



Avista Corp.

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Via: UTC Web Portal

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-132045 - Avista Utilities Annual Conservation Report (ACR)

Dear Mr. King,

In compliance with RCW 19.285 and WAC 480-109-020 (3), Avista Corporation, respectfully submits its "2014 Annual Conservation Report (ACR)." The Company provided a draft of its ACR to its Demand-Side-Management (DSM) Advisory Group on Friday, May 1, 2015 seeking input. The Company received input from the Commission Staff as well as Public Counsel and have incorporated the input into the ACR.

The 2014 ACR summarizes the Company's annual energy efficiency achievements for its Washington electric and natural gas customers. 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.

2014 is the first year of the third Biennial Conservation Plan (BCP) for Washington's Energy Independence Act (Initiative 937 or I-937). Avista's target as filed in its 2014-15 BCP is 68,204 MWh. In 2014, Avista acquired 40,896 MWh (unverified gross savings) in Washington, or 60 percent of its BCP two-year end-use efficiency target. Primary drivers for electric savings

included the Nonresidential site-specific and residential lighting efforts. Behavioral savings also contributed a significant amount to the overall savings contribution. Avista’s natural gas portfolio delivered 529,763 therms (unverified gross savings) in first year annual savings. This achieved 85 percent of the Company’s 2014 natural gas target of 637,042 therms as noted in the 2014 Business Plan. Primary drivers for the natural gas savings include residential prescriptive HVAC (primarily high efficiency natural gas furnaces), nonresidential site-specific HVAC, and residential shell measures.

A summary of acquired savings by sector is provided for both fuels in the following tables.

2014 Washington Electric Energy Savings (Unverified Gross)

Segment	kWh	Conversions	I-937 kWh Total
Residential	25,397,486	-1,810,904	23,586,582
Low Income	400,247	-201,855	198,392
Nonresidential	16,226,327	0	16,226,327
Distribution	885,000	0	885,000
Total	42,909,060	-2,012,759	40,896,301

2014 Washington Natural Gas Savings (Unverified Gross)

Segment	Therms	Conversions	Therms Total
Residential	355,443	-79,021	276,422
Low Income	14,944	-6,634	8,310
Nonresidential	245,031	0	245,031
Total	615,418	-85,655	529,763

The above mentioned acquisition has been delivered through local energy efficiency programs managed by the utility or third-party contractors. Avista also funds a regional market transformation effort through the Northwest Energy Efficiency Alliance (NEEA), however, reported electric energy savings, cost- effectiveness and other related information is specific to local programs unless otherwise noted. The savings indicated above are gross, unverified savings based on all program participants.

Avista judges the effectiveness of the energy efficiency portfolio based upon a number of metrics. Two of the most commonly applied metrics are the TRC test, a benefit-to-cost test encompassing the entire utility ratepayer population, and the PAC test, a benefit-to-cost test from the perspective of achieving a minimization of the utility cost of delivering energy efficiency services. At present, the Washington Utilities and Transportation Commission (UTC) has requested that Avista operate its natural gas energy efficiency programs under the Program Administrator Cost (PAC) test, formerly known as the Utility Cost Test, rather than the traditional Total Resource Cost (TRC) test.

Benefit-to-cost ratios in excess of 1.00 indicate that the benefits exceed the costs. In 2014, the gross TRC benefit-to-cost ratios were 1.48 for electric and 0.42 for natural gas. The PAC test benefit-to-cost ratios were 3.14 for electric and 1.02 for natural gas.

Nexant, Inc., in partnership with Research Into Action, (the Nexant Team) was retained as the Company's external evaluator to independently measure and verify the portfolio energy savings for the 2014-2015 biennium period. The energy efficiency savings and associated cost-effectiveness results presented in the 2014 ACR are based on gross, unverified savings. The 2014 savings will be evaluated by the Nexant Team in 2015 and reported as the verified energy savings in the 2014-2015 BCP.

The Annual Conservation Report consists of:

Appendix A – Washington 2014 Electric Impact Memorandum

Appendix B – Washington 2014 Natural Gas Impact Memorandum

If you have any questions regarding this information, please contact Dan Johnson, Director of Energy Efficiency at 509-495-2807 or myself at 509-495-4975.

Sincerely,

/s/Linda Gervais/

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cc : Advisory Group
Enclosures