

**Avista Corporation**

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Received
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Jeff Killip
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Dockets UE-210826 and UG-210827 - Avista Utilities 2023 Annual Conservation Report (ACR), 2022-2023 Biennial Conservation Report (BCR), and I-937 Report

Dear Mr. Killip:

In compliance with RCW 19.285 and WAC 480-109-120(3) and (4), Avista Corporation, dba Avista Utilities (Avista or the Company) respectfully submits its 2023 Annual Conservation Report (ACR) and its 2022-2023 Biennial Conservation Report (BCR). Also included as part of this filing is the Company's Energy Independence Act (I-937) Conservation Report, as provided to the Department of Commerce in compliance with WAC 480-109-120(3)(c).

This filing summarizes the Company's energy efficiency achievements for its Washington electric and natural gas customers for the 2022 and 2023 program years. These programs are intended to deliver a cost-effective, least-cost resource with the funding provided through Avista's Schedules 91 and 191, also known as the "tariff rider", which is a non-bypassable system benefit charge applied to all electric and natural gas retail sales.

Avista's Total Two-Year Utility Conservation Goals ("Two-Year Target"), as filed in its 2022-2023 Biennial Conservation Plan (BCP) and approved in Order 01 of Dockets UE-210826 and UG-210827, were 106,644 MWh¹ for its electric program and 2,302,056 therms² for natural gas. Of these total targets, the savings amounts subject to penalty ("Penalty Target") if not met –

¹ 101,566 MWh Energy Independence Act (EIA) Target, plus 5% Decoupling Commitment of 5,078 MWh.

² 2,192,434 therms Two-Year Conservation Target, plus 5% Decoupling Commitment of 109,622 therms.

pursuant to RCW 19.285.060 and WAC 480-109-070 for electric and Order No. 09, Dockets UE-190334, UG-190335, and UE-190222 (*Consolidated*) for natural gas – were 96,132 MWh (91,054 MWh EIA Penalty Threshold, plus 5,078 MWh Decoupling Penalty Threshold) and 2,302,056 therms, respectively.

In 2022 and 2023, Avista acquired 74,372 MWh (verified gross savings) from its local electric energy efficiency efforts, or 80% percent of its Two-Year Target and 77% of its Penalty Target, and 1,133,548 therms from its local natural gas efficiency efforts, or 55% of its Two-Year Target and 49% of its Penalty Target.³ While Avista utilized 4,841 MWh in excess conservation from prior biennia, in accordance with RCW 19.285.040(c)(i), to lessen this shortfall in its biennial achievement for its electric portfolio, the Company remains approximately 16,919 MWh and 1,038,575 therms short of its Penalty Targets for the 2022-2023 biennium.

As further explained throughout its BCR, the 2022-2023 biennium presented a uniquely uphill endeavor in terms of achieving the cost-effective savings necessary to meet Avista’s targets. From the initial substantial increase in the savings targets themselves, to the effects of lingering COVID-19 impacts, Avista believes that its adaptive and appropriate management of its Energy Efficiency Program helped to narrow the inevitable gap between its targets and actual achievements for the biennium. While the Company fell quantitatively short of its target, for the reasons detailed within the BCR, Avista requests that the Commission issue an Order determining that Avista is considered in compliance with its electric biennial acquisition target for cost-effective conservation in accordance with RCW 19.285.040(1)(e).

The COVID-19 pandemic was a public health emergency that could not have been reasonably anticipated or ameliorated, resulting in extended emergency declarations, and was beyond the reasonable control of the utility. The long-lasting impacts of the pandemic were the primary driver in preventing Avista from meeting its conservation targets, with examples of this disruption including, but not limited to, the extended COVID-19 emergency declarations, disturbances in business and manufacturing cycles (including a lack of return to work and empty commercial office space), a dramatic rise in inflation, increased interest rates (and, in turn, a reduction in the willingness or ability for customers to spend capital on efficiency improvements),

³ Penalty Targets are not inclusive of savings resulting from the regional market transformation efforts through the Northwest Energy Efficiency Alliance (NEEA).

and supply chain constraints that still persist today. Therefore, as allowed by RCW 19.285.040(1)(e), Avista is requesting a determination of compliance with its biennial targets due to the noted circumstances of the 2022-2023 biennium, thereby waiving any conservation target penalty for electric operations. More specifically, RCW 19.285.040(1)(e) states that “A qualifying utility is considered in compliance with its biennial acquisition target for cost-effective conservation in (b) of this subsection if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target. Events that a qualifying utility may demonstrate were beyond its reasonable control, that could not have reasonably been anticipated or ameliorated, and that prevented it from meeting the conservation target include: (i) Natural disasters resulting in the issuance of extended emergency declarations;” [Emphasis Added].

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

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

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

The portfolio energy savings for 2022-2023 were independently measured and verified by ADM Associates, the external evaluators retained for this biennium period. A draft copy of the 2023 ACR and 2022-23 BCR were provided to Avista’s Energy Efficiency Advisory Group (Advisory Group) on May 1, 2024; the Company received input from Commission Staff and has incorporated the feedback received into its filing. In support of the Company’s Biennial Conservation Report, and request for compliance determination pursuant to RCW 19.285.040(1)(e), the following documents are included with this filing:

1. 2022-2023 Biennial Conservation Report
 - a. 2023 Annual Conservation Report
 - i. Appendix A – Washington 2023 Electric Impact Evaluation Report
 - ii. Appendix B – Washington 2023 Natural Gas Impact Evaluation Report
 - iii. Appendix C – 2023 Cost-Effectiveness Tables
 - iv. Appendix D – 2023 Expenditures by Program
 - v. Appendix E – 2023 Energy Efficiency Activity by Program
 - vi. Appendix F – 2022-2023 Process Evaluation Report
 - vii. Appendix G – NEEA 2023 Annual Savings Report – Electric
 - viii. Appendix H – NEEA 2023 Annual Savings Report – Natural Gas
 - b. EIA Conservation Report Workbook 2022-2023

The Company has filed revisions to its electric tariff rider Schedule 91 concurrently with its BCR, in accordance WAC 480-109-130.

Please direct any questions on this matter to Kim Boynton, Manager, Energy Efficiency Analytics, at (509) 495-4744.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Affairs Manager

Enclosures
cc: Avista Energy Efficiency Advisory Group