prescriptive Shell Program Metrics .....	31
Table 19 – Commercial/Industrial Prescriptive Shell Program Measures and Incentives.....	31
Table 20 – Commercial/Industrial Pay for Performance Program Metrics.....	32

## LIST OF FIGURES

Figure 1 – Portfolio Cost-Effectiveness.....	2
Figure 2 – Biennial Natural Gas Conservation Estimate .....	5
Figure 3 – Savings from Energy Efficiency Programs (Therms) .....	7
Figure 4 – Residential “Power of Change” Digital Advertising Campaign Examples .....	11
Figure 5 – On-Bill Repayment Bill Example.....	16
Figure 6 – On-Bill Repayment Customer Participation Journey .....	17
Figure 7 – Commercial/Industrial “Power of Change” Digital Advertising Campaign Examples .....	27

## LIST OF APPENDICES AND SUPPLEMENTS

Appendix A – 2025 Energy Efficiency Evaluation, Measurement, and Verification Annual Plan
Appendix B – Cost Effectiveness Methodology
Appendix C – Natural Gas Program Summary

# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

Avista Utilities' Natural Gas *Annual Conservation Plan (ACP)* is provided consistent with RCW 80.28.380 as well as requirements outlined in Commission Order No. 01 in Docket No. UG-230898, approving Avista's 2024-25 *Biennial Conservation Plan (BCP)* with conditions.

Entering the second year of its 2024-2025 biennium, Avista continues to deliver efficiency choices that meet customers' evolving energy needs while continuing its emphasis on affordability. For the 2025 program year, Avista has estimated conservation savings to be 704,656 therms from local efforts as well as 3,734 therms of regionally acquired savings through the Northwest Energy Efficiency Alliance (NEEA), combining for a total estimate of 708,390 therms. The 2025 ACP's expected acquisition matches the conservation target, with overall budgeted expenditures estimated to be \$9,356,062.

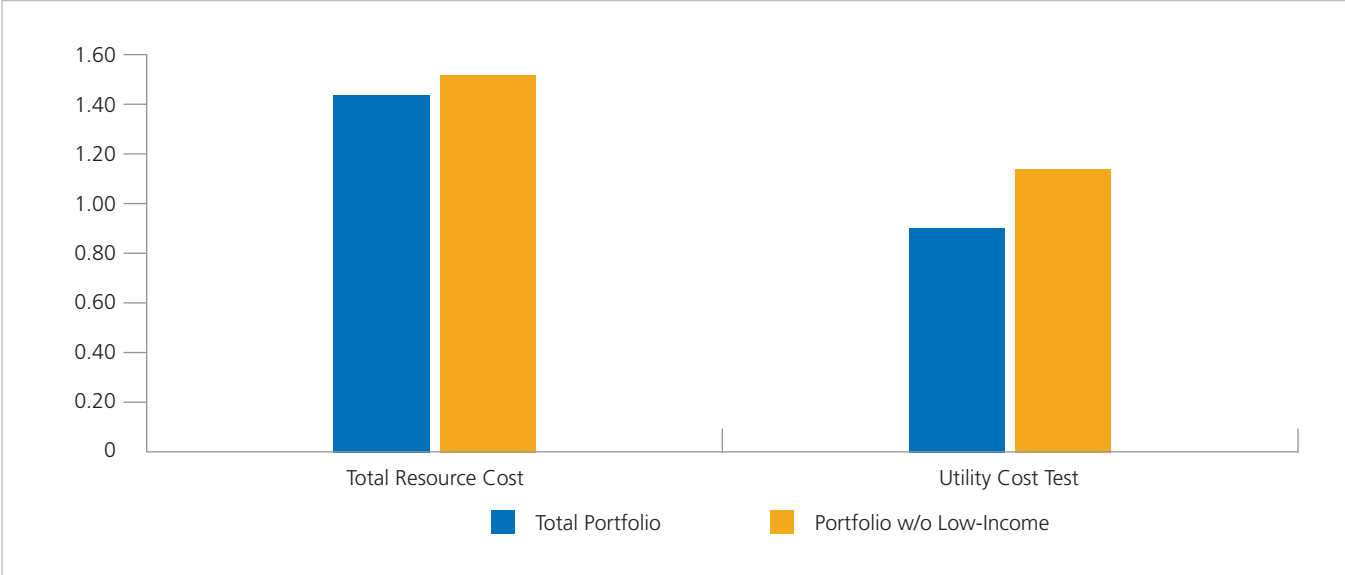
Table 1 illustrates the estimated savings and total budget per sector for 2025.

**TABLE 1 – PORTFOLIO SAVINGS AND BUDGET BY SECTOR**

Sector	Therms	Budget
Low-Income Programs	27,000	\$ 2,435,651
Residential Programs	318,384	\$ 3,968,543
Commercial/Industrial Programs	359,272	\$ 1,134,677
NEEA Savings	3,734	\$ 551,691
Program Support Expenses Not Allocated to Program Costs	–	\$ 1,265,499
<b>Total</b>	<b>708,390</b>	<b>\$ 9,356,062</b>

Cost-effectiveness remains a key indicator of Avista’s Energy Efficiency Program portfolio performance. While the company pursues all cost-effective measures, it also retains flexibility in its program portfolio so that meaningful energy efficiency can be achieved by all natural gas customers. Avista’s program portfolio includes a segment designed to serve low-income customers, providing a higher level of benefit (incentive) to these more vulnerable populations. See Figure 1 for a summary of cost effectiveness for Avista’s natural gas program portfolio.

**FIGURE 1 – PORTFOLIO COST-EFFECTIVENESS**



	Total Portfolio	Portfolio w/o Low-Income
Total Resource Cost	1.42	1.52
Utility Cost Test	0.89	1.14



## Introduction

The 2025 *ACP* outlines Avista's conservation offerings and its approach to energy efficiency, as well as details on the company's process for verifying and reporting savings. Avista remains focused on acquiring all conservation measures that are available and cost-effective. Avista accomplishes this objective by offering financial incentives for energy-saving measures, while using the most effective mechanism to deliver energy efficiency services to customers. These mechanisms are varied, and include prescriptive programs or standard offerings, such as high-efficiency appliance rebates; site-specific or customized analyses at customer premises; midstream incentives, which encourage partnerships with HVAC and hot water heating equipment distributors; regional market transformation efforts in collaboration with other utilities; programs to encourage and incentivize efficient behaviors; provision of low-income weatherization services through local community action agencies (CAAs); a multi-channel communication effort; and support for cost-effective appliance standards and building codes.

As with the electric *ACP*, Avista's natural gas *ACP* represents a planning process that relies on meaningful and extensive engagement from Avista's Energy Efficiency Advisory Group (EEAG) as well as its Equity Advisory Group (EAG). Avista consults with its advisory groups multiple times over the course of a year – seeking input and guidance on best practices for new programs, as well as advice on possible changes to existing programs and services – to adaptively manage its program portfolio in a nimble way that reflects changing market conditions.

The planning process for Avista's energy efficiency efforts builds upon the electric and natural gas *Integrated Resource Plan (IRP)* and Conservation Potential Assessment (CPA) processes – overall resource planning, completed every two years, which integrates energy efficiency and generation resources into a preferred resource scenario. The purpose of the process, and resulting plan, is 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.

Budgetary projections established as part of Avista's biennial planning process, and in this *ACP*, are tracked continuously to revise are applied in a separate mid-year process to revise the conservation tariff rider funding mechanisms contained within the Schedule 191 natural gas tariffs on an annual basis, if needed. These adjustments to the tariff rider surcharges are made with the objective of moving these balances toward zero.

## 2024-2025 Natural Gas Target

Avista based its 2024-2025 natural gas target on the most recently approved *IRP*<sup>1</sup>. Per RCW 80.28.380, Avista, along with other Washington utilities offering natural gas service, is required to establish a two-year natural gas target that includes the effect of greenhouse gas emissions. Per RCW 80.28.380, “Each gas company must identify and acquire all conservation measures that are available and cost-effective. Each company must establish an acquisition target every two years and must demonstrate that the target will result in the acquisition of all resources identified as available and cost-effective. The cost-effectiveness analysis required by this section must include the costs of greenhouse gas emissions established in RCW 80.28.395.”

On January 17, 2024, the Washington Utilities and Transportation Commission issued Final Order No. 01 of Docket UG-230898, approving a biennial target of 1,812,463 therms for the 2024-2025 biennial period. With Avista’s continuation of its natural gas decoupling mechanism, the company committed to achieving an additional five percent above the natural gas conservation target required by its natural gas *IRP*, bringing its total two-year conservation goal to 1,903,086 therms.

Avista has included the additional five percent commitment into its target for the 2025 *ACP*. As with the electric program, the company will notify its EEAG if savings forecasts do not indicate that the annual natural gas conservation target will be met.

**TABLE 2 – NATURAL GAS BIENNIAL CONSERVATION TARGET**

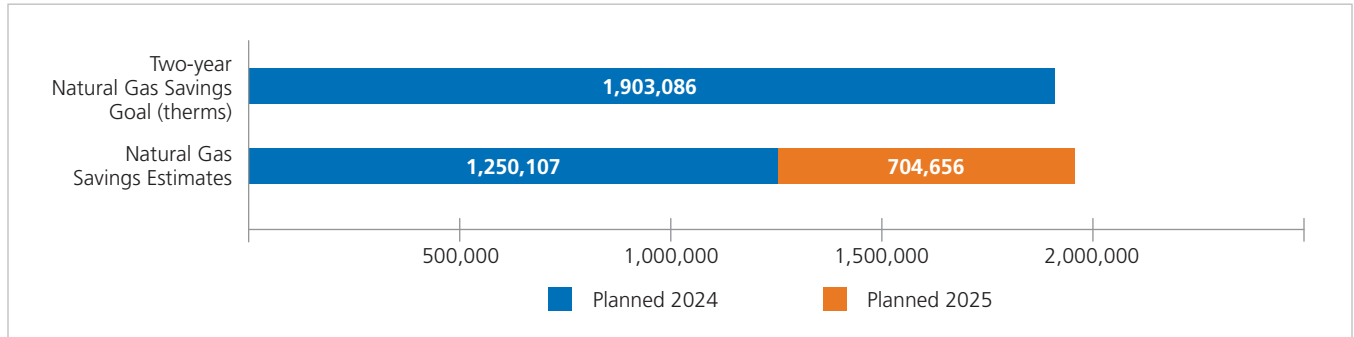
Biennial Conservation Target (therms)	
CPA Pro-Rata Share	1,812,463
Decoupling Threshold	90,623
<b>Total Two-year Natural Gas Savings Goal</b>	<b>1,903,086</b>

1) Docket No. UG-220244

For 2025, the achievable economic potential identified for the second year of the biennium is 704,656 therms, which is inclusive of residential, commercial/industrial, and low-income segments.

Figure 2 estimates the biennial savings derived from program years 2024 and 2025.

**FIGURE 2 – BIENNIAL NATURAL GAS CONSERVATION ESTIMATE**



The level of conservation estimated in 2025 will impact the current balances within the energy efficiency tariff rider (Schedule 191). Anticipated spending is expected to produce an underfunded balance by the end of 2025. Table 3 shows the estimated balance at the beginning of the year, estimated funding from customer collections, and expected annual expenditures by the end of the year. Based on these estimates, if no tariff adjustment is made in 2025, Avista anticipates an underfunded balance of approximately \$3.03 million.

**TABLE 3 – 2025 TARIFF RIDER BALANCE ESTIMATES**

Estimated Natural Gas Energy Efficiency Balances	(Underfunded) / Overfunded
Estimated Balance at January 1, 2025	\$ (1,716,325)
Tariff Rider Funding	\$ 7,842,199
Annual Expenditures	\$ 9,151,631
Estimated Balance at December 31, 2025	\$ (3,025,756)

The estimate for the 2025 budget is approximately \$200,000 lower than the 2024 gas budget. Additional program details can be found on Table 5, page 8.

**ENERGY EFFICIENCY PORTFOLIO OVERVIEW**

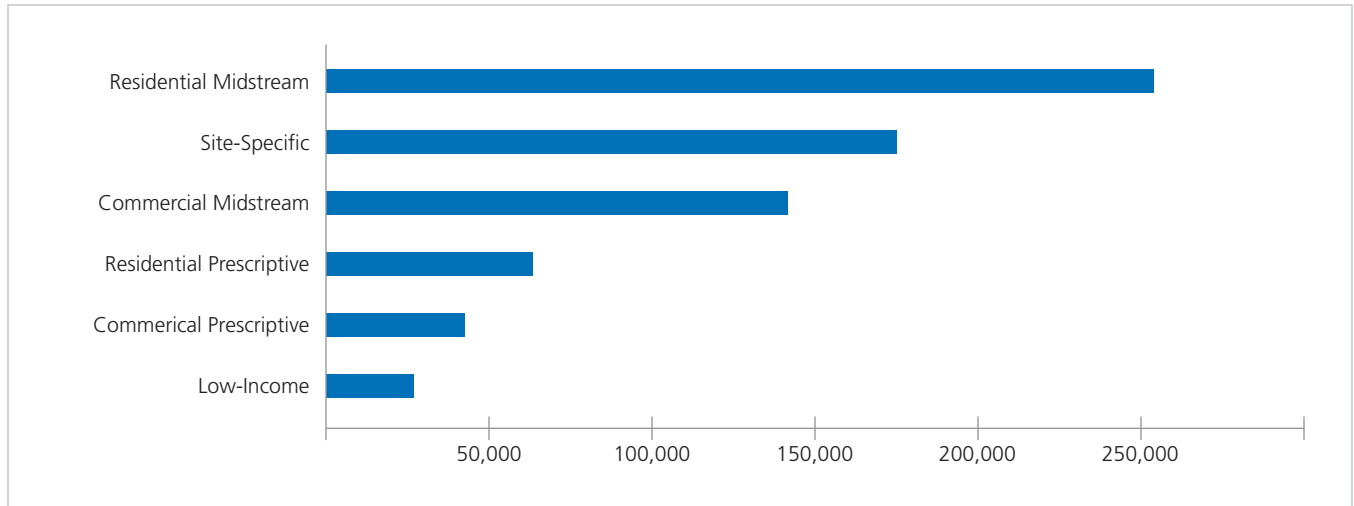


## ENERGY EFFICIENCY PORTFOLIO OVERVIEW

Avista's energy efficiency portfolio is composed of residential, low-income, and commercial/industrial programs.

For 2025, the company anticipates savings of approximately 704,656 therms from its program offerings. Figure 3 illustrates the major categories from which savings are achieved.

**FIGURE 3 – SAVINGS FROM ENERGY EFFICIENCY PROGRAMS (THERMS)**



### Overall Energy Efficiency Budget Projections

Avista is committed to achieving all cost-effective energy efficiency measures and maximizing the value of the portfolio without budgetary constraints. This process assumes that prudently incurred expenditures will be fully recoverable through the conservation tariff rider, and that revisions in the tariff rider surcharge will be sufficiently timely to maintain a materially neutral tariff rider balance. The budget is thus a product of the planning process rather than a planning objective. The company recognizes that customer demand and market factors exist outside of the budgeting process and that forecasted expenses may be higher or lower than actual results. The forecasted budget does not represent an expectation or commitment to limit expenses to the planned amounts, nor does it represent any minimum commitment or achievement of savings for any given program.

The overall budget projection for 2025 is summarized in Table 4, which includes elements of the energy efficiency 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. These supplemental costs include the funding associated with regional programs like the Northwest Energy Efficiency Alliance (NEEA), the cost to perform conservation potential assessment (CPA) studies, and the costs associated with evaluation, measurement, and verification (EM&V).

**TABLE 4 – ENERGY EFFICIENCY BUDGET SUMMARY**

	2025 Natural Gas Budget	Supplemental Budget	Non-Supplemental Budget
Total Incentives	\$ 7,528,496	\$ 0	\$ 7,528,496
Administrative Labor	\$ 125,216	\$ 0	\$ 125,216
Total Non-Labor/Non-Incentive	\$ 1,150,659	\$ 78,322	\$ 1,072,337
NEEA	\$ 551,691	\$ 551,691	\$ 0
<b>Total</b>	<b>\$ 9,356,062</b>	<b>\$ 630,013</b>	<b>\$ 8,726,049</b>

The program-by-program details of the expected incentive expenditures are provided in greater detail in Table 5. Direct incentive expenditures represent the estimated incentives that will be paid to customers directly or indirectly for participation in energy efficiency programs. The overall level of expense is correlated to the program’s throughput and energy acquisition. The amounts are subject to change based on customer participation.

**TABLE 5 – CUSTOMER DIRECT INCENTIVE EXPENDITURE DETAIL**

Energy Efficiency Program	Direct Incentive Expenditures
<b>Low-Income Programs</b>	
Low-Income	\$ 2,433,826
<b>Total Low-Income Incentives</b>	<b>\$ 2,433,826</b>
<b>Residential Programs</b>	
Residential Prescriptive	\$ 2,078,626
Residential Midstream	\$ 1,881,367
<b>Total Residential Incentives</b>	<b>\$ 3,959,993</b>
<b>Commercial/Industrial Programs</b>	
Prescriptive Shell	\$ 302,030
Commercial Midstream	\$ 430,898
Site-Specific	\$ 401,350
<b>Total Commercial/Industrial Incentives</b>	<b>\$ 1,134,677</b>
<b>Total of All Incentives</b>	<b>\$ 7,528,496</b>

The non-incentive expenses, including both non-supplemental and supplemental expenditures, are detailed to a lower level of aggregation and broken out by portfolio in Table 6. These expenses are allocated by the percentage of value provided by each program. The policy regarding assigning costs is based on the source of the requirement or justification for the expense and the portfolio benefiting from the outcome of that expense.

**TABLE 6 – NON-INCENTIVE UTILITY EXPENSE DETAIL**

Expense Type	Washington Natural Gas Portfolio	Supplemental Budget	Non-Supplemental Budget
Third-Party Non-Incentive Payments	\$ 318,657	\$ 0	\$ 318,657
Labor	\$ 125,216	\$ 0	\$ 125,216
CPA, EM&V	\$ 78,322	\$ 78,322	\$ 0
Marketing & Outreach	\$ 84,000	\$ 0	\$ 84,000
Pilot Programs	\$ 410,078	\$ 0	\$ 410,078
General Implementation	\$ 249,226	\$ 0	\$ 249,226
NEEA Market Transformation	\$ 551,691	\$ 551,691	\$ 0
<b>Total</b>	<b>\$ 1,817,190</b>	<b>\$ 630,013</b>	<b>\$ 1,187,177</b>

Projections of expected labor requirements by job classification are made by managers within the energy efficiency 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.

## Residential Portfolio Overview

Avista’s residential portfolio is comprised of several approaches to engage and encourage customers to make energy efficiency improvements in their home. While prescriptive rebate programs have long been the main component of the portfolio, residential HVAC and water heating measures transitioned to the Midstream Program in 2023. Details of the Midstream Program are discussed on page 14.

Prescriptive measures remain for windows and ENERGY STAR Manufactured Homes. In 2025, Avista plans to launch a direct-install program to offer low-cost or no-cost insulation and air sealing for all residential customers in Washington. Services offered through this program will generally replace prescriptive incentives for insulation measures. The On-Bill Repayment (OBR) Program provides customers access to a simple and convenient financing option at an affordable interest rate. These programs are supplemented by educational and outreach efforts, including a residential Home Energy Audit Program. While the audit program is instrumental in identifying the need for weatherization, the associated savings from those efforts will be captured in the new Insulation Direct Install Program or in the Window Rebate Program, depending on the measure.

For the 2025 program year, Avista anticipates approximately 318,385 therms to be achieved through residential programs with an expected spend of \$3,959,993. Table 7 summarizes 2025 residential program savings and budget estimates.

**TABLE 7 – RESIDENTIAL PROGRAM OVERVIEW**

Residential Programs	Natural Gas Program Savings (Therms)	Expected Incentive Spend
Residential Midstream	253,605	\$ 1,881,367
Residential Prescriptive	64,780	\$ 2,078,626
<b>Total Residential</b>	<b>318,385</b>	<b>\$ 3,959,993</b>



## Residential Marketing

Avista has a robust residential marketing strategy. Historically, the company utilized traditional marketing tactics like broadcast and print media. In recent years, however, residential marketing tactics have shifted to align with commercial ones. The company now uses digital, search, streaming, and video sharing platforms, in addition to organic and unpaid tactics. Avista’s recently launched “Power of Change” campaign also reaches customers on social media channels, streaming and digital platforms, and YouTube. Beginning in the fall of 2024 and running through 2025, this campaign provides energy efficiency tips and promotes rebates and programs. It is designed to increase customer awareness and engagement with energy efficiency, ideally helping to drive program participation. Its creative collateral is approachable and seasonally relevant, designed to reach customers in target demographics with customized messaging. Through this campaign, Avista is reaching out to customers on the platforms they are increasingly turning to for trusted communication. It increases their exposure to energy efficiency messaging and provides relatable content through both static and motion ads.

FIGURE 4 – RESIDENTIAL “POWER OF CHANGE” DIGITAL ADVERTISING CAMPAIGN EXAMPLES



## Residential Programs

### Residential Prescriptive Programs

#### Program Description

Prescriptive measures offer a simple pathway to encourage customers to adopt qualifying efficiency measures. Prescriptive programs do not require a pre-installation contract, instead offering a fixed incentive amount for eligible measures. Measures offered through prescriptive programs are evaluated based on the typical application of that measure by program participants. 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. Specific plans for Avista’s prescriptive programs are enumerated in this section.

**TABLE 8 – RESIDENTIAL PRESCRIPTIVE PROGRAM METRICS**

Projected Program Metrics	
Overall Therm Savings	64,780
Incentives	\$ 2,078,626
Non-Incentive Utility Costs	\$ 320,457
<b>Total Costs</b>	<b>\$ 2,399,083</b>

#### Program Manager

Briana Stockdale

### Residential Appliance and Smart Thermostat Program

#### Program Description

Residential appliance measures are intended to motivate customers to purchase appliances that demonstrate higher than average energy-efficient performance by meeting ENERGY STAR criteria for efficiency. ENERGY STAR acts as an independent third-party, maintaining a website of qualified products and verifying the performance of various appliances. Customers are asked to provide an ENERGY STAR certificate for each appliance they purchase, along with an application and purchase documentation. Avista also offers rebates for smart thermostats.

#### Program Eligibility

All Washington residential natural gas customers who utilize a natural gas water heater and who purchase ENERGY STAR certified front-load clothes washers are eligible for appliance rebates. Appliance rebates for natural gas dryers are also available for customers who have Avista-provided natural gas. For thermostat rebates, both single family homes and multifamily residences are eligible for contractor- or self-installed smart thermostat measures that are ENERGY STAR certified.

## ***Program Revisions***

For 2025, Avista will explore adding a rebate for a combined washer/dryer unit to the program in response to customer requests and market availability of this product. Avista will discontinue the incentive for smart thermostats in 2025. This decision was made based on the RTF sunset smart thermostat measures as well as a cost-effectiveness ratios being evaluated at below 1.

## **Residential ENERGY STAR Manufactured Homes Program**

### ***Program Description***

The ENERGY STAR Certified Manufactured Homes Program is intended to encourage customers who are purchasing a new manufactured home to invest in an energy-efficient product. The ENERGY STAR designation allows buyers to easily identify manufactured homes that are holistically more energy efficient than standard construction. As code requirements have become more rigorous and builder practices have become more efficient, the ENERGY STAR program has modified its guidelines to ensure that certified manufactured homes represent a meaningful improvement over non-certified manufactured homes. ENERGY STAR has partnered with NEEM (Northwest Energy Efficient Manufactured Housing Program) to provide independent, third-party certification of manufactured homes. NEEM's process includes inspections at manufacturing plants to ensure homes are being built to specification.

### ***Program Eligibility***

Eligibility includes all Washington residential natural gas customers who purchase a certified ENERGY STAR or ENERGY STAR with NEEM+ manufactured home.

### ***Program Revisions***

No revisions to this program are planned for 2025.

## **Residential Shell Program**

### ***Program Description***

Residential shell rebates encourage customers to improve their home's shell or exterior envelope with upgrades to windows, storm windows, and insulation. Energy efficiency marketing efforts build considerable awareness of opportunities in the home and drive customers to Avista's for rebate information. Vendors generate participation in the program using rebates as a sales tool for their services. Utility website promotion, vendor training, and presentations at various customer events throughout the year are some of the other communication methods that the company utilizes to encourage program participation.

## Program Eligibility

Eligibility applies to all Avista Washington residential natural gas customers who install qualified materials and meet all program requirements for installation. Self-install options for windows and storm windows will also continue.

## Program Revisions

In April 2024, Avista overhauled its window rebate offerings, moving to a per window basis. It also added a tiered offering that provides a higher rebate for lower u-factor windows and rebate options for sliding glass doors.

Insulation rebates for this program may be modified or replaced by the implementation of the new Insulation Direct Install Program.

## Midstream Program

### Program Description

Common barriers to participation in traditional downstream rebate programs include: a lack of customer awareness of rebate programs; language and technology barriers; and distributors' tendency to stock low-cost, low efficiency units because of the high cost of energy-efficient equipment. Prior to the implementation of Avista's Midstream Program, customers who requested high-efficiency equipment often had to wait weeks for the equipment. By focusing efforts on distributors directly, Avista's Midstream Program leverages distributors' recognized influence over contractors and specific equipment sales while mitigating many participation barriers. Distributors work with contractors to submit claims for Avista customers, and claims are then paid promptly. This approach benefits both the customer as well as the company. Customers have improved equitable access, as they may receive an incentive without having to complete any paperwork or have background knowledge of the rebate program, and Avista gains additional savings without the burden of customers having to submit paperwork to the utility.

The Food Service Program is a national model that's familiar to many large commercial chains yet also has the benefit of partnering with local distributors.

**TABLE 9 – MIDSTREAM RESIDENTIAL PROGRAM METRICS**

Projected Program Metrics		
Overall Therm Savings		253,605
Incentives	\$	1,881,367
Non-Incentive Utility Costs	\$	633,759
<b>Total Costs</b>	<b>\$</b>	<b>2,515,126</b>

**TABLE 10 – MIDSTREAM COMMERCIAL PROGRAM METRICS**

Projected Program Metrics		
Overall Therm Savings		141,440
Incentives	\$	430,898
Non-Incentive Utility Costs	\$	267,124
<b>Total Costs</b>	<b>\$</b>	<b>698,022</b>

***Program Manager***

Michele Drake

***Program Eligibility***

Commercial and residential customers are eligible for the program if they have Avista natural gas service and install qualifying equipment through a participating contractor. Avista’s implementation partner, Energy Solutions, engages in outreach and education for distributors, who utilize a software system to enter and track claims. Avista has provided basic data to Energy Solutions to enable verification of customer eligibility primarily at the time of claim submittal. Equipment utilized for industrial processes is not part of the Midstream Program.

***Program Revisions***

The Midstream Program for HVAC and water heating will continue in 2025 without major changes to program details or incentives. Avista will continue to evaluate HVAC and water heating measures offered through the program and will revise program offerings or incentives as necessary.

Within the food service area of the program, Avista plans to update program requirements for several measures and add new measures – including electric induction cooktops, natural gas cooktops, holding bins, soup wells, natural gas rotisseries and radiant conveyor toasters. Avista will also increase the size of ultra-low temperature freezers that are part of the program, adding models over 29 cubic feet to accommodate the largest models with the biggest potential for savings.

## On-Bill Repayment Program

### Program Description

Avista continues to partner with Puget Sound Cooperative Credit Union (PSCCU) to offer the On-Bill Repayment Program, which provides a funding solution for Washington State customers who need capital to implement energy efficiency projects.

PSCCU offers Energy-Smart Loans for energy-efficient projects to home and business owners in Washington State, along with personalized underwriting practices and interest rates that are lower than other options in the finance market. Participants reap immediate benefits from energy efficiency upgrades. Paying the loan back on their Avista bill further provides participants with the ease and convenience of one less bill to manage.

Customers' Energy-Smart Loan installments are billed monthly as a line item on the Avista bill until either the term of the loan is completed or Avista is otherwise instructed by PSCCU to remove the loan from the bill. Extra principal payments or early loan payoffs are made directly to PSCCU.

FIGURE 5 – ON-BILL REPAYMENT BILL EXAMPLE

Page 1 of 2

**AVISTA**  
myavista.com  
1 (800) 227-9187

Account Number: [REDACTED]  
Statement Date: 09/03/2021  
Service Address: 17016 [REDACTED]  
210

Monthly Statement	
Total Amount Due	Due Date
\$198.96	Sep 23, 2021 <small>(Applies to new charges only)</small>

**Bill at a Glance**

Previous Balance Due	\$59.19
Payment(s) Received through 09/03/2021	0.00
<b>Subtotal</b>	<b>59.19</b>
<b>New Charge(s)</b>	
Electric	20.27
Natural Gas	9.50
Energy-Smart Loan	110.00
<b>Total Amount Due This Month</b>	<b>\$198.96</b>
<b>Due Date (Applies to new charges only):</b>	<b>Sep 23, 2021</b>

**Your Message Center**

Disconnections for non-payment resume **October 1**. Visit [myavista.com/assistance](http://myavista.com/assistance) for more detailed information. If you find you're behind on your bill, please contact us now by calling (800) 227-9187 or email us at [ask@myavista.com](mailto:ask@myavista.com) to prevent disconnection. We know these are challenging times and we're here to help. Visit [myavista.com/tips](http://myavista.com/tips) for ways to stay cool this summer.

Puget Sound Cooperative Credit Union (PSCCU)  
Energy-Smart Loan Number(s) 1468920-VD1,  
1468921-VD2. If you have questions contact  
PSCCU at 800-273-1550 or [askus@psccu.org](mailto:askus@psccu.org).

Your electric bill includes Federal Columbia River  
benefits supplied by the Bonneville Power  
Administration.

PSCCU's favorable interest rates are further lowered by Avista subsidies to allow more customers access to energy efficiency project funding.

### Program Manager

Briana Stockdale

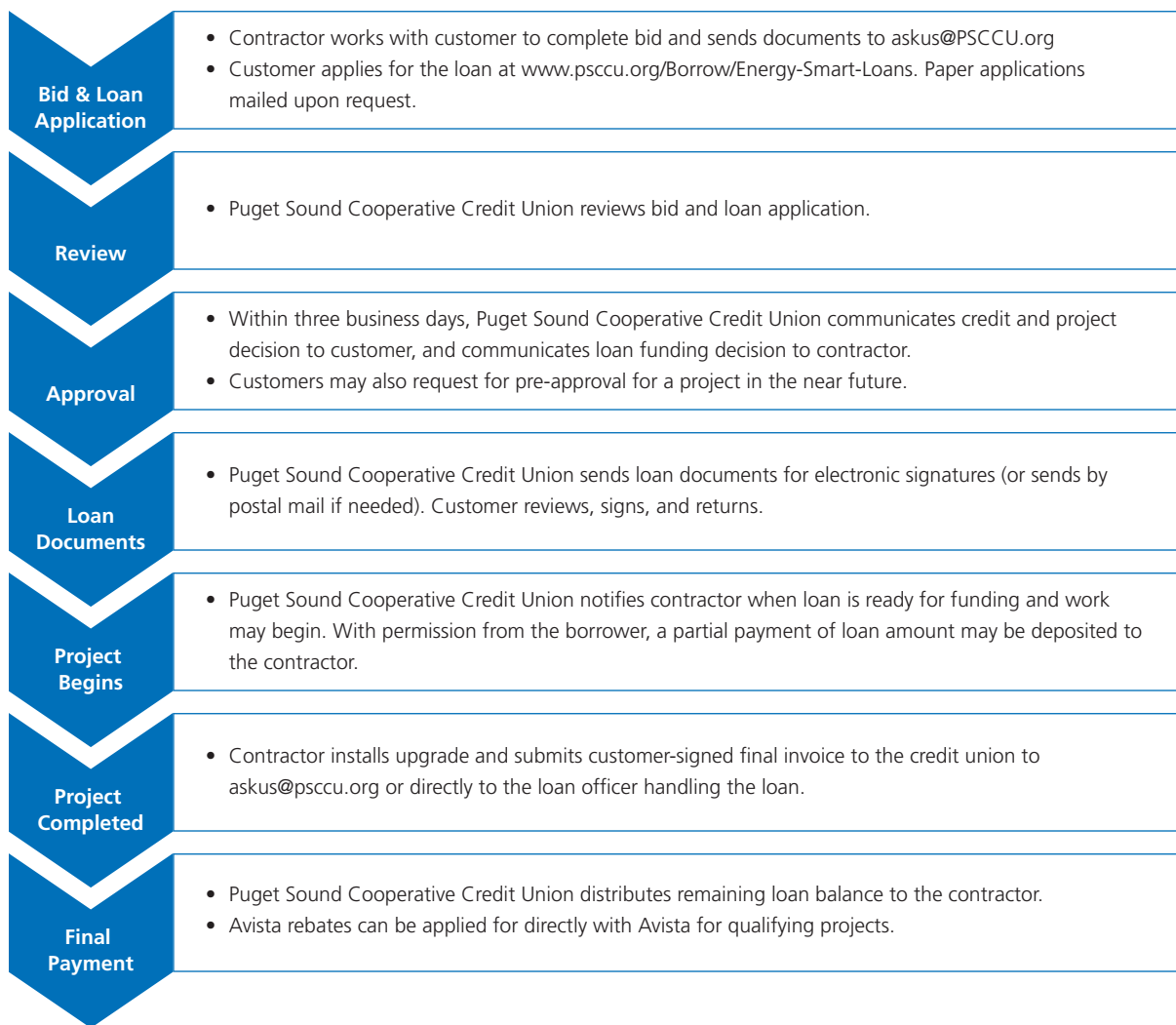
**TABLE 11 – ON-BILL REPAYMENT PROGRAM RATES AND TERMS**

Loan Amount	\$1,000 – \$30,000 Residential	\$5,000 – \$75,000 Small Business
Interest rate	Up to 7.50% APR	Up to 7.50% APR
Term	Up to 15 years	Up to 15 years
Recording fee	\$700 UCC filing fee*	Varies*
Example	\$15,000 loan at 7.50% APR; 180 payments at \$139.05 per month	

\* Fees can be paid up front or added to the loan at the borrower's discretion.

Participation in the On-Bill Repayment Program is outlined below.

**FIGURE 6 – ON-BILL REPAYMENT CUSTOMER PARTICIPATION JOURNEY**



Energy-Smart Loans through Avista's On-Bill Repayment Program are intended for customers who need assistance for upfront capital for the purchase of energy efficiency equipment and related labor. This customer segment includes both income-qualified and non-income qualified residential customers. Processes to ensure income-qualified customers are directed to Community Action Agencies (CAAs) have been implemented. Income-qualified customers may apply for an Energy-Smart Loan and participate in the OBR program if they choose to do so after all other options have been shared with them.

### ***Program Implementation***

In December 2023, due to rising interest rates across all PSCCU Energy-Smart Loans, Avista elected to raise the interest rate for loans on the OBR program to 7.5%. Loans have remained at that level since the interest rate was increased. This rate remains competitive and is not expected to increase in 2025.

Avista recognizes the key to the program's success is Avista's trade allies, who will help promote and deliver the program. Multi-channel Avista marketing efforts also drive customers to the OBR program.

### ***Program Eligibility***

Residential and small business customers in owner-occupied buildings may be eligible for OBR; funded measures must be fueled by Avista. An eligible projects list created by Avista and supported by Washington State's Clean Energy Fund program guidelines is maintained on both Avista's and PSCCU's websites; customers can refer to this list when considering this funding solution for their project.

## **Residential Home Energy Audit Program**

### ***Program Description***

The Home Energy Audit Program is designed to educate and drive customer engagement around conservation and promote Avista's energy efficiency programs and renewable-energy options. Energy savings are captured for direct-installation measures. Additional energy savings have been observed as a result of program participants implementing recommended efficiency measures. Some of these measures qualify for Avista rebates, and savings are captured through those programs.

Key components of this program include (a) providing customers with a home assessment from a knowledgeable and qualified home inspector with energy auditor credentials, (b) direct installation measures such as pipe wrap and LEDs, (c) marketing efforts to drive customers to the program, and (d) energy efficiency education that includes increasing awareness of behavioral impacts on energy use, as well as awareness of Avista's rebate programs, products, and services. The Avista website also communicates program requirements and highlights opportunities for customers.



## ***Program Manager***

Briana Stockdale

## ***Program Implementation***

Avista saw a significant increase in demand for the Homer Energy Audit program in the beginning of 2024, driven by weather impacts and marketing efforts. Demand exceeded the capacity of the auditors, often resulting in an extended wait time for customers. Avista mitigated this issue by hiring additional auditors to meet the demands of customers. Marketing was able to resume with a campaign to customers in September and October of 2024. Avista expects to conduct around 1,500 audits in 2025.

## ***Program Eligibility***

This program is applicable to residential customers who use Avista electricity or natural gas as their primary heating source in Washington and Idaho.

## ***Program Measures and Incentives***

With an audit, the customer receives a comprehensive and detailed Home Energy Assessment Report that includes energy savings measures targeted to the specific home, as well as direct installation and leave-behind materials.

## ***New Residential Programs for 2025***

### **Insulation Direct Install Program for Residential Customers**

#### ***Program Description***

In September 2024, the company issued an RFP seeking a qualified third-party implementer with demonstrated experience, qualifications, and an available model for an insulation direct installation program to supplement and enhance Avista's on-going customer engagement and energy efficiency programs for residential customers. For this program, residential customers are defined as customers who live in single family homes, condominiums, and multifamily properties of up to four units. Avista anticipates that implementing an Avista-specific Insulation Direct Install Program with air sealing measures will deliver energy savings and increase customer engagement through innovative marketing and delivery approaches.

The program will be available to natural gas service residential customers in Washington who are served under rate Schedule 191.

Avista intends to select an implementor whose customer experience includes onsite audits to determine the need for insulation, as well as air sealing opportunities for walls, attic and/or floor spaces. The program implementor will then install appropriate energy-saving measures at each residence. Avista anticipates that most offerings in the program will be low- or no-cost to program participants.

Avista also anticipates that the implementor will be able to deliver sustained energy savings through innovative marketing and delivery approaches that overcome market barriers typically encountered by residential customers.

If a successful implementor is selected, Avista plans to launch the program in the first quarter of 2025.

## Home Energy Reports

### *Program Description*

Building on lessons learned from the Always-On Pilot Program from the last biennium, Avista plans to engage with Bidgely to launch a home energy reports program in the second quarter of 2025. The goal of this program is to give customers a data-driven, personalized tool to help them better understand the energy use in their homes and businesses. Avista plans to run the pilot in 2025 as an information-only program, as there would be no on-site technical assistance or on-site delivery of educational programs. During this period, Avista will not assign any quantifiable energy savings values; rather, the program will initially be conducted for marketing and customer experience purposes, in accordance with the guidelines laid out in the 2024-2025 *BCP* Conditions 7(c)i. and ii.<sup>1</sup>, which state that Avista may spend up to 10 percent of its conservation budget on programs where savings have not yet been measured, and it may include information-only projects.

Avista will work closely with its evaluator to determine whether the company can identify and evaluate quantifiable energy savings with the expectation that it evaluates savings at the end of 2026, using up to 18 months of observed data from both the control and participation groups. In accordance with *BCP* Condition 7(c)i., Avista will rely on this complete set of data, consulting with its EEAG, and gain consensus on determining whether to assign quantifiable energy savings to the program.

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1) Docket No. UE-230897, Order 01, Attachment A.

## Low-Income Portfolio Overview

### Low-Income Program

#### Program Description

Low-income programs are offered through a collaborative effort via partnerships between Avista and eight CAAs, including one Tribal Housing Authority, each of which holds a bi-annual contract with Avista. This funding offers significant flexibility for CAAs to deliver weatherization services tailored to the specific needs of each low-income client, using a combination of the most suitable measures for their home.

#### Program Manager

Renee Zimmerman

**TABLE 12 – LOW-INCOME PROGRAM METRICS**

Projected Program Metrics	
Overall Therm Savings	27,000
Incentives	\$ 2,433,826
Non-Incentive Utility Costs	\$ 121,977
<b>Total Costs</b>	<b>\$ 2,555,803</b>

The agencies serving Avista’s Washington service territory receive an aggregate annual funding amount of \$4.25 million. This funding covers the cost of energy efficiency work; any needed health, safety, or repair improvements; agency administration, and program support, and is inclusive of both natural gas and electric weatherization programs in Washington State. Avista does not require agencies to serve a specific number of homes heated by natural gas. Priority is given to homes with high energy use, high energy burden, or other eligibility characteristics (e.g., senior, disabled, Native American). While funds are allocated to specific agencies, Avista remains flexible to meet incremental needs within the communities served.

Budgets listed below are annual allocations for each agency; however, they are flexible and may change, subject to Avista’s discretion. Two-year agreements with each agency began in 2024, aligning with the first year of Avista’s 2024-2025 biennium. This two-year budget timeframe allows agencies to draw from future allocations to continue serving Avista customers ahead of the new contract. Since other funding sources operate on a fiscal year, utility funding is often calculated on a calendar year and therefore utilized later in the year. This change in funding availability allows for continuous use of utility funds and a regular cadence for utility billing throughout the year, rather than concentrating the expenses after the midway point on a calendar.

Table 13 shows the 2025 budgeted annual funding allocation by agency and counties served. Please note that the contract amounts below include funding for both electric and natural gas weatherization programs.

**TABLE 13 – LOW-INCOME PROGRAM FUNDING BY COMMUNITY ACTION AGENCY**

Agency	County	Funding
Spokane Neighborhood Action Partners (SNAP)	Spokane	\$ 2,762,500
Rural Resources Community Action	Ferry, Lincoln, Pend Oreille, Stevens	\$ 354,166.67
Community Action Center	Whitman	\$ 297,500
Opportunities Industrialization Council	Adams, Grant	\$ 155,833.33
Spokane Indian Housing Authority	Stevens County	\$ 42,500
Community Action Council of Lewis, Mason, and Thurston Counties	Klickitat, Skamania	\$ 56,666.67
Benton Franklin County Community Action	Franklin	\$ 42,500
Community Action Partnership	Asotin	\$ 510,000
Set aside/TBD		\$ 28,333.33
<b>Total</b>		<b>\$ 4,250,000</b>

The agencies are authorized to use 30 percent of their contract for administration cost reimbursement. Avista also allows up to 30 percent of the contract to fund health, safety, and home repairs that enable efficiency upgrades. This spending is at the agency’s discretion and offers flexibility in preparing a home to accommodate the improvement and preserve the longevity of the installed measures.

Avista fully funds a substantial list of energy efficiency measures for natural gas. The list includes all measures on the Deemed Measure Priority List (DMPL) in the Washington State Department of Commerce’s *Weatherization Manual, July 2022* edition, as well as additional utility-approved measures.

**TABLE 14 – LOW-INCOME APPROVED MEASURES AND DIRECT CUSTOMER BENEFITS**

	Projected Participation	Per-Unit Therm Savings	Funding	Direct Benefit to Customer
Air Infiltration – Natural Gas	40 Sq. Ft.	16.09	Fully Fund	\$ 979.20
ENERGY STAR-Rated Doors	31 Units	12.32	Fully Fund	\$ 704.40
ENERGY STAR-Rated Windows (u-factor .29)	70,913 Sq. Ft.	0.31	Fully Fund	\$ 30.74
High-Efficiency Natural Gas Furnace	7 Units	73.55	Fully Fund	\$ 3,612.67
Water Heater	3 Units	7.74	Fully Fund	\$ 2,515.62
Attic Insulation	32,807 Sq. Ft.	0.04	Fully Fund	\$ 1.87
Duct Insulation	3 Sq. Ft.	0.17	Fully Fund	\$ 2.92
Floor Insulation	25,372 Sq. Ft.	0.05	Fully Fund	\$ 2.67
Wall Insulation	13,508 Sq. Ft.	0.06	Fully Fund	\$ 2.12
Duct Sealing	3 Units	20.17	Fully Fund	\$ 793.95

In the 2025 program year, many common electric efficiency improvements will continue to be fully funded. Health, safety, and repair projects will also be fully funded, although no more than 30 percent of the annual contract may be used for these projects and they must accompany a qualifying efficiency improvement. Avista will maintain a fully funded measure for direct-install LEDs and will calculate projected participation, per-unit kWh savings, and direct customer benefit.

According to WAC 480-109-100(10)(a), measures identified through the deemed measure priority list in the Weatherization Manual are considered cost-effective. Agencies may use their health, safety, and repair allocation to cover the full cost of the rebated measure if other funding sources are not available.

Agencies are encouraged to collaborate with Avista when identifying energy efficiency opportunities that are not on either the approved or the rebate list.

## **Low-Income Agency Workforce Development Pilot**

### ***Program Description***

After interviewing CAAs across Avista's service territory in late 2023 and early 2024, Avista identified a significant issue: limited access to weatherization training locations for CAAs. Continuous weatherization training is essential for CAA staff, but the current situation required costly and time-consuming travel across Washington State to Bellingham. To address this issue, Avista launched the Low-Income Agency Workforce Development Pilot. This initiative aims to improve training access by partnering with a nonprofit training organization to bring three, four-day training sessions to eastern Washington. In 2024, these trainings included Building Analyst Technician Training, Mobile Home Retrofit Training, Building Science Principles, Blower Door & Pressure Diagnostics, and Combustion Safety for Weatherization.

Looking ahead to 2025, Avista aims to secure four additional training sessions to be held in eastern Washington, which will be focused on Lead Training, Healthy Housing Principles, Building Analyst Technician Training, and other CAA requested training.

## Commercial/Industrial Portfolio Overview

The commercial/industrial energy efficiency market is served through a combination of prescriptive and site-specific offerings, as well as through midstream and clean buildings accelerator programs. Any measure not offered through a prescriptive or midstream program is automatically eligible for treatment through the Site-Specific Program, subject to the criteria for participation in that program.

Prescriptive paths do not require pre-project contracting – as the Site-Specific Program does – thus lending themselves to streamlined administrative and marketing efforts. Incentives are established for these prescriptive programs following Avista’s guidelines and standard operating procedures. Actual costs and savings are tracked, reported, and available to the third-party impact evaluator. Many, but not all, of the prescriptive measures use Regional Technical Forum’s (RTF) Unit Energy Savings (UES).

When the prescriptive path is not available, Avista offers commercial/industrial customers the opportunity to propose any energy efficiency project with documentable energy savings for 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 on projects’ individual characteristics as they apply to the company’s guidelines and standard operating procedures.

For the 2025 program year, Avista anticipates approximately 359,272 therms to be achieved through commercial/industrial programs, with an expected spend of \$1,134,677. Table 15 summarizes 2025 commercial/industrial program estimates.

**TABLE 15 – COMMERCIAL/INDUSTRIAL PROGRAM OVERVIEW**

Commercial/Industrial Programs	Natural Gas Program Savings (Therms)	Expected Incentive Spend
Prescriptive Shell	40,012	\$ 302,030
Site-Specific	175,000	\$ 401,350
Commercial Midstream	141,440	\$ 430,898
Building Operator Certification	2,820	\$ 400
<b>Total Commercial/Industrial</b>	<b>359,272</b>	<b>\$ 1,134,677</b>



## Commercial/Industrial Marketing

Avista has a robust commercial energy efficiency marketing strategy. Historically, the company's commercial account executives were tasked with promoting programs and energy efficiency. However, since COVID, tactics have shifted to include a greater digital presence. A broad spectrum of paid tactics is now used in addition to promotion by the account executives, energy engineering, and community outreach teams. These paid tactics include digital, streaming, video sharing, and broadcast platforms. They also include emails, customer newsletters, direct mail, and print advertisements. Several commercial programs are also marketed by their third-party implementors. Commercial customers are targeted by industry type, size, geographical location, and more. Avista also uses program-specific marketing with earned media opportunities. In 2025, paid social media advertising will be added to the company's commercial energy efficiency marketing strategy. Avista launched the "Power of Change" campaign, aimed at increasing customer awareness of energy efficiency benefits. The campaign's goal is to help drive engagement and, ultimately, participation in the company's programs. It promotes approachable and seasonally relevant energy-saving tips, energy efficiency rebates, and programs. Demonstrating adjustment to changing customer preferences, this campaign humanizes energy saving and includes paid social media ads, both static and motion.

FIGURE 7 – COMMERCIAL/INDUSTRIAL "POWER OF CHANGE" DIGITAL ADVERTISING CAMPAIGN EXAMPLES



## ***Commercial/Industrial Business Partner Program***

The Business Partner Program (BPP) is an outreach effort designed to target Avista's small business customers by increasing awareness of utility programs and services that can help them manage their energy bills. Small business owners and managers are often focused on ways to save money, and they lack the time or capital to make improvements. The BPP provides a comprehensive approach by educating these typically hard-to-reach customers about their utility bills, billing options offered by Avista, and financial incentives for efficiency measures.

This high-touch initiative increases awareness about services such as billing options, electric vehicle (EV) information, loan program, and energy efficiency rebates. It also offers trade ally assistance for cost proposals. Once customers are educated about potential improvements, the challenge is to encourage them to act on these enhancements.

## Commercial/Industrial Programs

### Commercial/Industrial Site-Specific Program

#### Program Description

The Site-Specific Program is a major component in Avista’s commercial/industrial portfolio. Customers receive technical assistance and incentives in accordance with Schedule 190. The company’s program approach strives for a flexible response to energy efficiency projects that have demonstrable therm savings within program criteria. Most site-specific therm savings are composed of custom projects that do not fit the prescriptive path, including appliances, compressed air, HVAC, industrial process, motors, shell measures, and lighting. The Site-Specific Program is available to all commercial/industrial retail natural gas customers.

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.

#### Program Manager

Renee Zimmerman

**TABLE 16 – COMMERCIAL/INDUSTRIAL SITE-SPECIFIC PROGRAM METRICS**

Projected Program Metrics		
Overall Therm Savings		175,000
Incentives	\$	410,360
Non-Incentive Utility Costs	\$	374,728
<b>Total Costs</b>	<b>\$</b>	<b>776,078</b>

#### Program Implementation

This program will offer an incentive for any qualifying natural gas energy-saving measure up to the incremental efficiency measure cost that has a simple payback which is less than the life of the measure being installed. Avista will adjust the percent of incremental cost paid to attempt to obtain the greatest energy savings at the lowest cost. A cap of 70 percent of the incremental cost and a 15-year measure simple payback based on energy cost savings is used unless a business need to increase either parameter is articulated. Site-Specific Program savings can be difficult to predict due to the large nature of the projects and the long sales cycles. General economy shifts may also affect customer willingness to fund efficiency improvements. Increases in process, eligibility complexity, 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.

Key to the success of the program are the direct incentives to encourage customer interest, marketing efforts, account executives whose input and assistance can drive customers to the program, and ongoing work with trade allies to ensure that customer demand can be met. The Avista website and the trade ally network are used to communicate program requirements, incentives, and forms.

**TABLE 17 – COMMERCIAL/INDUSTRIAL SITE-SPECIFIC MEASURES AND INCENTIVES**

	Estimated Therm Savings	Incentives
Site-Specific Programs	175,000	\$ 401,350

**Commercial/Industrial Pay for Performance Program**

*Program Description*

The Commercial Pay for Performance Program is an incentive program that pays customers for actual energy savings at the meter. Energy savings can come from building retrofits and equipment upgrades, as well as from behavioral, operations and maintenance, and retro-commissioning activities. Savings are claimed through the Site-Specific Program; however, the payment mechanism is different than the mechanism used in the Site-Specific Program.

*Program Manager*

Greta Zink

*Program Implementation*

The Pay for Performance Program pays annual incentives for all electricity/natural gas saved, rather than separate incentives for individual measures. Qualifying customers who implement whole-building energy retrofits will receive a set incentive rate for measurable savings that are achieved over the course of three years, with incentive payments made at the end of each year. Incentives are paid at \$0.08 per kWh and \$1.25 per therm.

This program is available for any Avista commercial customer who owns or operates buildings with conditioned heated or cooled space and has consistent and measurable energy usage. In 2024, Avista updated the program to make it available for any size of building, discontinuing the requirement that it have at least 20,000 square feet. Each building must have stable energy use over the past year and be metered separately, preferably with interval meters. To be eligible for this program, savings from planned improvements must be at least 10 percent of the building’s baseline kWh or therm consumption. Manufacturing/industrial processes are excluded under this program but may be eligible under the site-specific path. Customers submit a completed rebate form, and Avista establishes a usage baseline, approves the projects, and sends a contract for the project. After improvements are implemented, savings are measured against the baseline, and payments are made annually for three years if savings are met.

## Commercial/Industrial Prescriptive Shell Program

### Program Description

The Commercial Prescriptive Shell Program provides incentives to customers who improve the envelope of their existing buildings by adding insulation, which may make a business more energy-efficient and comfortable.

### Program Manager

Greta Zink

**TABLE 18 – COMMERCIAL/INDUSTRIAL PRESCRIPTIVE SHELL PROGRAM METRICS**

Projected Program Metrics		
Overall Therm Savings		40,012
Incentives	\$	302,030
Non-Incentive Utility Costs	\$	106,978
<b>Total Costs</b>	<b>\$</b>	<b>409,008</b>

### Program Implementation

The commercial insulation prescriptive rebate approach issues payment to the customer after the measure has been installed by a licensed contractor. Commercial customers must have an annual heating footprint for a fuel provided by Avista. Customers must submit a completed rebate form, invoices, and an insulation certificate after the installation has been completed. Avista will send an incentive check to the customer or a designee after the project is approved. Rebates will not exceed the total amount on the customer invoice. Each rebate will be qualified and processed within iEnergy with the current-year calculator. This program is promoted by trade allies, Avista account executives, the Avista website, and Avista marketing efforts. The Avista website is also used to communicate program requirements, incentives, and forms.

Effective January 1, 2025, Avista is discontinuing the measure to improve attic insulation from R11 or less to R30-R44 due to cost effectiveness concerns.

**TABLE 19 – COMMERCIAL/INDUSTRIAL PRESCRIPTIVE SHELL PROGRAM MEASURES AND INCENTIVES**

	Projected Participation	Per-Unit Therm Savings	Incentive
Less than R11 Attic Insulation (E/G) to R45+ Attic Insulation	32,970 Sq. Ft.	0.13	\$ 1.50
Less than R11 Roof Insulation (E/G) to R30+ Roof Insulation	95,198 Sq. Ft.	0.12	\$ 1.50
Less than R4 Wall Insulation (E/G) to R11-R18 Wall Insulation	17,035 Sq. Ft.	0.24	\$ 1.50
Less than R4 Wall Insulation (E/G) to R19+ Wall Insulation	56,150 Sq. Ft.	0.36	\$ 1.50

## Washington State Clean Buildings Law Support Programs

### Program Description

Washington State House Bill 1257 was codified into law late in 2019<sup>2</sup>. This law requires existing commercial buildings over 50,000 square feet to comply with established performance standards. Compliance requirements for commercial building owners will be phased in starting in 2026, with all commercial buildings over 50,000 square feet complying by 2028. Compliance plans must be operationalized one year prior to compliance deadlines.

In 2024, the law expanded to include buildings with 20,000 to 50,000 square feet and all multifamily residential buildings over 20,000 square feet. Buildings in this tier must benchmark and prepare compliance plans, but they are not currently required to meet performance standards. The compliance deadline for this group of buildings is July 1, 2027. Avista is considering how to best support customers in the new tier.

The law also includes provisions for incentives to early adopters whose building's baseline energy use exceeds the performance standard target by a certain amount. Seventy-five million dollars have been designated to assist building owners in achieving compliance. Early adopter incentives will be administered by utilities.

Energy Use Intensity (EUI) metrics will be used to determine compliance with the performance standard. It has been determined that the Department of Energy's ENERGY STAR Portfolio Manager Tool will be used to calculate the EUI.

The Department of Commerce is responsible for assuring compliance and determining early adopter incentive fund allocations. They have published recommendations for affected building owners to prepare, including benchmarking their buildings through Portfolio Manager and developing and executing an energy efficiency plan. Utilities in Washington play a vital role in working cooperatively with the Department of Commerce to execute the new law and to support building owners as they navigate the compliance process. Avista has identified the four key areas of support shown in Table 20.

**TABLE 20 – COMMERCIAL/INDUSTRIAL WASHINGTON STATE CLEAN BUILDINGS ACT EARLY ADOPTER INCENTIVES**

Service	Start Date	Prior Service
Pay for Performance Early Adopter Incentive	in place	Avista pays customer and then gets credit against Public Utility Tax
ENERGY STAR Portfolio Manager	in place	Current program offering since January 2009
Energy Efficiency Engineering Services	in place	Current offering in place since Avista began energy efficiency programs
Clean Buildings Accelerator Program	in place	Offered since 2022

The last of these offerings on the list, the Clean Buildings Accelerator program, is a strategic energy management program that educates customers about the law and provides the tools needed for compliance. Participants in the program learn what their building's compliance targets are, how to use the ENERGY STAR Portfolio Manager application, how to calculate their building's compliance metric, and how to create an Energy Management Plan and an Operations and Maintenance Program. This is done through a cohort-based approach over a four-month sprint period, one-on-one coaching, building automation review, and two quarterly elevation seminars.

2) See RCW 19.27A, Energy-related building standards.

The cohort model has been very popular with companies, many of which choose to include multiple employees in the learning opportunity. Three customer cohorts have fully completed the program; a fourth began in 2024 and will continue into 2025. Avista will annually review whether to continue offering the program based on customer interest, expansion of Washington State Clean Buildings law, and the activities and guidance of the Department of Commerce.

## ***Pilot Projects and New Program Offerings***

### **Hybrid Heat Pump Study**

#### ***Program Description***

In 2024, Avista launched a two-year study to explore the differences between cold climate heat pumps and hybrid heat pumps, with a focus on learning more about the performance of each type. For the purposes of this study, a hybrid heat pump is defined as an electric heat pump with natural gas backup heating. Avista hopes to determine the feasibility of adding these measures to the company's efficiency programs. In addition to the study's primary goals, Avista hopes to learn more about the factors that influence customers (economic, environmental, behavioral, and emotional) as they consider significant HVAC upgrades to support clean energy transition efforts. Avista is also interested in learning more about perceived home comfort for each of these systems.

Avista partnered with a local third-party HVAC contractor and a third-party evaluation, measurement, and validation (EM&V) contractor to install 12 heat pump systems in total (six cold-climate and six hybrid) and performance monitoring equipment in the homes of Avista customers who had existing natural gas heat and central air-conditioning. Installations of the heat pump systems and associated performance monitoring equipment were completed in the fall of 2024. Avista will collect and monitor data over two heating and two cooling seasons. In 2025, one year after data collection has started, half of the homes from each group will also receive a weatherization package to study the impacts of weatherization on heat-pump sizing. The budget for this pilot study is \$800,000, and a final report is expected by March 1, 2027.

The phased approach aims to increase the reliability and accuracy of data for analysis. The hybrid heat pump study relies on information from weatherization collected after one year on half the homes to determine the effect of weatherization on heat pump system sizing, capacity, and weather-normalized performance. It is intended to answer related questions, including:

- ◆ How does the system's performance compare before and after weatherization?
- ◆ Which should come first, weatherization of a home or sizing/installation of the system?
- ◆ After weatherization, is there a difference in performance for cold climate heat pumps versus standard heat pumps?

In addition to this study, Avista supports and is participating in a heat pump study by the Energy Trust of Oregon (ETO). As with Avista's study, the ETO study is still in process. Avista staff participated with ETO staff in a hybrid heat pump panel, organized by NEEA, regarding heat pumps at the 2024 Efficiency Exchange. This panel also included discussion on Puget Sound Energy's recent hybrid heat pump study, which Avista is tracking closely. The company also reviewed NREL's Field Validation of Air-Source Heat Pumps for Cold Climates.

**REGIONAL MARKET TRANSFORMATION**





## REGIONAL MARKET TRANSFORMATION

Market transformation consists of 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 toward sustaining market transformation on a regional basis, with sufficient scale and diversity to deliver a portfolio capable of providing a cost-effective electric-efficiency resource.

That organization, NEEA, begins its seventh funding cycle for 2025-29. Avista has been an active participant and funder of this collaborative effort since its inception. NEEA's 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.

For 2025, Avista's Washington portion of the NEEA natural gas budget is expected to be approximately \$551,691. NEEA funding requirements are incorporated within the budget but are 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 2025 local portfolio developed within this *ACP*. NEEA provided Avista with a savings forecast range between 2,985 to 4,482 therms derived from an estimated 2,982 therms attributed to new commercial products, as well as up to 1,500 therms attributed to efficient rooftop units. Avista elected to use the mid-point of this range, 3,734 therms, for its 2025 savings estimate.

In addition to savings from these products, NEEA is anticipating an additional 44,089 therms to be delivered through implementation of the 2021 Washington State Energy Code. It is anticipated that NEEA will have completed all applicable code studies to claim these savings by the time the biennium closes at the end of 2025. However, Avista has not included these therms in its NEEA estimate for 2025 because it is unclear whether reported savings from code implementation will be included in 2024 or 2025 achievements.

If NEEA fails to achieve this target, Avista will be invoiced only for actual savings achieved.

AVISTA-SPECIFIC METHODOLOGIES AND ANALYTICAL PRACTICES



## AVISTA-SPECIFIC METHODOLOGIES AND ANALYTICAL PRACTICES

Over time, Avista has evolved in its approach to calculate the various metrics applied within the planning effort to meet the needs of its portfolio and jurisdictional regulation. Care has been taken to ensure that these approaches are consistent with the intent of the Northwest Power and Conservation Council's (NWPCC) methodologies for the analysis of energy efficiency. Avista completes an *Annual Conservation Report (ACR)* in the spring of each year, based on 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 – Summarization of Cost Effectiveness Methodology). Because the total resource cost (TRC) test and utility cost test (UCT) are the basis for optimizing the portfolio, the explanation of Avista's methodologies, for planning purposes, focus on these two tests.

The calculation of portfolio cost-effectiveness excludes costs that are unrelated to the local energy efficiency portfolio in that particular year. Those excluded costs, termed "supplemental" costs in Avista's calculations, include:

- ◆ The funding associated with regional programs (NEEA)
- ◆ The cost to perform CPAs
- ◆ Costs related to EM&V

Individual measures are aggregated into programs composed of similar measures. At the program level, non-incentive portfolio costs are allocated based on direct assignment to the extent possible, and costs are allocated based on a program's share of portfolio-avoided cost-value acquisition when direct assignment is not possible. The result is a program-level TRC test and UCT cost-effectiveness analysis that incorporates these allocated costs.

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 (NEBs) accrue over the measure life and costs are incurred up front.

The calculation of the TRC test benefits, to be consistent with NWPCC methodologies, includes an assessment of non-energy impacts (both benefits and costs), or NEIs, 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 as well as the value of health and human safety funding (on a dollar-for-dollar basis). Starting in 2024, the modified TRC test will become the primary cost-effectiveness test for natural gas programs in Avista's Washington portfolio.

For the purposes of calculating TRC cost-effectiveness, any funding obtained from outside of Avista's customer population (generally through tax credits or state- or federally-administered programs) is not considered to be a TRC. These costs are regarded as imported funds and, from the perspective of Avista's customer population appropriate to the TRC test, are not costs borne by Avista 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.

Avista's energy efficiency portfolios are built from the bottom up, starting with the identification of prospective efficiency measures based on the most recent CPA and augmented with other specific opportunities as necessary. Since potential assessments are only performed every two years and the inputs 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.

## Evaluation, Measurement, and Verification

Within its energy efficiency 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 the comprehensive analyses and assessments necessary to supply useful information to management and non-company parties that adequately identify the acquisition of energy efficiencies attributable to Avista's conservation programs, as well as potential process improvements necessary to improve operations both internally and for customers. EM&V includes impact evaluation and process evaluation. Taken as a whole, EM&V is analogous with other industry standard terms such as portfolio evaluation and program evaluation.

To support planning and reporting requirements, several guiding EM&V documents are maintained and published. This includes the EM&V framework, an annual EM&V plan, and EM&V contributions within other energy efficiency and Avista corporate publications. Program-specific EM&V plans are created, as necessary, to inform and benefit the energy efficiency activities. These documents are reviewed and updated regularly, reflecting improvements to processes and protocols.

EM&V efforts will also be applied to evaluating emerging technologies and applications being considered for 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 or pilot 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.

Because of the benefits to customers and to Avista, Avista actively participates in regional energy efficiency activities. The company has a voting role on the Regional Technical Forum (RTF), a critical advisory committee to the NWPPCC. The RTF oversees 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 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 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. The International Performance Measurement and Verification Protocol serves as the basis of measurement and verification plans developed and applied to Avista programs. In addition, the compilation of EM&V protocols released under the U.S. Department of Energy's Uniform Methods Project will be considered and applied where applicable to support the consistency and credibility of reported results. Verification of a statistically significant number of projects is often extrapolated to perform impact analysis on complete programs, within reasonable standards of rigor and degree of conservatism. This process serves to ensure that Avista will manage its energy efficiency portfolio in a manner consistent with both utility and public interests.

For 2025, Avista will continue engagement with its third-party evaluator, ADM.

## ***Cost-Effectiveness Metrics, Methodology, and Objectives***

Avista's planning approach aims to maximize cost-effective conservation acquired by analyzing the cost-effectiveness of each segment (residential, low-income, and commercial/industrial), as well as the ways in which measures within programs contribute to the cost-effectiveness of that segment and eventually the individual portfolios. Avista is appreciative of the valuable work the RTF has done to quantify NEIs for the region and where values have not been identified, Avista will look to the RTF to supplement values. The company views these efforts as an iterative process and expects that more discovery will take place in the future.

As with other utilities in the region, Avista actively participates in RTF meetings and provides measure-level data back to the RTF to further refine their estimates. Avista acknowledges that it has the responsibility to use the best available data no matter the source; at times, that comes from internal estimates. Avista will continue to work with members from the RTF to identify measures or technologies that may have gaps in data and provide information where needed. These efforts further refine the RTF measures and form UES values that are more specific to Avista's service territory.

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. Avista will continue to work with interested persons as conversations around cost-effectiveness arise.

## ***Schedule 190 – Energy Efficiency Programs***

Avista's natural gas energy efficiency operations are governed by Schedule 190 tariff requirements. This tariff details 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.

For 2025, Avista has not proposed any changes to the language in this schedule.

## ***Schedule 191 – Demand Side Management Rate Adjustment***

Avista evaluates the need for revisions to its natural gas tariff Schedule 191 – Demand Side Management Rate Adjustment tariff on an annual basis with revisions occurring each June 1, if needed.

**CONCLUSION AND CONTACT INFORMATION**



## CONCLUSION AND CONTACT INFORMATION

This 2025 ACP represents program efforts by Avista in order to achieve its expected eligible acquisition savings for the second year of the 2024-25 biennium. For additional supporting information, please see the corresponding appendices:

- ◆ Appendix A – 2025 Energy Efficiency Evaluation, Measurement, and Verification Annual Plan
- ◆ Appendix B – Cost Effectiveness Methodology
- ◆ Appendix C – Natural Gas Program Summary

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**GLOSSARY OF TERMS**





## GLOSSARY OF TERMS

**Active Energy Management (AEM):** The implementation of continuous building monitoring to improve building performance in real time.

**adder:** An additional amount, typically a percentage, added to a quantification of conservation savings, risks, and/or benefits.

**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 adjusted 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.

**Advanced Metering Infrastructure (AMI):** Systems that measure, collect and analyze energy usage, from advanced devices such as electricity meters, natural gas meters and/or water meters through various communication media on request or on a predetermined schedule.

**advisory group:** Avista's group of external interested persons and efficiency program experts who advise on the company's planned energy efficiency activities, as well as activities under consideration.

**Air-Conditioning, Heating, and Refrigeration Institute (AHRI):** The trade association representing manufacturers of HVAC and water heating equipment within the global industry.

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

**American National Standards Institute (ANSI):** A source for information on national, regional, and international standards and conformity assessment issues.

**American Society of Heating, Refrigeration and Air-Conditioning Engineers (ASHRAE):** Devoted to the advancement of indoor-environment-control technology in the heating, ventilation, and air conditioning (HVAC) industry, ASHRAE's mission is "to advance technology to serve humanity and promote a sustainable world."

**Annual Conservation Plan (ACP):** An Avista-prepared resource document that outlines Avista's conservation offerings, its approach to energy efficiency, and details on verifying and reporting savings.

**Annual Conservation Report (ACR):** An Avista-prepared resource document that summarizes its annual energy efficiency achievements.

**Annual Fuel Utilization Efficiency (AFUE):** A measurement on how efficient an appliance is in converting the energy in its fuel to heat over the course of a typical year.

**avoided cost:** An investment guideline, describing the value of conservation and generation resource investments in terms of the cost of more expensive resources that would otherwise have to be acquired.

**baseline:** Conditions, including energy consumption, which would have occurred without implementation of the subject energy efficiency activity. Baseline conditions are sometimes referred to as “business-as-usual” conditions.

**baseline efficiency:** The energy use of the baseline equipment, process, or practice that is being replaced by a more efficient approach to providing the same energy service. It is used to determine the energy savings obtained by the more efficient approach.

**baseline period:** The period of time selected as representative of facility operations before the energy efficiency activity takes place.

**Biennial Conservation Plan (BCP):** An Avista-prepared resource document that outlines Avista’s conservation offerings, its approach to energy efficiency, and details on verifying and reporting savings for a two-year period.

**Building Owners & Managers Association (BOMA):** An international federation of U.S. local associations and global affiliates that represents the owners, managers, service providers, and other property professionals of all commercial building types.

**Business Partner Program (BPP):** An outreach effort designed to raise awareness of utility programs and services that can assist small business customers in managing their energy bills.

**British Thermal Unit (Btu):** The amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit (3,413 Btu are equal to one kilowatt-hour).

**busbar:** The physical electrical connection between the generator and transmission system. Load on the system is typically measured at busbar.

**capacity:** The maximum power that a machine or system can produce or carry under specified conditions. The capacity of generating equipment is generally expressed in kilowatts or megawatts. In terms of transmission lines, capacity refers to the maximum load a line is capable of carrying under specified conditions.

**Clean Energy Implementation Plan (CEIP):** Introduced within a subsection of the Clean Energy Transformation Act, a CEIP must describe the utility’s plan for making progress toward meeting the clean energy transformation standards while it continues to pursue all cost-effective, reliable, and feasible conservation and efficiency resources.

**Clean Energy Transformation Act (CETA):** Signed into law in 2019, the Clean Energy Transformation Act requires electric utilities to supply their Washington customers with 100 percent renewable or non-emitting electricity with no provision for offsets.

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

**Community Energy Efficiency Program (CEEP):** Created by the Washington State Legislature in 2009, CEEP encourages homeowners and small businesses across the state to make energy efficiency retrofits and upgrades.

**conservation:** According to the Northwest Power Act, any reduction in electric power consumption as a result of increases in the efficiency of energy use, production or distribution.

**Conservation Potential Assessment (CPA):** 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.

**cost-effective:** According to the Northwest Power Act, a cost-effective measure or resource must be forecast to be reliable and available within the time it is needed, and to meet or reduce electrical power demand of consumers at an estimated incremental system cost no greater than that of the least-costly, similarly reliable and available alternative or combination of alternatives.

**customer/customer classes:** A category, or categories, of customers 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.

**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.

**deemed savings:** Primarily referenced as unit energy savings, an estimate of an energy savings for a single unit of an installed energy efficiency measure that (a) has been developed from data sources and analytical methods that are widely considered acceptable for the measure and purpose, and (b) is applicable to the situation being evaluated.

**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, Btu or multiples thereof, for a designated period of time such as during a 24-hour day.

**Demand Response (DR):** A voluntary and temporary change in consumers' use of electricity when the power system is stressed.

**Demand Side Management (DSM):** 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.

**Direct Load Control (DLC):** The means by which a utility can signal a customer's appliance to stop operations in order to reduce the demand for electricity. Such rationing generally involves a financial incentive for the affected customer.

**discount rate:** The rate used in a formula to convert future costs or benefits to their present value.

**distribution:** The transfer of electricity from the transmission network to the consumer. Distribution systems generally include the equipment to transfer power from the substation to the customer's meter.

**Distributed Generation (DG):** An approach that employs a variety of small-scale technologies to both produce and store electricity close to the end users of power.

**Effective Useful Life (EUL):** Sometimes referred to as measure life and often used to describe persistence. EUL is an estimate of the duration of savings from a measure.

**end-use:** A term referring to the final use of energy; it often refers to the specific energy services (for example, space heating), or the type of energy-consuming equipment (for example, motors).

**energy assistance advisory group:** An ongoing advisory group to monitor and explore ways to improve Avista's Low-Income Rate Assistance Program (LIRAP).

**Energy Efficiency Advisory Group (EEAG):** A group which advises investor-owned utilities on the development of integrated resource plans and conservation programs.

**energy efficiency measure:** Refers to either an individual project conducted or technology implemented to reduce the consumption of energy at the same or an improved level of service. Often referred to as simply a "measure."

**Energy Independence Act (EIA):** Requires electric utilities serving at least 25,000 retail customers to use renewable energy and energy conservation.

**Energy Use Intensity (EUI):** A metric – energy per square foot per year – that expresses a building's energy use as a function of its size or other characteristics.

**evaluation:** The performance of a wide range of assessment studies and activities aimed at determining the effects of a program (and/or portfolio) and understanding or documenting program performance, program or program-related markets and market operations, program-induced changes in energy efficiency markets, levels of demand or energy savings, or program cost-effectiveness. Market assessment, monitoring and evaluation, and verification are aspects of evaluation.

**Evaluation, Measurement, and Verification (EM&V):** Catch-all term for evaluation activities at the measure, project, program and/or portfolio level; can include impact, process, market and/or planning activities. EM&V is distinguishable from Measurement and Verification (M&V) defined later.

**ex-ante savings estimate:** Forecasted savings value used for program planning or savings estimates for a measure; Latin for “beforehand.”

**ex-post evaluated estimated savings:** Savings estimates reported by an independent, third-party evaluator after the energy impact evaluation has been completed. If only the term “ex-post savings” is used, it will be assumed that it is referring to the ex-post evaluation estimate, the most common usage; from Latin for “from something done afterward.”

**external evaluators (AKA third party evaluators):** Independent professional efficiency person or entity retained to conduct EM&V activities. Consideration will be made for those who are Certified Measurement and Verification Professionals (CMVPs) through the Association of Energy Engineers (AEE) and the Efficiency Evaluation Organization (EVO).

**free rider:** A common term in the energy efficiency industry meaning a program participant who would have installed the efficient product or changed a behavior regardless of any program incentive or education received. Free riders can be total, partial, or deferred.

**generation:** The act or process of producing electricity from other forms of energy.

**Green Motors Practices Group (GMPG):** A nonprofit corporation governed by electric motor service center executives and advisors whose goal is the continual improvement of the electric motor repair industry.

**gross savings:** The change in energy consumption and/or demand that results from energy efficiency programs, codes and standards, and naturally-occurring adoption which have a long-lasting savings effect, regardless of why they were enacted.

**heating degree days:** A measure of the amount of heat needed in a building over a fixed period of time, usually a year. Heating degree days per day are calculated by subtracting from a fixed temperature the average temperature over the day. Historically, the fixed temperature has been set at 65 degrees Fahrenheit, the outdoor temperature below which heat was typically needed. As an example, a day with an average temperature of 45 degrees Fahrenheit would have 20 heating degree days, assuming a base of 65 degrees Fahrenheit.

**Heating Seasonal Performance Factor (HSPF):** Defined as the ratio of heat output over the heating season to the amount of electricity used in air source or ductless heat pump equipment.

**Heating, Ventilation, and Air Conditioning (HVAC):** 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.

**highly impacted community:** designated by the Washington Department of Health, any census tract with an overall ranking of 9 or 10 on the Environmental Health Disparities map, or any census tract with tribal lands.

**impact evaluation:** Determination of the program-specific, directly or indirectly induced changes (e.g., energy and/or demand usage) attributable to an energy efficiency program.

**implementer:** Avista employees whose responsibilities are directly related to operations and administration of energy efficiency programs and activities, and who may have energy savings targets as part of their employee goals or incentives.

**incremental cost:** The difference between the cost of baseline equipment or services and the cost of alternative energy-efficient equipment or services.

**Integrated Resource Plan (IRP):** 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.

**Integrated Resource Plan Technical Advisory Committee (IRP TAC):** Advisory committee for the IRP process that includes internal and external participants.

**International Performance Measurement and Verification Protocol (IPMVP):** A guidance document with a framework and definitions describing the four M&V approaches; a product of the Energy Valuation Organization ([www.evo-world.org](http://www.evo-world.org)).

**Investor-Owned Utility (IOU):** A utility that is organized under state law as a corporation to provide electric power service and earn a profit for its stockholders.

**Kilowatt (kW):** The electrical unit of power that equals 1,000 watts.

**Kilowatt-hour (kWh):** A basic unit of electrical energy that equals one kilowatt of power applied for one hour.

**Kilo British Thermal Unit (kBtu):** Btu, which stands for British thermal units, measures heat energy. Each Btu equals the amount of heat needed to raise one pound of water one degree Fahrenheit; the prefix kilo- stands for 1,000, which means that a kBtu equals 1,000 Btu.

**Levelized Cost of Energy (LCOE):** The present value of a resource's cost (including capital, financing, and operating costs) converted into a stream of equal annual payments. This stream of payments can be converted to a unit cost of energy by dividing them by the number of kilowatt-hours produced or saved by the resource in associated years. By levelizing costs, resources with different lifetimes and generating capabilities can be compared.

**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.

**Low-Income Home Energy Assistance Program (LIHEAP):** Federal energy assistance program, available to qualifying households based on income, usually distributed by community action agencies or partnerships.

**Low-Income Rate Assistance Program (LIRAP):** 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.

**market effect evaluation:** An evaluation of the change in the structure or functioning of a market, or the behavior of participants in a market, that results from one or more program efforts. Typically, the resultant market or behavior change leads to an increase in the adoption of energy-efficient products, services, or practices.

**measure (also Energy Efficiency Measure or "EEM"):** Installation of a single piece of equipment, subsystem or system, or single modification of equipment, subsystem, system, or operation at an end-use energy consumer facility, for the purpose of reducing energy and/or demand (and, hence, energy and/or demand costs) at a comparable level of service.

**measure life:** See Effective Useful Life (EUL).

**Measurement and Verification (M&V):** A subset of program impact evaluation that is associated with the documentation of energy savings at individual sites or projects, using one or more methods that can involve measurements, engineering calculations, statistical analyses, and/or computer simulation modeling. M&V approaches are defined in the International Performance Measurement and Verification Protocol (IPMVP available at [www.evo-world.org](http://www.evo-world.org)).

**Megawatt (MW):** The electrical unit of power that equals one million watts or one thousand kilowatts.

**Megawatt-hour (MWh):** A basic unit of electrical energy that equals one megawatt of power applied for one hour.

**Named Community:** Represents areas within Avista's service territory that are considered to be a highly impacted community or vulnerable population.

**net savings:** The change in energy consumption and/or demand that is attributable to an energy efficiency program. This change in energy use and/or demand may include, implicitly or explicitly, consideration of factors such as free drivers, non-net participants (free riders), participant and non-participant spillover, and induced market effects. These factors may be considered in how a baseline is defined and/or in adjustments to gross savings values.

**Non-Energy Benefit/Non-Energy Impact (NEB/NEI):** The quantifiable non-energy impacts associated with program implementation or participation; also referred to as non-energy benefits (NEBs) or co-benefits. Examples of NEIs include water savings, non-energy consumables and other quantifiable effects. The value is most often positive, but may also be negative (e.g., the cost of additional maintenance associated with a sophisticated, energy-efficient control system).

**Northwest Energy Efficiency Alliance (NEEA):** A nonprofit organization that works to accelerate energy efficiency in the Pacific Northwest through the adoption of energy-efficient products, services, and practices.

**Northwest Power and Conservation Council (NWPCC):** An organization that develops and maintains both a regional power plan and a fish and wildlife program to balance the environment and energy needs of the Pacific Northwest.

**Outside Air Temperature (OAT):** Refers to the temperature of the air around an object, but unaffected by the object.

**On-Bill Repayment (OBR):** A financing option in which a utility or private lender supplies capital to a customer to fund energy efficiency, renewable energy, or other generation projects. It is repaid through regular payments on an existing utility bill.

**portfolio:** Collection of all programs conducted by an organization. In the case of Avista, portfolio includes electric and natural gas programs in all customer segments. Portfolio can also be used to refer to a collection of similar programs addressing the market. In this sense of the definition, Avista has an electric portfolio and a natural gas portfolio with programs addressing the various customer segments.

**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 employed in relatively similar applications.

**process evaluation:** A systematic assessment of an energy efficiency program or program component for the purposes of documenting operations at the time of the examination, and identifying and recommending improvements to increase the program's efficiency or effectiveness for acquiring energy resources while maintaining high levels of participant satisfaction.

**program:** An activity, strategy or course of action undertaken by an implementer. Each program is defined by a unique combination of program strategy, market segment, marketing approach and energy efficiency measure(s) included. Examples are a program to install energy-efficient lighting in commercial buildings and residential weatherization programs.

**project:** An activity or course of action involving one or multiple energy efficiency measures at a single facility or site.



**Regional Technical Forum of the Northwest Power and Conservation Council (RTF):** A technical advisory committee to the Northwest Power and Conservation Council established in 1999 to develop standards to verify and evaluate energy efficiency savings.

**realization rate:** Ratio of ex-ante reported savings to ex-post evaluated estimated savings. When realization rates are reported, they are labeled to indicate whether they refer to comparisons of (1) ex-ante gross reported savings to ex-post gross evaluated savings, or (2) ex-ante net reported savings to ex-post net evaluated savings.

**reliability:** When used in energy efficiency evaluation, the quality of a measurement process that would produce similar results on (a) repeated observations of the same condition or event, or (b) multiple observations of the same condition or event by different observers. Reliability refers to the likelihood that the observations can be replicated.

**reported savings:** Savings estimates reported by Avista for an annual (calendar) period. These savings will be based on best available information.

**Request for Proposal (RFP):** Business document that announces and provides details about a project, as well as solicits bids from potential contractors.

**retrofit:** To modify an existing generating plant, structure, or process. The modifications are done to improve energy efficiency, reduce environmental impacts, or to otherwise improve the facility.

**rigor:** The level of expected confidence and precision. The higher the level of rigor, the more confident one is that the results of the evaluation are both accurate and precise, i.e., reliable.

**R-value or R-factor (resistance transfer factor):** Measures how well a barrier, such as insulation, resists the conductive flow of heat.

**Schedules 90 and 190:** Rate schedules that show energy efficiency programs.

**Schedules 91 and 191:** Rate schedules that are used to fund energy efficiency programs.

**sector(s):** The economy is divided into four sectors for energy planning. These are the residential, commercial (e.g., retail stores, office and institutional buildings), industrial, and agriculture (e.g. dairy farms, irrigation) sectors.

**Site-Specific (SS):** A commercial/industrial program offering individualized calculations for incentives upon any electric or natural gas efficiency measure not incorporated into a prescriptive program.

**simple payback:** The time required before savings from a particular investment offset costs, calculated by investment cost divided by value of savings (in dollars). For example, an investment costing \$100 and resulting in a savings of \$25 each year would be said to have a simple payback of four years. Simple paybacks do not account for future cost escalation, nor other investment opportunities.

**spillover:** Reductions in energy consumption and/or demand caused by the presence of an energy efficiency program, beyond the program-related gross savings of the participants and without direct financial or technical assistance from the program. There can be participant and/or nonparticipant spillover (sometimes referred to as “free drivers”). Participant spillover is the additional energy savings that occur as a result of the program’s influence when a program participant independently installs incremental energy efficiency measures or applies energy-saving practices after having participated in the energy efficiency program. Non-participant spillover refers to energy savings that occur when a program non-participant installs energy efficiency measures or applies energy savings practices as a result of a program’s influence.

**Technical Reference Manual (TRM):** An Avista-prepared resource document that contains Avista’s (ex-ante) savings estimates, assumptions, sources for those assumptions, guidelines, and relevant supporting documentation for its natural gas and electricity energy efficiency prescriptive measures. This is populated and vetted by the RTF and third-party evaluators.

**Total Resource Cost (TRC):** A cost-effectiveness test that assesses the impacts of a portfolio of energy efficiency initiatives regardless of who pays the costs or who receives the benefits. The test compares the present value of costs of efficiency for all members of society (including all costs to participants and program administrators) compared to the present value of all quantifiable benefits, including avoided energy supply and demand costs and non-energy impacts.

**transmission:** The act or process of long-distance transport of electric energy, generally accomplished by elevating the electric current to high voltages. In the Pacific Northwest, Bonneville operates a majority of the high-voltage, long-distance transmission lines.

**Uniform Energy Factor (UEF):** A measurement of how efficiently a water heater utilizes its fuel.

**Unit Energy Savings (UES):** Defines the savings value for an energy efficiency measure.

**U-value or U-factor:** The measure of a material’s ability to conduct heat, numerically equal to 1 divided by the R-value of the material. Used to measure the rate of heat transfer in windows. The lower the U-factor, the better the window insulates.

**uncertainty:** The range or interval of doubt surrounding a measured or calculated value within which the true value is expected to fall within some degree of confidence.

**Utility Cost Test (UCT):** 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 program’s ability to minimize overall utility costs. The primary benefit is the avoided cost of energy in comparison to the incentive and non-incentive utility costs.

**Variable Frequency Drive (VFD):** A type of motor drive used in electro-mechanical drive systems to control AC motor speed and torque by varying motor input frequency and voltage.

**verification:** An assessment that the program or project has been implemented per the program design. For example, the objectives of measure installation verification are to confirm (a) the installation rate, (b) that the installation meets reasonable quality standards, and (c) that the measures are operating correctly and have the potential to generate the predicted savings. Verification activities are generally conducted during on-site surveys of a sample of projects. Project site inspections, participant phone and mail surveys, and/or implementer and consumer documentation review are typical activities associated with verification. Verification may include one-time or multiple activities over the estimated life of the measures. It may include review of commissioning or retro-commissioning documentation. Verification can also include review and confirmation of evaluation methods used, samples drawn, and calculations used to estimate program savings. Project verification may be performed by the implementation team, but program verification is a function of the third-party evaluator.

**vulnerable population:** Communities that experience a disproportionate cumulative risk from environmental burdens.

**Washington Utilities and Transportation Commission (WUTC):** A three-member commission appointed by the governor and confirmed by the state Senate, whose mission is to protect the people of Washington by ensuring that investor-owned utility and transportation services are safe, available, reliable, and fairly priced.

**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.

**Weighted Average Cost of Capital (WACC):** A calculation of a firm’s cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds, and any other long-term debt, are included in a WACC calculation.

**8,760:** Total number of hours in a year.

APPENDICES AND SUPPLEMENTS



# APPENDIX A – 2025 ENERGY EFFICIENCY EVALUATION, MEASUREMENT, AND VERIFICATION ANNUAL PLAN

## Background

Avista's 2025 *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 2025 in order to adequately inform and assess energy efficiency programs provided by Avista for its customers in Washington and Idaho. This evaluation effort is made not only to verify savings estimates of the program, but also to enhance program design and improve the marketing and delivery of future programs.

## Overview

Avista's 2025 EM&V Annual Plan will identify evaluation activities intended to assess the 2025 Energy Efficiency Portfolio. The scope of this plan will be consistent with prior evaluation plans as presented to Avista's Energy Efficiency Advisory Group (EEAG). 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, which will perform the majority of evaluation planning, tasks, analysis, and external reporting as coordinated by Avista energy efficiency staff.

The following details the key aspects of this plan:

- ◆ Avista continues to pursue a portfolio approach for impact analysis, ensuring a comprehensive annual review of all programs – to the degree necessary – based on the magnitude both of savings and uncertainty of the related unit energy savings (UES) values, and of claimed energy efficiency acquisition relative to the portfolio.
- ◆ Inherent in the impact analysis, a locked UES list identifying a significant number of UES values is available to use through verification rather than fundamental impact analysis; however, this list of UES is reevaluated as part of the company's normal and recurring savings value analysis. Measures will also be updated to reflect the best science from other sources as well, primarily the Regional Technical Forum (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 2025 will contribute to the biennial savings acquisition for EIA compliance, which will complete its eighth biennium at the end of 2025.<sup>1</sup>
- ◆ A final evaluation of the electric programs deployed during 2025 will be initiated prior to the end of 2025 in order to meet the June 1, 2026, filing deadline in Washington.

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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.

- ◆ The evaluation will provide energy efficiency acquisition results with 90 percent precision with a 10 percent confidence interval. Discrete measures may be represented by reduced precision and wider confidence – such as 80 percent with a 20 percent confidence interval – but must support the required portfolio criteria of 90 percent/10 percent.
- ◆ 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 2025 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 and Named Communities* – 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 (LIHEAP) or Low-Income Rate Assistance Program (LIRAP) participants, may be incorporated into the analysis if possible.
  - *Commercial/Industrial* – Interviews of Avista staff and third-party implementers will be conducted, along with customer surveys, tracking databases, marketing materials, and quality assurance documents.
  - *Midstream* – A methodology to evaluate midstream program savings will be developed by the selected EM&V firm.
- ◆ A process evaluation report will be delivered as part of the 2025 Energy Efficiency Annual Conservation Report, which addresses program considerations for that program year.

## Summary of Individual Evaluations

Provided below is a summary of each of the external evaluation activities anticipated to occur for the 2025 portfolio. 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 plans will also be included in this plan as an appendix as they become available.

### **2024-25 Electric and Natural Gas Portfolio Impact Evaluation**

Based 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 are 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 commercial/industrial, 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 (2024-25) anticipated 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.

### ***2025 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 and marketing 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 the enhancement of existing program materials.

Participant and nonparticipant surveys will be conducted in 2025 for both residential and commercial/industrial 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.

### ***Third-Party Vendor Evaluation Plan***

As part of contractual requirements, the vendor will provide an overall detailed evaluation plan for 2024-25 that includes details on methodology, approach, and deliverables, as well as anticipated costs.

## APPENDIX B – COST-EFFECTIVENESS METHODOLOGY

The cost-effectiveness evaluation of Avista's energy efficiency programs has been standardized to a significant degree in order to provide for greater transparency and understanding of the metrics. Avista has brought these standardized<sup>2</sup> approaches into the evaluation of the cost-effectiveness of its 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 energy efficiency programs can be viewed from a variety of perspectives, each of which leads to a specific standardized cost-effectiveness test. The below outlines and describes the various perspectives.

1. **Total Resource Cost:** 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 percent conservation credit to the TRC calculation adding a benefit to the overall cost effectiveness.
2. **Utility Cost Test:** 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 (PAC) test.
3. **Participant Cost Test:** A participating customer's view of cost-effectiveness is focused upon reduced energy cost (at the customer's 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 on their own circumstances and voluntarily participate only to the extent that it is beneficial for them to do so.
4. **Ratepayer Impact Measure:** Non-participating customers are affected by a utility program solely through the impact on their retail rate. Their usage, since they are non-participants, is unaffected by the program. The impact of energy efficiency programs on the utility rate imposed upon these non-participating customers is the result of the reduced utility energy costs, diminished 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.

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



Although Avista currently uses the UCT as the primary cost effectiveness test for natural gas efficiency programs, Avista will transition to a modified TRC test, consistent with the council, as its primary cost-effectiveness test in 2024. Starting In 2024, Avista will rely on the modified TRC as its primary cost-effectiveness test for evaluating existing and potential measures and programs, as well as when evaluating cost-effectiveness at the portfolio level. The modified TRC test includes all quantifiable non-energy impacts, a risk adder, and a 10 percent conservation benefit adder. All cost-effectiveness calculations assume a net-to-gross ratio of 1.0, consistent with the council’s methodology.

The following table summarizes Avista’s approach to calculating the four basic cost-effectiveness tests. The categorization and nomenclature provide clarity regarding each cost and benefit component. In addition to TRC and UCT cost tests, Avista also tracks the PCT and the RIM test for its natural gas program portfolio. The two latter tests provide insights into cost impacts for program participants as well as for ratepayers, which are important considerations for Avista’s program designs and evaluations. Please note that some of the values within the table below represent negative values.

**TABLE 1 – SUMMARIZATION OF STANDARD PRACTICE TEST BENEFITS AND COSTS**

	TRC	UCT	PCT	RIM
<b>Benefit Components</b>				
Avoided Cost of Utility Energy	\$	\$		\$
Value of Non-Utility Energy Savings	\$		\$	
Non-Energy Impacts	\$		\$	
Reduced Retail Cost of Energy			\$	
<b>Cost Components</b>				
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 on 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 seventh Power Plan, and a \$26.90 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.

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.

The application of the avoided cost of energy-to-energy efficiency measures includes all interactive impacts upon the fuel specific to the measure (e.g., interactive impacts upon electric consumption by electric programs) as well as cross-fuel (e.g., interactive impacts upon natural gas usage as a result of an electric program).

**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 *IRP* valuation of the avoided cost, all savings are valued based on the customer's 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. Avista sources its NEIs from regional and national studies, and NEI values are applied with adjustment factors for the company's service territory. NEI values currently range from \$0.08-\$0.00002/kWh.

When Avista 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, Avista has not been able to quantify the value of comfort, preventing the company 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 customer's 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 on alternatives that are identical in all aspects other than efficiency. When a clear comparison isn't feasible, 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 costs associated with the administration of the program such as labor, EM&V, training, outreach, marketing, pilot programs, conservation potential assessments, organizational memberships, etc.

**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 the 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 the purposes of the RIM test, the loss of retail revenue is a cost to the non-participating customer.

The means by which Avista's energy efficiency portfolio is defined for the purposes of evaluation and cost allocation is also an important part of the company's methodology. The various definitions used for 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 the 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 standalone 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.

**Program:** Programs consist of one or more related measures. The relation among the measures may be based on 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 on the definition of the portfolio. The following portfolios are frequently defined in the course of Avista’s energy efficiency reporting and management:

- *Customer segment portfolio* – An aggregation of programs within a customer segment (e.g., low-income, residential, commercial/industrial).
- *Fuel portfolio* – Aggregating electric or natural gas energy efficiency programs.
- *Regular vs. low-income portfolios* – Separating income-qualified measures delivered through CAAs 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 energy efficiency 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 energy efficiency portfolio.

## Methodology for Allocation of Energy Efficiency Costs

The Avista methodology for cost allocation builds from the measure or sub-measure analysis to 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 on previous advisory group discussions regarding the company’s ability to expand or contract the portfolio to meet the acquisition target. Cost allocations are made based on the expected adjusted Btu acquisition of the program, with adjustments by the relative avoided cost of electricity and natural gas (e.g., 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) is 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 energy efficiency programs within the planned year are excluded from the cost-effectiveness calculations. These are termed “supplemental costs,” and consist of:

- ◆ The funding associated with regional programs (NEEA)
- ◆ Cost to perform conservation potential assessment studies (CPA)
- ◆ Evaluation, Measurement, and Verification engagements (EM&V)
- ◆ Funding of low-income educational outreach programs in Idaho
- ◆ Idaho research funding and similar expenses unrelated to the planned local portfolio

## Unit Energy Savings

The quantification of energy savings applicable toward achieving Washington EIA acquisition targets has been an ongoing topic of discussion since the effective date of the requirement. The company plan will create an annual locked Unit Energy Savings (UES) associated with the *Technical Reference Manual (TRM)* that will be updated on an annual basis. The savings will primarily be derived from the Regional Technical Forum (RTF) or previous impact evaluations.

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

## Analytical Methodology Applicable to Low-Income Programs

Avista has developed several analytical methodologies specific to the evaluation needs of the low-income portfolio. These include the (1) accommodation of incentive levels equal to the entire cost of the measure, including the cost of the baseline measure, and (2) 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 funds the full installed cost of an end-use service. For low-income programs delivered with Avista funding in partnership with CAAs, the participating customer may receive full funding of the end-use service. There is a need to appropriately represent this expenditure within the overall energy efficiency 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.

Avista 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 on the individual assessment of each of these expenditures by the CAA 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 CAA funds.

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

The administrative reimbursement permitted to the CAA is considered to be a component of the measure cost. This amount reimburses the CAA for back-office costs that would, in a typical trade ally bid, be incorporated into the project invoice. For 2024, the admin reimbursement is 30 percent of the total allocated amount per agency.

## APPENDIX C – NATURAL GAS PROGRAM SUMMARY

Program	Therm Savings	Estimated Budget
<b>Low-Income Programs</b>		
Low-Income Programs	27,000	\$ 2,435,651.43
<b>Total Low-Income Programs</b>	<b>27,000</b>	<b>\$ 2,435,651.43</b>
<b>Residential Programs</b>		
Residential Prescriptive	63,669	\$ 2,068,676.00
Midstream	253,605	\$ 1,889,916.81
ENERGY STAR Homes	134	\$ 600.00
Appliances	976	\$ 9,350.00
<b>Total Residential Programs</b>	<b>318,384</b>	<b>\$ 3,968,542.81</b>
<b>Commercial/Industrial Programs</b>		
Commercial Prescriptive	40,012	\$ 302,030.12
Site-Specific	175,000	\$ 401,349.58
Midstream	141,440	\$ 430,897.75
Building Operator Certification	2,820	\$ 400.00
<b>Total Commercial/Industrial Programs</b>	<b>359,272</b>	<b>\$ 1,134,677.44</b>
<b>Other Program and Administrative</b>		
NEEA	3,734	\$ 551,691.00
CPA, EM&V	–	\$ 78,322.12
Third Party Implementation	–	\$ 318,657.33
Labor, Marketing, General Implementation	–	\$ 458,442.40
Pilot Programs	–	\$ 410,077.50
<b>Total Other Program and Administrative</b>	<b>3,734</b>	<b>\$ 1,817,190.35</b>
<b>Total Natural Gas Budget</b>	<b>708,390</b>	<b>\$ 9,356,062.02</b>

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