

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-240006

DOCKET UG-240007

DIRECT TESTIMONY OF

JASON R. THACKSTON

REPRESENTING AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, employer, and business address.**

3 A. My name is Jason R. Thackston. I am employed as the Senior Vice President,  
4 Chief Strategy and Clean Energy Officer at Avista Corporation, located at 1411 East Mission  
5 Avenue, Spokane, Washington.

6 **Q. Would you briefly describe your educational and professional background?**

7 A. Yes. I graduated from Whitworth University in 1992 with a Bachelor of Arts in  
8 International Studies and an emphasis in Business Management and a Master of Business  
9 Administration from Gonzaga University in 2000. I joined the Company in 1996 as a Corporate  
10 Treasury Analyst. I have held several different positions at Avista, including roles in Finance  
11 and Accounting, Internal Audit, Risk Management, Power Supply, and Gas Supply. I was  
12 appointed Vice President of Finance in June 2009 and have since held the roles of Vice  
13 President of Energy Delivery and Vice President of Customer Solutions before becoming the  
14 Senior Vice President of Energy Resources and Environmental Compliance Officer in January  
15 2013. In September 2022 I was appointed to my present position where I lead the Company's  
16 efforts around corporate strategy, business transformation, clean energy, environmental affairs,  
17 and innovation and growth.

18 I presently serve on the boards of Association of Washington Business, Whitworth  
19 University, United Way of Spokane County, Independent Colleges of Washington, Northwest  
20 Gas Association, and Health Sciences and Services Authority of Spokane County. Previously,  
21 I served on the boards of YMCA of the Inland Northwest, Pacific Northwest Utilities  
22 Conference Committee, Northwest Business Development Association, and Business  
23 Development Corporation of Eastern Washington.

1           **Q.     What is the scope of your testimony in this proceeding?**

2           A.     My testimony addresses two issues. First, my testimony provides an overview  
3 of Avista’s commitment to clean energy through the incorporation of aspirational system goals  
4 and regulatory compliance, while including an equity consideration framework to ensure all  
5 customers benefit from this transition. This includes how the Company is complying with  
6 Washington’s Clean Energy Transformation Act (CETA) and the Climate Commitment Act  
7 (CCA). Second, I will provide an update on how the Company is building equity into its  
8 business planning processes. A table of contents for my testimony is as follows:

<u>Description</u>	<u>Page</u>
I.     Introduction	1
II.    Avista’s Clean Energy Goals	2
III.   Equity and Business Planning Update	11

13  
14           **Q.     Are you sponsoring any exhibits?**

15           A.     Yes, I am sponsoring three exhibits. Exh. JRT-2 is Avista’s Equitable Business  
16 Planning Charter, Exh. JRT-3 is a Kickoff Presentation setting forth the Company’s Equitable  
17 Business Planning Steering Committee, and Exh. JRT-4 is a listing of all of the Company’s  
18 “Advisory Groups”.

19  
20                                   **II.    AVISTA’S CLEAN ENERGY GOALS**

21           **Q.     What are Avista’s Commitments to Clean Energy?**

22           A.     Avista has always been on the forefront of clean energy and innovation. This  
23 isn’t new for the Company, as we were founded on clean, renewable hydropower in 1889. As  
24 the region grew, so did Avista’s energy mix. Avista has long maintained a generation portfolio  
25 that is more than half renewable, while continuously making investments in new renewable  
26 energy, advancing the efficient use of electricity and natural gas, and driving technology

1 innovation that has, and will continue to, serve as a platform and gateway to a clean energy  
2 future.

3 Avista's vision of a clean energy future encompasses both electric and natural gas  
4 resources. Recent electric power purchase agreements and renewable natural gas contracts,  
5 described further below, illustrates this commitment to reducing and eliminating greenhouse  
6 gases from the energy delivered to customers. The vision of a clean energy future is one where  
7 all customers have access to reliable energy at affordable costs, while balancing Avista's  
8 commitment to a responsible environmental footprint. The recent acquisitions referenced above  
9 and discussed later demonstrate those values.

10 **Q. What are Avista's Aspirational Electric and Natural Gas Clean Energy**  
11 **Goals?**

12 A. As Avista plans for the future, listens to its customers, and continues to invest  
13 in clean, renewable energy resources, the Company established a defined clean electricity goal.  
14 To solidify this commitment, Avista is focused on research, development, and a smarter grid to  
15 support the trend of lower costs and improved technology that will enable a clean electricity  
16 future. Avista is well on its way to achieving its goal of 100 percent clean electricity by 2045  
17 and will continue to engage with customers, partners, and regulators to make this goal a reality.

18 In response to changes in the regulatory climate throughout the Company's service  
19 territory, as well as emerging clean energy technology impacting the utility landscape, Avista  
20 proactively set system-level aspirational electric clean energy goals and natural gas carbon  
21 emissions reduction goals in April of 2019. For the electric operations, the Company announced  
22 a goal of carbon neutrality by 2027 and carbon free by 2045. For natural gas operations, the  
23 company announced a carbon reduction goal of 30 percent by 2030 and carbon neutrality by

1 2045. These goals are applicable to Avista’s entire system, not just its Washington operations.

2           Importantly, these aspirational goals were developed prior to the enactment of CETA  
3 and the CCA, however, the goals are aligned in their focus on achieving a clean energy future  
4 for both electric and natural gas customers.

5           **Q.     What are goals required under CETA?**

6           A.     CETA applies to all electric utilities in Washington and sets specific milestones  
7 to reach a 100% clean electricity supply. The law requires utilities to phase out coal-fired  
8 electricity from their power supply portfolios by 2025, achieve greenhouse gas emission  
9 neutrality by 2030, and by 2045 electricity supplied must be 100% renewable or non-emitting.  
10 In accordance with CETA, Avista filed its first Clean Energy Implementation Plan (CEIP)<sup>1</sup>  
11 outlining interim and specific targets required to meet the CETA requirements and provides a  
12 roadmap for implementation during 2022-2025.

13           **Q.     How does CETA align with the CCA?**

14           A.     In 2021, Washington State enacted the CCA, which instituted a declining cap on  
15 statewide carbon emissions, affecting all major sectors of the economy. Working in tandem  
16 with other policies such as CETA, the goal is to reduce carbon emissions in the State by 95%  
17 by 2050. Whereas CETA is the primary avenue for pursuing reduced emission goals for electric  
18 customers, the CCA is the primary avenue for natural gas and transportation. Both CETA and  
19 the CCA contain provisions focused on an equitable transition, one where all customers  
20 regardless of circumstances, can access the benefits associated with the transition to a clean  
21 energy economy. Avista’s commitment to the transition to clean energy is consistent with the  
22 intent of both CETA and CCA. The Company’s vision for an equitable future is discussed below

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<sup>1</sup> See Docket UE-210628

1 in Section III.

2 To ensure a specific focus was placed on clean energy needs, a clean energy strategy  
3 department was created in January 2022, with the naming of a director and establishing a team  
4 with the intent to align existing clean energy efforts across the organization and strategize  
5 additional methods to meet the Company's aspirational goals and legislative requirements  
6 across all its jurisdictions.

7 **Q. Has the Company modified its clean energy goals since the passage of**  
8 **CETA and the CCA?**

9 A. Yes. In December 2023, the Company adjusted its electric and natural gas system  
10 goals to support alignment with CETA and the CCA, to recognize the pace of technological  
11 advances and the related costs, and to align tracking of its goals with the integrated resource  
12 planning process. Accordingly, the Company's clean energy goals are to provide clean electric  
13 energy sources equivalent to 100 percent<sup>2</sup> by 2045 and be carbon neutral on the natural gas side  
14 by 2045.<sup>3</sup>

15 **Q. What are the risks and challenges to meeting the Company's clean energy**  
16 **targets?**

17 A. To achieve the Company's clean energy targets and meet Washington State  
18 requirements, the Company expects advancements in energy storage, improvements in  
19 renewable gas fuels such as hydrogen and renewable natural gas, and other emerging clean  
20 technologies to evolve and mature, such that it will allow goal attainment while maintaining  
21 reliability and affordability. There is risk in the maturity and cost-effectiveness of these future

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<sup>2</sup> System annualized basis with normal weather and hydro conditions for resources owned or contracted by Avista.

<sup>3</sup> It is important to note that while Avista's corporate aspirational targets are aligned with the requirements from the State of Washington, Avista has different requirements in the State of Oregon, and no requirements in the State of Idaho, so Avista's corporate targets are still deemed aspirational.

1 technologies failing to materialize. The Company will continue to monitor this ever-changing  
2 landscape and make investments where appropriate. Although Avista is committed to operating  
3 as a cleaner utility, it will not be achieved at the sacrifice of reliability or at inflated expense to  
4 customers. Balancing the requirements of reliability, affordability, and serving customers from  
5 clean energy sources is core to Avista's clean energy strategy. Additionally, Avista is  
6 monitoring and seeking opportunities that provide an affordable solution where strategic  
7 electrification is the right answer. As previously mentioned, Avista is also focused on ensuring  
8 no customers are left behind in this transition through its equity efforts.

9 **Q. What has Avista done to meet the electric clean energy requirements**  
10 **previously described?**

11 A. Avista's aspirational goals solidify its commitment to a clean energy future for  
12 customers, not just in Washington state but across the Company's entire service territory.  
13 Recent clean energy acquisitions on the electric side, and new contracts for renewable natural  
14 gas (RNG) illustrate Avista's commitment to these goals. As outlined in its 2021 Integrated  
15 Resource Plan (IRP), the Company secured new supply contracts including additional portions  
16 of Chelan PUD's Rock Island and Rocky Reach hydro facilities, Columbia Basin Hydro  
17 Power's irrigation generation facilities, as well as a 30-year agreement with Clearwater Wind  
18 in Montana. Further, the Company also entered an agreement to transfer ownership of its  
19 interests of Colstrip Generating Station Units 3 and 4 to Northwestern Energy as of December  
20 31, 2025.<sup>4</sup> This is all in addition to the Company's existing clean generation fleet, long-  
21 standing energy efficiency, and demand response programs.

22 **Q. What is called for in the Company's 2023 electric Integrated Resource Plan**

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<sup>4</sup> <https://investor.avistacorp.com/news-releases/news-release-details/avista-and-northwestern-energy-enter-strategic-transaction>

1 as it relates to new generation needs?

2 A. The Company's Preferred Resource Strategy (PRS) embodied in its 2023  
3 electric IRP, sponsored by Company witness Mr. Kinney, identifies renewable wind generation,  
4 natural gas generation, and short- and long-term energy storage to meet future demand and  
5 energy goals through 2045.

6 **Figure No. 1: Washington's 2023 Electric Preferred Resource Strategy**

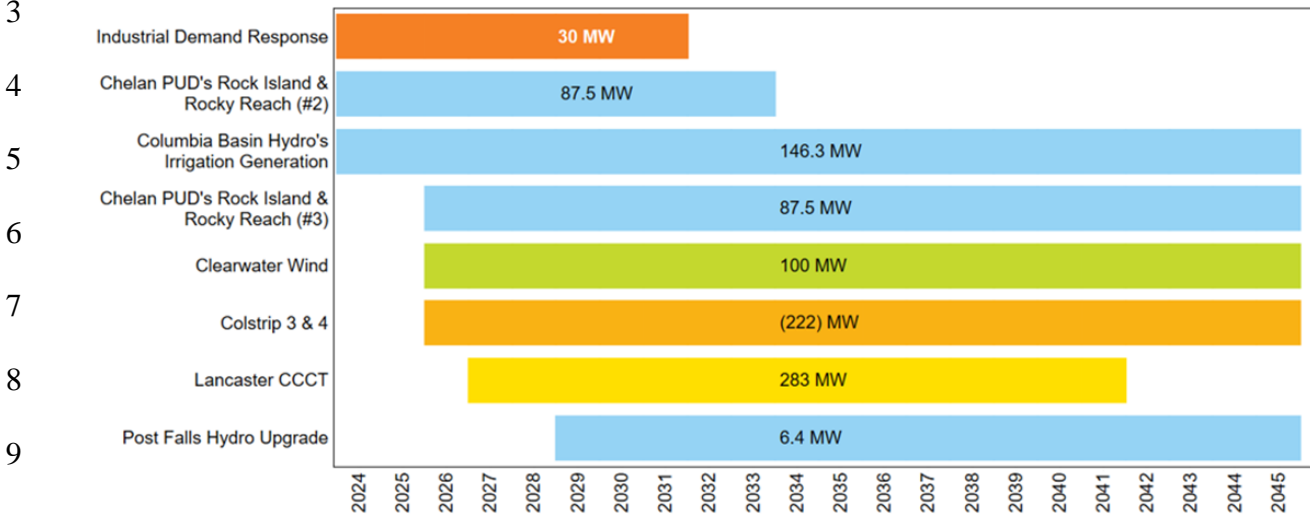
Resource	Time Period	Jurisdiction	Capacity (MW)	Energy Capability (aMW)
NW Wind	2030	WA	200	63
Montana Wind	2032	WA	200	97
Natural Gas CT	2034	ID	90	86
Renewable Fueled CT	2036	WA	88	31
Long Duration Storage (>24 hr)	2039	WA	52	-1
PPA Wind Renewal	2041	WA	140	53
Renewable Fueled CT	2041	WA	74	26
Natural Gas (ICE)	2041	ID	46	46
PPA Wind Renewal	2042	WA	105	36
Renewable Fueled CT	2042	WA	186	65
Natural Gas CT	2042	ID	102	97
Long Duration Storage (>24 hr)	2043	WA/ID	68	-1
NW Wind	2044	WA	100	31
Long Duration Storage (>24 hr)	2044	WA/ID	50	-1
NW Wind	2045	WA	200	63
Renewable Fueled CT	2045	WA	348	122
Natural Gas (ICE)	2045	ID	65	65
Short Duration Storage (<8 hr)	2045	ID	25	0
<b>Total New Resources</b>			<b>2,139</b>	<b>878</b>

18 The recent resource acquisitions and changes, summarized in Figure No. 2 below, will  
19 meet the Company's expected energy and capacity needs through the middle of the 2030s, while  
20 satisfying CETA's requirement of eliminating coal-fired resources by the end of 2025 and  
21 aligning resources to meet the 2030 CETA goal of carbon neutrality. These additional resources  
22 also help position the Company to meet its aspirational system clean energy goals and  
23 Washington State requirements. For additional information regarding the Company's resource



1 strategy and resource acquisitions/changes, please see Mr. Kinney’s testimony.

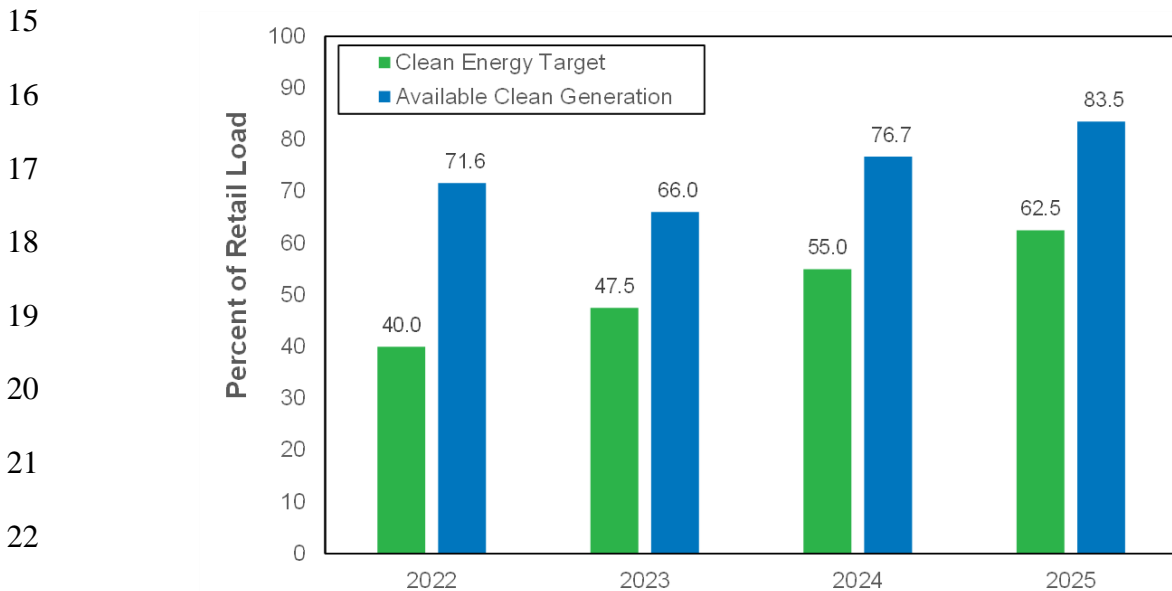
2 **Figure No. 2: Electric Energy Acquisitions & Plant Upgrades**



10

11 In order to meet the CETA interim renewable targets as shown in green in Figure No. 3  
 12 below, the Company intends to retire and sell Renewable Energy Credits (REC) associated with  
 13 its renewable generation, while striving to balance affordability for Washington customers.

14 **Figure No. 3: CETA’s CEIP Interim Renewable Energy Targets**

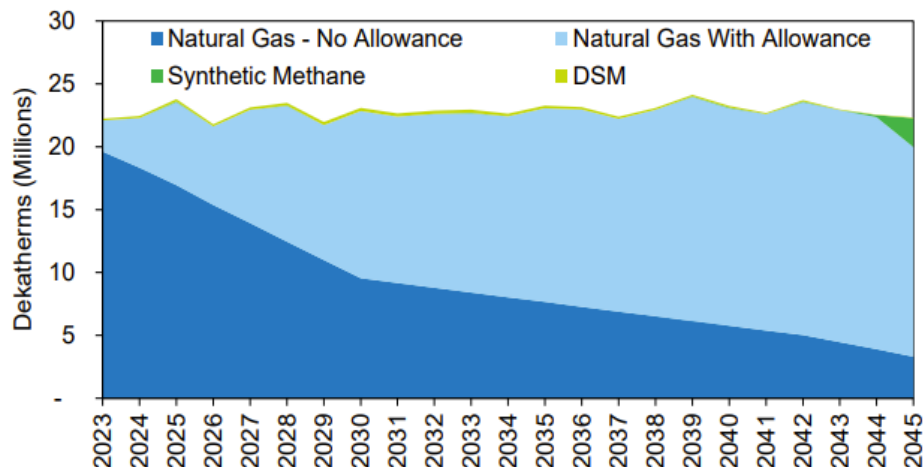


**Q. What has Avista done to meet natural gas clean energy requirements?**

A. The Company’s clean energy future also encompasses natural gas resources, as natural gas is one of the cleanest burning fossil fuels, and plays a key role in reducing carbon emissions, particularly when used directly by customers in their homes, rather than electricity generation to meet the same need. The Company’s strategy for natural gas decarbonization includes diversifying and transitioning from conventional fossil fuel natural gas to RNG, hydrogen, other renewable fuels, and reducing consumption via conservation and energy efficiency. The Company will also purchase carbon offsets as necessary to meet the CCA compliance obligations.

As provided for in the Company’s 2023 natural gas IRP, the PRS shown below in Figure No. 4 shows the use of conventional gas and energy efficiency as the primary cost-effective energy source options through the 2045 study horizon. Based on the CCA’s cap-and-trade program’s current allowance price range of \$22-\$82 USD, natural gas with a carbon offset or Renewable Thermal Credits (RTC) will continue to most cost effectively serve Washington customers. The Company will continue to source natural gas from the least-cost source, while exploring RNG options.

**Figure No. 4: Washington’s 2023 Natural Gas Preferred Resource Strategy**



1           The Company issued its first RNG Request for Proposal (RFP) in October 2022, which  
2 concluded in early 2023. The RNG RFP allowed entities to bid bundled (RNG and RTC) and  
3 unbundled (RTC only) projects. Of the fifteen entity responses, representing 47 projects across  
4 the United States and Canada, none were proven cost-effective for CCA compliance as  
5 compared to other resource options identified in the Company's 2023 natural gas IRP.<sup>5</sup> Avista  
6 anticipates additional clean natural gas technologies to mature, including the use of hydrogen,  
7 biomethane, and carbon capture and recycle solutions, and will issue a RNG RFP annually to  
8 gauge industry and market performance and purchase RNG when it is cost-effective to do so.

9           Outside of the 2022 RFP, the Company entered a strategic partnership with Pine Creek  
10 RNG, Inc., to purchase RNG RTCs. In December of 2022, the Company signed a 15-year  
11 agreement with Pine Creek RNG to acquire RTCs from Horn Rapids Landfill located in  
12 Richland, Washington, as well as their Blackhawk Landfill in Waterloo, Iowa. In May 2023,  
13 an additional 15-year agreement was made with Pine Creek RNG to deliver RTCs from their  
14 Utah-based Bayview Landfill. In total, the Pine Creek projects are expected to produce 6.7  
15 million therms annually, equating to 670,000 RTCs annually over the next 15 years for  
16 customers. The Pine Creek agreement entitles Avista to 100 percent of RTCs produced, with  
17 an option to optimize a portion of those RTCs in an organized carbon market. Profit from these  
18 sales reduces costs for the Company-retained RTCs. Based on least-cost analysis, Avista  
19 intends to use these contracts to meet its decarbonization requirements in Oregon, however,  
20 will continue to reevaluate the use of these contracts service both Oregon and Washington. The  
21 Company also intends to expand its partnership with Pine Creek RNG, and if a cost-effective  
22 RTC opportunity for use in only Washington arises, the Company will take that action.

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<sup>5</sup> Sponsored by Company witness Mr. Kinney.

1 In 2022, under HB 1257, Avista offered its first voluntary RNG program for  
 2 Washington, Oregon, and Idaho customers with RNG supplied from a landfill in Roosevelt,  
 3 Washington through an agreement with Puget Sound Energy (PSE). As of October 2023, the  
 4 program has 343 Washington customers enrolled.

5 In the long term, Avista’s goals are to invest in projects which will enable access to  
 6 RNG resources for all customers, with an emphasis on Named Communities.<sup>6</sup> The Director of  
 7 Clean Energy Strategy, as well as the Director of Energy Efficiency have teams focused on  
 8 identifying the best alternatives for programs, services, or investments for these customers. The  
 9 advisory group process will be instrumental, seeking a collaborative process where customers  
 10 input is considered as part of the decisions.

### 11 **III. EQUITY AND BUSINESS PLANNING UPDATE**

12 **Q. What has the Company previously agreed to related to embedding equity**  
 13 **into its business planning processes?**

14 **A.** In Dockets UE-220053 et. al, the Commission-approved Stipulation included  
 15 certain equity considerations specifically related to Capital Planning, as shown below:<sup>7</sup>

16 The Settling Parties agree to the terms set forth below: By the end of the multi-year rate  
 17 plan (MYRP) (December 31, 2024), Avista commits to making a compliance filing in  
 18 these Dockets demonstrating:  
 19

- 20
- 21 a) A process or procedure for how the Board of Directors and senior
  - 22 management incorporates equity into its business planning.
  - 23 i. This must include how Avista plans for equitable outcomes when
  - 24 evaluating business cases within each functional review team (e.g., the
  - 25 Engineering Round Table, etc.)
  - 26

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<sup>6</sup> “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.

<sup>7</sup> Dockets UE-220053, et. al., Stipulation ¶18.

1 b) Templates in its Business Cases require sponsors to demonstrate how  
2 they planned for equitable outcomes in each Business Case.

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

10  
11 c) A plan for measuring and tracking impacts from Business Cases post-  
12 completion, with a specific eye towards identifying equitable outcomes, and  
13 how the Company will engage in adaptive management to correct course  
14 during Business Cases when it is necessary to avoid inequitable outcomes.  
15 This includes:

16 i. Completing assessments of impacts from Business Cases; wherever  
17 possible, these Business Cases should include feedback from interested  
18 persons and the communities they are impacting.

19 ii. Measuring and tracking should demonstrate why these issues are  
20 important to Named Communities and provide a holistic picture of the  
21 current conditions faced in those communities.

22  
23 **Q. Did the Commission’s order<sup>8</sup> provide additional guidance related to Avista’s**  
24 **capital planning and the inclusion of equity considerations?**

25 A. Yes. The Commission decision requires Avista to demonstrate progress towards  
26 incorporating equity tenets into its capital planning. In particular, the Commission required the  
27 Company to show “progress towards addressing the principles identified in the Cascade Final  
28 Order, and in particular a comprehensive understanding of the ways systemic and historical  
29 inequities are present and continue to operate.”<sup>9</sup> Specifically, consideration for capital planning  
30 is to consider and implement energy justice and its core tenants of distributional justice,  
31 procedural justice, recognition justice, and restorative justice. These tenets are described in  
32 Figure No. 5 below.

33  

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<sup>8</sup> Dockets UE-220053, et. al., Order 10/04 ¶ 73:74

<sup>9</sup> Cascade Natural Gas, Docket No. UG-210755 Order No. 09

**Figure No. 5: Energy Equity Tenets**

<p>Recognition</p>	<p><b>Identification</b> Understanding of circumstances, structures and systems which have led to historical or ongoing inequities</p>
<p>Procedural</p>	<p><b>Inclusion and Representation</b> Fairness, access and opportunity to participate in the decision-making process</p>
<p>Distributive</p>	<p><b>Where and who</b> Aims to ensure highly impacted and vulnerable populations receive equitable access to energy system benefits</p>
<p>Restorative</p>	<p><b>Ending disproportional outcomes</b> Aims to ensure the cause of the inequities are addressed</p>

**Q. Is this case the venue for evaluating how Avista has complied with this settlement term?**

A. No, it is not. Avista agreed to make a compliance filing at the end of the current multi-year rate plan (on or before December 31, 2024, in Docket UE-220053 et. al.) as to how the Company is complying with this settlement provision. However, in anticipation of that filing, the Company provides the following discussion on Avista’s activities within this proceeding.

**Q. Why is the focus on energy equity important to the Company?**

A. As described in this case and ones prior, Avista has been focused on putting customers at the center of business processes and decisions to drive better customer experiences for many years. Senior leadership is committed to incorporating equity in strategic focus areas in order to drive not only better customer experience, but to better align Avista on its path

1 towards integrating equity into its business practices. In 2022, the Company intentionally  
2 developed and launched a comprehensive Equity, Inclusion, and Diversity Strategy (EID) that  
3 provides a roadmap for aligning efforts across the Company in these critical areas. The primary  
4 focus of this plan is on Avista's employees, communities, customers, and business processes.  
5 However, the Company recognizes that achieving the goal of better customer experience is  
6 broad reaching, begins with its employees, and ultimately extends into efforts related to supplier  
7 diversity. Incorporating a formal process to integrate equity in Avista's capital business planning  
8 process builds off the foundation in its EID strategy and is a natural progression that will allow  
9 for the expansion of the equity lens to better identify and serve customers with individual, unique  
10 needs, rather than more traditional planning, which is done on a system level.

11 **Q. Is this a new focus for the Company?**

12 A. Not really. Avista has a rich tradition of providing equitable service to customers  
13 through energy efficiency programs, low-income rate assistance programs, Native American  
14 relations, advisory groups, customer experience, and community and civic participation (to  
15 name a few). Efforts have been underway in these areas to identify and meet the needs of those  
16 customers, evaluating the allocation of resources that best meets the needs of those customers  
17 and communities. However, the Company has not previously formalized a consistent framework  
18 across business units to operationalize energy equity tenets and practices.

19 The focus on equitable capital planning will provide Avista with the opportunity to  
20 define and develop a systematic method for incorporating the tenets of equity into capital  
21 planning throughout each phase of the investment lifecycle - from the evaluation criteria all the  
22 way through the development of accountability metrics. During this clean energy transition, it  
23 is especially important that the focus be on a "just transition" – one based on fairness, equity,

1 and inclusivity throughout the process. Ultimately, Avista will seek to identify and prioritize the  
2 needs of Named Communities in capital planning taking into consideration the distributional  
3 impacts of business decisions and processes beyond simply the delivery of energy.

4 **Q. Is the development of a common terminology foundational to the success of**  
5 **embedding equity throughout the Company?**

6 A. Yes, a common language is necessary. The term "equity" at its very foundation  
7 is the concept of fairness, inclusion, and meaningful involvement. It is ensuring that all people  
8 are treated fairly, recognizing that each person has unique needs and operates in unique  
9 circumstances. Given the terminology "fair" and "meaningful involvement" can be interpreted  
10 in a variety of ways, Avista will rely on the definitions utilized by the United States Department  
11 of Energy. A "fair" process is defined as a focus on ensuring no group of people share a  
12 disproportional burden associated with policies, decisions, or actions; "*Meaningful*  
13 *involvement*" means that (1) people have the awareness and opportunity to participate in  
14 decisions, processes, or activities that may affect their communities, (2) customer contribution  
15 has the ability to influence decisions, (3) customer input will be considered in the decision-  
16 making process, and (4) Company outreach efforts seek out and facilitate involvement of those  
17 potentially affected.<sup>10</sup>

18 Energy Equity applies those principles by expanding that lens to the energy sector to  
19 ensuring fair treatment, opportunity, and access to the benefits of the energy system, regardless  
20 of individual circumstances. "Equitable Business Planning" is Avista's methodology for  
21 operationalizing these tenets, ensuring its work results in fair outcomes for all customers,

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<sup>10</sup> U.S. Department of Energy, Office of Economic Impact and Diversity, Justice40 Initiative Environmental Justice Fact Sheet, [https://www.energy.gov/sites/default/files/2022-07/Environmental%20Justice%20Explainer%207\\_25\\_22.pdf](https://www.energy.gov/sites/default/files/2022-07/Environmental%20Justice%20Explainer%207_25_22.pdf).



1 regardless of individual circumstances. Effectively this is the first step towards operationalizing  
2 equity from theory to practice. Operationalizing equity is multifaceted and intricate,  
3 encompassing various interconnected aspects of socio-economic and demographic factors.  
4 Several local contextual factors, historical inequities, and systemic inequalities can challenge  
5 the implementation of the capital planning policy goals or the establishment of standardized  
6 guidelines for best practices. The goals of Equitable Business Planning are focused on defining  
7 equity in the context of regional economic development while balancing the operational needs  
8 associated with a safe, reliable, and affordable energy system.

9 Avista's over-arching goal is to ensure a capital investment framework based on  
10 authentic relationships with customers in order to foster trust, reinforce credibility as a  
11 Company, and empower customers by valuing their input in decisions that impact them  
12 individually or as a community.

13 **Q. Please provide some examples where the Company has incorporated equity**  
14 **into its business processes.**

15 A. As previously mentioned, it is Avista's mission to place its customers at the  
16 center and the Company's focus on continuous improvement has resulted in the development of  
17 processes tailored specifically to solicit input from customers, with a focus on those customers  
18 most in need.<sup>11</sup> The focus of these efforts is to use a variety of outreach methods to identify  
19 customer needs, understand the reason contributing to those needs, and consider customer input  
20 in developing solutions to best satisfy those needs that are within the Company's purview.  
21 Further, Avista's capital planning performance metrics, including mid-course correction review,  
22 will ensure accountability and success in addressing those needs.

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<sup>11</sup> While these customers are not specifically identified as Named Communities, the areas of concern are aligned with those areas identified by the EAG.

1 The following are a few examples of this:

- 2 • **Customer Benefit Indicators (CBIs):** The Company is monitoring its progress  
 3 towards clean electricity goals described above through the use of CBIs. CBIs  
 4 represent equity areas identified by Avista’s EAG as those areas most at risk to  
 5 disproportional outcomes. These areas include affordability, access, environment  
 6 and public health, energy security and resiliency, and community development.  
 7 While these indicators were developed as part of the Company’s 2021 CEIP, the  
 8 Company recognizes the interconnected nature of these areas and continues to  
 9 utilize its EAG to provide input on programs and initiatives throughout the  
 10 Company including those that may be outside of the clean energy space.  
 11
- 12 • **Customer Experience Journey:** A cross-functional team of employees who  
 13 actively collaborate with customers has developed and implemented a human-  
 14 centered Experience Design methodology. This methodology proactively seeks  
 15 to better understand customers wants and needs, collaboratively develop  
 16 solutions, and allocate resources or programs in a manner that meets those wants  
 17 and needs. The customer is at the center of this methodology, with a focus on  
 18 customers’ perspectives from the *outside in*, rather than the *inside out*. While the  
 19 term “equity” is not called out in this process, all four components of equity are  
 20 embedded - from recognition through restorative.<sup>12</sup>  
 21
- 22 • **Wildfire:** Equity was foundational in the development of Avista’s wildfire plan.  
 23 Meaningful participation was infused in the process from start to finish.  
 24 Customer and community input was prioritized, with consideration given for  
 25 those located in rural or high fire risk areas and Named Communities. Further,  
 26 community-based organizations provided an additional lens to ensure the  
 27 reduction of burdens for all customers, considering unique circumstances which  
 28 may contribute to inequitable access or unintended consequences.  
 29

30 **Q. Does the Company have advisory groups to assist with equity efforts?**

31 A. Yes. The Company has several advisory groups in place to facilitate meaningful  
 32 participation, identify customer needs and wants, and collaboratively evaluate solutions with  
 33 interested parties. The advisory group process is one method by which the Company seeks to  
 34 understand, identify, discuss, and evaluate processes and/or resource decisions in a collaborative  
 35 and inclusive manner. These advisory groups have been active for several years and are

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<sup>12</sup> Note this process is not directly tied to the definition of “named communities” and as such does not have comparative metrics between customer groups. However, issues identified in this process are correlated with those areas identified as an equity focus – such as affordability, access, environmental, etc.

1 instrumental in the development of policies and programs in Avista's energy efficiency, energy  
2 assistance, integrated resources plans, clean energy action plans, and most recently distribution  
3 planning. Through these collaborative efforts, the Company seeks to evaluate alternatives and  
4 allocate resources in a manner which will best distribute the benefits of Avista's work in a fair  
5 and equitable manner. Exh. JRT-4 identifies each of the advisory groups and its objectives.

6 Specific to equity, in 2021 Avista formed its EAG as part of the Company's CEIP. The  
7 EAG provides an equity lens, not only in the transition to clean energy, but also for other  
8 initiatives within the Company. The EAG has the opportunity to provide input on Company  
9 measures or programs developed in Avista's other advisory groups in order to ensure a focus on  
10 equity is included throughout business processes and policies. The Company will continue to  
11 work with its EAG on new measures, metrics, and cost/benefit analysis as a part of Avista's  
12 Equitable Business Planning processes. Additional detail will be provided in the Company's  
13 compliance filing due on or before December 31, 2024, as discussed earlier.

14 **Q. Has Avista started the process of formally embedding Equitable Business**  
15 **Planning into its Capital Planning process?**

16 A. Yes. First, Avista formalized its commitment to incorporating equity  
17 considerations in Company processes and policies by including these responsibilities in my role  
18 as the Senior Vice President, Chief Strategy and Clean Energy Officer. In addition, a new  
19 project team has recently been formed with a main focus of driving this process forward. This  
20 new team is comprised of individuals from across the Company ensuring these efforts are  
21 successful throughout the organization. Underlying this effort is Avista's Equitable Business  
22 Planning Charter, which outlines the goals and scope of this initiative. A copy of the Charter  
23 has been provided as Exh. JRT-2. In addition, a project steering committee has been established,

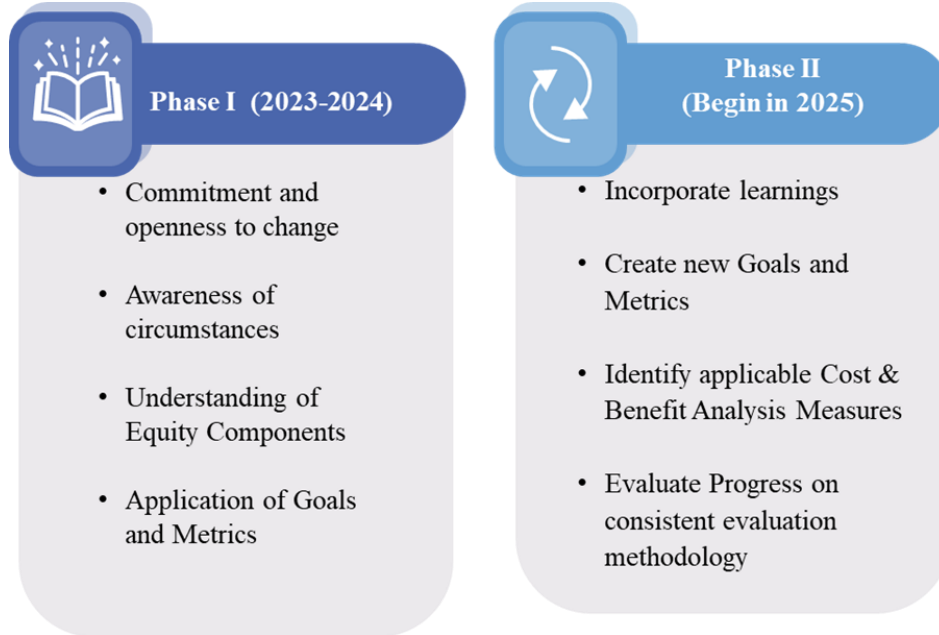
1 which includes several of the Company’s most senior leaders, as well as all Company officers  
2 (including myself), and certain directors. A presentation kicking off this work and the  
3 development of the steering committee has been provided as Exh. JRT-3. Commitment from  
4 the Company’s senior leadership solidifies a strong organizational culture that prioritizes this  
5 important work, sets the example for employees, and shows the interconnected nature of all  
6 Avista’s business practices and strategies.

7 **Q. How is the Company phasing in this important work?**

8 A. The Equitable Business Planning project will be phased in over the next several  
9 years, broken into two phases. Phase I will begin during the 2024 capital planning cycle, with  
10 the goal to solidify the Company’s commitment to operationalizing energy equity, bringing  
11 awareness of what that means, and identifying gaps in preliminary procedures. Phase I is  
12 focused primarily on change management through commitment, awareness, and education, to  
13 determine the best approach in developing ongoing standards and operating practices.

14 Phase II will incorporate learnings in a more structured manner with final criteria and  
15 process requirements. Note that Phase II is an iterative cycle that will change over time as the  
16 Company learns and grows, and as input and priorities from customers and communities  
17 change. Equity is not a “one-and-done” effort and will necessarily evolve as needs change –  
18 especially during the transition to a cleaner energy future. Figure No. 6 below provides an  
19 outline of the goals of both Phase I and Phase II.

1 **Figure No. 6: Equitable Business Planning Goals**



11 **Q. What will be the focus of the work undertaken for Phase I of the Equitable**  
 12 **Business Planning project?**

13 A. As previously mentioned, the goal of Phase I is to solidify a commitment to  
 14 incorporating energy equity into Avista’s capital business planning process, build awareness,  
 15 and provide an opportunity to explore an initial application of an equity lens. Business Case  
 16 templates will be developed to include the components of equity and document how equity was  
 17 considered. It is not necessarily to finalize a process or strategy, but the focus is on education  
 18 and understanding of the various options for application.

19 **Q. What will be the focus of the work undertaken for Phase II of the Equitable**  
 20 **Business Planning project?**

21 A. Phase II will be the basis for the compliance filing due December 31, 2024. This  
 22 phase will address those gaps identified in Phase I and be the foundational roadmap for the  
 23 Equitable Business Planning initiative. With the help of the Company’s EAG, the focus will be

1 identifying solutions which overcome barriers to participation and ensuring meaningful  
2 participation in those equity areas identified to be impacted in a disproportional manner. Further,  
3 Avista will build off its CBI metrics being developed for its 2025 CEIP to ensure all tenets of  
4 energy justice are considered.

5 In addition, several external parties<sup>13</sup> are actively pursuing methods for integrating equity  
6 analysis into investment decisions (i.e., capital planning). Avista is actively monitoring these  
7 initiatives and will consider solutions identified by these groups, particularly in relation to cost-  
8 benefit analysis. In addition, Avista will participate in the workshop process, once underway,  
9 for distributional equity led by this Commission.

10 **Q. What data will the Company rely upon as it develops its Equitable Business**  
11 **Planning project?**

12 A. For Phase I of the Equitable Business Planning process, priorities (equity areas)  
13 will build upon CBIs and metrics identified in the Company's CEIP. In 2022 and 2023, the  
14 Named Community Map developed in the CEIP was expanded upon to further define and  
15 incorporate Avista's vulnerable populations. This expanded map captures those conditions and  
16 characteristics that frequently result in disproportional outcomes as identified by Avista's EAG.  
17 Further, Avista's natural gas customers who meet the same vulnerable population criteria was  
18 layered on this map to provide the Company with a holistic view of its customers located in  
19 Named Communities.

20 In 2024, Avista will align its priorities and performance areas with those identified from  
21 the Department of Energy (DOE) in response to the Justice40 initiative.<sup>14</sup> This will allow the

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<sup>13</sup> Including: The Energy Equity Project (University of Michigan), Pacific Northwest National Laboratories, American Council for an Energy Efficient Economy (ACEEE), Lawrence Berkley National Laboratory (LBNL), Department of Energy, Environmental Justice Council,

<sup>14</sup> <https://www.whitehouse.gov/environmentaljustice/justice40/>

1 Company to connect areas from the Washington State Department of Health, Health Disparities  
2 map, primarily focused on environmental health disparities with factors correlated to the energy  
3 industry. Finally, should the combination of metrics from the CEIP or EAG not capture fully  
4 the tenets of energy justice, Avista will consider best practice metrics recommended by  
5 previously mentioned industry experts. In sum, these efforts will ensure the application of an  
6 equity lens, or incorporation of energy justice, in Avista's capital business planning process.

7 Inherently, measuring equity is a comparative construct describing fairness across  
8 diverse groups. This data will provide the information necessary to facilitate this comparison.  
9 Ultimately, the transition to clean energy as well as Equitable Business Planning go hand-in-  
10 hand. As such, it is appropriate to have similar metrics across company initiatives to ensure  
11 mutual understanding and application of those components of equity for employees, customers,  
12 and suppliers. In Phase I of the project, the Company will rely on the existing data utilized for  
13 Avista's CBIs, supplemented by metrics identified by the DOE and other industry leaders to  
14 meet all components of energy justice.

15 To hold itself accountable to progress, the Company will establish indicators and  
16 performance metrics that are focused not only on the outcome, but also the process itself. In  
17 doing so, the Company will apply the four tenets of energy justice described above. Process  
18 performance metrics are applicable to the initial phases of capital planning. The focus is on  
19 recognitional equity which seeks to understand contextual historical and current policies which  
20 have unintentionally resulted in inequitable outcomes, and the circumstances which contribute  
21 to those outcomes - and procedural justice is associated with meaningful involvement and due  
22 process. Outcome performance metrics (outputs and outcomes) are related to access  
23 discrimination, output differences, and unfair impacts of the distribution of benefits from

1 investment decisions. Included within this area is accountability metrics which will include steps  
2 to course correct when needed. Through an understanding of those circumstances, its correlation  
3 to the energy system and specifically capital projects, Avista will have the foundational  
4 understanding to evaluate alternatives for resource allocation which will not exacerbate existing  
5 inequities and aim to achieve fair, equitable outcomes. These learnings will be incorporated in  
6 Phase II beginning in 2025. Final performance metrics will be approved by Avista's Steering  
7 Committee, described above.

8 **Q. What tools will the Company rely on to facilitate the operationalizing of**  
9 **equity in Equitable Business Planning?**

10 A. The Company currently has a working draft of a "framework," including  
11 common definitions, strategies, goals, and actions to incorporate the tenets of energy justice on  
12 a preliminary basis. Avista is well underway in developing a formal process to utilize the Named  
13 Community Maps described above. In the second quarter of 2024, a training manual will be  
14 developed and implemented to facilitate the use of these maps to create a deeper understanding  
15 of circumstances or location of customers identified as Named Communities, and proactively  
16 evaluate capital projects with equitable outcomes in mind. These activities are critically  
17 important as the Company seeks to understand the context of historical and current inequities.  
18 Avista will consider and incorporate, as applicable, developments from industry leaders such as  
19 Initiative for Energy Justice, Pacific Northwest National Laboratories & Sandia National  
20 Laboratories, who are actively seeking to develop and recommend best practices for cost/benefit  
21 analysis incorporating equity considerations into IRPs and grid planning. Likely there are  
22 learnings from these efforts which will be applicable to other internal processes as well. In  
23 addition, the Company will participate in workshops with the Commission and interested



persons on the development of best practices associated with distributional equity analysis.

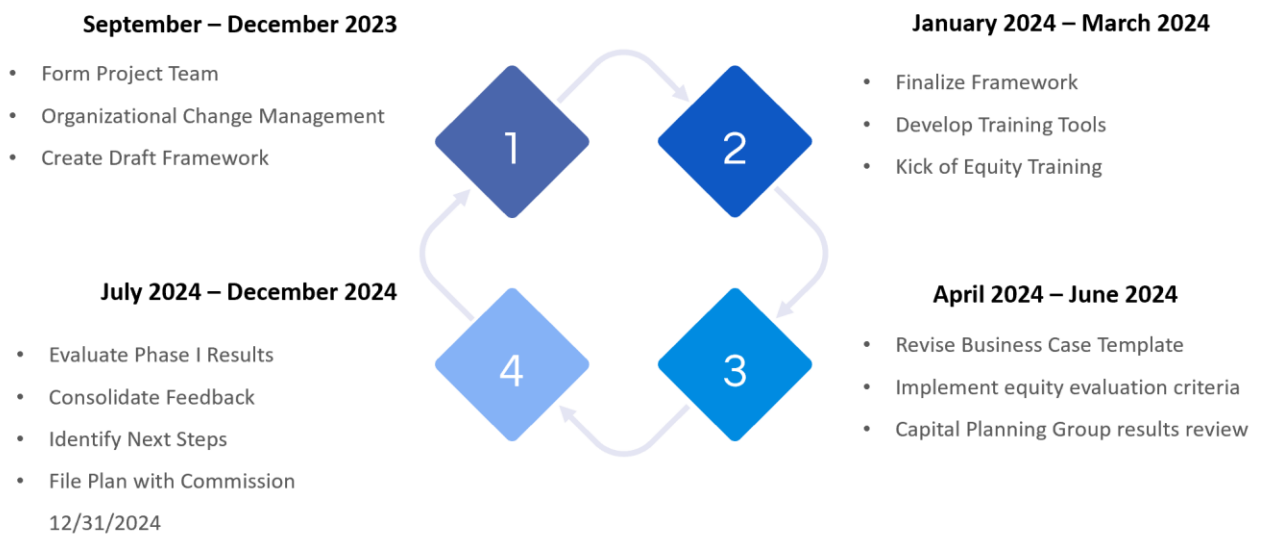
**Q. Does the Company have a preliminary roadmap for implementation?**

A. Yes. In September 2023 Avista officially kicked off its Equitable Business Planning work with the Steering Committee, formed the project team, and began working with its Organizational Change Management team. Beginning in the first quarter of 2024 (Phase I), the Company will begin to train those that work closest to capital budgeting and incorporate the Equitable Business Planning framework into the process. Further, to solidify its commitment, Avista will ensure senior leadership is well-versed in energy equity and all its components/tenets. Learnings from Phase I will be consolidated and formalized in Phase II to begin in 2025 and filed as part of Avista’s compliance filing on or before December 31, 2024.

Figure No. 7 below provides the preliminary roadmap.

**Figure No. 7: Preliminary Roadmap for Equitable Business Planning**

**Preliminary Roadmap**



This preliminary roadmap may be modified based on learnings throughout 2023 and 2024. The

1 EAG will be instrumental in the final determination of metrics and cost-benefit analysis. In  
2 November 2023, the Company kicked off the process by re-introducing EAG members to the  
3 full concept of equity and energy justice, setting the stage for further root cause determination.  
4 Final performance areas and metrics are targeted to be presented to Avista's IRP Technical  
5 Advisory Committee (TAC) for consideration in July 2024, followed by other advisory groups  
6 soon thereafter.

7 **Q. Has the Company's Board of Directors (Board) been involved in this**  
8 **important work?**

9 A. Yes. In Avista's February 2023 Board meeting, the topic of equity was discussed  
10 to inform the board of the requirements of the 2022 Washington General Rate Case Stipulation  
11 and provide education on energy equity. Tentatively, the Company's February 2024 Board  
12 meeting is scheduled to discuss the progress made towards Equitable Business Planning and  
13 review the roadmap and phases of implementation.

14 **Q. Does this conclude your testimony?**

15 A. Yes, it does.