PUBLIC DRAFT

Washington Clean Energy Implementation Plan

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The 1st Edition

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AVISTA

Safe Harbor Statement

This document contains forward-looking statements. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the Company's control, and many of which could have a significant impact on the Company's operations, results of operations and financial condition, and could cause actual results to differ materially from those anticipated.

For a further discussion of these factors and other important factors, please refer to the Company's reports filed with the Securities and Exchange Commission. The forward-looking statements contained in this document speak only as of the date hereof. The Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New risks, uncertainties and other factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the Company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

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Production Credits

Primary Electric CEIP Team

Name	Title	Contribution
Annette Brandon	Wholesale Contracts Manager	Project Manager
James Gall	IRP Manager	Resource Planning
John Lyons	Sr. Policy Analyst	Resource Planning
Lori Hermanson	Sr. Power Supply Analyst	Resource Planning
Ryan Finesilver	Mgr. of Energy Efficiency, Planning & Analysis	Energy Efficiency
Leona Haley	Energy Efficiency Program Manager	Demand Response
Meghan Pinch	Energy Efficiency Program Manager	Energy Efficiency
Ana Matthews	Energy Efficiency Program Manager II	Energy Equity
Renee Coelho	Energy Efficiency Program Manger II	Energy Equity
Annie Gannon	Communications Manager	Communications
Shawn Bonfield	Sr. Manager of Regulatory Policy	Regulatory
Amanda Ghering	Regulatory Affairs Analyst	Regulatory

Electric CEIP Contributors

Name	Title	Contribution
Scott Kinney	Director of Power Supply	Power Supply
Darrell Soyars	Mgr. Corporate Environmental Compliance	Environmental
Jaime Majure	Regulatory Affairs Analyst	Regulatory
Mikaela Terpko	Analyst, Business I	Energy Assistance
Michael Gump	Business Analyst II	Energy Assistance
Shana Gail	Sr. GIS Analyst	Energy Equity
Robert Cloward	Sr. GIS Analyst	Energy Equity
Kristie Meyer	Community Investment and Foundation Mgr	Energy Equity
Paul Kimmel	Regional Business Manager	Energy Equity

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Contact contributors via email by placing their names in this email address format: first.last@avistacorp.com

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1. Executive Summary

The 2021 Clean Energy Implementation Plan (CEIP) provides an overview of Avista's plan for progressing towards the 2030 and 2045 clean energy requirements of WAC 480-100-610 (2) and (3), the Clean Energy Transformation Act (CETA). The CEIP describes identified interim and specific clean energy targets, specific actions demonstrating progress towards these goals for the next four-years and identified Customer Benefit Indicators (CBIs) to measure progress while meeting the cost-cap limitation.

Specific targets and actions include the following:

- Cost-effective, reliable and feasible conservation and efficiency resources; and demand response;
- Maintaining and protecting the safety and reliability of the electric system; and
- Ensuring that all customers are benefiting from the transition to clean energy through the equitable distribution of energy and nonenergy benefits and reduction of burdens to Vulnerable Populations and Highly Impacted Communities (Named Communities); long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

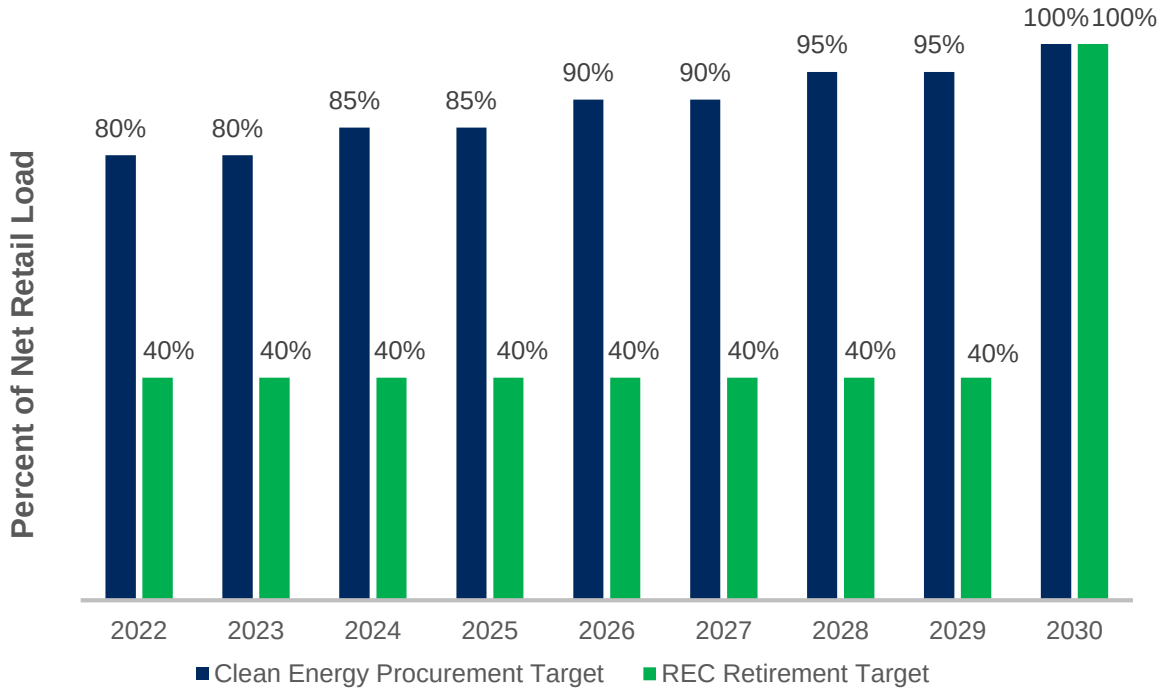
Existing advisory groups, customers, and the newly formed Equity Advisory Group (EAG) were instrumental in the development of this CEIP through the Avista's public participation process. All the meeting presentations, notes, and information supplied are available at Avista's CEIP website at: https://www.myavista.com/about-us/washingtons-clean-energy-future.

CEIP Specific Actions

Avista proposes a series of customer focused interim targets demonstrating progress towards meeting the 2030 goal of supplying Washington customers with 100 percent carbon neutral and 100 percent renewable or carbon-free resources by 2045. These targets are based on the Company's historic market performance under median water conditions for hydro generation. The goals reflect Avista's effort to meet the goals of CETA in a cost-effective manner while reducing energy burdens for Avista's customers.

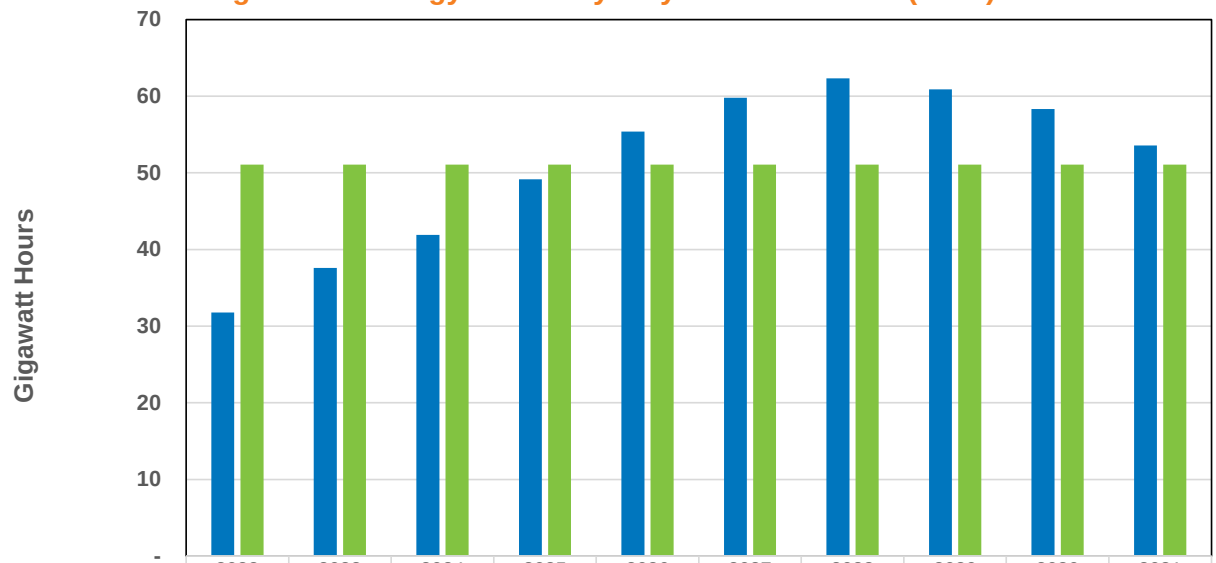
For Clean Energy Resources, as Illustrated in Figure 1.1, Avista proposes two types of interim targets to achieve carbon neutrality by 2030 and minimize customer rate impacts during the transition to clean energy as informed by the 2021 Clean Energy Action Plan (CEAP). The first clean energy procurement target helps Avista ramp up to the 100 percent net clean energy goal by 2030, while the second target proposes a 40 percent Renewable Energy Credit (REC) retirement goal that remains constant through 2029 to help mitigate customer rate pressure.

Figure 1.1: 2030 to 2045 Alternative Compliance Limits



Avista's CEIP specific actions also include goals for energy efficiency consistent with the Integrated Resource Plan. This forecast is shown in Figure 2.3 from Chapter 2 – Specific Actions for Avista's Washington electric customer's 10-year forecast for energy efficiency savings. This 10-year total of 510,762 MWh is then divided by the 10 years to determine the annual pro-rata share, then for the four-year compliance metric. The first four of these years are totaled to achieve the 204,305 MWh (prior to decoupling commitment) to be saved over the compliance period. Per the Biennial Conservation Plan (BCP), the larger pro-rata value is selected as the target rather than expected annual savings as determined in the economic analysis of the 2021 Electric Integrated Resource Plan (IRP). Avista also committed to an additional 5 percent energy efficiency target as part of a rate settlement implementing decoupling.

Figure 1.2: Energy Efficiency 10-year IRP forecast (GWh)



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WA IRP Selection	31.77	37.59	41.90	49.17	55.40	59.79	62.33	60.90	58.34	53.57
WA Pro-Rata	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08

Avista is not proposing to set a demand response (DR) target for the first CEIP implementation period from 2022 to 2025. Avista's CEAP previously identified a 1 MW DR resource beginning in 2025 to meet the ramp-up period required by most DR programs. After filing the updated 2021 CEAP, the Company negotiated a Special Contract with Inland Empire Paper (IEP) which included 30 MW of DR beginning in November 2026 and a voluntary program beginning in 2021. If approved by the Commission, the Special Contract will take effect on October 1, 2021.[1]

Avista does not include transformational energy projects in this CEIP due to the uncertainty regarding their application to the clean energy requirements. Although, Avista is actively pursuing transportation electrification which may provide these types of benefits. The inclusion of these types of transformational projects in the CEIP is expected to be part of future resource plans. Another form of alternative compliance is unbundled RECs. Given Avista's proposal to retire associated RECs equal to 40 percent of its net retail load from Idaho's REC share, Avista does not plan to use any additional unbundled RECs in normal circumstances. However, Avista proposes it may meet up to 20 percent of its net retail load with these alternative compliance in the event of unforeseen circumstances such as mechanical failure or changes in weather impacting hydro and wind generation. See Chapter 2 – Specific Actions for information specific to the 2031-2045 period.

[1] Dockets UE-200900, UG-200901, and UE-200894 (consolidated).

Customer Benefit Indicators

In consultation with advisory groups, customers, and the EAG, Avista identified twelve CBIs to measure progress towards ensuring all customers benefit from the transition to clean energy. Special emphasis was placed on those individuals located in Named Communities to help ensure the equitable distribution of benefits.

Of the 143 census tracts located within Avista's service territory approximately 34 (24 percent) meet the criteria of Named Communities per the Washington State Health Disparities Map developed by the Department of Health (DOH). In addition, an additional 13 of census tracts for areas scoring nine or higher for either the socioeconomic or sensitive populations indicators meet the criteria of Vulnerable Population. Avista elected to use this methodology as these indicators align with the CETA definition of Vulnerable Populations. While not specific to geographic location, the Company also worked closely with the EAG to identify other characteristics which should be considered in the development of the CBIs.

The CBIs illustrated in Table 1.1 were identified to be attributes of the specific actions and resources proposed for the implementation period 2022-2025.

Table 1.1: Equity Areas, CBIs and Evaluation Metrics

Equity Area	Benefit Areas	Customer Benefit Indicator
Affordability	Reduction in Burden, Cost Reduction, Public Health, Environment, Energy	• Participation in Company Programs • Number of Energy Burdened Households
Accessibility	Non-energy	• Availability of Methods/Modes of Outreach and Communication
Community Development	Reduction in Burden, Cost Reduction, Non-energy	• Named Community Clean Energy • Named Community Investment
Energy Resiliency	Energy, Resiliency, Risk Reduction	• Outage Duration
Energy Security	Energy, Security, Risk Reduction	• Proximity of Energy Generation
Environmental	Environmental, Public Health	• Outdoor Air Quality • Greenhouse Gas Emissions
Public Health	Public Health, Non-energy	• Avista Employee Diversity • Supplier Diversity • Indoor Air Quality

Specific Actions

Specific actions are the individual steps which will be taken to meet the specific targets identified in Chapter 2. The specific actions include energy efficiency, renewable energy and other Company Initiatives. Table 1.2 summarizes proposed specific actions and expected MWh identified for the 2022-2025 implementation period.

Table 1.2: Specific Actions (MWh)

Program	2022	2023	2024	2025
Energy Efficiency				
Site Specific- nonresidential	20,000	20,000	20,000	20,000
Non-Residential Lighting	17,552	17,552	17,552	17,552
"Always On" Behavioral Pilot	3,986	3,986	3,986	3,986
Nonresidential Prescriptive	1,663	1,663	1,663	1,663
Active Energy Management	1,600	1,600	1,600	1,600
Multifamily Direct Install	1,311	1,311	1,311	1,311
Residential Prescriptive	1,127	1,127	1,127	1,127
Low Income Program	781	781	781	781
Multifamily/ Small Home Weatherization	324	324	324	324
On-bill Repayment	260	260	260	260
Total Energy Efficiency	**48,600**	**48,600**	**48,600**	**48,600**
Renewable Energy Acquisitions				
Wind	0	0	0	420,480
Renewable Energy Purchases from Idaho Jurisdiction	368,808	380,658	536,837	527,291

CBIs are attributes for measurement of one or more of the identified specific actions for clean energy acquisition, energy efficiency, demand response or other Company initiatives. Avista developed at least one CBI for evaluating the benefits of each action identified in Table 1.3 to provide benefits in the following categories:

Table 1.3: Benefit Areas

Named Communities	All Customers[2]
Energy	Public Health
Non-Energy	Environment
Reduction of Burdens	Reduction in Cost
	Energy Security
	Resiliency

The proposed portfolio of resources was developed in accordance with all Commission requirements including meeting all resource needs with the lowest reasonable cost mix of conservation and energy efficiency, generation, distributed energy resources and delivery system investments that ensure the utility provides energy to its customers that is clean, affordable, reliable and equitably distributed. Resources identified are also consistent with Company, industry, and regulatory safety standards, and resource adequacy requirements.

Tables 1.4 and 1.5 contain the system level cost estimates for the clean energy acquisition, energy efficiency and other Company Initiatives. No costs were included for demand response in this initial CEIP.

[2] Includes Named Communities.

Table 1.4: Resource Acquisition Cost (Millions)

	2025
PPA Payments	$17.7
Transmission Expense	$4.4
Variable Energy Integration	$1.8
Total	$23.9
Avoided Market Purchases	-$8.6
REC Sales	-$2.1
Net Resource Cost	**$13.2**

Table 1.5: Projects in Development (Millions)

	2022	2023	2024	2025
Post Falls[3]	$9.5	$11.8	$31.7	$28.5
Kettle Falls	$0	TBD	TBD	TBD

The proposed cost for Avista's energy efficiency programs for the 2022-2025 implementation period, inclusive of all programs, pilots and studies but excluding NEEA-related expenditures, is $70.95 million as shown in Table 1.6.

Table 1.6: 2022 to 2025 Energy Efficiency Cost Estimate (Millions)

Year	Incentives/ Direct Customer Benefit	General Implantation Expense	Total Spending
2022	11.78	7.40	19.18
2023	11.78	7.78	19.56
2024	11.78	8.17	19.95
2025	11.78	8.57	20.35
Total	**47.12**	**31.92**	**79.04**

CEIP Incremental Cost and Alternative Compliance

The CEIP must describe the utility's plan for making progress toward meeting the clean energy standards as a projection of the incremental cost to meet this mandate. In addition, if a utility intends to rely on an alternative compliance mechanism, those plans must be described as well.

Per WAC 480-100-660(4), each CEIP must include a projection of the incremental cost of compliance. These incremental cost calculations are used to protect customers from excessive cost increases possible in the transition to clean energy. Avista does not plan to use an alternative compliance mechanism for this CEIP.

[3] Project spending includes both plant and substation improvements.

In addition to these requirements, Avista will provide workpapers, models[4] and associated calculations described in Chapter 4. Table 1.7 shows the incremental cost calculations for 2022 through 2025.

Table 1.7: Incremental Cost Calculation ($000)

Item	2022	2023	2024	2025	Total/Avg
Alternative Lowest Reasonable Cost Portfolio	605.9	626.3	653.9	682.8	
Reasonably Available Portfolio	605.9	626.3	661.2	704.3	
Incremental Cost	**0.0**	**0.0**	**7.3**	**21.5**	**28.8**
Annual Percent Increase	0.0%	0.0%	1.1%	3.1%	1.1%

CEIP Public Participation

In accordance with WAC 480-100-655, Avista's CEIP public participation includes representation from existing advisory group members, the newly-formed EAG, customers and other interested members of the public. Coordination of this engagement was accomplished through the CEIP Public Participation Meetings. These meetings were held monthly beginning in May 2021, with a final Public Educational Outreach meeting in September 2021. To ensure the appropriate focus and input was obtained in relation to Named Communities, two stand-alone EAG meetings were also held in early June 2021. These meetings consisted of a meet-and-greet of the members and setting of expectations for this effort, but also an initial dialogue about equity areas throughout Named Communities and the identification of barriers and burdens to participation, and preliminary CBIs. CEIP Public Participation Meetings were open to all existing Avista advisory group members, EAG members, Avista customers and the public. In addition, existing regularly scheduled advisory group meetings were held throughout the process.

The CEIP Public Participation Meetings were pivotal in recognizing how the transition to clean energy may benefit or harm Avista customers. Key categories for each meeting were identified to ensure all aspects of WAC 480-100-655 were met. The following topics were essential discussion points in the development of the CEIP:

- Review of Highly Impacted Communities using the cumulative impact analysis pursuant to RCW 19.405.140;
- Identification of Vulnerable Population characteristics;
- Identification of barriers and burdens to participation in the transition to clean energy;
- Recommended approaches for ensuring that all customers benefit from the transition to clean energy; and
- Development of and prioritization of CBIs.

Table 1.8 provides the milestones for the development of the CEIP and where public participation was incorporated into the overall process.

[4] The model and its output contain confidential data and is partially or completely redacted.

Table 1.8: Milestones

Milestone	Description
Identify Named Communities June 9 and 10, 2021 (EAG) June 17,2021 (All)	• Reviewed definition of Highly Impacted Communities as defined via the Department of Health Cumulative Impact Assessment for Avista • Reviewed Vulnerable Populations with a rating of 9-10 socioeconomic and sensitivities on the Department of Health, Health Disparities Map for our service territory • Identified vulnerable population Characteristics and barriers to participation with EAG
Identify inequity areas and develop preliminary CBIs June 9 and 10, 2021 – EAG June 17, 2021 – All July 15, 2021 – All	• Avista and EAG identified equity areas for all customers and Named Communities • EAG identified the barriers and burdens associated with equity areas • EAG identified preliminary CBIs; finalized with all customers/advisory group members
Review current programs in relation to CBI and equity areas July 15, 2021	• Reviewed RECs and proposal for CEIP • Overview of Energy Efficiency and associated CBIs and actions • Overview of demand response and associated CBIs and actions • Overview of renewable resources and associated CBIs and actions
Develop and finalize metrics to measure CBI July 15, 2021	• Avista identified and developed measurable methods for each CBI • Measurement methods were reviewed with all groups to ensure accurate CBIs were documented and appropriate measures assigned to each CBI
Correlate CBIs with resource mix August 17, 2021	• Avista determined each resource's contribution to overall customer benefits from the transition to clean energy • Ensured CBIs are directly related to specific actions for each target and combine where necessary • Solicit comment of correlated CBIs and its resource mix with Advisory Groups and EAG, where applicable
Calculate baseline measurements Ongoing	• Avista developed baseline CBI measurements • Avista will regularly communicate the CBI metrics to its customers to show the progress against the baseline through its website or other communication methods

Avista will continue to work closely with advisory group members to incorporate CBIs into evaluation procedures for each resource in the portfolio. In addition, the EAG will continue to help ensure an equity focus during implementation. The EAG will also be utilized to ensure a consistent equity focus in several other areas of the Company to ensure Named Communities are not left out of other aspects of the overall business which may be impactful.

Washington Regulatory Requirements

Washington UTC recently completed its rule making process for the Clean Energy Implementation Planning. The rules are outlined below in Table 1.9 through Table 1.20. Avista also discusses where in the CEIP document the rule requirement is covered.

Table 1.9: Filing Requirements

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (1)	File with the commission a CEIP by October 1, 2021, and every four years thereafter. The CEIP describes the utility's plan for making progress toward meeting the clean energy transformation standards, and is informed by the utility's clean energy action plan	This CEIP begins the first CEIP cycle.

Table 1.10: Interim Targets

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (2)(a)	Propose a series of interim targets that: Demonstrate how the utility will make reasonable progress toward meeting the standards identified in WAC 480-100-610 (2) and (3); Are consistent with WAC 480-100-610(4); and Each utility must propose interim targets in the form of the percent of forecasted retail sales of electricity supplied by non-emitting and renewable resources prior to 2030 and from 2030 through 2045.	Chapter 2 covers the interim targets in the form of percent of forecasted retail sales of electricity supplied by non-emitting and renewable resources.
WAC 480-100-640 (2)(b)	Include the utility's percentage of retail sales of electricity supplied by non-emitting and renewable resources in 2020 in the first CEIP it files.	Chapter 2 includes Avista's percent of retail sales of electricity supplied by non-emitting and renewable resources in 2020
WAC 480-100-640 (2)(c)	Each interim target must be informed by the utility's historic performance under median water conditions	Interim targets specified in Chapter 2 are informed by the Company's median water conditions.

Table 1.11: Specific Targets

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (3)(a)	Propose a series of specific targets for energy efficiency, demand response, and renewable energy. The energy efficiency target must encompass all other energy efficiency and conservation targets and goals the commission requires the utility to meet. The specific energy efficiency target must be described in the utility's biennial conservation plan required in chapter 480-109 WAC. The utility must provide forecasted distribution of energy and nonenergy costs and benefits. The utility must provide proposed program details, program budgets, measurement and verification protocols, target calculations, and forecasted distribution of energy and nonenergy costs and benefits for the utility's demand response target. The utility must propose the renewable energy target as the percent of retail sales of electricity supplied by renewable resources and must provide details of renewable energy projects or programs, program budgets as applicable, and forecasted distribution of energy and nonenergy costs and benefits.	Specific energy efficiency targets are described in Chapter 2 while all cost and benefit details are outlined in Chapter 4
WAC 480-100-640 (3)(b)	The utility must provide a description of the technologies, data collection, processes, procedures, and assumptions the utility used to develop the targets in this subsection. The utility must make data input files that are used to determine relevant targets available in native format and in an easily accessible format as an appendix.	Chapter 2 outlines Avista's assumption and methodology used to determine the Company's specific energy efficiency targets

Table 1.12: Customer Benefit Data

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (4)(a)	Identify highly impacted communities using the cumulative impact analysis pursuant to RCW 19.405.140 combined with census tracts at least partially in Indian country;	Chapter 3 identifies highly impacted communities within Avista's service territory
WAC 480-100-640 (4)(b)	Identify vulnerable populations based on adverse socioeconomic factors and sensitivity factors developed through the advisory group process and public participation plan described in WAC 480-100-655, describing and explaining any changes from the utility's most recently approved CEIP	Chapter 3 identifies vulnerable populations within Avista's service territory
WAC 480-100-640 (4)(c)	Include proposed or updated customer benefit indicators and associated weighting factors related to WAC 480-100-610 (4)(c) including, at a minimum, one or more customer benefit indicators associated with energy benefits, nonenergy benefits, reduction of burdens, public health, environment, reduction in cost, energy security, and resiliency. Customer benefit indicators and weighting factors must be developed consistent with the advisory group process and public participation plan described in WAC 480-100-655. The utility should describe and explain any changes in customer benefit indicators or weighting factors from its most recently approved CEIP	Chapter 3 outlines the Company's proposed customer benefit indicators associated with energy and nonenergy benefits, reductions of burdens, public health, environmental, reduction in cost, energy security and resiliency.

Table 1.13: Specific Actions

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (5)	Each CEIP must include the specific actions the utility will take over the implementation period. The specific actions must meet and be consistent with the clean energy transformation standards and be based on the utility's clean energy action plan and interim and specific targets. Each CEIP must present the specific actions in a tabular format that provides the following information for each specific action	Chapter 4 details the Company's Specific Action, in tabular format, that it will take towards meeting the clean energy standards outlined by the CETA legislation
WAC 480-100-640 (5)(a)	The general location, if applicable, proposed timing, and estimated cost of each specific action or remaining resource need, including whether the resource will be located in highly impacted communities, will be governed by, serve, or otherwise benefit highly impacted communities or vulnerable populations in part or in whole	Chapter 4 outlines the general location, proposed timing and estimated costs, as applicable, for each specific action.
WAC 480-100-640 (5)(b)	Metrics related to resource adequacy including contributions to capacity or energy needs	Metrics related to resource adequacy are discussed in Chapter 4
WAC 480-100-640 (5(c)	Customer benefit indicator values, or a designation as nonapplicable, for every customer benefit indicator described in subsection (4)(c) of this section	Customer benefit indicator values can be found in chapter 4 and Chapter 6

Table 1.14: Narrative Description of Specific Actions (Part 1)

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (6)(a)	The CEIP must describe how the specific actions: Demonstrate progress toward meeting the standards identified in WAC 480-100-610 (2) and (3)	Chapter 4 describes how Avista's specific actions demonstrate progress towards clean energy standards
WAC 480-100-640 (b)	Demonstrate consistency with the standards identified in WAC 480-100-610(4) including, but not limited to: An assessment of current benefits and burdens on customers, by location and population, and the projected impact of specific actions on the distribution of customer benefits and burdens during the implementation period; A description of how the specific actions in the CEIP mitigate risks to highly impacted communities and vulnerable populations and are consistent with the longer-term strategies and actions described in the utilities most recent IRP and CEAP as required by WAC 480-100-620 (11)(g) and (12)(c)	Chapter 3 provides a baseline assessment of current benefits and burdens and the projected impact to customers in Avista's service territory. Chapter 4 details how the specific actions in the CEIP mitigate risks to highly impacted communities and vulnerable populations.
WAC 480-100-640 (c)	Are consistent with the proposed interim and specific targets	Can be found in Chapter 2 and Chapter 4
WAC 480-100-640 (d)	Are consistent with the utility's integrated resource plan	Can be found in Chapter 2 and Chapter 4
WAC 480-100-640 (e)	Are consistent with the utility's resource adequacy requirements, including a narrative description of how the resources identified in the most recent resource adequacy assessment conducted or adopted by the utility demonstrates that the utility will meet its resource adequacy standard	Chapter 4 includes a narrative description of how the Company will meet its resource adequacy standard

Table 1.15: Narrative Description of Specific Actions (Part 2)

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (f)	Demonstrate how the utility is planning to meet the clean energy transformation standards at the lowest reasonable cost including, but not limited to: A description of the utility's approach to identifying the lowest reasonable cost portfolio of specific actions that meet the requirements of (a) through (e) of this subsection, including a description of its methodology for weighing considerations in WAC 480-100-610(4); A description of the utility's methodology for selecting the investments and expenses it plans to make over the next four years that are directly related to the utility's compliance with the clean energy transformation standards, consistent with RCW 19.405.050 (3)(a), and a demonstration that its planned investments represent a portfolio approach to investment plan optimization; Supporting documentation justifying each specific action identified in the CEIP.	Chapter 4 provides a lowest reasonable cost analysis as well as the methodology used for selecting the investments and expenses planned over the next four years. Chapters 2, 3 and 4 detail the methodology used for weighting considerations.

Table 1.16: Projected Incremental Cost

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (7)	Each CEIP must include a projected incremental cost as outlined in WAC 480-100-660(4)	Projected incremental costs are described in Chapter 5

Table 1.17: Public Participation

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (8)	Each CEIP must detail the extent of advisory group and other public participation in the development of the CEIP as described in WAC 480-100-655 including, but not limited to, the summary of advisory group member comments described in WAC 480-100-655 (1)(i).	Chapter 6 outlines Avista's steps towards effective public participation throughout the development of its CEIP. Advisory group member comments are displayed in Appendix F (filed with Final).

Table 1.18: Alternative Compliance

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (9)	The utility must describe any plans it has to rely on alternative compliance mechanisms as described in RCW 19.405.040 (1)(b)	Alternative compliance mechanisms are described in Chapter 5

Table 1.19: Early Action Coal Credit

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640 (10)	If the utility proposes to take the early action compliance credit authorized in RCW 19.405.040(11), the utility must satisfy the requirements in that statutory provision and demonstrate that the proposed action constitutes early action by presenting the analysis in subsection (6) of this section both with and without the proposed early action. The utility must compare both the proposed early action and the alternative against the same proposed interim and specific targets.	Early action coal credit compliance is outlined in Chapter 5

Table 1.20: Biennial CEIP Update

WAC Rule	Requirement	CEIP Discussion
WAC 480-100-640	The utility must make a biennial CEIP update filing on or before November 1st of each odd-numbered year that the utility does not file a CEIP. The CEIP update may be limited to the biennial conservation plan requirements under chapter 480-109 WAC. The utility must file its biennial CEIP update in the same docket as its most recently filed CEIP and include an explanation of how the update will modify targets in its CEIP. In addition to its proposed biennial conservation plan, the utility may file in the update other proposed changes to the CEIP as a result of the integrated resource plan progress report.	The next steps the Company will take after filing its initial CEIP are outlined in Chapter 7

2. Interim and Specific Targets

Chapter Highlights

In 2020, renewable energy production equaled 74 percent of Avista's retail load.

Procurement goals are set at 80 percent clean energy in 2022 and 2023, and 85 percent clean enegy in 2024 and 2025.

Avista will reduce customer rate pressure by limiting REC retirements to 40 percent of retail load.

Overview

Avista proposes a series of customer focused interim targets to demonstrate progress towards meeting the 2030 goal of supplying Washington customers with 100 percent carbon neutral and 100 percent renewable or carbon-free resources by 2045. These targets are based on the Company's historic market performance under median water conditions for hydro power. The goals reflect Avista's effort to meet the objectives of the CETA in a cost-effective manner while reducing energy burdens to Avista's customers.

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The CEIP contains specific targets informed by, and consistent with the Company's Integrated Resource Plan (IRP), and in accordance with the requirements of RCW 19.280.030, which requires investor-owned utilities to develop a 10-year Clean Energy Action Plan (CEAP) that must:

a) identify and be informed by the utility's ten-year cost-effective Conservation Potential Assessment (CPA);

b) if applicable, establish a resource adequacy requirement;

c) identify the potential cost-effective demand response and load management programs that may be acquired;

d) identify renewable resources, non-emitting electric generation and distributed energy resources that may be acquired and evaluate how each identified resource may be expected to contribute to meeting the utility's resource adequacy requirement;

e) identify any need to develop new, or expand or upgrade existing bulk transmission and distribution facilities; and

f) identify the nature and possible extent to which the utility may need to rely on alternative compliance options, if appropriate.

Avista's 10-year CEAP (included in Appendix A) is a lowest reasonable cost plan of resource acquisition given societal costs, clean energy, and reliability requirements, after incorporating the successful completion of its 2021 renewable Request for Proposal (RFP). Avista developed its CEAP in conjunction with its Technical Advisory Committee (TAC) to meet the capacity, energy, and clean energy needs within Avista's service territory in both Idaho and Washington. The resources described in the CEAP are specific to the Washington portion of Avista's system needs to comply with CETA. The discussion below describes the key considerations required. The CEAP informs the implementation targets for the 2021 CEIP on described in this section and uses the 2020 actual renewable and nonemitting generation availability as a starting point.

2020 Renewable and Nonemitting Generation Supply

Avista controlled qualifying renewable generation equaled 74.4 percent of its Washington retail load in 2020. Avista sold the environmental attributes or the Renewable Energy Credits (RECs) associated with some of this energy reducing its renewable energy 45.3 percent of retail load. Avista estimated the retail load in 2020 by removing the actual Washington state PURPA generation[1] and the solar generation from the Solar Select program[2] from retail sales. This results in an average load of 596 megawatts or 5.22 gigawatt-hours.

To estimate the amount of renewable energy in 2020, Avista summed the actual annual generation from its qualifying resources then allocated the Washington share of the generation using its state allocation methodology. In addition to the state allocated share of the generation, the calculation also included the available generation from wind and biomass allocated to Idaho. This generation's renewable attributes have been purchased by Washington customer's for compliance with the Energy Independence Act (EIA). The total renewable generation in 2020 is 443 aMW or 3.88 gigawatt hours.

Avista sells RECs and specified renewable generation to other utilities and organizations to reduce rates. Table 2.1 includes the total renewable energy before and after REC sales to illustrate the current position of renewable energy compared to load.

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[1] This value estimates Avista's Washington State sited PURPA generation regardless of generation type. These estimates include current contracts that are expected to renew after expiration. Avista is not including any new PURPA generation developed after the passage of CETA.

[2] Avista has two renewable voluntary programs: 1) Solar Select and 2) My Clean Energy. Avista assumes the Solar Select program reduces retail sales approximately 6 aMW; but does not include My Clean Energy sales of approximately 5.3 aMW. The Solar Select program is tied to the output of a local solar project and the My Clean Energy program relies on unbundled REC purchases.

Table 2.1: 2020 Available Renewable Energy (MWh)

Item	Renewable Energy Under Utility Control	Renewable Energy After REC/ Specified Sales
Retail Sales	5,461,691	5,461,691
WA PURPA	-195,826	-195,826
Voluntary Clean Energy	-45,281	-45,281
Retail Load	**5,220,584**	**5,220,584**
Allocated Renewable Energy		
Hydro	3,224,185	1,789,076
Wind	267,392	229,430
Biomass	165,876	149,279
Solar	485	485
Total Allocated Renewable Energy	**3,657,938**	**2,168,271**
Available Idaho Renewable Energy Transfers		
Wind	139,907	120,045
Biomass	86,791	78,107
Total Available Idaho Transfers	**226,699**	**198,152**
Total Clean Energy Available	**3,884,637**	**2,366,423**
Percent of Retail Load	**74.4%**	**45.3%**

Interim 2022-2030 Clean Energy Targets

Avista is an electric and natural gas utility located in the inland northwest where it traditionally generates excess renewable energy beyond its current EIA requirements. The Company optimizes these resources for the benefit of customers by selling the excess RECs[3] and by making specified power sales where this energy is in excess to regulatory requirements and customer needs. Avista proposes to continue providing this customer benefit through 2029, while adding cost-effective clean energy resources to the portfolio for 2030 and 2045 CETA compliance requirements. Avista proposed this concept to customers and advisory group members at its May 2021 CEIP Public Participation Meeting and discussed the mechanics of the proposal at the July 2021 CEIP Public Participation Meeting. This proposal will provide customer benefits from REC revenue until needed to meet the requirements of WAC 480-100-610(2) in 2030.

As Illustrated in Figure 2.1 below, Avista proposes two types of interim targets to achieve carbon neutrality by 2030 and to minimize customer rate impacts during the transition to a clean energy portfolio, as informed by the 2021 CEAP. The clean energy procurement target helps Avista ramp up to the 100 percent net clean energy goal by 2030 under CETA, while the 40 percent REC retirement goal remains constant through 2029 to help mitigate customer rate pressure.

[3] RECs are used to demonstrate EIA compliance by meeting 15 percent of Washington retail sales with qualifying renewable energy.

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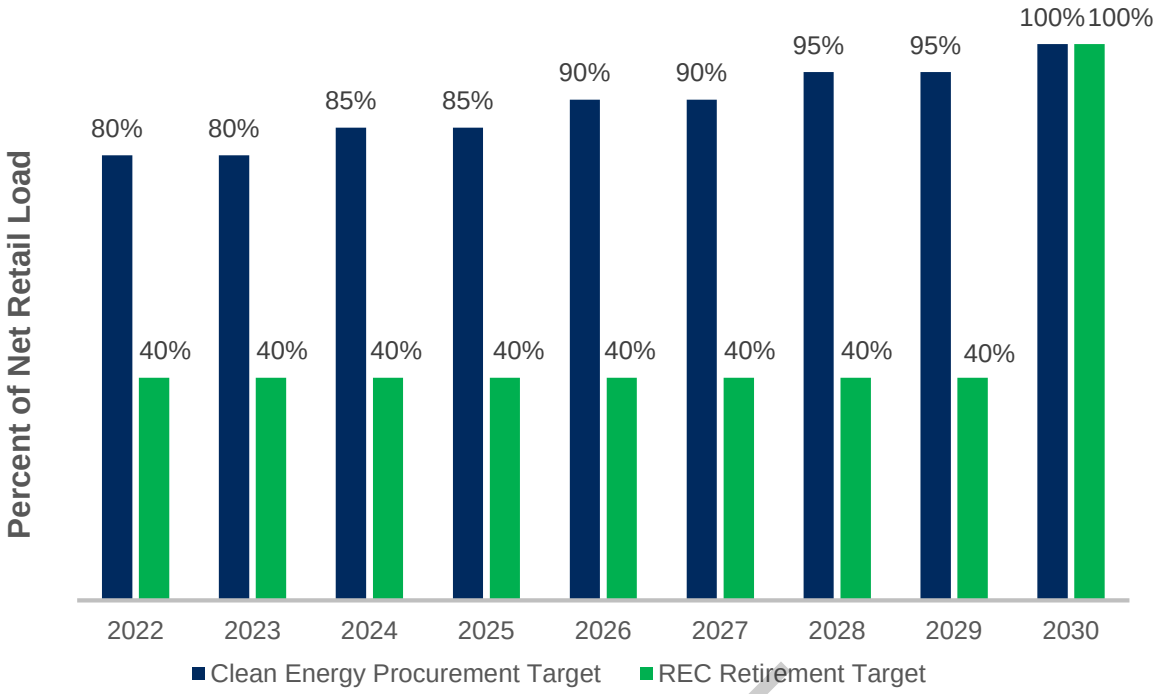
Figure 2.1: Interim Clean Energy Targets



Clean Energy Procurement Target

The first target is a clean energy resource procurement goal of acquiring clean energy generation equal to 80 percent of net retail load in 2022 and 2023. Avista will increase this goal by five percent every two years until 100 percent clean energy is achieved in 2030, as shown by the dark blue bars in Figure 2.1. Avista chose two-year steps to allow the acquisition processes to be completed using RFPs, so that it may acquire resources from renewable energy developers and owners. The specific MWh estimates for this first four-year CEIP period are in Table 2.2 below.

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Table 2.2: Interim Procurement Targets (MWh)

	2022	2023	2024	2025	Total
Washington Retail Load	5,666,821	5,695,406	5,718,980	5,740,232	22,821,439
WA PURPA	-182,565	-182,565	-183,156	-182,565	-730,852
Voluntary Clean Energy	-50,593	-50,593	-50,615	-50,593	-202,392
Net Retail Load	5,433,663	5,462,248	5,485,209	5,507,074	21,888,195
Goal Percentage	80.0	80.0	85.0	85.0	82.5
Interim Procurement Target	**4,346,931**	**4,369,798**	**4,662,428**	**4,681,013**	**18,060,170**

REC Retirement Target

The second target is proposed to demonstrate compliance with the requirements of CETA to retire the clean energy attributes of renewable energy. Avista proposes to retire the associated RECs of its clean energy resources, equal to 40 percent of its net retail load, until 2030 to maintain compliance with the interim target requirement. This target is illustrated by the green bars in Figure 2.1 above, and the specific MWh for the CEIP period in Table 2.3 below. This proposal sets Avista's official target for the clean energy

standard for this initial CEIP. Avista proposes to sell the excess RECs, or specified power over the 40 percent target, to third parties for the benefit of customers.

Table 2.3: Interim Compliance Targets (MWh)

	2022	2023	2024	2025	Total
Net Retail Load	5,433,663	5,462,248	5,485,209	5,507,074	21,888,195
Goal Percentage (%)	40.0	40.0	40.0	40.0	40.0
Interim Compliance Target	**2,173,465**	**2,184,899**	**2,194,084**	**2,202,830**	**8,755,278**

Avista reserves the right to use alternative compliance methods such as unbundled RECs for up to 20 percent of its net retail load, or purchase qualifying renewable energy from its Idaho service territory, in the event of variances in load or clean generation from the CEIP forecast. In 2030, Avista will stop selling RECs and will retire them to comply with the carbon-neutral standard requirement under RCW 19.405.040. However, depending on the final rules for how utilities are required to comply with these new requirements, Avista may utilize alternative compliance such as unbundled RECs for up to 20 percent of its net retail load as alternative compliance as allowed by RCW 19.405.040(1)(b).

Avista developed its clean energy acquisition targets to ensure clean energy generation is equal to or exceeds 100 percent of Washington retail sales by 2030, as required by statute. Aiming for 100 percent renewable energy is possible because of the opportunity to purchase cost effective renewable energy generation from Avista's Idaho customers. Table 2.4 outlines the requirements and available existing resources to meet the 2030 goal for 2022 through 2031. This table outlines the available clean energy from Washington's share of the system resources prior to transfer (purchases) from Idaho customers and prior to any REC sales Avista may also employ new clean resource acquisitions and energy efficiency to lower costs of the clean energy transition.

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Table 2.4: Washington Retail Load and Clean Energy Resource Position (aMW)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Retail Sales	647	650	651	655	657	658	658	661	662	663
PURPA	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22
Solar Select	-6	-6	-6	-6	-6	-6	0	0	0	0
Net Requirement	**619**	**623**	**624**	**628**	**629**	**631**	**636**	**640**	**641**	**642**
Clean Target %	80	80	85	85	90	90	95	95	100	100
Clean Energy Goal	**496**	**498**	**530**	**534**	**567**	**568**	**604**	**608**	**641**	**642**
Owned Hydro[4]	292	288	288	285	292	289	292	289	291	291
Contract Hydro[5]	96	95	99	100	99	97	97	92	93	57
Kettle Falls	24	23	23	21	23	21	22	20	21	19
Palouse Wind	24	24	24	24	24	24	24	24	24	24
Rattlesnake Flat Wind	36	36	36	36	36	36	36	36	36	36
Adams Neilson Solar[6]	0	0	0	0	0	0	6	6	6	6
Total Resources	**473**	**466**	**470**	**465**	**473**	**468**	**475**	**467**	**470**	**433**
Percent of Target										
Net Position	**-23**	**-32**	**-60**	**-68**	**-92**	**-101**	**-127**	**-141**	**-170**	**-209**

In addition to the clean energy goals described above, the Company will also pursue all cost effective, reliable, and feasible conservation, energy resources, and demand response, all while maintaining and protecting the safety, reliable operation and balancing of the electric system. The Company will ensure the implementation actions for these interim and specific targets, as described in Chapter 4 – Specific Actions, benefit all customers including those located in Named Communities.

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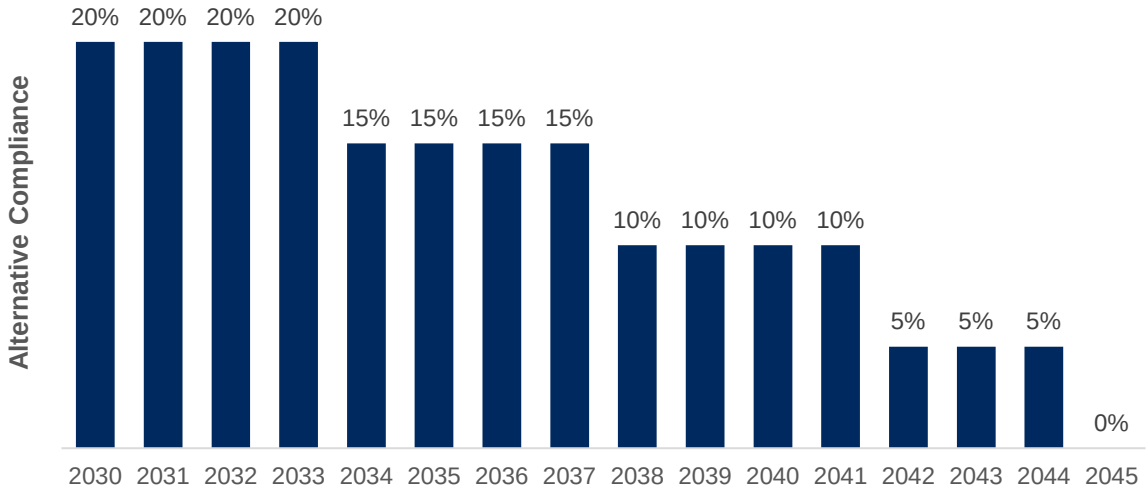
2031-2045 Clean Energy Targets

Avista's interim targets to meet the 2045 standard (WAC 480-100-610(3)) will specifically be determined in a future CEIP after final rules are in place for compliance; however, preliminary targets limiting the amount of alternative compliance used between 2030 and 2045 are shown in Figure 2.2. For the 2030 to 2033 compliance period, if Avista needs to utilize alternative compliance it will limit alternative compliance such as unbundled RECs to 20 percent or less of its four-year net retail load, in accordance with CETA. Avista will continue to reduce its reliance on alternative compliance by lowering its allowance by 5 percentage points each four-year period until it attempts to serve customers with 100 percent clean energy in 2045. This proposal will be revisited once compliance rules are established for the 2030 to 2044 standard.

[4] This forecast includes upgrades to the Post Falls Hydroelectric Facility.
[5] Includes the new Chelan 5 hydro slice percent contract.
[6] The Adams Neilson Solar PPA serves participants in the voluntary Solar Select through 2028.

Figure 2.2: 2030 to 2045 Alternative Compliance Limits



Jurisdiction Allocation of Clean Energy Resources

Avista is one of three Washington investor-owned utilities that are also serving retail electric loads outside of Washington, and one of two with control of its own generation resources. This unique circumstance creates challenges for resource and cost allocation for jurisdictions with differing energy policies. Further, Avista has qualifying clean energy under its control, exceeding Washington's clean energy goal within its portfolio. Avista has specific proposals on how it will allocate these resources to meet the objectives of the law to increase clean generation serving Washington customers while minimizing the cost impacts to customers.

Jurisdictional Allocation

Avista's resources and costs are allocated to each state jurisdiction using historical load ratios. Avista currently splits these resources and cost, where not specifically assigned, by 65.65 percent to Washington and 34.35 percent to Idaho. This ratio is referred to as the PT ratio.[7] For the purposes of complying with the CETA, Avista proposes the following:

1. To allocate its contracts and owned clean generating resources using this ratio, except for Washington state sited PURPA generation[8] and any current or future state specific allocated resources until an alternative allocation agreement is made.

2. To continue to purchase Idaho's portion of generation and renewable attributes of Palouse Wind, Kettle Falls Generating Station, and Rattlesnake Flat Wind to Washington as historically these resource's environmental attributes are transferred to Washington for a fee, paid from Washington customers to Idaho customers, for compliance with the EIA. Further, Avista proposes to also use this

[7] PT ratio stands for production and transportation ratio used for jurisdictional allocation of Avista's costs.
[8] Fully reduced as an adjustment to retail electric load.

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methodology for any future clean energy resources acquired after 2020, such as the recently acquired 5 percent share of Chelan PUD's Columbia River generation.

3. To not transfer (purchase) Idaho's share of existing hydro energy for Washington customers prior to 2030, notwithstanding unforeseen circumstances such as low hydro conditions or major mechanical failure of clean energy resources.

4. To limit these hydro purchases from its Idaho jurisdiction as an effort to increase renewable energy by including these purchases as part of "alternative" compliance between 2030 and 2044. Although, Avista may sell the environmental attributes associated with Idaho customers to other utilities.

Specific Energy Efficiency Targets

Per WAC 480-100-640, the energy efficiency target for the four-year implementation period 2022-2025 is 214,520[9] MWh. Table 2.5 illustrates the components of the calculated target for the four-year period. These targets encompass the CPA Pro-Rata share and an additional 5 percent decoupling commitment, and all other energy efficiency and conservation targets and goals the commission requires. These specific targets are further described and informed by the 2021 Biennial Conservation Plan (BCP) included in Appendix B.

Table 2.5: CEIP Energy Efficiency Targets (MWh)

	2022	2023	2024	2025	Total
CPA Pro-Rata Share	51,076	51,076	51,076	51,076	204,305
5% Decoupling Commitment	2,554	2,554	2,554	2,554	10,215
Total Target	53,630	53,630	53,630	53,630	214,520

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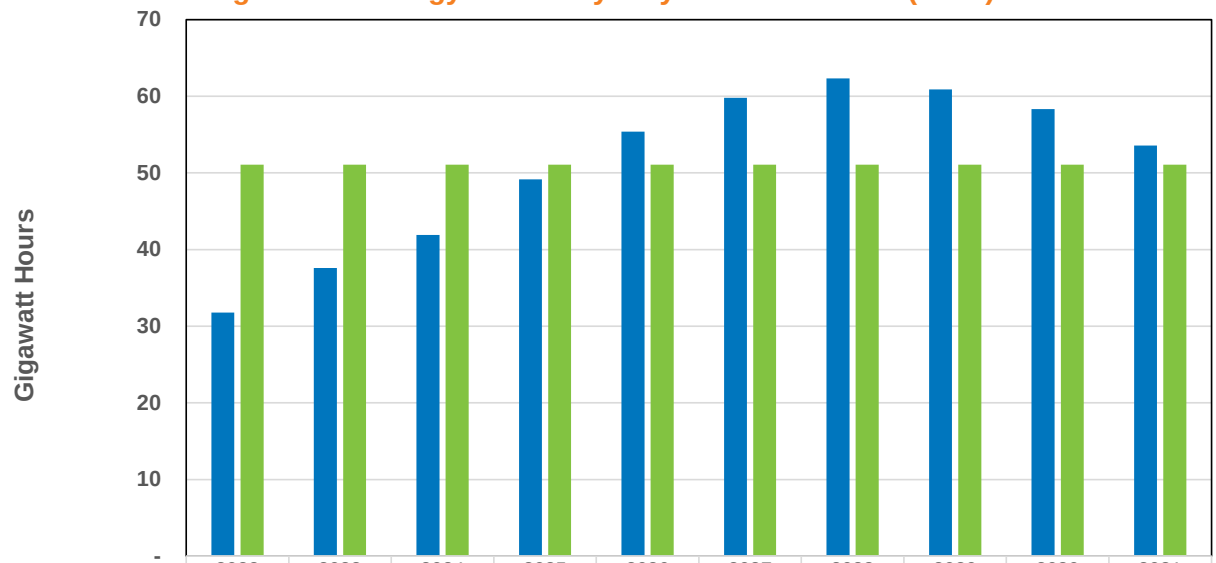
Assumptions and Methodology

Energy efficiency targets for Avista's CEIP use a methodology consistent with Avista's 2021 Electric IRP. This forecast is shown in Figure 2.3 below for Avista's Washington electric customers' 10-year forecast for energy efficiency savings. This 10-year total of 510,762 MWh is then divided by the 10 years to determine the annual pro-rata share, then for the four-year compliance metric, the first four of these years are totaled to achieve the 204,305 MWh to be saved over the compliance period. As per the BCP, the larger pro-rata value is selected as the target rather than expected annual savings, as determined in the economic analysis of the IRP. Avista committed to an additional 5 percent energy efficiency target as part of a rate settlement implementing decoupling.

[9] The overall CEIP target in Table 2.4 differs from target included in the Company's 2021 Electric IRP. For the purposes of developing the Company's 4-year CEIP target (2022-2025) the Company did not adjust for its Northwest Energy Efficiency Alliance (NEEA) participation.

Figure 2.3: Energy Efficiency 10-year IRP forecast (GWh)



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WA IRP Selection	31.77	37.59	41.90	49.17	55.40	59.79	62.33	60.90	58.34	53.57
WA Pro-Rata	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08	51.08

The IRP process provides the energy efficiency targets for Washington's BCP by estimating an annual forecast for energy efficiency savings. The process for setting the energy efficiency targets is more fully described in the 2021 BCP.

This CEIP target and the Washington EIA target is established based on Northwest Power and Conservation Council (NPCC) methodologies and the Council's Regional Technical Forum (RTF) Unit Energy Savings (UES) values. As such, those same methodologies and savings are employed, to an extent, in measuring the savings eligible to achieve the target. The planning effort has, with a few isolated exceptions, adopted the same approach to predict how 2021 portfolio performance will be retrospectively measured. The use of RTF UES values also assists in the management of the Company's Evaluation Measurement and Verification (EM&V) expenses by reducing the expenses associated with impact evaluation. Impact evaluations performed by utilities on current RTF measures will be shared with the RTF to help improve the quality of the regional deemed UES.

Avista uses a multistep process to develop energy efficiency goals for the IRP, CEAP, and CEIP. The full description of the methodologies, models, and assumptions of this analysis, along with all energy efficiency programs used in this analysis, is available at the 2021 Electric IRP website.[10]

[10] https://www.myavista.com/about-us/integrated-resource-planning.

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Specific Demand Response Targets

Avista is not proposing to set a Demand Response (DR) target for the first CEIP implementation period from 2022 to 2025. Avista's CEAP previously identified a 1 MW DR resource beginning in 2025 to meet the ramp-up period required by most DR programs. After filing the updated 2021 CEAP, the Company negotiated a Special Contract with Inland Empire Paper (IEP), which included 30 MW of DR beginning in November 2026 and started a voluntary program with this customer beginning in 2021. If approved by the Commission, the Special Contract will take effect on October 1, 2021.[11]

In addition, Avista started a time of use (TOU) rate for electric vehicle charging for bus fleets to encourage certain customers from charging during peak hours. In combination, through these programs, Avista will surpass its CEAP DR selection. However, Avista will also seek additional load management programs over the next 10 years as shown in Table 2.6 from the CEAP. The variable peak pricing program is expected to begin in 2025 and may see some modest savings in 2025; further, the voluntary IEP DR program is a variable peak pricing option.

Table 2.6: Demand Response and Load Management

Program	Begin Year	2031 Savings (MW) CEAP
Variable Peak Pricing	2025	9.1
Time of Use Rates	2031	0.3
Total		**34.4**

Assumptions and Methodology

Beginning in 2014, and every two years thereafter, Avista has conducted a DR potential assessment study as part of the IRP process. An experienced third-party contractor familiar with DR programs throughout the U.S., along with input from Avista using experience from historical DR pilot programs, performs these assessments. Outputs from this process estimate the magnitude, timing, and costs of DR resources likely available to Avista over the IRP planning horizon. Avista considers DR programs addressing either, or both, winter, and summer peaks. These results are then used as inputs into the IRP modeling process equal to other resources to determine the value of the DR resources compared to other resource options. Avista separately adds potential DR options from large industrial customers due to the uniqueness of the flexible loads and existing relationships of these customers, which can be larger, more reliable, and efficient over standard DR options generated from the potential assessment study.

Changes in technology, customer economics and other factors also influence potential DR resources. As a result, Avista included DR in its current all-source RFP, which may reveal additional DR opportunities. Once implemented, the program will be monitored and evaluated using existing Avista Automated Meter Reading (AMR) Data, our Meter Data Management Tool (MDM), and our Customer Care and Billing (CC&B) systems to ensure accurate and timely measurement and verification of pilot programs. Other measurement protocols may be identified throughout the development stage.

[11] Dockets UE-200900, UG-200901, and UE-200894 (consolidated).

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Alternative Compliance

Avista does not include transformational energy projects in this CEIP due to the uncertainty regarding their application to the clean energy requirements. Although, Avista is actively pursuing transportation electrification which may provide these types of benefits. The inclusion of these types of projects in the CEIP is expected to be part of future resource plans. Another form of alternative compliance is unbundled RECs. Given Avista's proposal to retire associated RECs equal to 40 percent of its net retail load from Idaho's REC share, Avista does not plan to use any additional unbundled RECs in normal circumstances. However, Avista proposes it may meet 20 percent of its net retail load with these alternative compliance options in the event of unforeseen circumstances such as mechanical failure or changes in weather impacting generation.

Target Methodology

Avista developed its renewable energy targets by establishing a straight-line growth of renewable energy to meet the 2030 goal from its current position. This aggressive renewable acquisition strategy resulted in the proposal to continue the current practice of selling excess RECs to lessen rate impact of the transition to clean energy. Avista established the REC retirement target by evaluating the quantity of RECs available beyond the requirements of the EIA and the quantity of RECs it has historically been able to sell to other markets. Avista has shared these goals with its TAC and published them in the 2021 IRP. Further, for the drafting of this CEIP, these goals were shared during the CEIP Public Participation Meetings in May and July 2021, which included representatives from the Equity Advisory Group (EAG).

The energy efficiency goal was set by extending the BCP's savings goal for an additional two years. These goals represent the prorata share of the 10-year savings potential determined in the 2021 Electric IRP. Avista communicated these goals with the IRP TAC and the Energy Efficiency Advisory Group (EEAG) during the development of those plans. Further, a review of the energy efficiency programs was performed in the Public Participation Meeting in August 2021.

Avista decided to not include a DR target for the this CEIP. Even though Avista's 2021 electric IRP included 1 MW of savings in 2025, this program was the beginning of a larger DR program expected to ramp up later in the plan. Avista instead seeks to learn from DR pilots and its voluntary larger commercial program prior to setting a CEIP goal for this resource.

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3. Customer Benefits

Chapter Highlights

32 percent of the Washington service territory population live in areas identified as Highly Impacted Communities or Vulnerable Populations ("Named Communities").

12 Customer Benefit Indicators (CBIs) were identified for the 2022-2025 Implementation Period.

CBIs include methods to measure energy, non-energy, reduction of burdens, public health, environmental, reduction in cost, energy security and resiliency benefits.

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Overview

In accordance with WAC 480-100-610(4)(c) the Company developed Customer Benefit Indicators (CBIs) to measure success in providing benefits from the transition to clean energy in the following ways:

- The equitable distribution of energy and non-energy benefits and reductions of burdens to Vulnerable Populations and Highly Impacted Communities (Named Communities);
- Long-term and short-term public health and environmental benefits and reduction of costs and risks;
- Energy security and resiliency; and
- Cost and risk reduction.

CBIs are developed in collaboration with the Equity Advisory Group (EAG), the Company's other advisory group participants, and general customers through the Public Participation Meeting process; see Chapter 6 – CEIP Public Participation for more details on this process. Each CBI measures progress towards meeting the equitable distribution of customer benefits of CETA, with the specific actions identified in Chapter 4 – Specific Actions intended to improve these metrics.

Vulnerable Populations and Highly Impacted Communities

Ensuring the equitable distribution of benefits to Named Communities is a key focus of the CETA legislation. As Avista transitions to a 100 percent clean energy future, it is important that these communities highly impacted by adverse socioeconomic conditions, pollution and climate change - as well as those who may experience a disproportionate cumulative risk of environmental burdens - are identified within Avista's service territory. By identifying Named Communities, the Company can better utilize current programs or design new programs and select resources to effectively ensure the benefits of the clean energy transition go to communities that need it most. The first step of this process is to identify these populations. CETA defines these populations as follows: [1]

- **Highly Impacted Community** means a community designated by the Washington Department of Health based on cumulative impact analyses in section 24 of this act or a community located in census tracts that are fully or partially on "Indian country" as defined in 18 U.S.C. Sec. 1151.12.

- **Vulnerable Populations** mean communities that experience a disproportionate cumulative risk from environmental burdens due to:
    - Adverse socioeconomic factors, including unemployment, high housing, and transportation costs relative to income, access to food and health care, and linguistic isolation; and
    - Sensitivity factors, such as low birth weight and higher rates of hospitalization.

To identify these populations, Avista relies on information provided by the Washington State Health Disparities Map from the Department of Health (DOH), shown in Figure 3.1 below. [2] The map divides the state into census tract areas. These census tracts first split the state by county and then into distinct areas for cities, neighborhoods, or communities. For each of these census tract areas, the state developed a score between 1 and 10 for each of the health disparities indicators shown in Figure 3.2. The scoring is based on the area's relational standing compared to other areas or scoring percentile within the state.

CETA requires the DOH to determine each utility's Highly Impacted Communities. To do this, he DOH uses the combined score of the four categories shown in Figure 3.2, with those communities that have a resulting score of nine or higher indicating areas requiring immediate attention. In addition to these areas, the DOH also included any areas fully or partially within "Indian Country".[3]

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[1] WAC 480-1000-605 "Definitions".
[2] https://fortress.wa.gov/doh/wtn/WTNIBL/.
[3] At the time of the development of this CEIP report, the DOH's list of Highly Impacted Communities included areas identified as "Indian" country erroneously due to GIS borderline errors. Avista excludes these census tracks from its list for this report.

Figure 3.1: Washington State Health Disparities Map

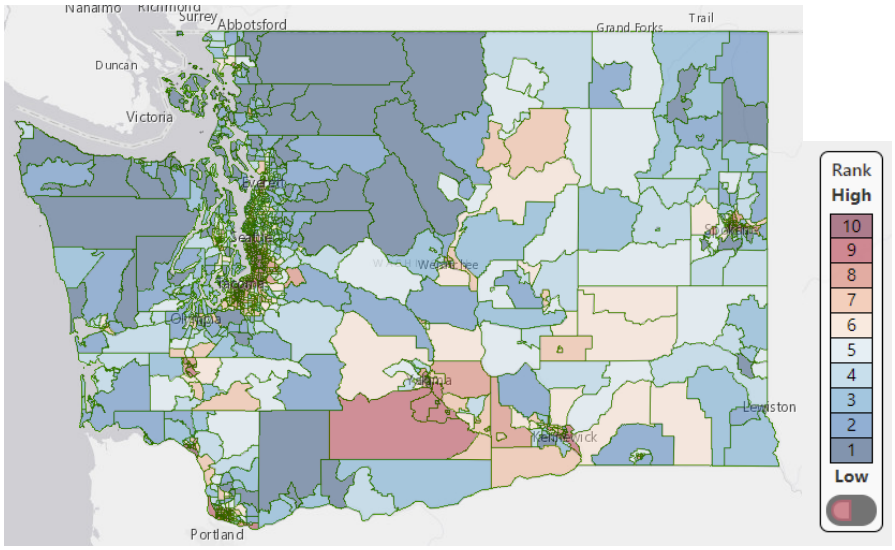

Figure 3.2: Health Disparities Indicators

Environmental Exposures	Environmental Effects	Socioeconomic Factors	Sensitive Populations
o NOx-diesel emissions o Ozone concentration oPM 2.5 concentration o Populations near heavy traffic o Toxic releases from facilities	o Lead risk from housing o Proximity to hazardous waste treatment facilities o Proximity to risk management plan facilities o Wastewater discharges	o Limited English o No high school diploma o People of color o Population living in poverty (<= 185% of federal poverty level) o Transportation expense o Unaffordable housing (>30% of income) o Unemployed %	o Death from cardiovascular disease o Low birth weights

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Avista's Washington service territory includes portions of 143 census tracts. Of these, 34 (24 percent) qualify as Highly Impacted Communities. This includes most of the City of Spokane as well as the Spokane, Colville and Kalispell tribal areas.

The Company, in consultation with its EAG and other advisory groups, is required to determine which communities qualifying as Vulnerable Populations are within its service territory. The legislation requires that these additional populations be considered when utilities develop its CEIP. For this analysis and this CEIP only, Avista utilized the Health Disparities Map but also focused on census tract areas not otherwise included in the Highly Impacted Communities list. For Vulnerable Populations, Avista added census tract areas that scored nine or higher for either the socioeconomic factors or sensitive

populations indicators in Figure 3.2. Avista elected to use this methodology as these indicators align with the CETA definition of Vulnerable Populations.

The steps taken in this CEIP for Vulnerable Populations adds an additional 13census tract area to the Highly Impacted Communities count, for a total of 47 areas that can be identified as Named Communities. From a population perspective, these 47 areas represent 34 percent of the total residents within Avista's Washington service territory. Highly Impacted Communities represent 24 percent of the population and Vulnerable Populations represent 8 percent. The Highly Impacted Communities and Vulnerable Populations defined in this CEIP are shown geographically in Figures 3.3 and 3.4. Avista's Highly Impacted Communities are primarily located in the Spokane area and on tribal lands. Most of the tribal land would not qualify as a Highly Impacted Community if not for this specific inclusion in the law. However, based on Avista's Vulnerable Population metric, these areas have been added to this sample. In addition to the greater Spokane and tribal areas, other locations included are communities in Adams County (Othello/Lind), Pullman and Lewiston areas.

Figure 3.3: Named Communities in Avista's Washington Service Area

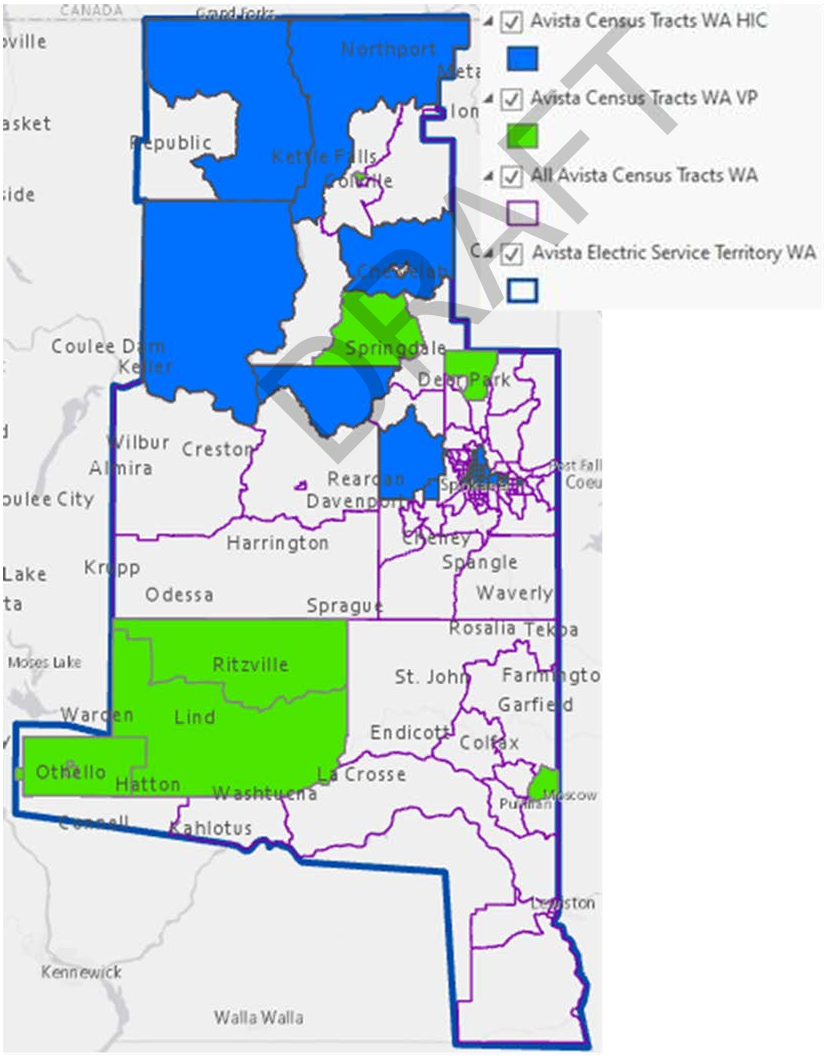
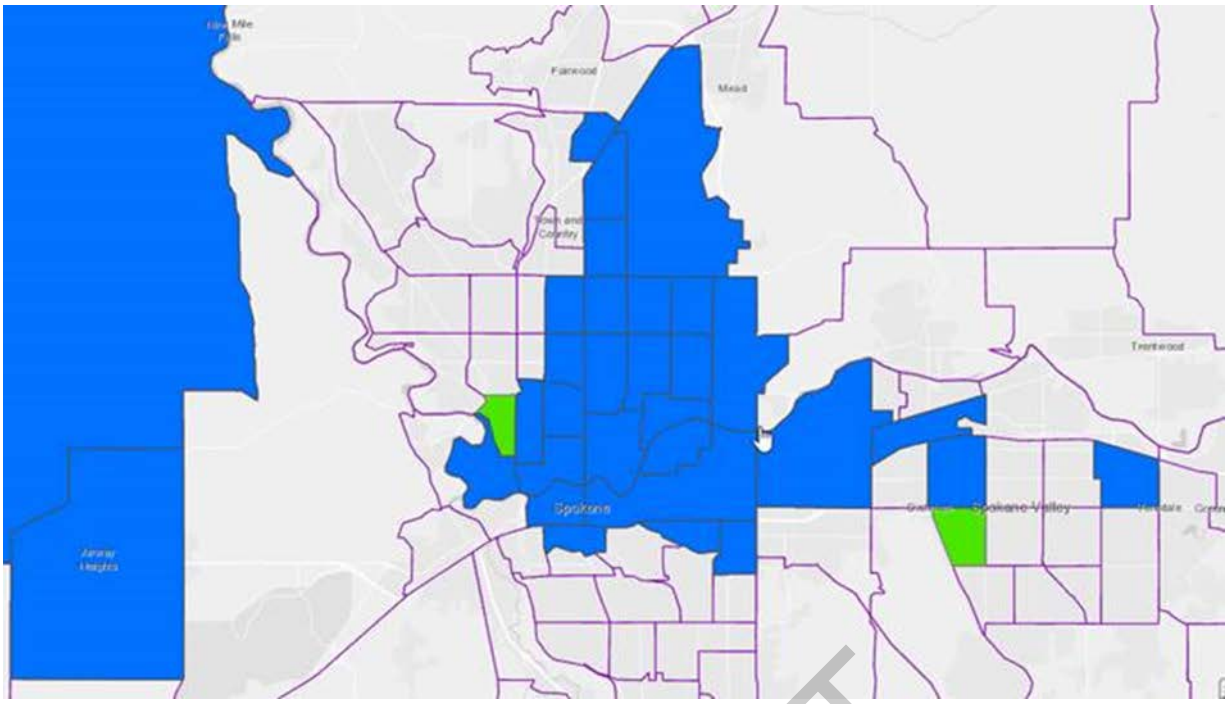


Figure 3.4: Named Communities in the Spokane Area



Vulnerable Population Action Plan

Avista recognizes the need for additional information to better understand the particular needs of Vulnerable Populations. Specifically, the census tract areas are not detailed enough to identify smaller neighborhoods or households living near non-vulnerable populations. Further, the DOH health disparities indicator method includes geographic areas where indicator scores are taken out of context, which signals a different situation than what may actually exist; this is especially true in major university areas. Avista is committed to work towards clarifying these communities in consultation with its EAG for future CEIPs. The Company worked with the EAG to identify several population characteristics and "pocket" areas within our service territory that could be included going forward. [4] These additional populations and characteristics, combined with the results of the DOH map, informed the final CBIs. Avista will continue to work closely with the EAG regarding the identification of Vulnerable Populations throughout the CEIP implementation process.

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[4] Such as a mobile home located within an area not considered to be "Highly Impacted" or "Vulnerable" as a whole.

Customer Benefit Indicator Overview

Avista's CBIs are attributes of the specific actions identified to meet the clean energy transition targets in 2030 and 2045. Avista will monitor progress for each CBI to evaluate how the Company's actions are benefitting customers.

> *Customer Benefit Indicator, or CBI, is an attribute, either quantitative or qualitative, of a resource or related distribution investment associated with customer benefits.*

CBIs were developed with input from the EAG, as well as representatives from the existing advisory groups and customers who attended the CEIP Public Participation Meetings. Each CBI was carefully evaluated with an equity focus towards identified Named Communities. By taking this viewpoint, Avista's goal is to mitigate disparities in the benefits or reduction of burdens associated with the clean energy transition. Chapter 6 – Public Participation contains descriptions of all CEIP Public Participation Meetings, including the development and identification of CBIs.

Table 3.1 represents the CBIs for the 2022-2025 CEIP Implementation period and each of the CBIs will be discussed in detail later this chapter.

Table 3.1: Equity Areas, CBIs and Evaluation Metrics

Equity Area	Benefit Areas	Customer Benefit Indicator
Affordability	Reduction in Burden, Cost Reduction, Public Health, Environment, Energy	• Participation in Company Programs • Number of Energy Burdened Households
Accessibility	Non-energy	• Availability of Methods/Modes of Outreach and Communication
Community Development	Reduction in Burden, Cost Reduction, Non-energy	• Named Community Clean Energy • Named Community Investment
Energy Resiliency	Energy, Resiliency, Risk Reduction	• Outage Duration
Energy Security	Energy, Security, Risk Reduction	• Proximity of Energy Generation
Environmental	Environmental, Public Health	• Outdoor Air Quality • Greenhouse Gas Emissions
Public Health	Public Health, Non-energy	• Avista Employee Diversity • Supplier Diversity • Indoor Air Quality

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Prioritization and Weighting Factors

Avista worked closely with its EAG and other stakeholders to identify and develop the CBIs described above. Avista solicited feedback from the EAG in both stand-alone[5] and public CEIP meetings, as well as through surveys, email correspondence and individual telephone calls.

In total, 86 preliminary areas of focus/customer benefit indicators, or population barriers/burdens were identified. Avista, in consultation with the Equity Advisory facilitator, consolidated the metrics within each equity area, combining common themes for ease of reference and prioritization. The net result was 26 CBIs, categorized by equity area.

Throughout this process, one message point provided by customers and EAG members was very consistent: do not make this too complicated. Based on this customer feedback, and consistent with the advice of the EAG Facilitator, the Company elected to use a voting system to prioritize indicators, weighting each answer equally. In doing so, all participants were easily able to identify if and how their feedback was indeed captured in the final CBIs. Feedback was categorized in three areas: Proxy Power, Communication Power and Data Power:

1. **Proxy Power** represents the indicator which is most critically tied to everyone benefitting equitably from the transition to clean energy.
2. **Communication Power** shows the indicator can be understood by a broad audience.
3. **Data Power** represents the indicator which can be most readily tracked, measured, or counted.

These questions provided participants with context for deeper engagement and understanding of the intent of the CBIs, rather than simply basing the answer only on which CBI could be most easily measured. Those indicators with the most votes within each equity area were finalized and became the 2021 CEIP final CBIs. In total, this resulted in 12 final CBIs. These results represent a weighting of approximately 65 percent EAG member input and 35 percent from non-EAG members. A higher weighting towards EAG participation was used to ensure an equity emphasis for the final CBI determination.

Avista carefully evaluated the results of the voting polls, along with the insights gained from external research and internal conversations with customer-facing employees, to ensure this information was appropriately reflected in the final CBIs. Although “number of households reached by broadband” (See Table 3.2, Item 8, below) was identified as a top indicator, it is not a final CBI in this initial CEIP because additional evaluation and discussion will be required to determine how Avista could have any influence over this metric and how it might be measured.

Tables 3.2 and 3.3 show each selection criteria total vote per proposed CBI for the EAG members and other participants, and highlight the final indicators in grey.

[5] The two “stand-alone” meetings were held on June 9 and 10, 2021. Both meetings contained a portion that was open to the public, in accordance with WAC 480-100-655 (2)(a)(ii).

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Table 3.2: Customer Benefit Indicator Prioritization (Part 1)

		EAG				OTHER		TOTAL		
	#	Proxy	Data	Communication	Total	Proxy	Data	Communication	Total	Combined Total
Affordability										
Rate of Participation in Existing Programs	1	12	9	8	29	6	4	5	15	44
Number of appliances converted to efficient	2	2	4	4	10	4		3	7	17
Number of households who are not energy burdened	3	10	8	8	26	1		1	2	28
Equity Area Total		24	21	20		11	4	9	24	
Access to Clean Energy										
Accessibility of methods/modes of outreach and communication	4	8	4	4	16	3	1	4	8	24
Number/percent of households reached by and utilizing EV	5		3	2	5				0	5
Support to increase programs and promote awareness	6	5	1	4	10	2	2	2	6	16
Number of new, authentic two-way relationships	7	1	3	1	5				0	5
Number of households reached by broadband	8	2	5	5	12	3	4	1	8	20
Equity Area Total		16	16	16		8	7	7	22	
Community Development										
Workforce development programs for local jobs	9	4	2	3	9	1	1		2	11
Dollars equitably invested in communities	10	4	3	2	9	2	3	3	8	17
Visibility of ugly infrastructure	11		3	2	5				0	5
Property values	12	2	3	2	7				0	7
Equitable implementation of community-based programs	13	6	3	7	16	4	4	4	12	28
Equity Area Total		16	14	16		7	8	7	22	

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Table 3.3: Customer Benefit Indicator Prioritization (Part 2)

		EAG				OTHER				TOTAL
	#	Proxy	Data	Communication	Total	Proxy	Data	Communication	Total	Combined Total
Energy Security/Resiliency										
Duration and Frequency of outages	14	4	7	6	17	4	4	4	12	29
Backup energy sources available in Named Communities	15	5	6	6	17	0	1	1	2	19
Proximity of reliable energy infrastructure	16	7	3	4	14	3	2	2	7	21
Equity Area Total		16	16	16		7	7	7	21	
Environmental										
Locations "greened"	17		1	5	6	1	1	1	3	9
Reduced risk of wildfires	18	1		4	5	1		1	2	7
Natural and historic resource protections	19	4	6	2	12				0	12
Reduced polluting emissions	20	7	3	3	13	2	2	1	5	18
Locational environmental impacts equitably sited	21	4	6	2	12		2	1	3	15
Equity Area Total		16	16	16		3	5	4	12	
Health and Wellbeing										
Improvements in indoor and outdoor air quality	22	4	4	3	11	1	2	3	6	17
Customers who are not stressed or anxious	23	2			2				0	2
Initiatives addressing systemic racism	24	4	6	6	16	3		1	4	20
Customers who feel they have authentic seat at table	25	0	5	5	10	1		2	3	13
Active transportation opportunities.	26	6	1	2	9	2		2	4	13
Equity Area Total		16	16	16		7	2	8	17	

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Due to the accelerated timeframe for this initial CEIP, the basis for prioritizing and weighting CBIs was streamlined for ease of calculation and understanding. As additional outreach, communication strategies and methods are identified, and customer participation increases, there may be a need to develop additional methods for weighting future CBIs. This will be discussed throughout the CEIP implementation period with advisory groups and the EAG to ensure the appropriate level of emphasis is placed on new CBIs.

Final CBIs will be incorporated, as applicable to each resource, as part of the prioritization/methodology for selection of expenses and investments described in Chapter 4 – Specific Actions. This prioritization process will be developed in coordination with existing advisory groups and discussed in regularly scheduled meetings. CBIs will

be one part of the overall evaluation considering the lowest reasonable cost, risk, safety, reliability, and resource adequacy, among others.

Baseline Customer Benefit Indicator Analysis

In accordance with WAC 480-100-640 part (6) (a)(i), Avista established a baseline to assess the current benefits and burdens on all customers throughout its Washington service territory, as well as those located within our Named Communities where applicable. These baseline metrics became the initial data set by which the success in providing customer benefits in Avista's transition to clean energy will be measured against. The CBIs by each equity area are described below.

Affordability

To measure affordability, Avista proposes two CBIs. These metrics are designed to measure success of initiatives to ensure customers have an affordable electric system.

CBI: Participation in Company Programs

The purpose of this CBI is to increase the percent of members for all customers, with special emphasis on Named Communities, in Avista's energy assistance programs.[6] These programs benefit customers by easing their energy burden through decreased energy usage (energy efficiency) and helping to manage their energy bills (billing and payment options, and energy assistance), along with positive impacts to the environment and public health. This CBI focuses on reaching the customers who qualify, but are not currently participating in, any of our current energy assistance programs. This CBI and the CBI for outreach programs focus on identifying new ways to reach customers residing in Named Communities who previously have been unserved, underserved or hard to reach.

In addition, Avista will focus on increasing participation in Named Communities that may be experiencing barriers that limit participation in programs. The EAG will be instrumental in identifying and helping Avista develop ways to reach more customers. Figure 3.5 shows that only 13 to 15 percent of customers who live in a Named Community participated in Company programs for 2016-2020 compared to 9 to 10 percent for all customers. [7]

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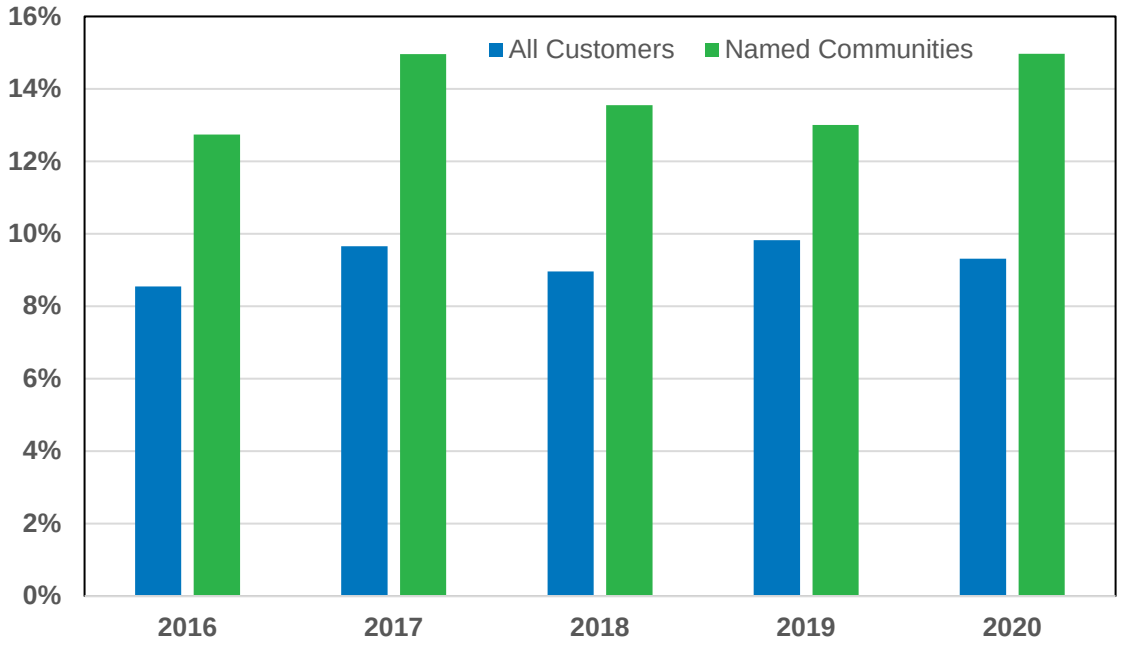
[6] Energy assistance programs include bill assistance, energy efficiency and weatherization.
[7] Avista is still determining the number of residential customers who reside in Named Communities.

Figure 3.5: Percent of Named Community Program Participants



Avista will work with our EAG, Energy Assistance Advisory Group (EAAG) and other Advisory Groups towards increasing the number of customers participating in Company programs over and above the five-year averages.

CBI: Number of Energy Burdened Households

The Number of Energy Burdened Households CBI measures how Avista's transition to 100 percent clean energy is impacting affordability for customers. The goal is to have a reduced number of customers, especially in Named Communities, with an energy burden of 6 percent or more. There is a strong focus on affordability and energy burden reduction not only at Avista but throughout the utility industry. This metric will ensure continued focus on energy burden and how Avista's specific actions may reduce it. This metric will be tracked for all customers and for Named Communities.

Table 3.4 shows a point-in-time estimate of households at or below 80 percent Area Median Income (AMI) or 200 percent Federal Poverty Level (FPL) with an energy burden in excess of 6 percent, as aggregated by the Washington Department of Commerce and posted to its website on April 20, 2021. This aggregated data provides an approximation of energy assistance need by both AMI and FPL. As the data provided by Commerce is not specific to a given utility, the counties in Avista's Washington service territories are summarized in the table below for illustrative purposes.

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Table 3.4: Number of Energy Burdened Households[8]

County	Households Below 80% AMI and Energy Burdened in Excess of 6%	Households Below 200% FPL and Energy Burdened in Excess of 6%
Adams	1,481	1,320
Asotin	1,976	1,859
Ferry	1,283	1,147
Lincoln	1,373	1,156
Spokane	34,494	31,029
Stevens	5,138	4,493
Whitman	4,893	4,580
Total	60,650	54,796

Avista contracted with Empower Dataworks to assess low income customers' energy burden within its Washington service territory and to develop an energy equity monitoring plan to measure energy burden reductions over time. This assessment will be finalized for use in the 2022-2023 Biennial Conservation Plan and, once available, will be utilized as the 2021 CEIP Energy Burden baseline measurement.

In addition, Avista has formed an internal team to evaluate, and develop where possible, methods for identifying energy burden for all Washington customers. Having this calculation performed in-house will provide a common database for energy burden, as well as other CBI calculations, ensuring consistent use for all CETA requirements.

Access to Clean Energy

To help measure and improve customer access to clean energy, one CBI is proposed. This CBI was formed primarily by feedback from the EAG to improve current outreach and help develop new methods and modes of outreach to inform and educate customers on Avista's programs and services.

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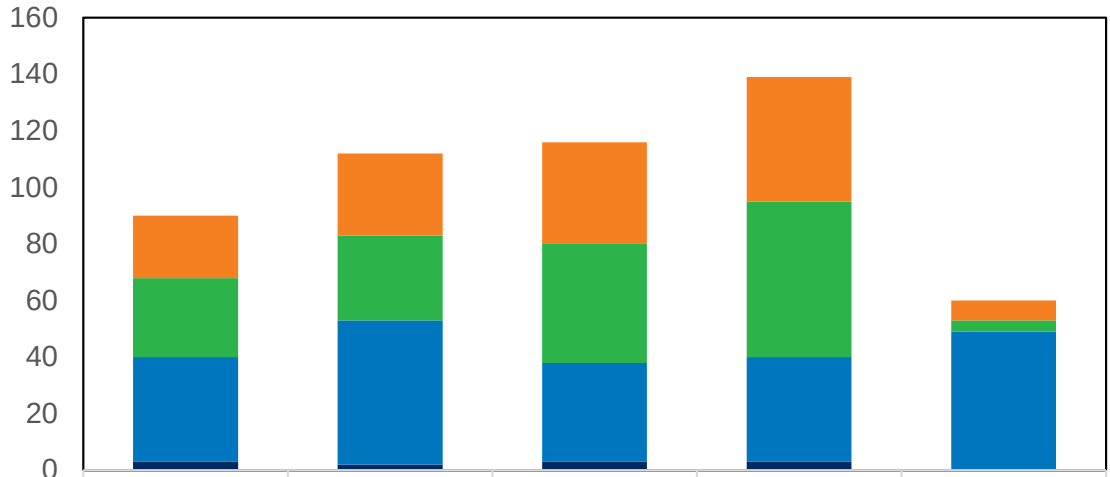
CBI: Availability of Methods/Modes of Outreach and Communication

The Availability of Methods/Modes of Outreach and Communication CBI aims to increase access to clean energy and reach customers who previously have not participated in programs due to language barriers or lack of understanding of the application process. Increased participation levels by these customers will lead to lower energy usage and decreased energy costs for them. While the Company engages with its customers through various means of outreach and communication for several other purposes, in this initial CBI we will track the outreach events listed below.

Figure 3.6 illustrates the number of outreach events tracked by Avista's outreach team between 2016 and 2020 for energy efficiency and energy assistance. On average, Avista manages approximately 113 events were held reaching approximately 10,000 individuals each year (excluding 2020 due to COVID-19 Limitations). Avista will strive to increase the number of events and identify new methods to engage with customers through additional modes of communication and outreach.

[8] https://www.commerce.wa.gov/growing-the-economy/energy/ceta-energy-assistance/.

Figure 3.6: Outreach Events



	2016	2017	2018	2019	2020
Workshops	22	29	36	44	7
Mobile	28	30	42	55	4
Outreach	37	51	35	37	49
Energy Fairs	3	2	3	3	0

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Community Development

Two CBIs measure community development. These metrics are targeted at measuring impacts to Named Communities through investments in clean energy and other economic development.

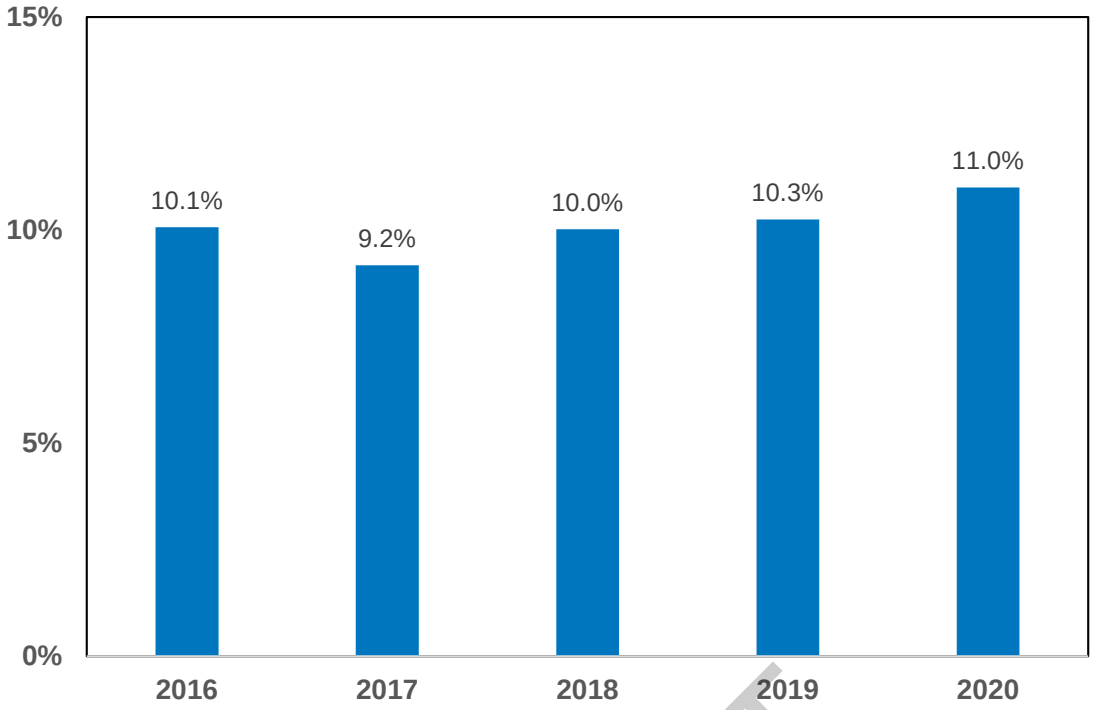
CBI: Named Community Clean Energy

The Named Community Clean Energy CBI will concentrate on the percent of non-emitting or clean energy resources, including distributed generation resources or energy efficiency located in Named Communities. Clean energy resources, as well as energy efficiency and demand response efforts targeted to Named Communities, will increase accessibility, reduce energy burdens and costs, and may positively impact resiliency and other non-energy benefits such as providing additional local job opportunities.

Figure 3.7 illustrates the percent of clean energy generated or saved through energy efficiency as percent of total Washington retail sales within Named Communities between 2016 and 2020.[9] Over this five-year period, the amount of clean energy from these areas is between 9 and 11 percent. These amounts are expected to increase in 2021 as a full year of the Rattlesnake Flat Wind Project will then be included. Avista estimates this percentage will increase over time by favoring investments in these communities while it balances this metric with other factors such as lowest reasonable cost, resource adequacy and other factors.

[9] For this calculation the energy efficiency savings are added back to retail sales.

Figure 3.7: Percent of Non-Emitting/Clean Energy in Named Communities 2016 – 2020



CBI: Named Community Investment

The Named Community Investment CBI targets investments in Named Communities to positively impact local community and economic development or reduce non-energy financial burdens. The Avista Foundation (Foundation), separate from Avista Utilities, is the primary community investment program of Avista Corp. that provides grant funding to non-profit organizations addressing the needs of communities and citizens served by Avista Utilities.

Recognizing the importance of equitable distribution of grants, the Foundation revised its grant application in 2021 to include new questions which allowed applicants to self-identify as marginalized or diverse by (1) the population(s) being served, (2) who the organization is led by, and (3) the geographic area served. While these definitions do not necessarily directly correlate with identified Named Communities, it is an effective start to begin addressing the equitable distribution of investments.

As illustrated in Figure 3.6 below, based on the questions (1) and (2) above approximately 80 percent of total grants were awarded to organizations who self-identified as marginalized or diverse and approximately 69 percent were awarded to organizations whose leaders identified as members of marginalized or diverse populations. Going forward, the Foundation will consider the geographic question (3) and work towards ensuring approximately 60% of grants are awarded to those serving or located within Named Communities.

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Table 3.4: Avista Foundation Grants (2019 – 2020)

Population Characteristic	Q1 2021		Q2 2021	
Serving Marginalized or Diverse Populations	28	85%	18	72%
Led by Marginalized or Diverse Population	23	70%	17	68%
Total Grants	33		25	

In consultation with the EAG, Avista will work to identify and develop an additional method to measure the level of utility investment specific to Named Communities.

Energy Resiliency

Resiliency is a measure of how quickly Avista or its customers can recover from a loss of power. However, resiliency can also be defined as how customers respond without electricity. Specifically, are there other alternatives to satisfy customer energy needs when electric service is not available. To measure this customer benefit, Avista will track the average duration of electrical outages.

CBI: Outage Duration

The frequency and lengths of electric outages directly impacts all customers, including those in Named Communities. Most outages have been a result of distribution related issues, but resource adequacy issues could also result in customer outages. The EAG indicated that efforts to mitigate the duration and frequency of outages will positively impact all customers and especially those in Named Communities who typically may not have access to alternative energy resources during a power outage.

To measure our customer resiliency for the Outage Duration CBI, Avista will calculate the average duration of outages for both Named Communities and for other customers. This calculation is based on measuring the total length of time with a power loss and dividing it by the outage quantity each year. This calculation measures the average length of time it takes Avista to restore power to customers.

This measurement compares service response for Named Communities and all other customers to identify if there are differences between quality of service. Avista found that overall, areas in Named Communities have faster response times during the 5-year period 2016 through 2020, as shown in Figure 3.8. Avista's ability to respond to outages and the frequency of outages may be a result of location such as rural versus urban locations.

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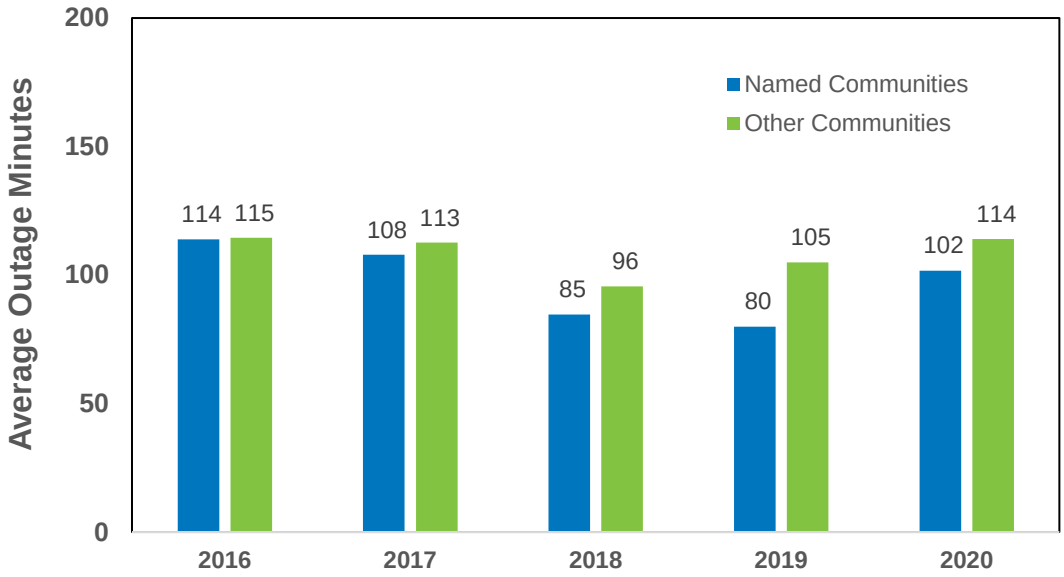
Figure 3.8: Average Outage Duration



Energy Security

A more secure energy system reduces the possibility of disruption. In this case, energy security is similar to resiliency, but improved energy security reduces the probability of disruption. CETA calls out energy security to be considered in the equitable distribution of energy benefits and reductions of burdens to Named Communities. One method of reducing disruptions is to locate resources closer to customers. The Named Community Clean Energy CBI, described above as part of the Community Development equity area, is a similar measurement to identify direct impacts to Named Communities, but other pathways are also useful to consider when creating an energy secure system.

CBI: Proximity of Energy Generation

A closer proximity of reliable generation resources in Washington, or its direct connection to Avista's transmission system, provides a more energy secure system customers including those in Named Communities by reducing the probability of disruption from outside entities such as transmission providers, other state or national policies. To measure energy security, Avista proposes to estimate the percent of resource generation located either in Washington or directly connected to Avista's transmission system compared to Washington load.

Avista evaluated this metric for the 5-year period between 2016 and 2020. During this timeframe, an average of 79.7 percent of load aligned with the two qualifiers to meet the energy security metric as shown in Figure 3.9.

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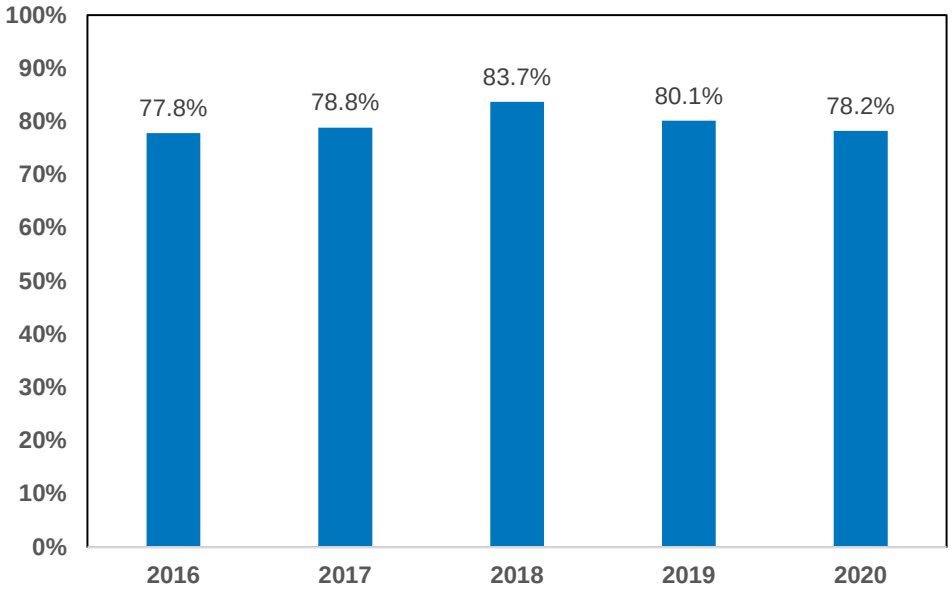
Figure 3.9: Percent of Generation Located In Washington or Connected to Avista Transmission System



Environmental

Avista and the EAG have selected two indicators to measure environmental progress in the transition to clean energy. These indicators are designed to reach beyond the utility's direct control of its emissions and focus on the regional environment.

CBI: Outdoor Air Quality

Reducing or avoiding harmful criteria air pollutants should improve health conditions for customers. Hazardous air pollutants (HAPs), also known as toxic air pollutants or air toxics, are pollutants that are known or suspected to cause cancer or other serious health effects, such as reproductive effects or birth defects, or adverse environmental effects.[10] For our region, Avista may or may not have complete control to impact these effects, but as end uses that have historically been powered by fossil fuels transition to cleaner fuels or electrification, regional air quality should improve and reduce associated health impacts.. Further, steps to reduce wildfire risk by the utility should also assist in improving regional air quality by reducing the risk of wildfires.

The Outdoor Air Quality CBI determines the number of days our average customer experiences unhealthy air quality. Avista uses EPA's Air Quality Index (AQI)[11] for each county where data is available and weights the AQI by the location of the Avista customer base. The next step counts the number of days where the AQI exceeds the EPA's level used for "unhealthy air for some people". The historical AQI used for this calculation is shown in Figure 3.10 between 2016 and 2020. The data shows that much of the historical air quality performance problems are a result of regional wildfires.

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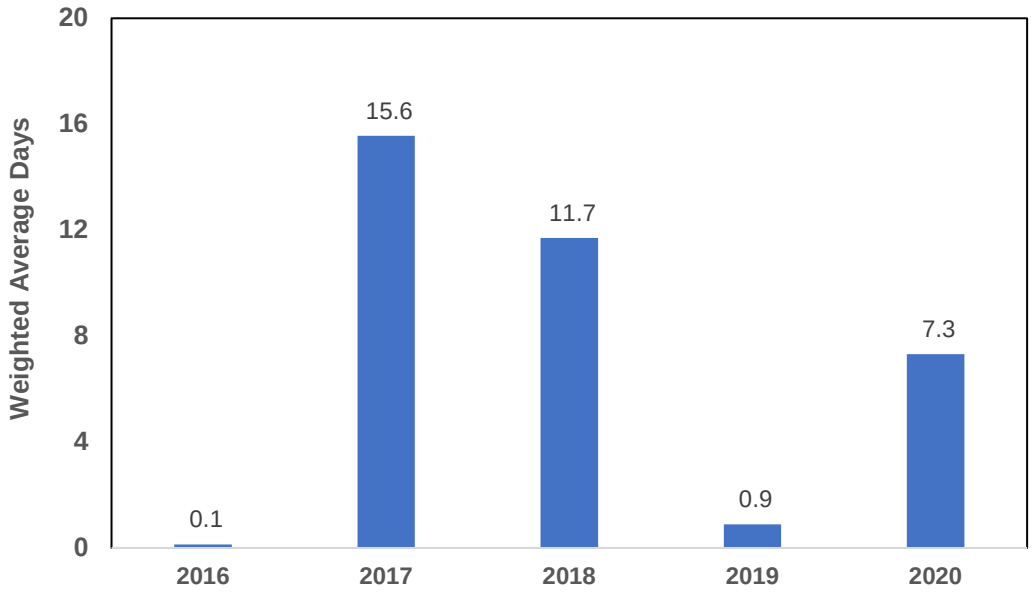
[10] https://www.epa.gov/sites/default/files/2018-07/documents/mbg_1_multiplebenefits.pdf
[11] The AQI measure combines Ozone and PM2.5 levels.

Figure 3.10: Weighted Average Days Exceeding Healthy Levels



CBI: Greenhouse Gas Emissions

The second environmental CBI measures regional greenhouse gas emissions. Regional greenhouse emissions are derived from many sources including transportation, electric generation, direct customer use, industrial production and agricultural activities. The level of emissions from Avista's electrical system is a small component of these emission levels. As Washington transitions to cleaner transportation fuels and electrification, a regional perspective to account for these emissions is a better indicator of the effect of state policies on Eastern Washington.

Currently, there is no publicly available accounting of historical greenhouse gas emissions in Eastern Washington. Avista plans to identify data and sources to develop an accurate estimate of regional emissions to track this metric and if possible, this will be updated prior to the filing of the final CEIP on or before October 1, 2021.

Public Health

Two areas of public health were identified to measure customer benefits in consultation with the EAG. The first was systemic racism and the second is indoor air quality. To respond to these concerns Avista developed two metrics for measuring systemic racism and is still working to develop a method to measure indoor air quality.

CBI: Avista Employee Diversity

Systemic racism was brought up in discussions with the EAG as a barrier to participation, specifically in relation to the equity areas of access to clean energy, community involvement and, in some cases, affordability. Materially impacting systemic racism is a much broader issue than can be fully addressed by Avista alone. However, Avista can improve diversity among its own workforce and the suppliers we work with, so we are starting in those areas. Specific to employee diversity, Avista is working towards

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assembling a more diverse and inclusive workforce representative of the communities we serve. Table 3.7 illustrates the 2020 employee demographics which serve as the baseline for this metric. [12] Historical data is not readily available for public dissemination at the time of this writing. The baseline may be modified to reflect additional historical periods if they become available.

Avista recognizes diversity is more than gender and race, however, this CBI is a first step towards identifying and tracking a more comprehensive diversity definition. Avista anticipates expanding the diversity definition to include other areas in the future. The process of achieving workforce diversity will take time to achieve and, as such, the Company aspires to reflect the communities we serve by 2035.

Table 3.5: 2020 Avista Employee Diversity

	Diversity		Gender	
Racially Diverse	**Avista**	**Workforce Availability**	**Avista**	**Workforce Availability**
Craft	5%	11%	2%	10%
Non-Craft	9%	11%	40%	50%
Managers and Directors	7%	7%	29%	28%
Executive	8%	7%	7%	27%

CBI: Supplier Diversity

In addition to the workforce diversity efforts described above, Avista also recognizes the importance of supplier diversity for the communities and businesses in our service territory. Increasing supplier diversity may result in economic benefits for historically under-represented businesses. This effort will be coordinated with the EAG to evaluate additional ways to strengthen supplier diversity for Named Communities.

Avista tracks supplier diversity efforts for major suppliers encouraging employment and use of diverse suppliers for their supply chain. [13] This effort can enrich and strengthen local economies, increase sourcing options, and foster collaboration and innovation.

Figure 3.8 illustrates supplier diversity efforts by percentage spent for 2020 and 2021.[14] Informed by community demographics, Avista will work towards identifying more diverse suppliers to reach the aspirational target of 11 percent utilization with diverse suppliers.[15]

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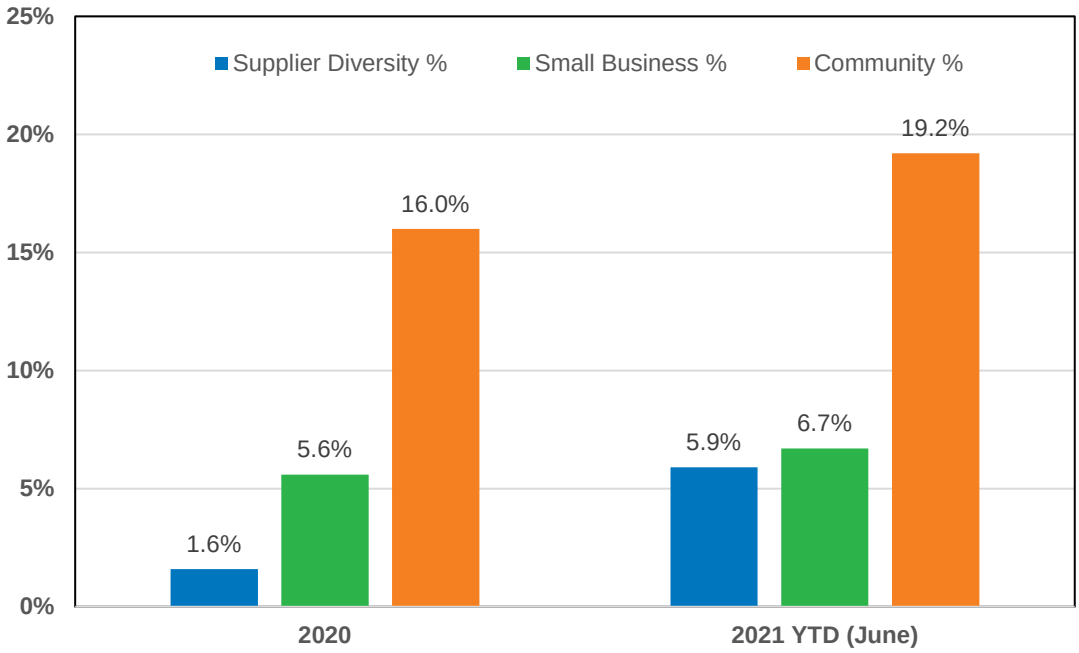
[12] Workforce availability is defined as individuals in the greater Spokane area of working age (18), based on data from the 2010 US Census data. Craft is defined as an employee who develops specific skills and a comprehensive knowledge of work processes which are acquired through on-the-job training, experience and apprenticeships, or other formal training programs.

[13] Categorized as ethnically diverse (minority)-owned, women-owned, veteran-owned, etc.

[14] Due to system changes, data is readily available only for 2020 forward.

[15] Suppliers provide the materials and services necessary to operate.

Figure 3.11: Supplier Diversity



CBI: Indoor Air Quality

Indoor Air quality was identified by the EAG as a way to illustrate equitable benefits of clean energy in Named Communities and is often stated as a non-energy benefit of energy efficiency actions. Poor Indoor Air Quality (IAQ) has direct impacts on health and personal comfort. These impacts can lead to adverse long-term effects including respiratory diseases, heart disease and cancer, as well as shorter-term effects such as colds and viral diseases.[16] Low IAQ could be a result of the materials used in the home's construction such as lead, formaldehyde, Volatile Organic Compounds (VOCs), and asbestos; or as part of its surroundings such as radon or outdoor air pollution. Low IAQ can also be caused by the resident with tobacco smoke, pesticides, stoves, heaters, or other biological pollutants. One of the solutions to improving IAQ is to improve ventilation.

Avista's energy efficiency programs often involve enhancing heating, ventilation, and air conditioning (HVAC) systems that should lead to improved IAQ. Knowing if a customer is receiving benefits will require measuring IAQ before and after the program. Since this measurement requires specific customer information Avista is still determining on how to measure IAQ for its customers and set a baseline measurement.

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[16] https://www.epa.gov/indoor-air-quality-iaq/introduction-indoor-air-quality.

4. Specific Actions

Chapter Highlights

Add 421 gigawatt-hours of annual renewable energy begining in 2025.

Acquire 195.6 gigawatt-hours of energy efficiency between 2022 and 2025.

Establish a Named Community Investment Fund.

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Overview

To meet the requirements of the 2030 and 2045 clean energy standard,[1] Avista has identified several specific actions to meet the four-year interim targets. The Company will utilize a mix of resources including energy efficiency, demand response, clean energy acquisitions, and other projects to progress towards meeting the interim and specific targets described in Chapter 2. These implementation actions are consistent with the requirements of WAC 480-100-640(6), and include the following:

- 2021 Electric IRP;
- Resource Adequacy Standards;
- Lowest Reasonable Cost standard; and
- Ensuring all customers are equitably benefitting from the transition to clean energy.

The implementation actions were developed in coordination with our advisory groups, EAG, and customers to include benefit considerations related to the equitable distribution of energy, non-energy benefits and reduction of burdens to Named Communities; long-term and short-term public health and environmental benefits and reductions of costs and risks; and energy security and resiliency (WAC 480-100-640 (4)(C)).

An explanation of the specific actions pertaining to how each resource (e.g. energy efficiency, demand response, clean resources, other company initiatives) contributes to the equitable distribution of benefits, or reduction of burdens and risks for Named Communities, is described within each subsection below. Further, each specific action

[1] WAC 480-100-610(2) and (3).

builds upon the first four years of Avista's 10-year Clean Energy Action Plan with the targets established as part of our IRP process to meet the Company's long-term clean energy goals and planning targets. Additional information regarding the EAG and the public participation process is described in Chapter 6 – Public Participation. A summary of the specific implementation actions to be taken over the next four-year period are illustrated in Table 4.1.

Table 4.1: Specific Actions (MWh)

Program	2022	2023	2024	2025
Energy Efficiency				
Site Specific- nonresidential	20,000	20,000	20,000	20,000
Non-Residential Lighting	17,552	17,552	17,552	17,552
"Always On" Behavioral Pilot	3,986	3,986	3,986	3,986
Nonresidential Prescriptive	1,663	1,663	1,663	1,663
Active Energy Management	1,600	1,600	1,600	1,600
Multifamily Direct Install	1,311	1,311	1,311	1,311
Residential Prescriptive	1,127	1,127	1,127	1,127
Low Income Program	781	781	781	781
Multifamily/ Small Home Weatherization	324	324	324	324
On-bill Repayment	260	260	260	260
Total Energy Efficiency	**48,604**	**48,604**	**48,604**	**48,604**
Renewable Energy Acquisitions				
Wind	0	0	0	420,480
Renewable Energy Purchases from Idaho Jurisdiction	368,808	380,658	536,837	527,291

Renewable and Nonemitting Resources

Washington's share of Avista's renewable energy resources alone do not meet the interim 80 percent clean energy acquisition goal for 2022. The details in Table 4.2 demonstrate the amount of the remaining clean energy need and the specific clean energy resources identified to fill the deficit to meet Avista's procurement goals for new renewable and nonemitting resources. Avista plans to purchase any clean energy shortfalls from Idaho's portion of system clean energy resources. The purchase amounts will vary depending on the Washington production levels of its renewable resources, which vary from year-to-year such as hydro and wind. The Company's 2021 IRP identified new resources to meet the proposed clean energy targets. The resources identified in the IRP and CEAP for the next 10 years are as follows:

- In 2025, a 100 MW (48 aMW) Montana wind resource (this is the proxy resource until an RFP is completed).

- In 2027, the next acquisition is an upgrade to the Kettle Falls Generating Station based on the need to replace aging equipment at the facility. This project seeks to increase capacity of the station that, in turn, will increase the clean energy capability of the facility.

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- In 2028, an additional 100 MW (48 aMW) in clean energy resources is required. Montana wind is again the proxy resource to supply this energy until an RFP is complete.

- The final resource acquisition is an extension or acquisition of regional hydro capacity in 2031. Avista has a long history of purchasing regional hydro generation and anticipates this to continue.

Table 4.2: 10-year Resource Acquisition (aMW)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Clean Energy Need	**-23**	**-32**	**-60**	**-68**	**-92**	**-101**	**-127**	**-141**	**-170**	**-209**
Resource Forecast										
ID Clean Purchase	23	33	60	21	45	47	28	39	60	59
ID Hydro Purchase	0	0	0	0	0	0	0	0	9	17
Montana Wind	0	0	0	48	48	48	96	96	96	96
Kettle Falls Upgrade	0	0	0	0	0	6	6	6	5	5
Hydro Purchase	0	0	0	0	0	0	0	0	0	31
Total Energy/RECs	**23**	**33**	**60**	**69**	**93**	**100**	**129**	**141**	**170**	**208**
Net Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Avista proposes to sell any excess RECs exceeding 40 percent of its net retail load to reduce the cost of CETA compliance for customers as described in Chapter 2 – Interim and Specific Targets. If this proposal is approved as part of this CEIP, the clean energy purchases from the Idaho jurisdiction prior to 2030 will not be made as an effort to reduce customer costs. Further, this renewable energy acquisition target may change depending on the Commission's decision regarding the final rules for compliance with the 2030 goal. Avista may need additional clean energy and/or RECs depending upon the WUTC's final decision.[2]

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2022-2025 Renewable Energy Acquisitions

Avista completed the first step of achieving its four-year compliance goal by acquiring a 5 percent share of the power output from Rocky Reach and Rock Island Dams beginning in 2024 through the 2020 renewable RFP. Avista anticipates releasing an all-resource RFP in November 2021 to acquire the remaining 48 aMW of power currently identified as "Montana Wind" in the 2021 IRP. The current estimated cost for this resource is $23.9 million in 2025, when adjusted for avoided market purchases for a rate impact of $13.2 million (system). Details of these costs are shown in Table 4.4 below.

[2] The WUTC and Commerce are developing rules for demonstrating compliance with the clean energy standard. The Joint Utilities have proposed to show use of clean energy by the acquisition of a deliverable clean energy resources and the retirement of the associated REC within the four-year compliance period.

Table 4.3: Resource Acquisition Cost (Millions)

	2025
PPA Payments	$17.7
Transmission Expense	$4.4
Variable Energy Integration	$1.8
Total	$23.9
Avoided Market Purchases	-$8.6
REC Sales	-$2.1
Net Resource Cost	**$13.2**

2022-2025 Renewable Energy Development

Avista plans to invest in two clean energy resources during the 2022-2025 CEIP planning period. These resources are not expected to produce any additional clean energy during this period, but capital spending is anticipated. The first project is a modernization of Post Falls. Post Falls is a 14.75 MW hydro project in Post Falls, Idaho constructed in 1906. The scope of the project is to replace turbines and generators that have reached their end of life and are experiencing operational issues. The planned replacement will increase operating efficiency and provide an incremental increase to the capacity and available energy of the project. This project is expected to be completed in 2026 with project planning and design starting in 2022.

The second project increases capacity of the Kettle Falls Generating Station. Kettle Falls is a 50.7 MW wood waste biomass facility in Kettle Falls, Washington. This project plans to replace aging equipment and should increase production capacity and extend the life of the plant. The spend and timing estimates for Post Falls are shown in Table 4.4; the estimate for the Kettle Falls upgrade is in development.

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Table 4.4: Project in Development (Millions)

	2022	2023	2024	2025
Post Falls[3]	$9.5	$11.8	$31.7	$28.5
Kettle Falls	$0	TBD	TBD	TBD

Equity and Customer Impacts of Renewable Generation

The benefits associated with renewable generation throughout the CEIP Implementation period (2022-2025) are described below:

- Energy Benefits: The resources selected in this plan will have a direct impact to meeting all customer electric capacity energy needs. These resources are a part of the energy portfolio used to balance customer energy demand to prevent resource shortfalls; acquiring energy supply to prevent resource adequacy outage events. Avista can measure these impacts using the Outage Duration CBI.

[3] Project spending includes both plant and substation improvements.

- Non-Energy Benefits: Clean energy resources, depending upon their location, may provide non-energy benefits. These benefits include local economic growth through job creation, property and/or other taxes, and community development. Avista is working with a consultant to quantify these non-energy benefits and determine other non-energy impacts of its generating resources. The results of this study are anticipated to be available for the 2023 IRP. The most relevant CBI these resources may influence is the Named Community Clean Energy CBI, where resources in these locations will benefit these communities.

- Reduction of Burden: Avista's process of identifying the least reasonable cost resources including initiating competitive RFPs when required, lessens customer rate burden from new resource acquisition. Further, Avista proposes to continue to sell a portion of these resource's RECs to lower customer bills to also reduce energy burden. This proposal will have a significant economic benefit to those in Named Communities. Lastly, acquiring renewable resources lowers the burden placed on customers where potentially more environmentally damaging generation may ultimately be located. These actions will sustain or improve the Number of Energy Burdened Households CBI.

- Environmental: Additional clean energy sources result in less outdoor air pollution than emitting resources. Clean energy sources like solar, wind or hydro have no direct emissions and result in no air pollution, positively impacting the environment by reducing the impact to both air quality and climate change. It is worth noting that due to a connected electrical grid, these benefits may not directly benefit Avista customers, but rather the entire western U.S. Avista's measurement of these benefits is through the regional Greenhouse Gas Emissions and Outdoor Air Quality CBIs. These actions will have a minor positive effect on these metrics.

- Cost Reduction: Avista resource selection uses the least reasonable cost methodology to select new resources. These resource choices may not produce the lowest cost method to serve customers due to state regulations to pursue 100 percent clean energy. Avista seeks new resources through a competitive bidding process to find the least reasonable cost resource to meet capacity and energy requirements, while also meeting regulatory requirements. Avista will measure this affordability metric by estimates in the Energy Burdened Households CBI. The resources included in this plan are not expected to sustain or improve this metric. Further, the CETA legislation employs a cost cap to constrain customer rates to not increase by more than 60.8 percent cumulatively from investments in clean energy between 2021 through 2045.[4]

- Reduction of Risks: As more clean energy resources are added, which produce no direct emissions, this will lessen risks associated with climate change and public health. These resources also benefit from lower economic risk associated with regulation of emissions and reducing commodity price risk. As these resources

[4] 61 percent reflects the compounding rate effect from 2021 to 2045 using a 2 percent annual growth limit.

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provide energy benefits, the resources will reduce the risk of customer outages by maintaining an adequate resource supply. The CBIs for risk are the same as those mentioned for energy benefits, reduction in burden and environmental improvements.

- Energy Security: Resources directly connected to Avista's transmission system or located in Washington create a more secure system for customers. Locating resources closer to customers reduces risk from transmission outages and favors local resources. When Avista seeks the resources to meet these needs in its upcoming RFP, additional value will be given to resources that meet these energy security benefits in the evaluation. Avista measures energy security by the Proximity of Energy Generation CBI.

Table 4.5 outlines the specific benefit areas and CBIs related to the renewable resources to be acquired in this 4-year plan. While Avista anticipates that the additional clean energy resources will provide benefits for customers, the resource selections may not significantly improve the CBIs within the next four years.

Table 4.5: 2022 to 2025 Renewable Energy Directional Customer Impacts

Benefit Areas	Customer Benefit Indicator	Directional Change to Indicator
Energy	Outage Duration	Retains the level of outages due to firm energy sources
Non-Energy Impacts	Named Community Investments	Positive if ultimate resource selection is located in a Named Community
Reduction of Burden to Named Communities	Number of Energy Burdened Households	Sustain or improve
Public Health	These actions do not apply to any public health CBIs	n/a
Environmental	Outdoor Air Quality Greenhouse Gas Emissions	Minor improvement in greenhouse gas emissions and outdoor air quality
Cost Reduction	Number of Energy Burdened Households	Sustain or improve
Risk Reduction	Outdoor Air Quality Greenhouse Gas Emissions Outage Duration	Minor improvement in greenhouse gas emissions and outdoor air quality
	Number of Energy Burdened Households	Sustain or improve customer energy burden
Energy Security	Proximity of Energy Generation	May increase share of supply depending on ultimate resource selection
Energy Resiliency	Does not apply	n/a

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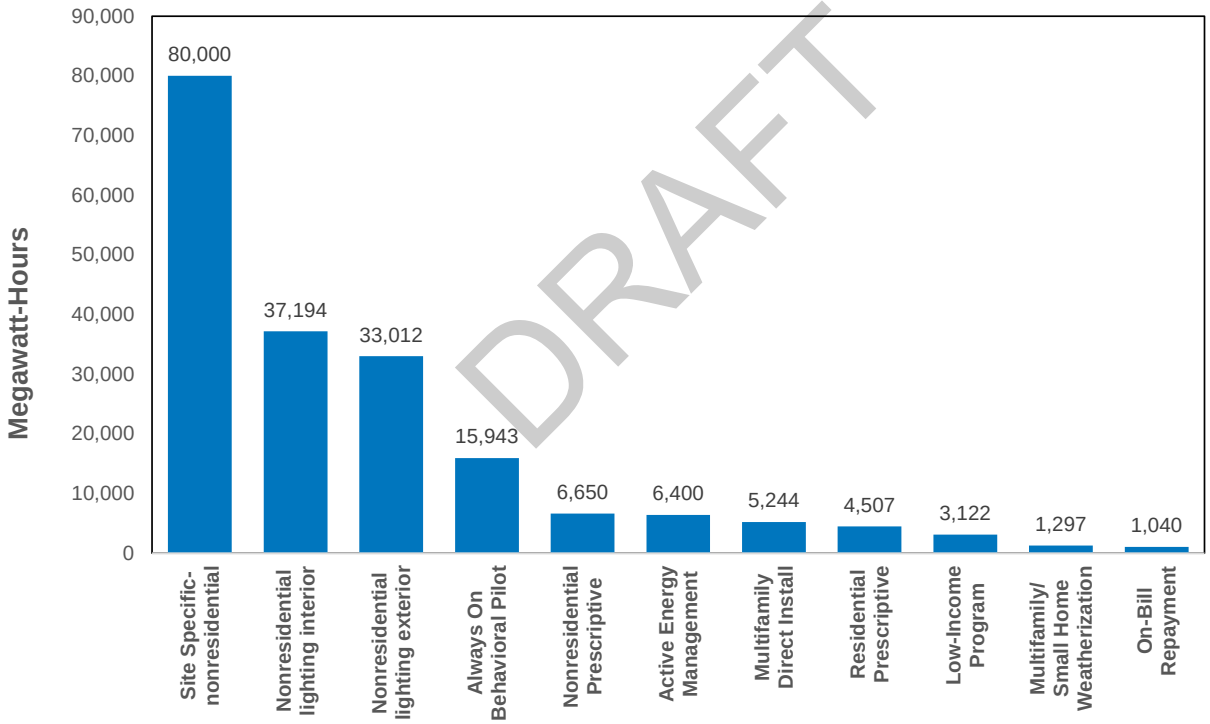
Energy Efficiency

Energy efficiency focuses on the reduction in electric power consumption resulting from the increase in the efficiency of energy use. Avista provides monetary and non-monetary incentives to encourage participation in residential and non-residential programs to promote more efficient use of energy. Avista offers programs to address energy savings directly associated with a home or business, and non-energy impacts to benefit the customer, the utility or society. Energy efficiency is one of the resource options included in the specific actions Avista is taking to meet the clean energy goals established for 2030 and 2045. Implementation actions specific to energy efficiency include a portfolio of residential and nonresidential programs benefiting both participating customers with direct benefits and non-participating customers with indirect lower costs to serve all customers.

Figure 4.1 provides an overview of savings by program type proposed in this plan. Some programs are specifically designed for Named Communities, while other programs include elements designed to lower barriers to participation in programs for all customers. These elements and programs are described in more detail below.

Figure 4.1: 2022-2025 Energy Efficiency Savings Type



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Proposed Programs

The individual programs listed below are the methods Avista will use to increase the amount of energy efficiency between 2022 and 2025. The information provided represents programs with the most impact in ensuring customers receive the benefits or reduction of burdens associated with the transition to clean energy. A full list of programs

in tabular form per WAC 480-100-640(5) is included in Appendix C. In addition, these programs are included in the Company's Biennial Conservation Plan.

For the 2022-2025 CEIP implementation period, Avista will increase funding of efficiency programs for Named Communities. To enable this increase, Avista proposed language revisions to its Schedule 90 Tariff to include funding for up to 100 percent of project costs for installation and use of energy efficiency equipment for members of Named Communities, as well as related health and safety of the customer or community.

Low-Income Programs: In accordance with WAC 480-109-100(10), Avista fully funds low-income conservation measures that are determined to be cost-effective consistent with either the Weatherization Manual maintained by the Washington State Department of Commerce or when it is cost-effective to do so using utility-specific avoided costs. Avista partners with multiple Community Action Partnership (CAP) agencies and one Tribal Housing Authority to deliver low-income energy-efficiency programs. The agencies provide income-qualification for customers, generate referrals and have access to funding sources that can be used to best meet customers' home energy needs.

The program fully funds a variety of efficiency measures including home insulation, heat pumps, lighting, and ENERGY STAR refrigerators. The program also allows agency partners to spend up to 30 percent of the program budget on health, safety and repairs needed to keep homes safe and to ensure the systems and improvements the home has received are operating as intended. This program is currently designed to serve Named Communities, particularly members with low incomes. By eliminating out-of-pocket costs of energy efficiency upgrades for these customers, the program mitigates a significant barrier that has historically inhibited participation in energy efficiency programs by lower income customers.

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Community Energy Efficiency Program (CEEP): The Legislature created a funding source in 2009 to penetrate hard-to-reach markets in both the residential and non-residential sectors by encouraging energy-efficiency improvements. As a recipient of these funds, Avista currently partners with three CAP agencies to focus on energy efficiency improvements for multifamily housing and converting income-qualified homes with alternative heat sources such as wood and oil to a heat pump system.

These programs will impact those individuals located in Named Communities given the socioeconomic factors related to low-income or type of home such as multifamily residences. In Figure 4.1 above, savings for these projects will be included in low-income program savings, and in the nonresidential prescriptive program for rural small business projects. If CEEP funding is authorized through the legislation, it is requested by Avista each biennium. While Avista has been the sole CEEP recipient in Eastern Washington in recent years, this funding is not always guaranteed to be received.

Weatherization Programs for Named Communities (2021-2022): Avista will engage in two pilot programs with members of Named Communities in 2022 to identify data

gaps and other barriers that are currently preventing an equitable distribution of energy efficiency opportunities.

The first pilot will leverage existing partnerships to provide necessary insulation, heating ventilation and air conditioning (HVAC) equipment and window upgrades to a small nonprofit housing provider's entire single family and duplex portfolio. Feedback from the EAG indicated that members of Named Communities are not aware of or do not understand the application process or methods used to qualify for these programs. Through this collaboration with CAP agencies, Avista is utilizing an alternative method of outreach to communicate specifically with those customers in Named Communities.

The second pilot addresses energy needs of members located in a resident-owned mobile home community, the majority of whom receive energy assistance and are established within Named Communities. This pilot program will leverage multiple resources to provide health and safety updates, as well as necessary window, insulation, HVAC, and hot water system upgrades to a significant number of residents in this community. This pilot will help uncover gaps in current data for existing weatherization programs for mobile homes and enable a closer assessment of barriers to participation in weatherization programs, including the condition of building stock and awareness of programs and eligibility barriers. Savings from these pilot programs will be counted as part of the Company's low-income energy efficiency program. Lessons learned from these pilots will inform future programs designed to help eliminate barriers to the benefits of clean energy for Named Communities.

Multifamily Direct Install: This program provides direct-installation of energy efficient lighting, low flow showerheads, faucet aerators and other efficiency measures in residential buildings of five units or more. The program targets hard-to-reach markets where customers rent rather than own their property by providing these items free of cost for residents, thereby lowering their energy burden. This program is intended to serve all customers. However, the program as designed will reach many members of Named Communities, particularly those who rent rather than own their home.

Residential Prescriptive Programs/ Small Home Weatherization: Prescriptive rebate programs offer financial incentives to encourage customers to adopt qualifying energy-efficiency measures. Customers must complete the installation and apply for a rebate, submitting proper proof of purchase, installation, and/or other documentation to Avista. Incentives are available for HVAC systems, water heating, window and insulation upgrades, and appliances. Residential prescriptive programs typically cover single-family homes up to a four-plex, with single family homes also having a minimum square footage requirement to participate. This program expands financial incentives and their related non-energy benefits to small homes (less than 1,000 square feet in size) and to multifamily dwellings (specifically customers in condominiums larger than five units in size). While this program is designed for all customers, it will also benefit members of Named Communities who reside in smaller sized homes.

Commercial/Industrial Business Partner Program: This program targets Avista's rural small business customers by bringing awareness of utility programs and services to assist

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them in managing their energy bills. The initiative includes an energy-efficiency assessment along with information about other services such as billing options and energy-efficiency rebates. If an energy efficiency project is identified and qualifies for a utility rebate, CEEP funding is also leveraged to match the rebate, thus assisting the customer with a lower out-of-pocket expense. This program is designed to serve rural business owners, some of whom may be members of or serve members of Named Communities. Energy savings for this program are included as part of nonresidential prescriptive program savings.

Home Energy Audit Program: This pilot program allows residential customers to receive a free home energy audit. The audit provides basic information and education for the customer regarding how their home is currently utilizing energy for heating and lighting and other appliances. Some efficiency measures are installed on site (e.g. screw-in LED lights), while other efficiency measures are recommended for future projects. This program is intended to reach all customers. Savings for this program are included as part of residential prescriptive program savings.

On Bill Repayment: This new program offering from Avista allows customers to finance energy efficiency projects by offering loans at competitive rates, then allowing customers to repay the loan as a line item on their monthly Avista bill. The program helps customers overcome the up-front cost hurdle for energy upgrades and allows them to gain benefits of efficient energy sooner rather than later. Loans are administrated through a third-party lender who works with Avista to provide reasonable loan rates that are more accessible to loan applicants than a typical private loan. While this program is open to all residential and general service Avista customers, it can be of help to members of Named Communities by providing access to credit at lower rates with more flexible credit qualification requirements.

Avista will work towards identifying and developing a prioritization matrix for energy efficiency programs during the CEIP implementation period. In developing this prioritization matrix, Avista will consider the identified CBIs and work with the EAG to ensure the equitable distribution of these programs.

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Equity and Customer Impacts

Energy efficiency programs are the most readily available source for benefits of the transition to clean energy by impacting every equity area discussed within Avista's CEIP. Lower energy use contributes to the reduction of economic burdens for those in Named Communities, reduced costs for all customers, and positively impacts the environment which ultimately impacts public health. Descriptions of each equity area as it relates to energy efficiency are discussed throughout the Company's CEIP but are also outlined below.

- Energy Benefits: Energy efficiency programs may delay, reduce, or eliminate the need for traditional infrastructure while contributing to a more reliable, resilient, and secure system at a lower cost to customers than what may have been possible without these programs. Efficiency programs also reduce monthly energy bills for customers that

participate. The CBI Participation in Company Programs will measure the direct benefit of these programs to measure Avista's progress in increasing participation rates in energy efficiency programs.

- Non-Energy Benefits: According to a preliminary study on non-energy impacts performed by DNV[5] for Avista in 2021, the non-energy benefit with the highest financial value for customers is the reduction of operating and maintenance costs in homes and businesses after completing an energy efficiency project. Elements of this benefit include avoided time and costs associated with reduced maintenance, less need for parts/repairs, less frequent or elimination of service visits, and reduced needs= for system monitoring. The Availability of Methods/Modes of Outreach and Communication and the Named Community Investment CBIs measure these non-energy benefits. As described, many of these programs are designed to find new ways to reach customers and increase savings. Avista expects these indicators to improve over the 2022-2025 period.

- Reduction in Burdens: For customers who are members of Named Communities, energy efficiency programs will result in savings on their energy bill and reduce the burdens associated with other economic hardships such as health care bills, internet bills or other expenses which previously may not have been affordable. In addition, lower up-front equipment costs or other efficiency upgrades may reduce or eliminate energy costs associated with energy efficiency upgrades or more efficient appliances. Free energy audits provided through commercial business partners provide an avenue for education and information, which in turn provides benefits in accessing clean energy. Finally, energy efficient appliances or other measures can increase the asset value of homes, further reducing housing burdens for members of these communities.

  There are three CBIs where energy efficiency will demonstrate the reduction in burden to customers: 1) Number of Energy Burdened Households, 2) Participation in Company Programs, and 3) Availability of Methods/Modes of Outreach and Communication. Avista expects each of these indicators will improve between 2022 and 2025 from these actions.

- Environmental: Energy efficiency reduces the need for new resources and lessens the requirements for existing resources, providing a potential reduction in outdoor air pollution from emitting resources. These benefits will be demonstrated using the CBIs used to track greenhouse gas emissions and air quality. While energy efficiency reduces demand on the system, this reduction may not lead to significant reductions to specific local emissions.

- Cost Reduction: Customers who participate in energy efficiency programs will have cost reductions due to using less energy. Further, energy efficiency in general will reduce the growth of overall customer cost by postponing or avoiding construction of new generating facilities and the need to buy or produce as much energy. However,

[5] DNV is a global research firm specializing in non-energy impact analysis.

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not all energy efficiency measures will have this benefit, as some programs will increase customer costs in exchange for societal benefits. Avista will track these effects in the Number Energy Burdened Households CBI.

- Public Health: Energy efficiency programs can support physical and mental health primarily by creating healthy indoor living environments with healthy air temperatures, humidity levels, noise levels and improved air quality, as well as increased thermal comfort. In addition, replacing old, inefficient equipment with better ventilated equipment may positively impact indoor air quality. Finally, customers in Named Communities who switch from wood to an alternative clean energy heat source will also benefit from improved air quality.

- Energy Security: Efficiency programs can reduce both energy use and peak demand, thereby reducing the need to add additional generating resources. Energy efficiency is also a local resource which increases energy security by avoiding the need for other resources located outside of the community. Avista measures this customer benefit by measuring the resources used to serve its load directly connected to its transmission system or within the state of Washington. These resources are expected to improve this customer metric.

- Energy Resiliency: Because energy efficiency programs reduce both base and peak loads, they can contribute to overall strategies to increase grid resiliency and may prevent outages and the time to repair outages by reducing the load on the distribution system. The Outage Duration CBI should benefit from the proposed energy efficiency programs where outages are a result of excess stress on the system due to increased loading.

Table 4.6 categorizes the CBIs associated with energy efficiency described above and also provides a directional indicator of the impact each of them have on the distribution of customer benefits and burdens during the implementation period.

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Table 4.6: 2022 to 2025 Energy Efficiency Directional Customer Impacts

Benefit Areas	Customer Benefit Indicator	Directional Change to Indicator
Energy	Participation in Company Programs	Increasing rate of participation in Company programs
Non-Energy Impacts	Availability of Methods/Modes of Outreach and Communication	Existing program outreach may provide avenues to identify ways to reach additional participants
	Named Community Investments	Avista's percentage of energy savings should increase in Named Communities
Reduction of Burden to Named Communities	Number of Energy Burdened Households	Participants will experience reductions in energy burden due to lower energy bills
	Participation in Company Programs	Increasing rate of participation in Company programs
	Availability of Methods/Modes of Outreach and Communication	Increased translation services for instance may lead to increased program participation.
Public Health	Indoor Air Quality	Customers who participate should have significant improvements
Environmental	Outdoor Air Quality Greenhouse Gas Emissions	Minor reductions in greenhouse gas emissions and reduced outdoor air pollution
Cost Reduction	Number of Energy Burdened Households	Participants in programs will have reductions in energy burden
Risk Reduction	Risk reduction is an outcome of all benefit indicators	Energy efficiency reduces risk locally and for the system by removing the need for additional resources. All CBIs benefit from energy efficiency by reducing the local and overall stress on the system.
Energy Security	Proximity of Energy Generation	Increases resources within Avista's system and within the state
Energy Resiliency	Outage Duration	May reduce events caused by capacity limitations on the distribution system

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Proposed Cost

The proposed cost for Avista's energy efficiency programs for the 2022-2025 implementation period, inclusive of all programs, pilots and studies but excluding NEEA-related expenditures, is $79.04 million as shown in Table 4.7.

Table 4.7: 2022 to 2025 Energy Efficiency Cost Estimate (Millions)

Year	Incentives/ Direct Customer Benefit	General Implantation Expense	Total Spending
2022	11.78	7.40	19.18
2023	11.78	7.78	19.56
2024	11.78	8.17	19.95
2025	11.78	8.57	20.35
Total	**47.12**	**31.92**	**79.04**

Demand Response

Avista is currently not proposing demand response program targets or actions for the 2022-2025 CEIP period. However, the Company will work towards the development of several programs during this period. Some of these programs were committed to as part of the 2020 Avista General Rate Case, Docket UE-200900. Avista is currently working towards the following demand response endeavors, inclusive of the GRC agreements: [6]

- 30 MW of demand response with Inland Empire Paper. Contingent upon Commission approval, this agreement develops a framework for voluntary incentive-based curtailments until Avista's first capacity need;[7] at that time, the curtailments are required in exchange for fixed payments. Due to the voluntary nature and demand of this agreement, there are no expected costs to Avista during this CEIP planning period.

- Design "opt in" time-of-use (TOU) and peak time rebate pilots for electric residential and generation service customers. This pilot is pending Commission approval.

- Connected Communities Project (Spokane, WA): This project is pending Department of Energy grant award determination. If funded, this project will be centered in one of Avista's Named Communities, the East Central area in Spokane. The project includes solutions for operational optimization of space heating and cooling loads, energy efficiency measures, demand response and other grid services. The goal of this project is to advance a new scalable business model that will demonstrate a mutually beneficial framework for the grid, the people it serves (the community) and the build environment.

[6] Some of the programs described were agreed to by all Parties via a Settlement Stipulation is Docket Nos. UE-200900, UG-200901, and UE-200894 (*Consolidated*). At the time of the draft CEIP it has yet to be approved by the Commission. Final approval will be received prior to the filing of the final CEIP on or before October 1, 2021.

[7] Avista's first capacity need is expected November 1, 2026.

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- Active Energy Management (AEM) pilot program: This three-year pilot program is scheduled to begin during the third quarter of 2021. Energy efficiency through energy use optimization in large commercial buildings is the focus, with a demand response component included. Ten to fifteen buildings with existing building management systems will be recruited to participate in the pilot program to gain a better understanding of how to operate more efficiently. In addition, this pilot will help inform how these buildings use energy and identify potential flexible loads for demand response resources. Participants will include customers from both Washington and Idaho jurisdictions.

- Micro-Grid Design Project for Spokane Tribe of Indians (Wellpinit, WA): Avista is partnering with the Spokane Tribe of Indians and has applied for a Washington State Clean Energy Fund grant to design a grid resiliency program. The need for the design is predicated on a micro-grid feasibility study completed in March 2021 by Sazan Environmental Services and sponsored by the Spokane Indian Housing Authority (SIHA). The project will start with the feasibility study and focus on energy resiliency, while maximizing the value of new and existing solar and planned diesel generators to support tribal goals of emergency preparedness, carbon footprint reduction, and self-sufficient strategies to maintain operations during an outage or natural disaster.

Equity and Customer Impacts

Avista anticipates the demand response and load management programs identified will provide the following benefits for customers:

- Non-Energy Benefits: Programs will have secondary benefits related to local economic growth from direct community investment. These programs with an energy efficiency component will also benefit from lower costs of operating homes and increasing comfort. Avista will measure this benefit with two CBIs 1) Availability of Methods/Modes of Outreach and Communication, and 2) Participation in Company Programs.

- Reduction in Burdens: Demand response programs decrease economic burdens by reducing energy bills. Participating customers may receive reduced bill costs by participating in programs and will see lower overall rates where demand response programs are more cost-effective than alternative resource options. This type of incentive program is particularly promising for Named Communities, due to the relatively low barriers for participation and no up-front out of pocket costs. These benefits should improve the Number of Energy Burdened Households CBI.

- Environmental: While demand response programs may reduce the need for new capacity resources, there is no evidence of a reduction of environmental benefits in the short term. Demand response increases reliance of existing generation and may require older and less efficient facilities to run additional hours since other new and cleaner technology has not been developed. However, as the energy system becomes cleaner, the amount of emissions from existing resources should lessen. Avista's

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environmental CBIs will monitor these improvements, specifically in the measurement of regional greenhouse gases.

- Energy Security: Demand response may indirectly increase energy security by reducing the amount of new generation capacity required for the system. Although without new generation, existing resources will operate longer until being replaced. Avista will monitor this effect by measuring Avista sources of energy within Washington and connected to its transmission system in the Proximity of Energy Generation CBI.

- Energy Resiliency: Demand response programs can help prevent local distribution power outages caused by high demands on the distribution system during periods of peak load. Programs targeting areas with distribution system constraints, for example, can prevent distribution equipment from nearing capacity by incentivizing people to conduct certain energy intensive activities during non-peak load periods. Further, demand response could reduce peak demand and mitigate reliability issues due to lack of generating resource. This provides enhanced system reliability in the form of grid flexibility and higher penetration of renewable resources. The Outage Duration CBI, measuring duration and frequency of outages, should benefit from these actions.

Benefits and burdens associated with the demand response programs developed during the 2022-2025 CEIP implementation period will consider all CBIs in their development and address Named Communities where appropriate and will specifically impact affordability, the environment and resiliency as described in Table 4.8.

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Table 4.8: 2022 to 2025 Demand Response Directional Customer Impacts

Benefit Areas	Customer Benefit Indicator	Directional Change to Indicator
Energy	Does not apply to these initiatives	n/a
Non-Energy Impacts	Availability of Methods/Modes of Outreach and Communication	Programs increase customer outreach opportunities.
	Participation in Company Programs	Will increase participation in programs.
Reduction of Burden to Named Communities	Number of Energy Burdened Households	Customers participating in programs will reduce energy burdens.
Public Health	Does not apply to these initiatives	n/a
Environmental	Greenhouse Gas Emissions	No immediate benefit.
	Outdoor Air Quality	No immediate benefit.
Cost Reduction	Number of Energy Burdened Households	Improvement for all customers, and specific improvement for participating customers with low income.
Risk Reduction	Proximity of Energy Generation	Demand Response reduces risk locally and for the system by reducing the need for additional resources. All CBIs benefit from energy efficiency by reducing the local and overall stress on the system.
Energy Security	Outage Duration	Minor impact to increasing connected and local generation.
Energy Resiliency	Does not apply to these initiatives	Fewer outages due to resource adequacy or capacity constraints on distribution feeders.

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Other Company Initiatives

Avista has a history of supporting disadvantaged communities and pursuing investments to encourage economic growth and community support. In addition to the specific actions for clean energy, energy efficiency and demand response, the initiatives identified below represent specific actions with attributes directly related to the CBIs developed in coordination with the EAG to demonstrate the benefits of clean energy.

Named Community Investment Fund

The CETA legislation encourages investment in Named Communities by helping to ensure all customers equitably benefit from the transition to clean energy. This will require new investments in programs, projects, initiatives, and other support that Avista has not directly undertaken historically. Some of these new investments may be funded through existing tariff riders, such as energy efficiency or energy assistance, but many new investments will require sources of funding. Avista proposes to explore with its advisory groups and EAG the development of an annual fund to be dedicated to the equitable distribution of energy and non-energy benefits and reduction in burdens to Named Communities.

If developed, funds would be utilized for direct investment in projects to improve the equitable distribution of clean energy by targeting Named Communities so they may benefit from improvements to the local electric system or how energy is used. The funds may be either invested into these communities by Avista projects or used as incentives to develop projects led by local customers or third parties. For example, project funds could be used to develop clean energy infrastructure related to community-based generation, increase street lighting, or to offset project costs through awards and grant where energy benefits are not the primary component of the project, such as mobile home replacement.

Avista would also seek matching funds from government sources such as the Department of Energy and Washington State Clean Energy Funds. The matching funds would complement utility investments. Specifically, these funds may help make uneconomic projects cost- effective for Named Communities.

Avista proposes a collaboration with advisory groups and the EAG to assist in determining where specific investments would benefit Named Communities the most. This initiative may require an annual commitment of both capital and expense budgets and may require approval by the Commission for deferred accounting treatment or another accounting mechanism. Avista is currently discussing a proposed funding level and may include it in the final CEIP.

Avista Foundation Grants

The Avista Foundation (Foundation) is a community investment program of Avista Corporation, independent from Avista Utilities. The Foundation provides funding through grants for non-profit organizations addressing the needs of communities and citizens served by Avista Utilities. In addition to providing support for K-12 education, particularly in the areas of math and science, the Foundation also provides assistance for vulnerable populations with limited income, supports economic and cultural vitality, and supports an employee matching gifts program for non-profit organizations.

Through the Avista foundation, Avista will help to address systemic racism by ensuring the equitable distribution of grants. Beginning in 2019, additional questions were added for grant applicants to self-identify if the customer considered themselves marginalized or part of a vulnerable population. Avista will expand on the definition of “marginalized or vulnerable” to include Named Communities in our service territory. The Foundation will work towards ensuring approximately 60 percent of grant funding is awarded to those located within, or serving, Named Communities.

Diversity, Equity and Inclusion (DEI) Initiative

The issue of systematic racism was brought up in discussions with our EAG as a barrier to participation specifically in relation to the equity areas of accessibility to clean energy, community involvement and in some cases affordability. The issue of solving systemic racism within our service territory is broad and far-reaching and will require a lengthy period to solve. Avista’s DEI initiative will take steps to address the issue where possible. As part of Avista’s DEI focus, the Company has set goals and aspirations, and is actively

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taking steps to meet them in two focus areas. These areas include employee and business supplier diversity, both will be tracked as part of Avista's CBIs.

The Company's employee diversity goals can best be achieved by assembling a more diverse and inclusive workforce that is representative of the communities we serve. Recognizing this will take time to achieve, the Company aspires its employee diversity to reflect the diversity of the communities we serve by 2035.

Avista is also focusing on improving the diversity of its business suppliers and vendors. Avista will work towards a supplier mix comprised of 11 percent with Vulnerable Population characteristics or located within a Named Community. Increasing the number of suppliers in Named Communities will help mitigate barriers to participation in the clean energy economy and reduce energy burdens for these communities. Avista will continue to work towards ways to identify and address DEI throughout the implementation period and into the long-term future.

Transportation Electrification

With the support of a broad coalition of stakeholders and customers, Avista developed a comprehensive Transportation Electrification (TE) Plan, with supporting tariff schedules 077, 013 and 023, effective April 26, 2021. This provides the Company with the authorization and directive to support electric transportation over the long term, resulting in major economic and environmental benefits for all customers. New authorized programs include charging infrastructure investments in commercial and residential locations for personal, workplace, fleet and public use, as well as fleet support services, education and outreach, load management, community support programs and new commercial electric vehicle (EV) rates utilizing TOU designs.

Avista is committed to helping provide benefits from electric transportation to disadvantaged communities and low-income customers, in collaboration with other service organizations and community leaders. An aspirational goal of up to 30 percent of overall electric transportation funding will be applied to this program category, subject to practical limitations of the market and viable, cost-effective technologies. Avista's EV charging pilot (2016 to 2019) demonstrated a successful model that will be expanded upon by providing EVs and charging assistance for community organizations serving the disadvantaged, through a collaborative process and competitive proposal selections. In addition, Avista will provide additional EV charging installation assistance for community centers and public libraries, low-income rural towns, multi-unit dwellings, and residential customers receiving bill assistance. New pilot programs may also be developed with public transit agencies and transportation network company (TNC) platforms, as well as other partnerships to explore the feasibility of ridesharing and car-sharing services for disadvantaged groups.

Electric transportation is a long-term opportunity to transition to a cleaner energy future for all - not just for those using EVs and other electrified equipment. Transportation using a cheaper and cleaner fuel, efficiently utilizing grid infrastructure by charging during off-peak hours and integrating renewable power resources will result in a healthier and more

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sustainable economy. Avista's commitment to increase the use of transportation electrification includes budgets summarized in Table 4.10.

Table 4.9: Washington Electrification Budget Plan (Millions)

Year	Capital	Expense
2022	$2.9	$0.7
2023	$3.6	$0.9
2024	$4.2	$1.0
2025	$4.8	$1.1
Total	$15.5	$3.7

Avista anticipates the electrification of the transportation system will benefit the environmental CBI by reducing regional emissions and improving air quality.

Major Unplanned Outage Customer Experience Team

In addition to system resiliency, there is a need for customer resiliency to reduce the impacts of outages. To address customer resiliency, Avista created the Major Unplanned Outage Customer Experience Team to improve communication and response to customers during outage events. This team offers outage-related services to customers to reduce the outage impact and provide timely, consistent, and accurate information to Avista's customers. Their goal is to interact with customers in a positive manner, keep them informed and restore power as efficiently as possible. No new programs have been identified or implemented at this time. However, the work this team is doing may inform customer resiliency solutions during the current CEIP implementation period.

Table 4.10 categorizes the CBIs associated with other Company initiatives described above.

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Table 4.10: CBIs for Other Company Initiatives

Benefit Areas	Project	Impacted Customer Benefit Indicator
Energy	Transportation Electrification	• Participation in Company Programs
	Named Community Fund	• Participation in Company Programs
Non-Energy Impacts	Transportation Electrification	• Named Community Investment
	Avista Foundation Grants	• Named Community Investment
Reduction of Burden to Named Communities	Transportation Electrification	• Number of Energy Burdened Households
	Named Community Fund	• Number of Energy Burdened Households
	Avista Foundation Grants	• Named Community Investment
Public Health	Named Community Fund	• Indoor Air Quality
	Diversity, Equity, and Inclusion (DEI) Initiative	• Supplier Diversity • Avista Employee Diversity
Environmental	Transportation Electrification	• Greenhouse Gas Emissions • Outdoor Air Quality
	Named Community Fund	• Greenhouse Gas Emissions • Outdoor Air Quality
Cost Reduction	Named Community Fund	• Number of Energy Burdened Households
Risk Reduction	Transportation Electrification	• Greenhouse Gas Emissions • Outdoor Air Quality
	Named Community Fund	• Greenhouse Gas Emissions • Outdoor Air Quality • Proximity of Energy Generation • Proximity of Energy Generation
Energy Security	Named Community Fund	• Proximity of Energy Generation
Energy Resiliency	Named Community Fund	• Outage Duration
	Customer Experience Team	• Outage Duration

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Other Requirements

2021 Electric IRP Consistency

Avista filed its 2021 Electric IRP on April 1, 2021; shortly thereafter Avista filed an update to the plan to reflect changes to the Preferred Resource Strategy due to the acquisition of a 5 percent slice of Chelan's Rocky Reach and Rock Island hydro facilities associated with the renewable RFP conducted in 2020. This acquisition was, in part, to meet clean resource needs identified in the 2020 Electric IRP. Avista's IRP identifies Avista's preferred supply and demand-side resources to meet both its Washington and Idaho customers. The IRP forecasts how the Company will use a mix of energy efficiency, demand response, clean energy and traditional energy resources to meet customer needs for 20 years or more.

Avista is using the same resource acquisition estimates for both energy efficiency and renewable energy as described in the 2021 IRP and CEAP. Demand response targets have been modified from the original 2021 IRP, which identified a demand response program beginning in 2025. As mentioned previously, Avista has entered into a large

commercial voluntary demand response program (pending Commission approval), in addition to planning demand response pilots. These actions exceed the IRP demand response estimate and met the need for this 2025 resource.

Avista's 2021 IRP, for the first time, identified each resource type by jurisdictional need. Resources were selected based on policy and customer requirements on an individual jurisdictional basis. This change was a result of stakeholder feedback relating to future cost recovery. The benefits of this change are easily identifiable resource requirements for Washington customer needs. For Washington customers, the 2021 IRP identified the acquisitions needed between 2022 and 2031; the annual acquisition for each resource type is provided in Table 4.11.

The IRP, as well as the CEAP, was developed in accordance with all Commission requirements, including meeting all resources needs with the lowest reasonable cost mix of conservation and energy efficiency, demand response, generation, distributed energy resources, and delivery system investments that ensure the utility provides energy to its customers that is clean, affordable, reliable and equitably distributed. Resources identified in the plan are also consistent with Company, industry, regulatory safety standards, and meet resource adequacy requirements.

Table 4.11: Washington Share of 2021 IRP Identified New Resources

Year	Energy Efficiency (MWh)		Demand Response		Clean Energy (Wind)		Clean Energy (Biomass)		Clean Energy (Hydro)		NG Peaker	
	aMW	MW	aMW	MW	aMW	MW	MWh	MW	aMW	MW	aMW	MW
2022	5.8	6.1										
2023	5.8	6.1										
2024	5.8	6.1										
2025	5.8	6.1	n/a	6.9	47.9	100.0						
2026	5.8	6.1							5.2	2.6		
2027	5.8	6.1	n/a	25.0			5.7	7.8			n/a	84.1
2028	5.8	6.1			47.9	100.0						
2029	5.8	6.1										
2030	5.8	6.1										
2031	5.8	6.1	n/a	2.4					31.0	75.0		
Cum.	**58**	**61**	**0**	**34.3**	**95.8**	**200**	**5.7**	**7.8**	**36.2**	**77.6**	**0**	**84.1**

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Resource Adequacy

Avista's resource adequacy requirement is to acquire enough resources to exceed expected peak load in both summer and winter months, along with meeting reliability-related operating reserves and flexibility requirements. To ensure Avista has enough resources to meet this objective, it adds a 16 percent planning reserve margin to winter peaks and a 7 percent planning margin for summer months. The planning reserve margin is applied to the peak load forecast. The peak load forecast is based on the average coldest and hottest days of historical temperatures in Spokane. In total, Avista plans for approximately 23 percent higher demand than the expected forecast to ensure adequate

resources when combining planning reserve margins and operating reserve requirements for winter peak loads and 14 percent to meet summer peak loads.

To ensure market reliance is available in future years, Avista supports efforts to develop a regional resource adequacy program by the Northwest Power Pool. This program is designed to set common resource planning standards and take advantage of regional load and resource diversity for the benefit of all program participants' customers. Each utility will be required to hold a minimum amount of planning reserves, standardize the methodology for determining resource adequacy and allow for a process to share resources when certain participants are short of supply during peak load events.

Under Avista's resource adequacy methodology used for the 2021 IRP, Avista is confident it has sufficient resources through October 2026 to meet customer peak demands given the boundaries of the resource adequacy methodology. Beyond 2026, Avista loses capacity from the expiration of the Lancaster contract in 2026 and the exit of Colstrip at the end of 2025 from the portfolio serving Washington customers. With these changes Avista requires new capacity and energy resources to reliably meet customer peak requirements. The resource additions within the IRP will help the Company meet its resource adequacy standards.

The winter peak load and resource balance for Avista's system is shown in Figure 4.2. This illustration includes significant resource losses including Colstrip (222 MW) at the end of 2025, Lancaster (283 MW) in the fall of 2026 and the expiration of Mid-Columbia hydro contracts in 2028 and 2030. This table shows Avista's system is capacity sufficient through 2026 and has significant resource adequacy deficits beginning after Lancaster's contract expiration and exit of Colstrip. Most of Avista's upcoming resource losses are driven by changes in resources rather than load growth.

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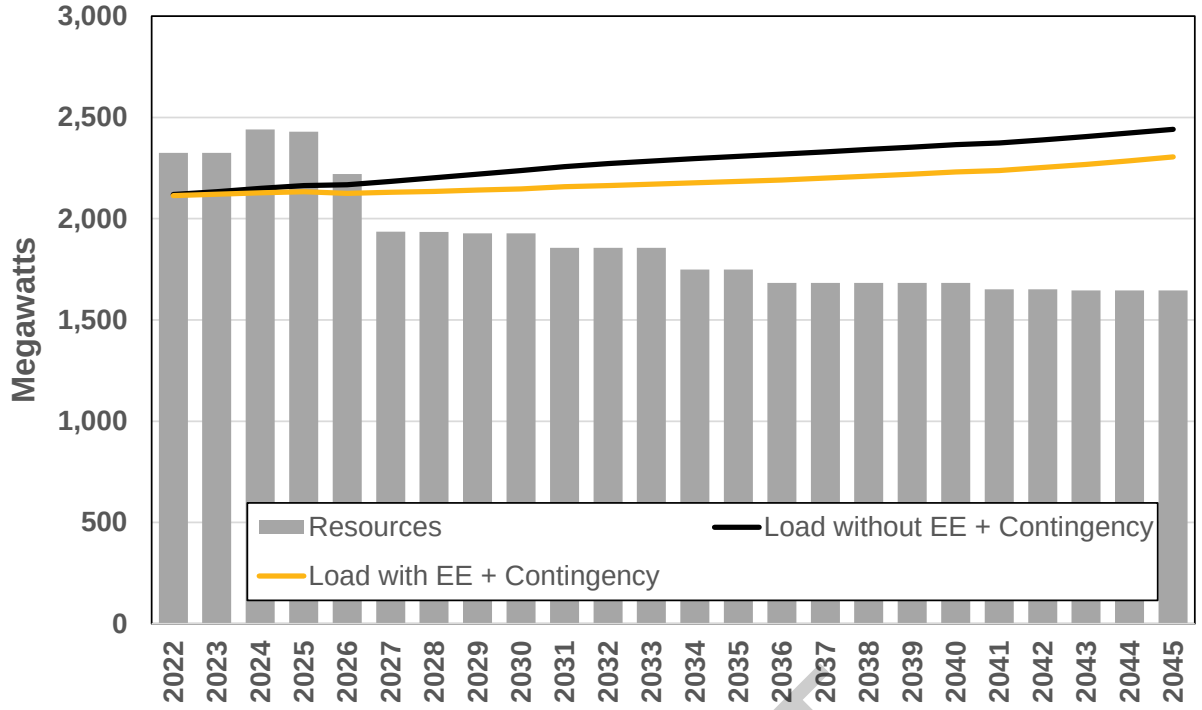
Figure 4.2: Winter System Peak Position (System)



Lowest Reasonable Cost Analysis

Avista's IRP uses prescribed methodologies by the Commission and guidance by Avista's Technical Advisory Committee to ensure resources selected in the plan are least reasonable cost for Avista's Washington customers.

Avista solves for its resource portfolio needs by using a computer program to optimize resource costs by minimizing the societal adjusted cost to Washington customers. This process begins by identifying the resource needs for both physical capacity (resource adequacy), clean energy, and targeted energy acquisition. With these needs identified, the computer model selects resources with the capability of meeting the demands of the system each year in a least cost manner. The model selects resources based on the direct cost of the resource, its ability to meet the need, its expected operational value, and any social costs or benefits it provides. The model may retire resources where economically feasible.

Avista's process is unique in its ability to co-optimize its resource portfolio for both demand and supply side resource options while also including social costs. Social costs include avoiding regional greenhouse gas emissions for new energy efficiency programs and including the SCGHG as a cost adder for fossil fueled resources. Additionally, for energy efficiency programs Avista accounts for non-energy benefits, Power Act premiums, avoided transmission and distribution benefits.

To further account for both total utility portfolio planning and societal risks, Avista applies the SCGHG to upstream emissions from both operations and construction along with the

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cost adder on direct emissions mentioned earlier. Another step in Avista's process to ensure a least reasonable cost portfolio of resources is to include the impact of transmission investments required to add resources in areas with deficient transmission. Lastly, Avista's approach can, if applicable, value options to select local resources to resolve transmission and distribution needs compared to adding new wire-based solutions.

At the time of development of this plan, Avista has limited abilities to include benefits and costs to Named Communities, although Avista's inclusion of non-energy benefits and low-income programs for energy efficiency provides benefits to these customers. Further, the inclusion of SCGHG also places an added barrier for the inclusion of resources with air emissions that may impact customers health. Avista's plan to include non-energy benefits for supply-side resources in its next plan should further enhance Avista's ability to evaluate all impacts to Washington customers.

Avista's future investments and expenses to meet CETA are estimated using third-party estimated cost of acquisitions for energy efficiency and demand response programs. Avista conducts an internal analysis using RFP and publicly available information to develop supply-side resource costs. Resource assumptions for all resource types are shared with the public, including the TAC, for comment. Given actual and planned acquisition are likely to differ, the estimated costs of complying with CETA are based on forecasts prior to an RFP where Avista will obtain real prices from prospective projects. While planning is important to understand the resource need, only after surveying the market is a utility able to fully understand the actual costs of the clean energy transformation.

To be transparent in its planning, Avista provides all customers and interested parties access to its portfolio optimization model. This model is available on Avista's IRP website[8] and is fully operational using Microsoft Excel.[9] Avista also provides many of its workpapers and assumptions regarding market prices and resource costs on the IRP website.

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[8] https://www.myavista.com/about-us/integrated-resource-planning.
[9] Users will require Lindo's System's What's Best and Gurobi software licenses to be able to optimize the portfolio model themselves.

5. Incremental Cost and Alternative Compliance

Chapter Highlights

- Avista's resource plan will be below the 2 percent cost cap.
- Avista's Washington customers will have higher rates due to CETA, specifically 1.1 percent in 2024 and 3.4 percent in 2025.
- Avista's interim target lowers rates by 1.1 percent each year by retiring RECs from its clean energy resources.

The CEIP must describe not only the utility's plan for making progress toward meeting the clean energy standards of CETA, but also, per WAC 480-100-660(4), each CEIP must include a projection of the incremental cost to meet this mandate. In addition, if a utility intends to rely on an alternative compliance mechanism, those plans must be described as well.

To determine this incremental cost of compliance, a utility compares its Alternative Lowest Reasonable Cost Portfolio (i.e. generated from the utility's IRP where CETA requirements are not met) with the resource portfolio used to comply with the interim targets proposed in Chapter 2- Interim and Specific Targets known as the "Reasonably Available Portfolio". Avista uses Aurora, a portfolio optimization model, to calculate the power cost needed to serve customers for both these portfolios, and then adds non-power costs such as transmission, distribution, and administrative/general expenses.

These incremental cost calculations are used to protect customers from excessive cost increases that are possible in the transition to clean energy. These cost increases are limited at a 2 percent increase of the utility's Weather-Adjusted Sales Revenue (WASR) to customers from each previous year, divided by the number of years in a period[1]. Additionally, the incremental costs must be directly attributable costs expended to satisfy requirements of CETA, such as:

- The utility made the investment or incurred the expense during the CEIP implementation period;
- The investment or expense is part of the Reasonably Available Portfolio;

[1] RCW 19.405.060(3)

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- The investment or expense is above the costs the utility would incur for the Alternative Lowest Reasonable Cost and Reasonably Available Portfolios; and
- The investment or expense is not required to meet any statutory, regulatory, or contractual requirement or any provision of RCW chapter 19.405 other than RCW 19.405.040 or 19.405.050.

In addition to these requirements, Avista will provide workpapers, models[2] and associated calculations in Appendix D for the resource identified in Chapter 4- Specific Actions.

- Identification of all CEIP-related investments and expenses that Avista plans to make during the compliance period;
- Demonstration that expenses identified are directly attributable to actions necessary to comply with, or make progress towards, the requirements of RCW 19.405.040 and RCW 19.405.050; and
- The expected costs of planned activities and the expected costs of the Alternative Lowest Reasonable Cost.

Portfolio Analysis

Avista developed two portfolios to show the incremental cost of complying with the CETA legislation. The main difference between these portfolios are specific additions of clean energy resources. The Alternative Lowest Reasonable Cost Portfolio outlines the actions the utility would have done from a least reasonable cost perspective absent clean energy targets. The Reasonably Available Portfolio adds the specific resource actions discussed in Chapter 4- Specific Actions to estimate the cost difference.

Alternative Lowest Reasonable Cost Portfolio

Avista developed the Alternative Lowest Reasonable Cost Portfolio in two steps. The first step is to determine the 2022 to 2025 resource portfolio using the PRiSM model from the IRP process. The portfolio used in this analysis is described in the 2021 IRP.[3] The second step simulates the annual power cost of this portfolio using the Aurora model. Avista uses a process similar to estimating revenue requirements for rate proceedings for this calculation. Avista's intent is to develop an Alternative Lowest Reasonable Cost Portfolio cost using known ratemaking methodologies where applicable and using the hypothetical resource portfolio absent the passage of CETA.

The 2021 IRP simulated this portfolio by solving for portfolio requirements only meeting capacity and energy shortfalls to insure reliability and lowest reasonable cost requirements. This analysis excludes Avista's obligation to meet the clean energy standard but includes economic hurdles such as nonenergy impacts for energy efficiency and the social cost of greenhouse gas (SCGHG) for resource selection and meeting the Energy Independence Act (EIA).

The Alternative Lowest Reasonable Cost Portfolio does not include any new generating resources since Avista is not short energy or capacity between 2022 and 2025. Although,

[3] The 2021 Electric IRP includes this portfolio as Portfolio #2 and is described beginning on page 12-2.
[3] The 2021 Electric IRP includes this portfolio as Portfolio #2 and is described beginning on page 12-2.

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the portfolio includes 1 MW of demand response beginning in 2025, the first year of a larger program, and 158 gigawatt-hours of energy efficiency. Further, Avista chose not to include the recent Chelan PUD purchase within this portfolio, as its acquisition was targeted at complying with upcoming CETA requirements.

For energy efficiency, Avista chose not to model a reduction in energy efficiency savings for this portfolio due to the immaterial difference between the savings outcomes. Specifically, the savings is 1.2 percent less, or 0.22 aMW, in the Alternative Lowest Reasonable Cost Portfolio compared to the Reasonably Available Portfolio. Given this minor difference, Avista modeled the same customer load level in both scenarios.

Avista's portfolio optimization includes the SCGHG in the resource decision process, with emissions priced using the SCGHG for expected dispatch of those resources. This methodology impacts generating resource decisions for periods beyond this CEIP period, but for this period increases the energy efficiency estimates. This requirement is one of the main drivers of why the energy efficiency quantities are similar between both portfolios.

One aspect of the Alternative Lowest Reasonable Cost Portfolio often overlooked is the value of selling excess clean energy resources greater than the Energy Independence Act requirements for the benefit of customers. Avista includes the continued sale of excess Renewable Energy Credits (RECs) and selling specified renewable power to lower power supply cost and rates for customers.

Reasonably Available Portfolio

The Reasonably Available Portfolio includes additional resources not included in the Alternative Lowest Reasonable Cost Portfolio but chosen explicitly for CETA compliance. Specifically, the 5 percent share of Chelan PUD's Rock Island and Rocky Reach hydro projects starting in 2024, and 100 MW Montana Wind resource beginning in 2025, were all chosen to fulfil CETA standards. The actual resource selection for the Montana Wind resource will be determined through an RFP process and may result in a different clean resource depending on responses to the RFP. Avista is not including any additional resources within this study to reflect demand response pilots beyond the 1 MW also included in the Alternative Lowest Reasonable Cost Portfolio.

As described above, this scenario uses the same energy efficiency amounts as the Alternative Lowest Reasonable Cost Portfolio reflecting the savings target from Chapter 4 – Specific Actions. When calculating revenue requirements, energy efficiency savings is not specifically modeled, but rather the net expected load is modeled as it is the requirement for generating resources to meet.

Revenue Requirement Methodology

To estimate future revenue requirements, Avista separated costs between power cost and non-power cost assumptions. In addition to these revenue requirements, Avista adds other adjustments known as Tariff Riders such as the Bonneville Power Administration (BPA) Residential Exchange program, REC Sales (Washington only), Low-Income Rate Assistance Program, energy efficiency and demand response programs.

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Power Cost Modeling

Avista uses the Aurora model to estimate the power cost component of the revenue requirement, much like it is uses to determine the power cost component of the revenue requirement in rate filings. Specifically, Avista simulates its total system generation and contractual rights and obligations to serve customer load in a least cost manner, accounting for market opportunities to lower customer cost. Avista uses the same methodology for forecasting these costs in rate proceedings. However, some material methodologies differ in the way the model is applied to rate proceedings versus the CETA power cost modeling, including using forecasted weather adjusted loads and blending forward market prices with those from the 2021 IRP.[4] These differences in methodology are required to reflect an accurate estimate of normalized power cost for this four-year period, as opposed to the power cost forecast used for ratemaking, which utilizes a single near-term year.

To estimate Washington customer's share of power cost, Avista allocates cost using the PT ratio of 65.65 percent. Historically, Avista has used this ratio to allocate electric costs between Washington and Idaho. Due to resource allocation shortfalls, Avista includes adjustments for renewable generation cost recovery shortfalls from Idaho plus any REC purchases required to either meet the EIA or CETA. Avista included the Aurora study and the summary results as part of the incremental cost calculation in Appendix D.

Non-Power Costs

Power supply costs are a part of the total cost to serve customers. Other costs include transmission, distribution, and administrative/general expenses; these costs are not directly impacted by the CETA legislation. To estimate these non-power supply costs, Avista used the 2022 revenue requirement estimate from Avista's most recent rate filing[5] and escalated future years by 3.8 percent annually. This escalation rate used for 2023 through 2025 reflects the average growth rate in non-power costs between 2014 and 2022.

Avista is planning for additional projects beyond those in historic rates, specifically projects related to transportation electrification and potential investments in Named Communities. These costs are added to the other non-power cost revenue requirement to show a separate, more representative, cost component.

As mentioned earlier, customers pay for programs beyond the base revenue requirements through Tariff Riders. These rate adjustments may reduce customer cost by selling surplus RECs or receiving funds for the Residential Exchange with the Bonneville Power Administration. Adjustments may also increase customer cost through energy efficiency and low-income program Tariff Riders.

Incremental Cost Cap Analysis

The CETA incremental cost cap calculation requires the revenue requirements for 2021 and the Alternative Lowest Reasonable Cost Portfolio forecast for 2022 through 2025.

[4] Additional information regarding how Avista models power supply costs in rate proceeding can be found in direct company testimony such as Witness Kalich UE-200900.
[5] UE-200900

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Each of the revenue requirement components by year are shown in Table 5.1.[6] These estimates are a forecast and subject to change upon Commission approval in future proceedings. The estimates shown in Table 5.1 below are not implied rate increases but show forecasted costs and historical rate changes that are subject to change based on fluctuations in customer demand, market conditions, capital, and O&M budgets. Avista estimates the Weather Adjusted Sales Revenue (WASR) to be between $600 and $681 million in the four-year period.

Table 5.1: Alternative Lowest Reasonable Cost Portfolio Washington Revenue Requirements Estimate ($ Millions)

Item	2021	2022	2023	2024	2025
Power Cost	102.9	102.5	103.6	110.8	118.4
Transmission, Distribution, A&G	446.2	489.5	508.1	527.4	547.4
Transportation Electrification	0.5	0.8	1.2	1.5	1.9
Total Base Revenue Requirement	**549.6**	**592.7**	**612.8**	**639.7**	**667.8**
Tariff Rider Adjustments					
BPA Residential Exchange	-10.0	-9.9	-9.9	-10.0	-10.1
Renewable Energy Credits (RECs)	-3.8	-4.5	-4.7	-4.7	-4.7
Low Income Rate Assistance	8.0	8.5	9.1	9.8	10.5
Energy Efficiency/Demand Response	11.6	19.0	19.1	19.1	19.2
Total Tariff Rider Adjustments	**5.7**	**13.1**	**13.5**	**14.2**	**15.0**
Weather Adjusted Sales Revenue	**555.3**	**605.9**	**626.3**	**653.9**	**682.8**

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Utilities must calculate the average annual threshold amount for determining eligibility for reliance on RCW 19.405.060(3) as an alternative means of compliance. The average annual threshold amount is equal to a 2 percent increase over the utility's weather-adjusted sales revenue to customers from each previous year, divided by the number of years in the period. For a period consisting of four years, the mathematical formula for the annual threshold amount is:

$$\text{Annual Threshold Amount} = \frac{(WASR_0 \times 2\% \times 4) + (WASR_1 \times 2\% \times 3) + (WASR_2 \times 2\% \times 2) + (WASR_3 \times 2\%)}{4}$$

Using the above compounding formula, the four-year cost cap for Avista is $119 million as shown in Table 5.2, based on the forecasted revenue requirements from 2021 and the Alternative Lowest Reasonable Cost Portfolio. For Avista to use the cost cap alternative compliance, the Reasonably Available Portfolio's incremental cost must exceed the $119 million threshold over the four-year period.

[6] Avista will update 2022 and other related cost upon the conclusion of its rate filing in UE-200900.

Table 5.2: Incremental Cost of Compliance ($ Millions)

Item	2021	2022	2023	2024	Total
Weather Adjusted Sales Revenue	555.3	605.9	626.3	653.9	
Incremental 2% of WASR	11.1	12.1	12.5	13.1	
Compounding	4.0	3.0	2.0	1.0	
Four-Year Incremental Cost Cap	**44.4**	**36.4**	**25.1**	**13.1**	**118.9**

For the Reasonably Available Portfolio analysis, Avista will continue to sell specified power and RECs as proposed to meet specific targets from Chapter 2 Interim and Specific Targets. The specific cost estimates for this portfolio are shown in Table 5.3. For this forecasted period, Avista only shows two years (2024 and 2025) with cost changes from the Alternative Lowest Reasonable Cost Portfolio. These changes in incremental cost are highlighted in Table 5.4. Avista is showing a total incremental cost of $28.8 million over the four-year period to meet its interim targets. Since this amount is significantly less than the $119 million cost cap, Avista will not seek alternative compliance under this provision.

Table 5.3: Reasonably Available Portfolio Washington Revenue Requirements Estimate ($000)

Item	2022	2023	2024	2025
Power Cost	102.5	103.6	118.1	142.0
Transmission, Distribution, A&G	489.5	508.1	527.4	547.4
Transportation Electrification	0.8	1.2	1.5	1.9
Total Base Revenue Requirement	**592.7**	**612.8**	**647.0**	**691.3**
Tariff Rider Adjustments				
BPA Residential Exchange	-9.9	-9.9	-10.0	-10.1
Renewable Energy Credits (RECs)	-4.5	-4.7	-4.7	-6.7
Low Income Rate Assistance	8.5	9.1	9.8	10.5
Energy Efficiency/Demand Response	19.0	19.1	19.1	19.2
Total Tariff Rider Adjustments	**13.1**	**13.5**	**14.2**	**13.0**
Weather Adjusted Sales Revenue	**605.9**	**626.3**	**661.2**	**704.3**

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Table 5.4: Incremental Cost Calculation ($000)

Item	2022	2023	2024	2025	Total/Avg
Alternative Lowest Reasonable Cost Portfolio	605.9	626.3	653.9	682.8	
Reasonably Available Portfolio	605.9	626.3	661.2	704.3	
Incremental Cost	**0.0**	**0.0**	**7.3**	**21.5**	**28.8**
Annual Percent Increase	0.0%	0.0%	1.1%	3.1%	1.1%

REC Retirement Impact on Incremental Cost

Avista proposes to continue to sell surplus RECs not needed to meet EIA targets. Included in the Company's interim target is the intent to retire RECs equal to 40 percent of net retail sales between 2022 and 2029. Further, Avista's Washington customers will not purchase or compensate Idaho customers for their share of non-qualifying EIA

resources acquired prior to 2020 for compliance purposes, except for unusual circumstances such as a low water year or a low wind year.

This proposal reduces customer rates by approximately 1 percent annually. To illustrate this impact, Table 5.5 shows the alternative incremental cost excluding the benefit of selling RECs and specified power. In this scenario, the incremental cost increases to $56 million (or $27 million higher) than the proposed target. Given the annual average rate increase in the proposed Reasonably Available Portfolio is 1.1 percent and this alternative scenario is 2.1 percent, customers will benefit from a 1 percent lower rate each year by Avista continuing to sell RECs and specified power.

Table 5.5: Incremental Cost of Compliance with excluding REC and Specified Sales ($ millions)

Item	2022	2023	2024	2025	Total/Avg
Reasonably Available Portfolio WASR	605.9	626.3	661.2	704.3	
Value of REC sales	6.0	6.2	6.2	8.2	
Revised WASR	**611.8**	**632.5**	**667.4**	**712.5**	
Alternative Lowest Reasonable Cost Portfolio	605.9	626.3	653.9	682.8	
Incremental Cost	**6.0**	**6.2**	**13.5**	**29.7**	**55.4**
Annual Percent Increase	1.0%	1.0%	2.1%	4.4%	2.1%

Alternative Compliance

Through December 31, 2044, utilities may satisfy up to 20 percent of their obligation in meeting CETA's clean energy standards with an alternative compliance mechanism. Alternative compliance may include any combination of the following:

- Making an alternative compliance payment;
- Using unbundled RECs that haven't previously been counted;
- Investing in energy transformation projects; and
- Using electricity from an energy recovery facility using municipal solid waste.

In determining incremental cost compliance options, utilities must provide evidence that an alternative compliance option was used and that investment in energy efficiency or conservation, renewable resources, and non-emitting electric generation was maximized before relying on these alternative compliance options. Alternative compliance options must align with options allowed under RCW 19.405.040 (1)(b).

For this CEIP interim 2022-2025 period, Avista does not anticipate implementing any alternative compliance options until formal rules are in place regarding the use of electricity and requirements for energy transformation projects are finalized.

Early Action Credit

Avista does not propose to use the early action credit authorized in RCW 19.405.040(11). This provision allows multistate utilities with less than 250,000 customers who close coal fired facilities prior to January 1, 2025 may count the reduced megawatt-hours towards

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meeting the 2030 compliance obligation. Due to the fact Avista has more than 250,000 customers, it is not eligible for this opportunity.

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6. CEIP Public Participation

Chapter Highlights

- Identification of barriers to public participation and ways to remediate barriers.
- Successful EAG formation and public enagement.
- Customer Benefit Indicators identified and prioritized.

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Overview

In accordance with WAC 480-100-655, Avista's CEIP public participation includes representation from existing advisory group members, the Company's newly formed Equity Advisory Group (EAG), its customers, and other interested members of the public. Coordination of this engagement was accomplished through the creation of a series of meetings referred to as the CEIP Public Participation Meetings. These meetings were held monthly beginning in May 2021, with a final Public Educational Outreach meeting in September 2021. To ensure the appropriate focus and input was obtained in relation to Highly Impacted Communities and Vulnerable Populations (Named Communities), two stand-alone EAG meetings were also held in early June 2021. These two meetings consisted not only of a meet-and-greet of the members and the setting of expectations regarding the intention of this effort, but also an initial dialogue about equity areas throughout Named Communities and the identification of barriers and burdens to participation, and preliminary Customer Benefit Indicators (CBIs). CEIP Public Participation Meetings were open to all existing Avista advisory group members, EAG members, Avista customers and the general public. In addition, existing regularly scheduled advisory group meetings were held throughout the process.

The CEIP Public Participation Meetings were pivotal in recognizing how the transition to clean energy may benefit (or harm) Avista customers. Key categories for each meeting were identified to ensure all aspects of WAC 480-100-655 were met. The following topics were essential discussion points in the development of the CEIP:

- Review of Highly Impacted Communities using the cumulative impact analysis pursuant to RCW 19.405.140;
- Identification of Vulnerable Population characteristics;

- Identification of barriers and burdens to participation in the transition to clean energy;
- Recommended approaches for ensuring that all customers benefit from the transition to clean energy; and,
- Development of and prioritization of CBIs.

Additional detail is provided within the section titled Project Milestones, and in Table 6.4.

Public Participation

Timing and Methods of Participation

On May 2, 2021, the Company filed its CEIP Public Participation Plan (Plan) outlining Avista's schedule, methods, and goals for engaging the public to participate in the CEIP development process and provide education to customers throughout the 2022-2025 implementation period. In accordance with WAC 480-100-655, Avista included information on how the public can contribute in the identification of Named Communities, development of CBIs, and identifying and remediating barriers to participation.

In following the steps identified in its Plan, Avista communicated with customers in several ways. Initially, Washington electric customers and advisory group members were notified via email in early May 2021 informing them of the upcoming CEIP Public Participation Meeting series that would be aimed at developing the main components of the CEIP. Customers were, and still are, able to visit the Company's CETA webpage at myavista.com/ceta or reach out to Avista's CETA phone line at (509) 495-4255 to learn more or to participate in Avista's transition to clean energy. In addition, the EAG was established in order to provide an equity lens for those customers in Named Communities. In this context, EAG members were able speak not only to equity issues, but also aid in identifying what benefits and barriers to participation are felt in these communities.

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Email reminders and meeting invitation links were sent to all participants approximately one week prior to the scheduled CEIP Public Participation Meetings. In accordance with WAC 480-100-655(1)(f) and (h), meeting presentations were posted to the Company's CETA webpage approximately three business days prior to each meeting. Input files utilized in the development of interim and specific targets that demonstrate progress towards meeting the clean energy standards identified in WAC 480-100-610 (2) and (3) were also posted to the Company's IRP[1] or CEIP[2] website as they were developed and made available for review.

Comments received throughout the CEIP Public Participation Meetings, along with responses to various discussion topics as described herein, were captured during each meeting and posted to the CETA webpage. In addition, outstanding questions from previous meetings were addressed during the introduction of each subsequent meeting. Finally, recordings of each CEIP Public Participation Meeting were posted to the website

[1] https://www.myavista.com/about-us/integrated-resource-planning
[2] https://www.myavista.com/about-us/washingtons-clean-energy-future

for ease of reference for those who may have been unable to attend regularly scheduled meetings.[3]

In accordance with WAC 480-100-655(1)(h), a summary of all comments received during the development of its CEIP along with the Company's responses is within Appendix F.[4] This includes details pertaining to whether issues raised in the comments were addressed and incorporated into the final CEIP, as well as documentation of the reason(s) for rejecting any such input. In the event input was not considered in the final CEIP, Avista documented the reasons for exclusion within the appendix or added to a "parking lot" list in the event the exclusion was due to timing or analytic constraints; this list will be maintained for future consideration once the given constraints can be eliminated. Avista may have follow-up conversations with individual participants for clarification, questions, or comments as needed.

Although the CEIP Public Participation Meetings were the primary avenue for engagement, there were times throughout the process where Avista took extra steps to provide opportunities for additional input or education/information. These opportunities are described below:

- Attendees for the June 17, 2021 meeting identified their top two CBIs from a list developed in coordination with the EAG. In order to solicit input for additional indicators, a survey was sent to participants requesting additional CBIs that may not have been shared during previous meeting.

- Pre-meeting materials were emailed to all participants for the July 15th meeting in order to provide the final CBIs and context for programs and resources currently used by the Company.

- The July 15, 2021 meeting included a lengthy discussion concerning the use of Renewable Energy Credits in the Company's interim and specific actions. Due to the complexity of this topic, a follow up YouTube video, "What is a REC?" was sent to attendees as a way to aid in participant understanding. In addition, based on feedback from participants, a Glossary of Terms was emailed to all participants.

- Avista surveyed all electric customers in late July 2021 to solicit additional input on CBIs, CBI priorities and access to customer programs. Any material changes based on survey responses will be incorporated or considered during the development of implementation steps.

Customer and Advisory Group Participation

All of the CEIP Public Participation Meetings were interactive in nature, providing an avenue for open communication amongst attendees. Avista considered the Public

[3] Only the public portion of the CEIP Public Participation Meetings were posted to the webpage. Additionally, the Company's initial meeting held on May 17, 2021 was not posted to the webpage as a cautionary measure; the Company used this first meeting to explain and confirm audience understanding regarding recording of future meetings and that recordings would be posted to the website for public review.
[4] Comments received from Advisory group members, EAG participants, and Avista customers.

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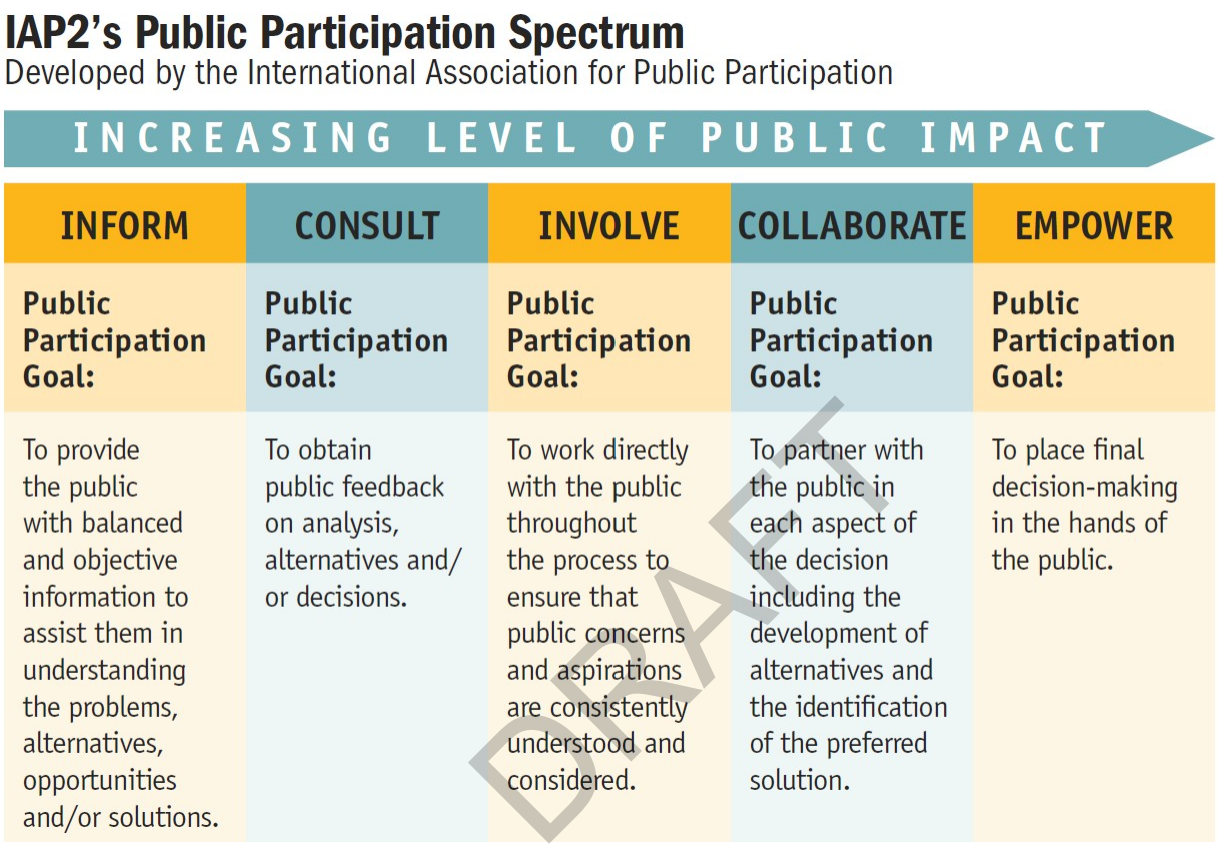
Participation Spectrum developed by the International Association for Public Participation, or IAP2, to effectuate a robust and meaningful engagement process throughout the development of the CEIP. The IAP2's Public Participation Spectrum, provided below as Figure 6.1, was designed to assist with determining the level of participation that defines the public's role in any open process and is utilized in many public participation plans.

Figure 6.1: Equity Areas, CBIs and Evaluation Metrics



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Using IAP2's Public Participation Spectrum as a reference guide, each meeting within the CEIP Public Participation Meeting series was carefully designed to solicit a particular level of engagement. Each presentation was thoughtfully prepared in order to meet the needs of both technical and non-technical attendees. Throughout the CEIP Public Participation Meetings, Avista sought to educate and collaborate with attendees. Avista partnered with a third-party equity consultant to facilitate the various phases of public engagement ensuring a focus on equity. The "Empower" level of engagement from IAP2's Public Participation Spectrum was not utilized during the development of this CEIP, given that the final responsibility of decision-making ultimately lies with Avista to ensure compliance with regulatory requirements, tariff rules, and Company initiatives. In accordance with WAC 480-100-655(1)(a), Avista's existing advisory groups[5] were involved in the development of the Company's CEIP. All advisory group members received notifications

[5] Avista currently has three existing advisory groups: the IRP Technical Advisory Committee (TAC), the Energy Assistance Advisory Group (EAAG), and the Energy Efficiency Advisory Group (EEAG).

pertaining to the timing of the CEIP Public Participation Meetings. Meeting schedules were also posted to myavista.com/ceta, and meeting invitations were sent to all members who expressed an interest in collaborating throughout the process. Advisory group members were encouraged to participate in the CEIP Public Participation Meetings, in addition to contributing within their individual advisory groups. Participation in CEIP meetings did not limit participation in existing advisory group meetings, which convened at their regularly established intervals throughout the CEIP development.[6] Updates about the CEIP were also provided at regularly scheduled advisory group meetings as needed.

Advisory group members were instrumental in the development of specific clean energy targets described in Chapter 2 – Specific Targets established in the Clean Energy Action Plan (CEAP) and as such, had a unique skillset to aid in the identification and review of specific actions, and associated CBIs, for the 2022-2025 implementation period. In addition to advisory group members, the general public was also involved in the development of the CEIP. All meetings, with the exception of the initial EAG "meet and greet", contained a public portion which was open for all customers to engage in the process. In order to solicit additional customer input, Avista distributed email communications to all Washington electric customers, informing them of the opportunity to participate throughout the CEIP Public Participation process. Customers who elected to participate were then provided links to access each CEIP Public Participation Meeting no later than one week prior to the scheduled meeting. In addition, a survey was sent to all customers in late July 2021 to solicit additional comments and provide information regarding the remaining public meetings.[7] For those who were unable to attend meetings electronically, the following methods for communicating with the Company were provided:

- email at ceta@avistacorp.com
- telephone at 509-495-2255
- mavista.com/ceta

Throughout the CEIP implementation period, Avista will continue to convene regular advisory group meetings to monitor the progress of initiatives described in Chapter 4 within the Specific Actions subsection, as well as for consistency among various legislative requirements. Table 6.1 below reflects the approximate meeting frequency; this schedule will be reviewed annually and adjusted as necessary to reflect the current state of advisory group meetings.

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[6] The Transportation Electrification Stakeholder Group, a statewide group that will be comprised of all investor owned utilities and interested stakeholders, has yet to be established. Once formally established, this group will be involved throughout the implementation of the CEIP.

[7] Due to the timing of this survey, results are not included in this current DRAFT filing. Avista anticipates including additional customer feedback, where possible, in its October 1, 2021 final filing.

Table 6.1: Advisory Group Meeting Schedule

Advisory Group	Frequency
Energy Efficiency Advisory Group	Quarterly
Energy Assistance Advisory Group	Every Other Month
Equity Advisory Group	Every Other Month
Technical Advisory Committee – Pre-IRP Development	As needed
Technical Advisory Committee – IRP Development	See IRP Workplan
CEIP Public Participation Plan – Implementation period	Quarterly, as needed

The Company will file an IRP Work Plan with the Commission that outlines the TAC meeting schedule and process for developing the next IRP by January 1, 2022. Prior to this filing, check-ins through email or special advisory group meetings will be conducted, as needed, while actions are being implemented.

Equity Advisory Group (EAG):

In accordance with WAC 480-100-655(1)(b) the EAG was formed to advise Avista on equity issues including, but not limited to:

- Designation of Vulnerable Populations;
- Designation of Highly Impacted Communities;[8]
- Development of Customer Benefit Indicators;
- Recommendations for the equitable distribution of energy and non-energy benefits and reduction of burdens to Vulnerable Populations and Highly Impacted Communities; and,
- Identification of barriers and solutions to public participation.

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Per WAC 480-100-655(1)(b) members of the EAG include representatives from environmental justice, public health, tribes, Highly Impacted Communities, Vulnerable Populations, as well as other relevant groups described below. Included as Appendix G is a preliminary draft of the EAG charter, which includes a description of the recruitment process, purpose and goals, timelines, and group structure. Also included is a list of the 2021 EAG members and communities or interest groups represented.

Membership in the EAG is open to all Avista electric customers, community members and special interest stakeholders. In addition to the representation requirements laid out in the CETA rules referenced above, an essential objective of Avista in EAG recruitment is to engage individuals from under-served, resource-constrained, and marginalized groups and communities within the Company's service territory. This is also intended to avoid duplication of members that currently participate in other Avista advisory groups. Further, this allows the EAG to have the unique perspective of not only customers in Named Communities, but also helps acquire and maintain comprehensive customer representation. With an emphasis on ensuring members are engaged, active participation is continuously encouraged as a criterion for attending EAG meetings.

[8] See Chapter 3 – Customer Benefit Indicators for further discussion on Vulnerable Populations and Highly Impacted Communities.

Throughout the process to recruit EAG members, all interested persons were asked to complete a Member Interest Form (Appendix H). The form captures a variety of information to not only gather each potential member's contact information and the area(s) and/or interests they represent, but to also ensure that the EAG's objectives are in alignment with the individual's interests and to provide an opportunity for the individual to request compensation for any costs related to their participation in the EAG. Avista endeavored to fully utilize the knowledge and expertise of this group, especially as it relates to equity issues and how all customers may benefit from the transition to clean energy.

Per WAC 480-100-655(2), Avista and the EAG will meet beginning in early September 2021 to determine the timing and extent of meaningful participation throughout the duration of this initial CEIP, including outreach and education serving Named Communities. Avista and the EAG will work collaboratively to identify barriers (language, economic, cultural) to participation and identify new outreach techniques to include additional customers. In addition, regularly scheduled EAG meetings will provide an avenue for identification and development of outreach methods, as well as review of material changes in programs, investments, or resources. These meetings will also be utilized to review progress of the implementation of specific actions, the impact on CBIs, and other clean energy legislation.

Barriers to Participation

Avista currently does not have an established overarching Company-wide plan or process to identify and remove public participation barriers such as language, cultural, or economic barriers. The identification of such barriers, development of possible solutions, and implementation of an effective multilingual communication strategy (among others) will be a lengthy process, but one that the Company believes to be integral to the success of the CEIP, along with the development of additional customer programs to support these endeavors. In collaboration with its EAG, Avista will develop a plan to address these barriers within 12 months of filing its initial CEIP and will begin implementation of said plan during the 2022-2025 CEIP time frame.

With guidance from the EAG, as further described below, Avista has been able to identify several barriers specific to its service territory and its particular Named Communities, along with potential strategies to reach solutions. Table 6.2 describes these barriers and the potential strategies.

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Table 6.2: Barriers to Participation

Barriers	Strategies
Non-English Speaking Communication methods only in English results in lack of participation for those who cannot understand the outreach or information	• Translate website and meeting materials in Spanish • Provide translated materials to community organizations • Outreach to "trusted advisors" who may be able to translate to non-English speaking customers
Language/Communication Methods	• Develop meeting materials in broadly understood terms
Cultural Barriers Customers may be part of a culture that may not reach out for help, or undocumented workers afraid of retribution	• Outreach to "trusted advisors" used to help inform customers • Education may alleviate fears of participation
Economic Barriers	• Provide printed material to individuals who do not have internet access and can only call into the public meetings

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As an initial step in better reaching its Spanish-speaking customers, Avista has already been able to implement some of the strategies identified in Table 6.2. For example, the CEIP webpage at myavista.com/ceta has been translated and is currently available in both English and Spanish. CETA newsletters, bill inserts, and informational flyers were also developed in both English and Spanish and were distributed in August 2021 to solicit additional public participation in the September 2021 Public Educational Outreach Meeting. This meeting was intended to be a non-technical educational workshop with individual breakout rooms for each specific target (energy efficiency, demand response, clean energy) of the CEIP. Avista will continue to utilize these methods to keep customers informed throughout the implementation period. Feedback received from the EAG also indicated several other languages that may need to be addressed in order to overcome barriers to participation amongst Avista customers. Avista will work with the EAG to identify where these efforts would be most impactful and engage with translation services as needed.

The Company has also taken steps to address the sentiment that the use of utility language and/or jargon may be an obstacle to public participation. A Glossary of Terms has been posted to myavista.com/ceta and was provided to all CEIP Public Participation Meeting attendees through email for additional context during CEIP discussions. Finally, given the complexities inherent in the discussion of renewable energy credits, Avista provided attendees with an easy-to-understand video to aid in further comprehension, in addition to posting the video on its CETA webpage. Avista will work with the EAG to develop additional methods of communication to ensure the use of broadly understood terminology throughout public education and outreach efforts.

As previously noted, during the 2022-2025 implementation period, the EAG will help provide additional guidance on timing, methods, and identification of additional barriers to help reach all customers, including those in Named Communities, on an ongoing basis.

Customer Benefit Indicators

CBI Development

A description of project milestones and input received from advisory group members and customers is provided in the *Project Milestones* section below. A significant amount of interaction was utilized to identify the inequity areas used to develop CBIs which ensure customers, especially those in Named Communities, receive the benefit or reduction of burdens from the clean energy transition. Chapter 3 provides a full description of the CBIs, prioritization of the CBIs, and baseline measurements.

The development of CBIs began with the identification of the various benefits of clean energy, followed by the recognition of any barriers that customers may encounter that might limit them from equitably receiving those benefits or reductions in burdens. CBIs were then developed to measure progress towards meeting CETA's clean energy goals in a way that is equitable to all customers, especially Named Communities.

With the use of its independent facilitator, Avista met separately with the EAG on June 9th and 10th to brainstorm and identify the barriers and burdens (including language, cultural, etc.) faced within the Company's service territory in the following equity areas:

- Affordability and Availability
- Access to Clean Energy
- Community Development
- Energy Security and Resiliency
- Environmental
- Health and Well-Being

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Discussions also considered how to measure benefits and burdens (preliminary CBIs), as well as consideration of the ways in which Avista may or may not be able to influence the overall efficacy of these CBIs.

Avista, with the help of its EAG facilitator, reviewed the CBIs and barriers to participation lists established by the EAG participants, consolidated where appropriate, and identified methods of measurement. The results were then shared during the CEIP Public Participation Meeting held on June 17th, 2021. At this meeting, the Company utilized virtual breakout rooms to allow the EAG to identify and prioritize the considerations presented in one room, while customers and advisory group members engaged in the same exercise separately in another virtual room. To solicit additional feedback, a follow-up survey was sent after the meeting and the feedback received was tracked, documented, and included in the final prioritizations.

Equity and Burden Discussion

To develop effective CBIs, it was essential to understand what barriers and burdens Avista customers are currently facing. Once this foundation was established, CBIs were developed in coordination with the EAG and through CEIP Public Participation Meetings. Through such efforts, equity areas were drafted and categorized by availability and affordability, access to clean energy, community development, energy security and resiliency, environmental considerations and health and well-being. These equity areas were initially developed through external resources such as the Department of Commerce's Justice in 100 Metrics, Department of Commerce Draft Area Metrics and Examples, and discussions with Avista personnel who have significant experience working within these communities.[9]

With the wide breadth and depth of lived experience the EAG members bring, their input proved to be pivotal in the identification of specific equity areas and the development of CBIs which ensure the equitable distribution of clean energy benefits or reduction in burdens. EAG meetings held on June 9th and 10th resulted in the identification of approximately 85 equity areas and 20 populations which could either benefit from or face burdens from the implementation of clean energy.

Input received pertaining to equity areas were carefully evaluated, with those metrics exhibiting the same characteristics being consolidated for ease of discussion and prioritization. The consolidation efforts resulted in approximately 26 independent metrics which provided the foundation for the final development of the identified CBIs. The consolidated results were shared with the EAG and CEIP Public Participation Meeting members to verify the accuracy of categorized CBIs, identify areas that may have been overlooked, and prioritize metrics.[10] Table 6.3[11] reflects the 26 preliminary metrics utilized in this discussion and voting, with each metric pertaining to all customers (with a focus on Named Communities).

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[9] Justice in 100 Metrics, Tools for Measuring Equity in 100% Renewable Energy Policy Implementation by Talia Lanckton and Subin DeVar with the Initiative for Energy Justice. Energy Indicators for Sustainable Development: Guidelines and Methodologies by International atomic energy agency, united nations department of economic and social affairs, international energy agency, Eurostat and European environment agency

[10] The results of these discussions were also shared in a follow-up survey in order to obtain as much feedback as possible from those who either could not attend or had additional feedback to share outside the CEIP Public Participation Meeting.

[11] Chapter 3 – Customer Benefit Data, Table 3.2 contains the full list of preliminary CBI identified by the EAG and public participants.

Table 6.3: Preliminary Customer Benefit Indicators

Equity Area	Customer Benefit Indicators
Availability and Affordability	• Rate of Participation in programs • Number or percent of appliances converted to energy efficient models • Number or percent of households who are not energy burdened (paying 6% or less of household income on energy bills)
Access to Clean Energy	• Accessibility of methods/modes of outreach and communications (language, print ads, media, etc.) • Number or percent of households or multi-family households reached by and utilizing EV charging stations, vehicles and infrastructure • Support provided to increase to programs and promote awareness for names communities • Number of new authentic 2-way relationships with the community • Number or percent of households reached by broadband internet
Community Development	• Workforce development programs for local jobs • Equitably invest funds in the community (e.g., funds granted to organizations serving or led by Named Communities) • Visibility of “ugly” infrastructure in Named Communities • Property values • Equitable implementation of community-based projects to increase access (e.g., solar, wind turbines, co-ops)
Energy Security and Resiliency	• Duration and frequency of power outages • Back up energy sources available in Named Communities (charging stations in libraries, back-up generators, etc.,) • Proximity of reliable energy infrastructure to rural and energy insecure communities
Environmental	• Locations “greened” (trees planted, greenspace restored, blacktops removed equitably) • Reduced risk of wildfires • Natural and historic resources protected and appropriately accessible • Reduced polluting emissions • Locational environmental impacts (facilities, pollution) equitably sited
Health and Well-Being	• Improvements to indoor and outdoor air quality • Customers who are not stressed or anxious about the transition to clean energy • Initiatives addressing systemic racism • Customers feel they have an authentic “seat at the table” • Active transportation opportunities (walk, bike, bus, roll, scoot) used by communities

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The 26 preliminary CBIs were further refined separately by the EAG and by other public participants utilizing the polling feature in Zoom. Participants were tasked with identifying their top two CBIs within each indicator based on the importance they felt each CBI held within the transition to clean energy. The results of the polling efforts are detailed in Table 6.4 below.

Table 6.4: Final Customer Benefit Indicators

Equity Area	Customer Benefit Indicator
Affordability	• Participation in Company Programs • Number of Households Energy Burdened
Access to Clean Energy	• Availability of methods/modes of outreach and communication
Community Development	• Named Community Clean Energy • Named Community Investment
Energy Resiliency	• Outage Duration
Energy Security	• Proximity of Energy Generation
Environmental	• Outdoor Air Quality • Greenhouse Gas Emissions
Public Health	• Avista Employee Diversity • Avista Supplier Diversity • Indoor air quality

Project Milestones

Participation from the advisory groups, customers and the EAG was essential to the development and prioritization of CBIs. Through feedback from the EAG, the Company was able to identify several characteristics of Named Communities over and above those identified by the Department of Health. Avista utilized this feedback in the development of CBIs to ensure the equitable distribution of energy and non-energy benefits for Named Communities. As the EAG was involved at a higher level of engagement, CBIs were more heavily weighted towards EAG results as compared to all other input. Additional information on the development of CBIs is provided in Chapter 3 – Customer Benefit Indicators.

Table 6.5 illustrates the milestones where input was received from the EAG, customers, and/or advisory group members. The dates provided below correspond with the CEIP Public Participation Meeting occurrences.

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Table 6.5: Milestones

Milestone	Description
Identify Named Communities June 9/10, 2021 (EAG) June 17,2021 (All)	• Reviewed definition of Highly Impacted Communities as defined via the Department of Health Cumulative Impact Assessment for Avista • Reviewed vulnerable populations with a rating of 9-10 socioeconomic and sensitivities on the Department of Health, Health Disparities Map for our service territory • Identified vulnerable population Characteristics and barriers to participation with EAG
Identify inequity areas and develop preliminary CBIs June 9 and 10 – EAG June 17 – All July 15 - All	• Avista and EAG identified equity areas for all customers and Named Communities • EAG identified the barriers and burdens associated with equity areas • EAG identified preliminary CBIs; finalized with all customers/advisory group members
Reviewed current programs in relation to CBI and equity areas July 15, 2021	• Reviewed Renewable Energy Credits and proposal for CEIP • Overview of Energy Efficiency and associated CBIs and actions • Overview of Demand Response and associated CBIs and actions • Overview of Renewable Resources and associated CBIs and actions
Developed and finalized metrics to measure CBI July 15, 2021	• Avista identified and developed measurable methods for each CBI • Measurement methods were reviewed with all groups to ensure accurate CBIs were documented and appropriate measures assigned to each CBI
Correlate CBIs with resource mix August 17, 2021	• Avista determined each resource's contribution to overall customer benefits from the transition to clean energy • Ensured CBIs are directly related to specific actions for each target and combine where necessary
Calculate baseline measurements Ongoing	• Avista developed baseline CBI measurements • Avista will regularly communicate the CBI metrics to its customers to show the progress against the baseline through its website or other communication methods

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Next Steps

Through successful advisory group participation and outreach to Avista electric customers, the Company was able to further define Named Communities within Avista's service territory, identify potential barriers to public participation along with prospective solutions to such barriers. It was also able to develop its initial equity areas and CBIs that can be used as a measure of the success or failure of an equitable approach to the clean energy transition. The Company will continue to meet with its EAG members and hold CEIP Public Participation Meetings to further refine solutions for removing barriers to participation and determining ways in which customers can continue to benefit from the transition to clean energy.

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