



Equitable Business Planning Framework

December 20, 2024

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Compliance Index

The table below provides an index for each of the requirements of the Settlement Stipulation and Final Order 10/04 in Dockets UE-220053, et. al. (Settlement), ¶18.

<p>A process or procedure for how Board of Directors and Senior Management incorporates equity into its business planning.</p> <ul style="list-style-type: none"> i. This must include how Avista plans for equitable outcomes when evaluating business cases within each functional review team (e.g., the Engineering Round Table, etc.) 	<p>Page 22</p>
<p>Templates in its Business Cases that require sponsors to demonstrate how they planned for equitable outcomes in the Business Case.</p> <ul style="list-style-type: none"> i. Avista agrees to work with its Equity Advisory Group (“EAG”) and interested stakeholders to develop new equity-related measures, costs, and benefits to be included in its benefit/cost analysis for future Business Cases, including but not limited to qualitative and non-qualitative measures related to societal impacts, non-energy benefits/burdens, indoor and outdoor air quality, Social Cost of Carbon, and Named Communities. 	<p>Attachment A and Page 15</p>
<p>A plan for measuring and tracking impacts from Business Cases post-completion, with a specific eye towards identifying equitable outcomes, and how the Company will engage in adaptive management to correct course during Business Cases when it is necessary to avoid inequitable outcomes. This includes:</p> <ul style="list-style-type: none"> i. Completing assessments of impacts from Business Cases; wherever possible, these business cases should include feedback from stakeholders and the communities they are impacting. ii. Measuring and tracking should demonstrate why these issues are important to named communities and provide a holistic picture of the current conditions faced in those communities. 	<p>Page 27</p>

The following Guides and Templates¹ are included as attachments to this Compliance Filing:

Attachment A: Guides	
Guide 1: Community Engagement Guide	Guide to determine appropriate level of engagement.
Guide 2: Foundational Skills Assessment Guide	Guide to consider the level of expertise required for effective engagement and/or outreach.
Guide 3: Reducing Barriers to Participation Guide	Guide to overcome barriers which may limit a customers' ability to participate in decisions which impact them.
Guide 4: Listening Skills Guide	Guide for employees who do not typically interact with customers to self-check listening skills.
Guide 5: Equitable Business Planning Framework and Guide	Common vision, language, and components for incorporating equity in operations.
Attachment B: Templates	
Community Engagement Scoring Template	Based on consultation with Community Outreach and Engagement personnel, determines anticipated level of engagement.
Pre-Project Planning Template	Template of questions for each Functional Business Unit's project intake form.
Business Case Template (Revised)	Revised Business Case Template required for each Business Case which is sent to the Capital Project Group and used as support for regulatory functions.
Equitable Business Planning Assessment for Project Delivery – Comprehensive	Comprehensive review of impacts and opportunities or barriers for projects with broad-reaching equity impacts.
<p>NOTE: The content of each template correlates with each energy justice tenet as well as energy justice principles. However, the application in practice may be modified during implementation in a manner which best contributes towards efficiency or understanding.</p>	

¹ Guides and Templates will be modified as necessary during implementation.

I. Background and Settlement Terms

As part of the Settlement Stipulation (Settlement) approved by the Washington Utilities and Transportation Commission (Commission or UTC) in Avista’s 2022 General Rate Case (GRC), Dockets UE-220053 et. al., Avista (Company) was required to make a compliance filing by the end of the multi-year rate plan (MYRP)² that demonstrates how the Company will incorporate equity into its capital planning. The Final Order also notes that the filing “will provide an opportunity for Avista to demonstrate its progress towards addressing the principles identified in the Cascade Final Order,³ and in particular a comprehensive understanding of the ways systemic and historical inequities are present and continue to operate.”⁴ In accordance with these requirements, this compliance filing provides an overview of the Company’s progress made in developing a formalized capital planning process that includes equity and energy justice tenets (components). Specifically, the following Settlement term is addressed in this filing:

“By the end of the MYRP Avista commits to making a compliance filing in these Dockets demonstrating

- a) A process or procedure for how the Board of Directors and senior management incorporates equity into its business planning.
 - i. This must include how Avista plans for equitable outcomes when evaluating business cases within each functional review team (e.g., the Engineering Round Table, etc.)
- b) Templates in its Business Cases require sponsors to demonstrate how they planned for equitable outcomes in the Business Case.
 - i. Avista agrees to work with its Equity Advisory Group (“EAG”) and interested stakeholders to develop new equity-related measures, costs, and benefits to be included in its benefit/cost analysis for future Business Cases, including but not limited to qualitative and non-qualitative measures related to societal impacts, non-energy benefits/burdens, indoor and outdoor air quality, Social Cost of Carbon, and Named Communities.⁵

² The MYRP ends December 31, 2024.

³ Docket UG-210755, Cascade Natural Gas, Final Order 09.

⁴ Dockets UE-220053, et. al., Order 10/04, ¶73.

⁵ “Named Communities” is an umbrella term that includes Highly Impacted Communities and Vulnerable Populations as those terms are defined in RCW 19.405.020 (23) and (40). Vulnerable populations are designated in an approved CEIP pursuant to WAC 480-100-640 and 480-100-655.

- c) A plan for measuring and tracking impacts from Business Cases post-completion, with a specific eye towards identifying equitable outcomes, and how the Company will engage in adaptive management to correct course during Business Cases when it is necessary to avoid inequitable outcomes. This includes:
- i. Completing assessments of impacts from Business Cases; wherever possible, these Business Cases should include feedback from stakeholders and the communities they are impacting.
 - ii. Measuring and tracking should demonstrate why these issues are important to named communities and provide a holistic picture of the current conditions faced in those communities.”⁶

The Commission has defined energy justice as “focused on: (1) ensuring that individuals have access to energy that is affordable, safe, sustainable, and affords them the ability to sustain a decent lifestyle; and (2) providing an opportunity to participate in and have meaningful impact on decision-making processes. The core tenets of energy justice are:

- **Distributional justice**, which refers to the distribution of benefits and burdens across populations. This objective aims to ensure that marginalized and vulnerable populations do not receive an inordinate share of the burdens or are denied access to benefits.
- **Procedural justice**, which focuses on inclusive decision-making processes and seeks to ensure that proceedings are fair, equitable, and inclusive for participants, recognizing that marginalized and vulnerable populations have been excluded from decision-making processes historically.
- **Recognition justice**, which requires an understanding of historic and ongoing inequalities and prescribes efforts that seek to reconcile these inequalities.
- **Restorative justice**, which is using regulatory government organizations or other interventions to disrupt and address distributional, recognition, or procedural injustices, and to correct them through laws, rules, policies, orders, and practices.”⁷

⁶ Dockets UE-220053, et. al., Order 10/04, Appendix A (Settlement), ¶18.

⁷ Docket UG-210755, Cascade Natural Gas, Final Order 09, ¶56.

II. Introduction

A growing number of states are focusing on equity by integrating energy justice components into their regulatory standards. In Washington, the Commission has formally included equity components within its mission statement, ensuring that investor-owned utility and transportation services are safe, equitable, available, reliable and fairly priced.⁸ In alignment with its commitment to incorporate equity and energy justice, the UTC has embarked on a comprehensive, multi-year initiative to integrate these principles into its operations. This initiative, known as the Equity Docket,⁹ involves a phased approach to address distributional, procedural, recognition, and restorative justice. The first phase focuses on procedural justice, ensuring that decision-making processes are inclusive and representative of historically marginalized communities. Through this work, the UTC aims to develop equitable solutions and policies that enhance the participation and outcomes for all interested parties, particularly those most impacted by energy decisions. This equity focus is embodied in several recent regulatory requirements and decisions, including the order on Avista's 2022 GRC.¹⁰

While the requirement to embed equity and energy equity in processes is relatively new, Avista has long upheld these principles, including prioritizing its customers, focusing on affordability, safety, reliability, and the reduction of environmental and health impacts. The Company was founded on the premise of clean electricity, utilizing the generating capacity of the lower Spokane Falls. Since its inception, customer needs have been a central focus, in addition to a commitment to environmentally responsible practices which foster local prosperity and economic growth. Throughout its history, Avista has cultivated a culture that extends beyond mere

⁸ <https://www.utc.wa.gov/about-us/about-commission>.

⁹ <https://www.utc.wa.gov/documents-and-proceedings/utc-equity-docket>.

¹⁰ Dockets UE-220053 et. al.

compliance, emphasizing benefits that go beyond delivering energy to include economic development, environmental protections, preservation, and collaboration with those directly affected by its decisions. Illustration No. 1 below exemplifies some of the areas or processes within Avista that historically have embedded equity principles in operations through the consideration of factors such as energy burden impact and meaningful engagement with affected populations.

Illustration No. 1 – Equity in Practice

Energy Efficiency	<ul style="list-style-type: none"> • Avista implemented the first tariff-based energy efficiency rider; seeking to impact energy burden and affordability (recognition, distributive, restorative)
Hydro Relicensing	<ul style="list-style-type: none"> • Avista collaborated with several interested parties to ensure environmental preservation of rivers used for hydro-electric generation (recognition, procedural, restorative)
Native American Relations	<ul style="list-style-type: none"> • Recognition the value of relationships and collaboration with tribes, Avista established a Native Americans relations department helping to overcome barriers to access or affordability, among other things (recognition, distributive, restorative)
Avista Foundation	<ul style="list-style-type: none"> • Established over 20 years ago to provide funding for non-profit organization influencing economic developments for those in need. (recognition, distributive)

While the values of equity have always been an informal part of the underlying foundation of Avista, the existence of a centralized, consistent process through which equity is incorporated into overall capital planning and development has not been realized. The Settlement provides the Company with an opportunity to develop a more formalized structure and process for embedding equity into its operations. The newly developed Equitable Business Planning Framework (Framework) described herein will provide an initial structure. Including an equity lens¹¹ in a

¹¹ Washington state law defines “equity lens” as providing consideration for those characteristics for which groups of people have historically, and are currently, marginalized to evaluate the equitable impacts of an agency’s policy. See RCW 43.06D.010(4). See also RCW 49.60.030

unified and consistent manner will enhance the implementation of Avista’s corporate strategies, objectives, and tactics. This process acknowledges the significance of evolving societal needs and provides a consistent, methodological approach towards integrating equity across business units. By embedding equity into its core operations, Avista aims to ensure that its business practices not only meet regulatory expectations but also foster greater participation and equitable outcomes.

Avista has taken several steps that intentionally focus on and operationalize equity. Specifically, Avista has been actively implementing its Clean Energy Implementation Plan (CEIP), which is heavily focused on an equitable transition to clean energy, launched its bill discount program (known as My Energy Discount) to reduce energy burden and make bills more affordable for low-income customers, has expanded energy efficiency investments in Named Communities, and is continually evaluating Commission directives and policy statements, including the Infrastructure Investments and Jobs Act (IIJA)/Inflation Reduction Act (IRA) Grant Policy Statement and Performance-Based Ratemaking (PBR) Policy Statements, and taking the steps necessary to comply. To successfully integrate equity into operations, it must not be viewed as a separate task. Instead, it should be ingrained in the very fabric of Avista’s culture, alongside its values of trustworthiness, innovation, and collaboration. Further, consistent application of equity theory must be applied across the organization to ensure understandability and ease of application.

As stated by the Commission, “The issue of equity, broadly, and the need to consider distributional equity in planning processes affects all utility companies regulated by the Commission. The development of a plan for distributional equity requires input, collaboration, and buy-in from persons and parties not included or represented in Avista’s general rate case. Lastly, the importance of this work demands a shared burden of responsibilities and a process that shares and allocates power inclusively.” Further, the Commission determined that it “should establish a

broad, Commission-led collaborative process to establish methods and standards for distributional equity analysis and that Avista should be required to participate....” As such, while Avista has stopped short of developing a formalized DEA analysis per the directive of the Commission, it has taken several foundational steps which puts it on the path towards developing the methods and standards for a DEA. This work will be useful to, and support, the Commission’s process once it begins.

Importantly, the steps identified below are consistent with the step-by-step process recommended in the Energy Markets & Policy division of Lawrence Berkley Labs.¹² In fact, of the seven steps identified in this report, the Company has completed five. The final two steps are in process. Further, the Company is considering recommendations made by the U.S. Department of Energy Grid Modernization Laboratory Consortium¹³ from a financial perspective when finalizing the financial evaluation of business cases. This process is anticipated to be phased-in throughout 2025 and beyond.

In addition, the Company has been accepted to participate in a Technical Assistance Forum from Pacific Northwest National Laboratories focused on the development of energy equity metrics, developing equity-baselining framework that is specific to power system modeling analysis. This further illustrates the Company’s commitment to infusing equity in cost allocation and cost recovery strategies. This forum is anticipated to be approximately eleven months in duration from January 2025 through November 2025.¹⁴

¹²https://live-lbl-eta-publications.pantheonsite.io/sites/default/files/bto-distributed-equity-analysis-guide_may2024.pdf

¹³ The final two steps of the analysis include presentation of a DEA analysis and making resource decisions using results from DEA and Benefit Cost Analysis. The Company is including considerations for distributional equity analysis components for prioritization of capital investments, as described in this document, and has set several of the equity measures to be used in the benefit cost analysis.

¹⁴ <https://www.pnnl.gov/projects/inclusive-transmission-planning-project/technical-assistance>

A brief overview of some foundational steps that have been taken while simultaneously developing the Equity in Business Planning Framework is described below:

Recognition Justice:

- Formalized commitment by Avista’s Senior Leadership and Board of Directors to develop an overarching equity framework to facilitate the integration of a common vision, language and understanding across the Company, while holding the Company accountable through quarterly updates.
- The Named Community Map, originally developed as part of the CEIP, has been extended to include the Justice40 characteristics effectively extending to natural gas and across all of the Company’s jurisdictions.
- Established a steering committee to ensure collaboration among internal departments in areas such as equity metrics and indicators, engagement, and outreach efforts, etc.
- Established a monthly equity check-in with other utilities in the region. These meetings provide the opportunity for regional utilities to meet and discuss how their organizations are operationalizing equity.

Procedural Justice

- Community Outreach and Engagement efforts have been significantly ramped up to gain an understanding of how Avista customers can be provided the opportunities for input in decisions which impact them.
 - This includes an “environmental scan” by Avista employees which consisted of a meeting with Community Based Organizations in each Washington-based county, as well as specific customer groups. The goal was to develop an understanding of barriers and obstacles customers face in access to programs or projects such that Avista may take steps to overcome.
 - An independent consultant was hired to provide an external view of what outreach and engagement Avista may take to more fully encourage participation in the CEIP. Avista will work to implement the recommendations in a manner that is broader than the CEIP and extends to other areas of the Company. A comprehensive list of actions will be provided in the Company’s 2025 CEIP Public Participation Plan to be filed my May 1, 2025.
 - Outreach and engagement managers regularly provide one-page updates to their managers, capturing the subject for engagements, number of attendees, demographics (where possible), and summaries of comments heard. These

summaries are used to gauge outreach effectiveness and determine what improvements can be made in the future.

- Research of historical inequities facing Avista’s customers (described below). The Company is working to identify the best method to disseminate and make this information readily available for employees.
- Corporate Communications representatives are included on all external-facing meetings and slide show development to ensure a common and understandable language and consistency of presentation.
- The Company has expanded on its Employee Resource Group¹⁵ efforts to ensure diversity, equity and inclusion. Typically, internal employees can represent those communities they are part of in decision-making.

Distributive Justice

- Avista has taken several steps to establish a foundation for Distributional Equity Analysis (DEA) to be used, where possible, consistently across the Company.¹⁶ Based on the recommendations in the “Distributional Equity Analysis for Energy Efficiency and Other Distributed Energy Resources”,¹⁷ Avista has taken several important steps to develop a DEA, including the following:
 - Established process for the community and interested parties, described above.
 - Identified how a DEA will be applied. The EAG, as well as other advisory groups, have been instrumental in identifying how to quantify or qualify indicators and metrics in resource or program decisions. For instance, in energy efficiency programs known low-income customers are separately tracked.
 - Identified those customers who are most likely to experience energy-related inequities and how Avista may overcome barriers or obstacles to processes, resources, and associated benefits. Avista worked closely with its EAG to identify these groups most likely to experience disparities such as access to energy service or affordability of energy service. This map is described further below.

¹⁵ An Employee Resource Group (ERG) is a self-initiated, voluntary, and employee-led group organized around shared interests or experiences in a way that is aligned with Avista’s values, mission, and business purpose.

¹⁶ While Avista has taken steps to initiate the development of a DEA, it is waiting on guidance from the Commission, which stated that “...we determine that the Commission should establish a broad, Commission-led collaborative process to establish methods and standards for distributional equity analysis and that Avista should be required to participate, as is the expectation for all Washington investor-owned utilities. Subject to this condition, we determine that the Settling Parties’ agreement regarding distributional equity analysis is in the public interest and should be approved.” Dockets UE-220053, et. al., Order 10/04, ¶78.

¹⁷ https://www.energy.gov/sites/default/files/2024-05/bto-distributed-equity-analysis-guide_may2024.pdf

- Articulate the distributional aspects¹⁸ of several energy-justice principles¹⁹ such as affordability, accessibility, environmental impacts, long-term and short-term public health, energy security and resiliency etc. Several metrics and indicators are being utilized across the Company to ensure accountability.
- Track and report on distributional equity metrics and measures. The Company evaluates these metrics and indicators as part of its PBR metrics and CEIP Customer Benefit Indicators (CBIs).
- CBIs that can be quantified such as emissions cost (for Washington), economic such as O&M reductions, have been incorporated into long-term IRP and CEAP planning efforts.

Restorative Justice

- Avista incorporates restorative equity in the following ways:
 - The long-term forecasts for the IRP and CEAP include considerations for future weather impacts.
 - Energy efficiency provides significant value in support of clean energy goals and as a method for restorative equity. By supporting more energy efficiency for those communities experiencing disparities in areas such as energy access or affordability, this provides Avista an opportunity to mitigate these disparities.
 - Avista created an investment fund to fund certain community-driven projects that help Washington move towards clean energy goals. It focuses on areas that are disproportionately impacted by climate change and socioeconomic disparities. This approximately \$5 million annual fund enables energy and non-energy projects for these communities where they may not be able to complete or fund on their own.
 - By monitoring changes in the baseline²⁰ metrics and indicators described below, Avista may be able to identify additional systemic inequities resulting from existing processes or procedures. In doing so, Avista will take steps to

¹⁸ In this context, distributional impacts are defined as differences between Avista’s total customer base, and the subset of communities identified to be experiencing disparities in service. This is a combination of metrics being used and monitored in the CEIP as well as PBR metrics. Importantly, in discussions with the EAG the terminology was not “distributional impacts” but rather how Named Communities or known low income (for instance) may be impacted in a different manner than other customers.

¹⁹ https://efl-stichting.nl/app/uploads/2022/08/Sovacool_Dworkin-AE-Justice20190902-14416-15urgi3-with-cover-page-v2-1.pdf

²⁰ Baseline metrics and indicators represent the current state of disparities, or trending of unique stand-alone circumstances in communities identified to most experience these inequities.

ensure new policies and procedures do not result in disproportional outcome.

Importantly, the information provided above is a snapshot of some efforts being taken across the Company to incorporate and operationalize equity but is not inclusive of all efforts undertaken. The focus of this Compliance Filing is primarily incorporating equity into the capital planning process. The Company will continue to work with Staff and other interested parties in operationalizing equity.

III. Research and Development for Equitable Business Planning Framework

Avista 2022 GRC Final Order 10/04, Paragraph 73

...and in particular a comprehensive understanding of the ways systemic and historical inequities are present and continue to operate. [Emphasis added]

The Equitable Business Planning Framework is a culmination of research, workshops, webinars, college-level coursework, and consultation with internal and external customer facing experts. The goal of these efforts was to understand what energy inequities are, who is impacted and why, and how resources may be allocated in a manner that results in fair and equitable outcomes. Specific consideration was made regarding how the process would address systemic and historical inequities, as required in the Order on Avista's 2022 GRC.

The Company first sought to define equity, improve its understanding of energy equity and its components, identify and understand ways systemic and historical inequities are present and continue to operate, and correlate with equity factors. With this goal, the Company began evaluating industry available sources, looked outside of the energy industry into industries such as health and transportation, considered countries with equitable processes, such as Australia, and

consulted with its EAG. This research included exploration of how equity factors and policies from various industries could apply to the energy sector, including insights from the U.S. Department of Energy, U.S. Housing and Urban Development (HUD), and Australia's Infrastructure Investment Plan. Additionally, the Company's research aimed to uncover the historical factors that may have contributed to energy inequities in Avista's service area. Key findings indicated that current equity factors are largely influenced by events such as Tribal displacement, changes in industries like logging, railroads, mining, seasonal agricultural labor, historical redlining, technological advancements, and even lingering economic effects of the Great Depression. As equity factors are often associated with disparities across multiple essential services, the research involved evaluating the annual "Social Determinants of Health" reports generated by Community Action Agencies (CAAs) across each Washington county served by Avista. This research highlights that, in the counties Avista serves, education, housing, and health are the primary contributors to disparities in access and affordability across various sectors, including energy.

Finally, information included on the Washington State Department of Health (DOH) Washington Environmental Health Disparities Map and the Federal Climate and Economic Justice Screening Tool (CEJST) provides additional insight into conditions present within Avista's service territory. Additional details regarding Avista's use of these external mapping tools is described below. This research complements the Company's ongoing discussions with its EAG in 2023 and 2024 about the characteristics of Vulnerable Populations. With this knowledge of equity factors and root causes, Avista can evaluate alternatives and make decisions which have the potential to mitigate the identified disparities.

Establishing common terminology is foundational to embedding equity throughout the Company. By establishing a shared understanding of key terms and principles, the Company will

foster a more cohesive and aligned approach to equity. A common language is vital for building trust, facilitating engagement, and ensuring that equity is consistently and effectively considered across all levels of decision-making. This common language will help to eliminate ambiguities when implementing equity-focused initiatives. Moreover, the development of common terminology will facilitate clear communications, both internally and externally. When employees, interested parties, and customers are all speaking the same language, it becomes easier to build trust and foster collaboration. This clarity also helps in setting measurable goals and tracking progress, as everyone understands what is being measured and why it is important. As such, Avista has developed the following definitions:

Equity: Fair and just inclusion. Treating all people fairly, recognizing that each person has a unique circumstance, and allocating resources and opportunities in a manner which achieves an equal outcome.

Energy Equity: Fairness, impartiality, and inclusive participation in the benefits of the energy system, while also remediating harms associated with energy generation, production, or consumption.²¹

Equitable Business Planning: Avista’s method for recognizing that different customers have unique needs based on their own unique circumstances and allocating resources in a manner which seeks to overcome obstacles in access, affordability, or other energy benefits.

In addition to the above-referenced terms, a fundamental understanding of energy justice and what it means will be communicated in a manner that resonates not only with those closest to the work, but also for all employees. A full list of the definitions pertaining to Equitable Business Planning is provided at the end of this document.

²¹ Initiative for Energy Justice defines energy equity as broadly focused to include emphasis on social, economic and health burdens and benefits. Notable, these factors are anticipated to be refined and included in the 2025 Business Case. Note this timing may change based on learnings during implementation.

The Company has several external advisory groups in place to facilitate meaningful participation, identify customer needs and wants, and collaboratively evaluate solutions with interested parties. The advisory group process is one method by which the Company seeks to understand, identify, discuss, and evaluate processes and/or resource decisions in a collaborative and inclusive manner. These advisory groups have been active for several years and are instrumental in the development of policies and programs within Avista’s energy efficiency, energy assistance, integrated resources planning, clean energy action planning, and most recently, distribution planning sectors.

Settlement Term: 18(b)(i)

Avista agrees to work with its Equity Advisory Group (“EAG”) and interested stakeholders to develop new equity-related measures, costs, and benefits to be included in its benefit/cost analysis for future Business Cases, including but not limited to qualitative and non-qualitative measures related to societal impacts, non-energy benefits/burdens, indoor and outdoor air quality, Social Cost of Carbon, and Named Communities.

In accordance with WAC 480-100-655, Avista initiated an EAG in 2021 to help inform the development and implementation of the Company’s CEIP. Since the EAGs inception, the interactions and discussions with the group have evolved to include other areas of the Company, including capital planning.

The EAG’s input was instrumental in the design of the Framework and equity metrics. During several of the monthly Equity Lens Sessions held with the Company EAG (November 2023 to December 2024),²² Avista worked collaboratively with its EAG to lay the foundation of energy equity components and to determine indicators and metrics (CBIs) which best represent equity-related measures, costs, and benefits to be utilized for capital planning, as well as other

²² EAG Equity Lens Sessions where Equity tenets or Equity in Capital Planning was discussed: November 2023, January 2024, February 2024, April 2024 (all day, in person session), August 2024, and December 2024. Equity considerations pertaining to CBIs were also discussed in May, June, and July 2024.

regulatory requirements. The EAG is comprised of several interested persons or organizations, including those representing environmental justice communities, public health, Colville Confederate tribes, and others with lived experiences. Commission Staff and Public Counsel are among other entities who are invited to participate in EAG meetings.²³ As previously stated, success in planning for equitable outcomes is founded upon an understanding of who has been or is currently facing energy inequities and disproportionately affected by energy-related issues.²⁴ Informed by input from the EAG, as well as the Washington DOH Environmental Health Disparities Map and the Federal CEJST map, the Company has developed an internal mapping tool. The Washington State Environmental Health Disparities Map identifies and visualizes systemic inequities by combining data on environmental exposures and socioeconomic factors. This tool helps the Company to prioritize interventions in the most affected communities, ensuring resources are directed where they can reduce health disparities most effectively. Additionally, it supports community engagement and advocacy efforts by highlighting areas with the highest environmental health risks. Importantly, the Initiative for Energy Justice supports this type of mapping as a best practice – combining both sensitivity and socioeconomic indicators.²⁵

This centralized mapping tool geographically and visually illustrates where and who may experience disparities. Further, it provides input into the equity factors present within these

²³ The Company intends to continue to collaborate with all interested parties as it seeks to implement the Equitable Business Planning Framework.

²⁴ These communities are often referred to by different names such as:

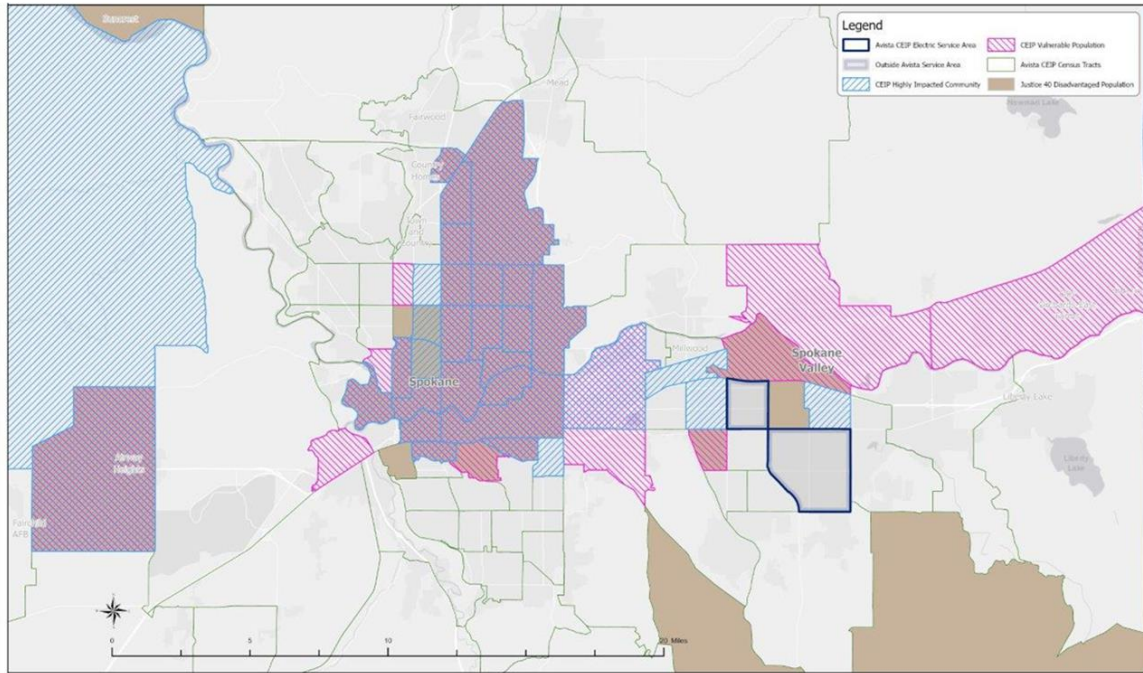
Communities who experience socioeconomic, environmental or health disparities worsened by systemic inequities, (“disadvantaged”)

- Communities who have been excluded or disadvantaged due to social, economic, or political factors which may have impacted their access to energy resources, (“marginalized”)
- Specific households or communities such as low-income, elderly, disables or more who are susceptible to energy insecurity. (“vulnerable”) or
- Customers or communities in areas that are most related to energy-related issues, often including low-income and minority populations (“frontline”)

²⁵ https://efl-stichting.nl/app/uploads/2022/08/Sovacool_Dworkin-AE-Justice20190902-14416-15urgi3-with-cover-page-v2-1.pdf

communities. This knowledge helps to identify root causes of historical or current inequities. With this knowledge, efforts can more effectively address how resources are distributed amongst these communities. Illustration No. 2 provides a snapshot of communities that have been identified as experiencing disparities within Avista’s Washington service area.²⁶

Illustration No. 2 - Communities Likely to Experience Disparities



Successful implementation will rely on consistent, timely, and accurate data. Accurate data helps to identify disparities, allocate resources effectively, and monitor progress. This data is essential for informed decision-making, transparency, and accountability in equity initiatives. The complexity of these multiple data needs is increasing due to new regulations in Washington State, including requirements from the Clean Energy Transformation Act (CETA) and Performance-based Ratemaking metrics, as well as federal legislation, including the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA). These new requirements, in

²⁶ This map is for illustrative purposes (Spokane County only) and not intended to represent all Named Communities. Avista’s mapping tool covers its entire Washington service territory.

combination with existing data demands, result in an extensive list of metrics and indicators that provide accuracy and consistency in reporting, increasing the transparency of decision making and ensuring accountability. For data consistency, the Company will implement a Utility Intelligence Program (UI Program), starting in 2025, which seeks to ensure consistent, reliable, and accurate data to be used for analytics and reporting throughout the Company. The UI Program aims to provide a single source of data (data warehouse) for analysis and reporting, regardless of the reason for tracking.

Data and analytics will be one way the Company will prioritize investments and monitor progress in equitable business planning. An extensive and evolving list of equity-related metrics and indicators will measure the impact of the Company's actions and hold it accountable to equitable outcomes. Metrics and indicators correlate with each energy component, in simpler terms these are defined as: Identification Metrics (recognition), Process Metrics (procedural), and Output/Outcome (distribution and restorative) Metrics. This intentional inclusion of metrics specifically related to each equity component holds Avista accountable in planning for, and achieving, equitable outcomes. Business units will plan and prioritize their work in accordance with those metrics directly correlated to their individual project or program.²⁷ For ease of reference, the following is a table of equity areas which will be tracked:

²⁷ Initially, each functional business unit will prioritize based on their individual needs and processes. Through implementation efforts in the upcoming years, Avista will seek to establish a common business value framework to inform this prioritization process.

Table No. 1 – Equity Areas for Metrics Tracking

Affordability	Economic & Community development	Social, Health or environmental benefits ²⁸	Accessibility
Clean, environmentally friendly ²⁹	Meaningful participation	Reliability & Resiliency	Sustainable & Responsible

Scoring methodologies are used when prioritizing projects within and across functional business units. To ensure Equitable Business Prioritization, tools will include new measures for scoring equity in projects. Equity considerations will be balanced with other operational parameters in the evaluation and prioritization by the functional business unit and, ultimately, the Company’s Capital Planning Group. Based on learnings from the capital planning process, the Company will seek to develop a consistent prioritization tool to be used between business units to help inform the work addressed by the Capital Planning Group. In addition, the Company will enhance its current process by including financial measures specific to economic, environmental, and/or social costs of carbon when evaluating Business Cases. Finally, a financial benefit ratio is part of this analysis and is based on the ratio of benefits to expense for projects.³⁰ This will provide another data point for consideration of equity in the evaluation of Business Cases. This process is loosely based on recommendations from the National Standards Practice Manual³¹ and existing cost-tests utilized by energy efficiency for cost-effectiveness testing. The calculation will be refined based on learnings during implementation.

In October 2024, the Company also consulted its EAG and reviewed industry-related recommendations for “non-qualitative metrics” and how they may be included in Company

²⁸ Represents non-energy impacts. These metrics may be more fully defined in 2025.

²⁹ Represents social cost of carbon. These metrics may be more fully defined in 2025.

³⁰ The Company is in the development of a common benefit/cost analysis which will incorporate the identified equity-related measures. The results of this analysis will build onto the financial analysis ratio utilized in the early stages of implementation.

³¹ <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>

decision-making. It is difficult to include non-qualitative measures in decision making and prioritization given the level of subjectivity associated with these measures; with this in mind, the Company recommended and discussed with the EAG a combination of financial and non-financial metrics and cost/benefit estimates similar to its Request for Proposal (RFP) evaluation matrix used for procurement of electric resources. This involves combining financial and non-financial metrics via a scoring system. This process was collaboratively developed with input from Commission Staff and Public Counsel for combining qualitative and non-qualitative metrics in its RFP process. Qualitative metrics are converted to a points mechanism and the combined result is a prioritization tool. This methodology is consistent with the recommendation by the Grid Modernization Project, a consortium comprised of several industry leaders, including the U.S. Department of Energy.

V. Identifying Energy Inequities

Identifying energy inequities is an interactive, iterative process that culminates with data that highlights where the Company should focus for ensuring equitable outcomes. The first step in identifying inequities is understanding historical and current factors which have contributed to them. This process was initially research-focused (described further in research section) seeking to define and identify several historical events which have resulted in conditions still present today. Combined with the information provided on several energy or environmental justice mapping tools, this provided a solid starting point for identifying inequities. Building upon this knowledge, Avista worked with the equity advisory group to understand where those inequities exist. In order to make the process more accessible to those who do not typically speak “utility speak” or “equity speak,” discussions centered around commonly defined categories which form the basis for energy-related inequities such as affordability, access, energy, non-energy, and equity factors

(such as socio-economic sensitivities, and geographical boundaries) that may have impacted these disparities. The result of this research and collaboration was categorical equity-related measures, metrics, and indicators.

To proactively plan for equitable outcomes, it is crucial to first understand *what* is being planned for – i.e., what is the ultimate goal. Absent this understanding, it is impossible to effectively determine whether actions and proposals correct or perpetuate inequities. For Avista’s Framework, the end goal is fair opportunity and access to the energy customers need to reach their full potential, regardless of their circumstance. As such, the Framework includes consideration for how the following inequities are identified and addressed.

- **Energy Burden:** The Framework focuses on reducing the overall energy burden experienced by customers, by planning for cost-effective energy solutions that alleviate financial strain, thereby ensuring that all customers have equitable access to affordable energy.
- **Energy Insecurity:** Emphasis on proactive resilience measures, including grid reliability and maintenance for extreme weather, aims to decrease energy insecurity among vulnerable customers, ensuring consistent access to energy even during outages.
- **Energy Vulnerability:** The integration of distributed energy resources (DERs) will provide additional support to communities most affected by energy outages, addressing energy vulnerabilities and enhancing overall energy stability.
- **Energy Poverty:** By optimizing organizational strategies for affordability and growth, the Framework seeks to combat energy poverty, providing the ability for customers to access necessary energy services without undue financial hardship.

Importantly, each of the above areas are part of the Company’s Mission and strategic goals and objectives. Equity is embedded in Avista’s 2025-2035 strategy, starting with the Company’s Mission to “Enable Vibrant Communities through Energy – Safely, Responsibly & Affordably.” Avista’s North Star statement further illustrates this commitment: “Avista is a community-based, essential energy company striving to compassionately serve our customers with innovative and sustainable solutions, while delivering competitive returns.” Complementing its values of trust,

innovation and collaboration, the focus on equity will help ensure all customers have fair access and opportunity to safe, responsible, affordable energy. While the terminology may be different, the concepts and goals are apparent throughout the strategy. In addition, the principles by which energy equity decisions should be made, as recommended by Benjamin Sovacool’s work, “Energy justice: Conceptual insights and practical applications,”³² are also infused throughout the strategy. These include energy justice principles of affordability, availability, security, and resiliency. By including considerations for reducing energy burden, enhancing energy security, mitigating energy vulnerability, and combating energy poverty, the Framework provides a method which will result in a more just and equitable energy landscape.

IV. Equitable Business Planning Framework Overview

Settlement Term: 18(a)

A process or procedure for how the Board of Directors and senior management incorporates equity into its business planning.

- i. This must include how Avista plans for equitable outcomes when evaluating business cases within each functional review team (e.g., the Engineering Round Table, etc.)

The Equitable Business Planning Framework provides specificity regarding the integration of energy equity into Avista’s business planning process, effectively operationalizing equity. This method is rooted in meaningful participation and aims for results-based outcomes that are fair, impartial, and consistent. This process will initially be implemented as part of capital planning, per the Settlement. The capital planning process consists of three systematic phases: (1) project planning, (2) prioritization and funding, and (3) implementation and post-project evaluation. A consistent, Company-wide approach seeks to identify, mitigate, and overcome barriers and

³² <https://www.sciencedirect.com/science/article/abs/pii/S0306261915000082>

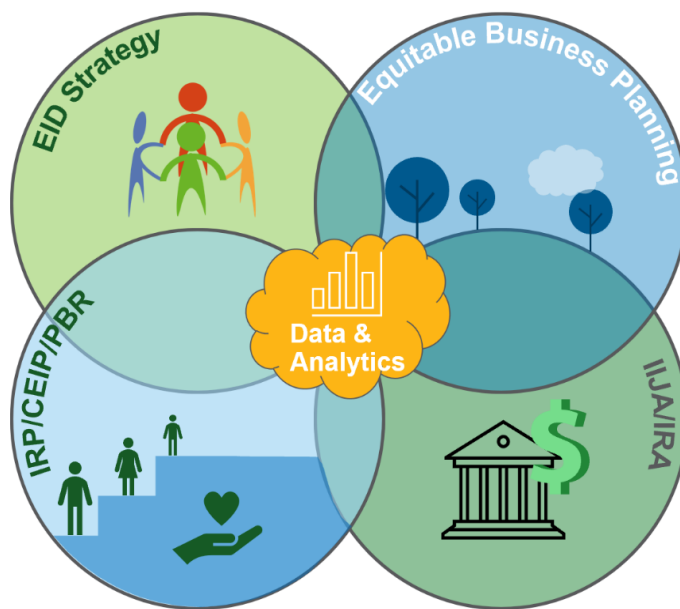
obstacles leading to energy-related inequities. Consultation and inclusion of diverse voices will make certain that policies and procedures are built on meaningful participation.³³

As there is much variation between departments, Avista has established an internal cross-functional core team and has held numerous workshops to determine the best approach across the Company. Workshops will enable effective communication and foster cross-departmental collaboration. Lessons learned from the implementation efforts in capital planning will inform the diffusion of equity into operations across the Company.

Successful implementation of the Equitable Business Planning Framework requires

commitment from top leadership. As previously mentioned, this process was developed with executive approval and presented to Avista’s Board of Directors. In 2023, Avista appointed its Senior Vice President, Chief Strategy, and Clean Energy Officer, as well as its Director of Strategy & Transformation, to lead and oversee the development of the Framework. This ownership and

Illustration No. 3 – Cross-Departmental



support signals the importance of equity in operations and exemplifies the commitment from the Company’s senior leadership, resulting in a strong organizational culture that prioritizes this important work, sets the example for employees, and shows the interconnected nature of all

³³ As defined by the U.S. Department of Energy, “*Meaningful involvement*” means that (1) people have the awareness and opportunity to participate in decisions, processes, or activities that may affect their communities, (2) customer contribution has the ability to influence decisions, (3) customer input will be considered in the decision-making process, and (4) Company outreach efforts seek out and facilitate involvement of those potentially affected.

Avista's business practices and strategies.

The Steering Committee, comprising all officers and a subset of directors and other interested parties, was consulted throughout the development of the Framework. In addition, planners, project managers and other areas of the Company responsible for incorporating equity into processes in real-time were consulted. Further, in accordance with the terms of the Settlement, in November 2024, the Board of Directors was updated regarding how the Company is considering equity broadly across the Company, how equity enhances and builds upon the Company's corporate strategy, and, ultimately, how it is anticipated to help overcome energy system inequities. Specifically, an overview was given regarding the process or procedure for incorporating equity into business planning, and how Avista is planning for equitable outcomes.

As a matter of process, Avista's Board of Directors is not typically involved in the day-to-day operations of the utility. Nonetheless, it is imperative that this group understands that the Company considers equity a priority, not only to meet regulatory requirements but because it puts Avista on a path towards an empowered, innovative, and outcome-driven culture. The Board of Directors was initially consulted as early as February 2023 with a preliminary overview of equity and energy justice and was again presented with the culmination and finalization of this effort, Equitable Business Planning, in November 2024. This information was favorably received overall; the Board of Directors did not indicate any concerns with the process and asked for quarterly updates going forward.³⁴

³⁴ The presentation given in November 2024 was specifically for the Environmental, Technology and Operations Committee of the Avista Board of Directors.

VI. Equitable Business Planning Framework Components

Avista 2022 GRC Final Order 10/04, Paragraph 74

The process or procedures Avista considers for all capital planning should consider and implement energy justice and its core tenets. [Emphasis added]

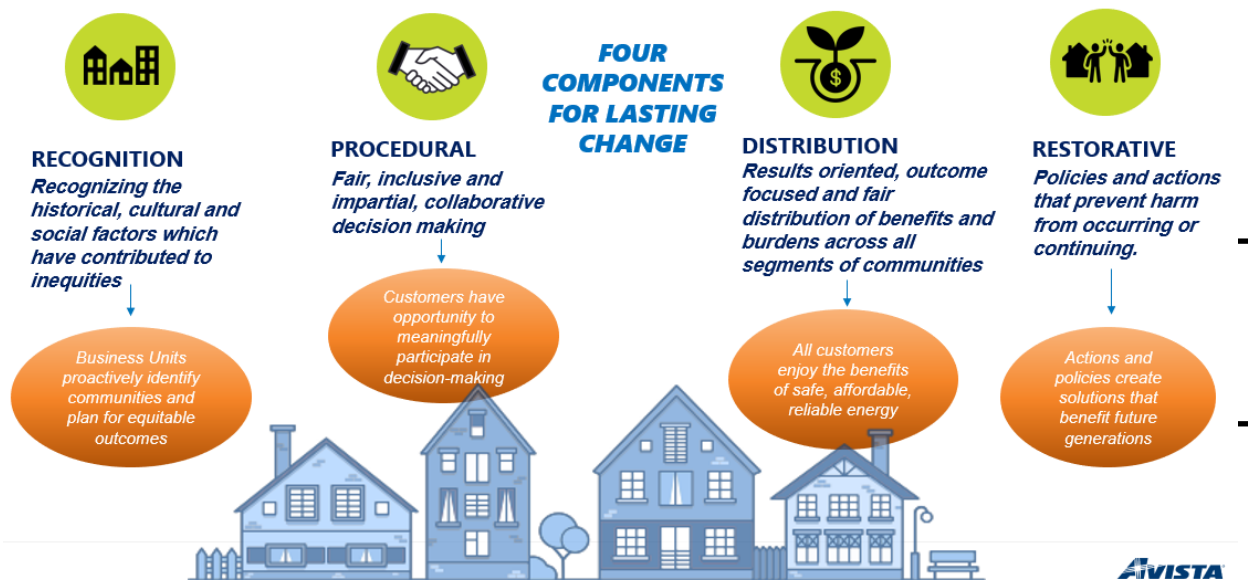
Framed within the components of energy justice, its core tenets and principles, the Company is “planning for equitable outcomes” from the inception of the capital planning process. It is understood that equitable outcomes can only effectively be accomplished when considering each and every component: recognition, procedural, distributive and restorative justice. Avista’s Equitable Business Planning Framework is designed to answer the following four questions:

- *Recognition:* Who will be impacted by the decision or action and why?
- *Procedural:* What steps are being taken to facilitate fair and impartial decision making, where all voices are heard?
- *Distributive:* What is going to be distributed and *how* does it need to be distributed to achieve equitable outcomes?
- *Restorative:* Have policies and actions prevented harm and are solutions achieving what was planned for?

The Framework, and its relationship to each of the four energy components, is provided in Illustration No. 4 below:

Illustration No. 4 – Equitable Business Planning

Equitable Business Planning Process



Specific to capital planning, sample templates and guides have been developed that require functional business units to demonstrate how they plan for equitable outcomes in each Business Case. The Business Case template has been modified to reflect these new equity considerations, in accordance with the Settlement term 18(b):

In addition to the modified Business Case template, the Company has modified several other project management templates, and in some cases created new ones. The result is that each phase of the capital planning process – project planning, prioritization & funding, and implementation & post-project completion – incorporates new equity-related steps. To help business units populate these templates, the Company also developed a series of guides intended to provide additional clarity in each of these areas. Importantly, equity is an enhancement to existing capital planning processes and is not an entirely new process. The objective is to use existing documentation where possible to limit confusion and repetition among portfolio s and project managers. There are circumstances, however, that warrant completely new templates,

particularly regarding project implementation and completion. During project implementation and completion templates will capture and consolidate information from the previous two phases, provide additional specificity, and ensure monitoring, tracking and mid-course corrections when identified. The implementation and post-project completion phase is intended to comply with the Settlement term set forth in part (c) below.

Settlement Term: 18(c)

A plan for measuring and tracking impacts from Business Cases post-completion, with a specific eye towards identifying equitable outcomes, and how the Company will engage in adaptive management to correct course during Business Cases when it is necessary to avoid inequitable outcomes. This includes:

- i. Completing assessments of impacts from Business Cases; wherever possible, these business cases should include feedback from stakeholders and the communities they are impacting.
- ii. Measuring and tracking should demonstrate why these issues are important to named communities and provide a holistic picture of the current conditions faced in those communities.

The equity enhancements for each stage of the planning process are as follows:

- **Project Planning** requires an initial evaluation of recognition and procedural equity components. This phase identifies which communities will be impacted by a given project and what equity factors are present in those communities.
- **Prioritization and Funding** is based on the concepts of distributive equity and builds upon the information from Project Planning. This includes assessment and prioritization of alternatives which best promote equitable outcomes. Metrics and indicators, developed in a collaborative process,³⁵ will be selected based on which bests correlate with a given investment and will inform prioritizing.
- **Implementation and Post-Project Completion.** Building upon Avista’s existing Project Delivery Framework,³⁶ the Company will monitor impacts from Business Cases post-completion, with specific consideration for identifying equitable outcomes and adaptively managing should conditions change. This includes consideration for community feedback

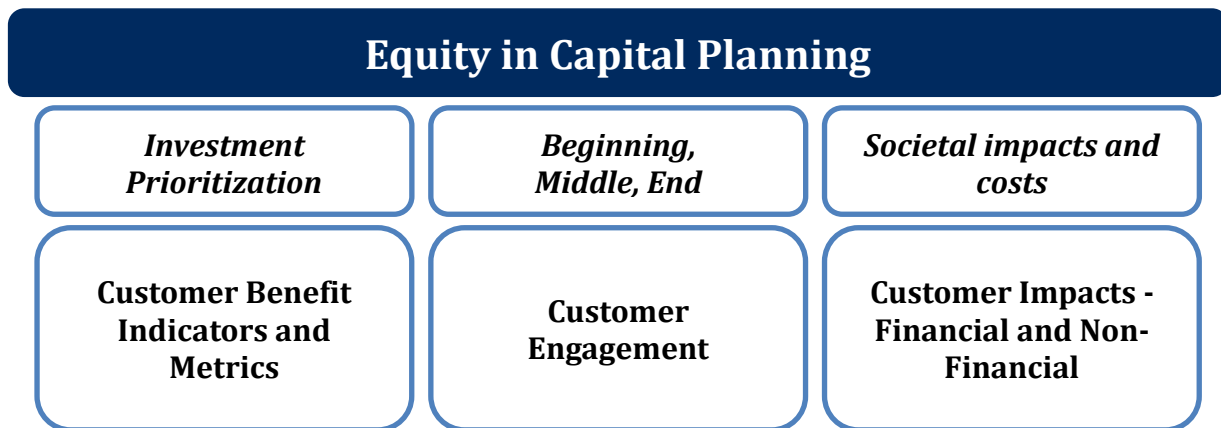
³⁵ Including consultation with Avista’s EAG, input from customer engagement and outreach teams, corporate communications, etc.

³⁶ Avista’s Project Delivery Framework contains standardized project management processes and templates for all projects at the Company. The Framework focuses on high-level requirements that are common to all business units.

and baseline data to assess Business Case impacts, equity metrics and indicator monitoring, adaptive management that course corrects based on continuous feedback. Transparent communication and interested party engagement will be maintained, with regular equity review and inclusive decision-making to ensure fair benefits for all. This will be documented in the Equity Impact Assessment Template included with all project artifacts to ensure compliance.

Illustration No. 5 below provides a visual of the equity enhancements contained within each of the capital planning process as part of the Company’s Framework.

Illustration No. 5 – Capital Planning Equity Enhancements



VII. Schedule and Next Steps

The capital planning cycle begins early each year, with development and approval of business cases taking place in spring for the upcoming 3-year capital budget planning process, which typically takes place in early summer. This process is iterative, with several rounds of evaluation, as the Company seeks to balance a diverse portfolio of needs with existing resources. The capital plan for the upcoming year is generally approved by Avista’s Board of Directors in August of each year. Throughout the year, the Company’s Capital Planning Group (CPG), comprising members of the Financial Planning & Analysis team and a cross-functional team of directors, meets at least monthly to evaluate progress and adjust as needed.

Avista anticipates the implementation of equitable business planning to complement these

timelines. As previously mentioned, planning for equitable outcomes begins prior to the annual capital planning cycle, and even prior to the development of business cases, with pre-project planning, which may take place months or even years prior to the annual capital budget cycle. Templates and tools will begin to be implemented in early 2025, to capture how each energy tenet is addressed, including and up to data used for prioritization, as applicable. These templates are intended to be maintained for each iteration of a business case and handed off sequentially between portfolio managers and project managers.

The financial component of business case evaluation in 2025 will include the additional equity areas identified by the Commission and supported by EAG and other customer-centric data (including historical context, etc.). To do this, a cost-benefit analysis is in the process of being developed to ensure consistency with the multipole regulatory requirements, particularly in Washington. On a test basis, the business cost analysis will initially be applied to new investments to capture the full cycle of equity – from recognition to restorative. The Company will work with applicable advisory groups to determine the appropriate timing and methods for these updates. Initially, the EAG will be updated at least semi-annually.

Incorporating equity is not a one-time task for Avista, but an ongoing, iterative process that evolves as the Company continues to engage with the communities it serves. Moving from theory to practice, or operationalizing equity, is more complex than it might seem. Significant efforts have been made to infuse equity into the capital planning process, but it is not a singular effort. Achieving equitable outcomes will take considerable time, with impacts and results fluctuating based on changing societal needs and regulations and will be an iterative process.

VIII. Conclusion

Avista has made significant strides in integrating equity and energy justice principles into its business planning processes. This compliance filing outlines the comprehensive efforts undertaken to embed equity into business planning, ensuring that all functional areas within the Company are aligned with these principles. The development of the Equitable Business Planning Framework marks a pivotal step towards operationalizing equity, focusing on meaningful participation, and fair, impartial outcomes. By incorporating distributional, procedural, recognition, and restorative justice into its Framework, Avista aims to address historical and systemic inequities, ensuring that marginalized and vulnerable communities benefit from its services. Despite the inherent challenges, such as data availability, engagement from interested parties, and resource allocation, Avista remains committed to overcoming these obstacles through continuous improvement and adaptive management. The establishment of metrics and indicators, along with the involvement of the Company's advisory groups, underscores the company's dedication to transparency and accountability.

As Avista moves forward with the implementation of this Framework, it will continue to engage with interested parties, refine its methodologies, and adapt to evolving societal and customer needs. This ongoing commitment to equity not only meets regulatory expectations but fosters a more inclusive and just energy landscape for all customers.