



Our Commitment to  
Corporate Responsibility

# Our Commitment to Corporate Responsibility

At Avista, our vision is to deliver better energy for life. We strive to fulfill that vision by improving the lives of customers through the safe, responsible, and affordable delivery of energy, in a way that is trustworthy, innovative and collaborative.

These guiding principles are founded on a long tradition of corporate responsibility. Whether it is our longstanding commitment to environmental stewardship, the care and support of our people, our dedication to the customers and communities we serve, or our steadfast adherence to principles of ethical governance, we believe

that the integration of corporate responsibility into our business builds trust, forges lasting relationships, strengthens morale, reduces risk, delivers enhanced value to our shareholders, and ultimately enables us to more effectively execute on our vision, mission and strategy.

At its heart, corporate responsibility at Avista is a commitment to manage the social, environmental and economic effects of our operations safely, responsibly, and affordably, while endeavoring to have a positive, lasting impact on the society and environments in which we operate.

We believe that, through these commitments, we can preserve and enhance our environment, provide safe and fulfilling careers to our employees, add value to our customers and communities, and protect the investments of our shareholders. For over 130 years, we recognize that the pursuit of these commitments is not a deterrent, but rather helps us to achieve our business objectives. Simply put, they are one of the many ways that we are delivering on our promise of better energy for life.



## Our Commitment to Our Environment

We are committed to conducting our business with respect for the natural resources in the areas we serve, and to addressing the challenges of a changing climate. Our efforts and commitments include:

- Integrating renewables as part of our commitment to clean energy and carbon emissions reductions, while maintaining reliability and affordable rates for our customers.
- Engaging in climate policy development to promote environmental stewardship along with economic and community vitality.
- Driving innovation and technology advancements which increase energy efficiency and/or reduce emissions.
- Leading energy efficiency and conservation efforts for our customers and within our own system.
- Improving the sustainability of our business practices and promoting stewardship of our shared natural resources. Avista manages its operations and facilities to protect land, air and water. In addition, we protect and restore habitat, water quality and fisheries.
- Providing recreational opportunities to improve access for all people along the Clark Fork and Spokane Rivers in Montana, Idaho and Washington.

## Our Commitment to Our People

Our success lies in hiring talented people and setting them free to pursue great ideas—ideas that engage the imagination, stretch us all and ensure that we continue to provide exemplary and cost-effective service to our customers. Our efforts and commitments include:

- Ensuring a safe and healthy work environment, preventing accidents and incidents, and ensuring that all Avista employees return home healthy and whole.
- Fostering a culture that values trust and respect based on diversity, equity and inclusion, and offering all employees the chance to enrich their lives and careers through challenging and meaningful work—all in an equal opportunity workplace that is surrounded by a supportive and inclusive environment.
- Valuing the contribution of our employees by focusing on creating and maintaining an environment to attract, develop, motivate, retain and reward high-caliber employees.
- Performing to our ethical and compliance standards, ensuring that we conduct ourselves in a legal and ethical manner in upholding our regulatory obligations.
- Holding our contractors, suppliers and other business partners to the same ethical and compliance standards to which we hold ourselves.





## Our Commitment to Our Customers & Communities

We are invested in our customers and the communities we serve. We recognize that bringing energy to life extends beyond providing electricity and natural gas for our customers. As employees and as a company, we are an active partner and advocate that brings energy to strengthening the customers and communities in which we live, work, serve and play. Our efforts and commitments include:

- Providing safe, reliable service that is there when needed, and that is affordable for our customers and for our region.
- Bringing value to our customers through services, programs and methods for using energy efficiently, and that otherwise help to enrich customers' lives.
- Building value for our customers and communities through active involvement in organizations, causes and engagement with local stakeholders to grow jobs and improve the quality of life in our region.
- Providing meaningful philanthropic support to our communities without impacting customer rates, recognizing that these efforts help to strengthen our communities, broaden the reach of local organizations and improve our local economies.
- Supporting and encouraging our employees to help local charities and community organizations in the regions in which we operate.
- Holding our customers and communities' interests at the forefront of our decisions, operating our business with transparency, genuine care and ease of conducting business—our stakeholders can rely on us.

## Our Commitment to Ethical Governance

We maintain a strong foundation of corporate governance practices that promote transparency, accountability, and engagement, and that ensures there is complete, transparent, and effective oversight of the affairs of our Company to protect and enhance shareholder value. Our efforts and commitments include:

- Approaching all aspects of corporate governance ethically and with clear standards of appropriate corporate behavior.
- Promoting effective oversight of the Company through a strong and independent board.
- Actively seeking to establish and enhance diversity among our Board of Directors and executive leadership.
- Striving to improve the performance of the Board of Directors and executive leadership through effective performance assessments, appropriate and fair compensation practices, and ongoing investment in education and professional development.
- Ensuring that shareholders have an appropriate voice with respect to matters impacting the Company through outreach and engagement.
- Maintaining transparency with respect to governance of the Company and the pursuit of its strategic goals.

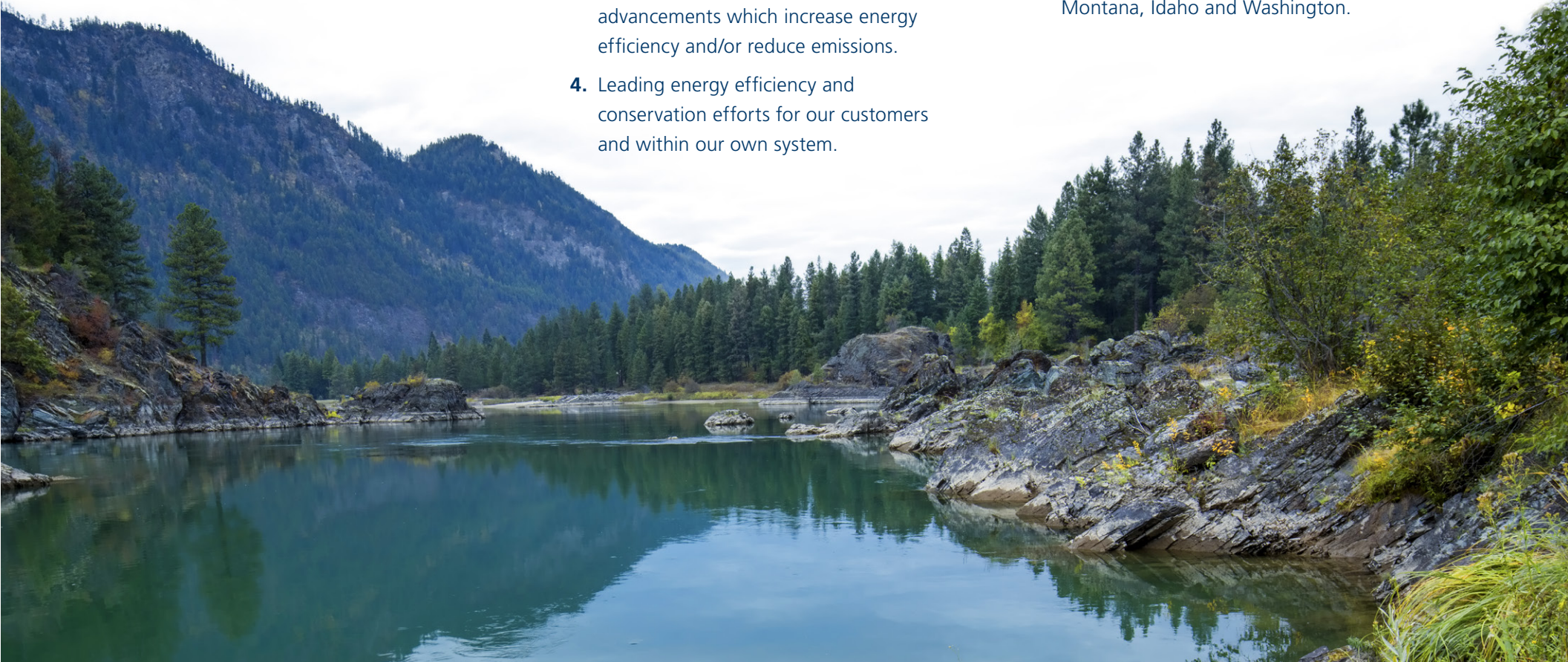


# Environmental Commitments

# Our Commitment to Our Environment

We are committed to conducting our business with respect for the natural resources in the areas we serve, and to addressing the challenges of a changing climate. Our efforts and commitments include:

1. Integrating renewables as part of our commitment to clean energy and carbon emissions reductions, while maintaining reliability and affordable rates for our customers.
2. Engaging in climate policy development to promote environmental stewardship along with economic and community vitality.
3. Driving innovation and technology advancements which increase energy efficiency and/or reduce emissions.
4. Leading energy efficiency and conservation efforts for our customers and within our own system.
5. Improving the sustainability of our business practices and promoting stewardship of our shared natural resources. Avista manages its operations and facilities to protect land, air and water. In addition, we protect and restore habitat, water quality and fisheries.
6. Providing recreational opportunities to improve access for all people along the Clark Fork and Spokane Rivers in Montana, Idaho and Washington.



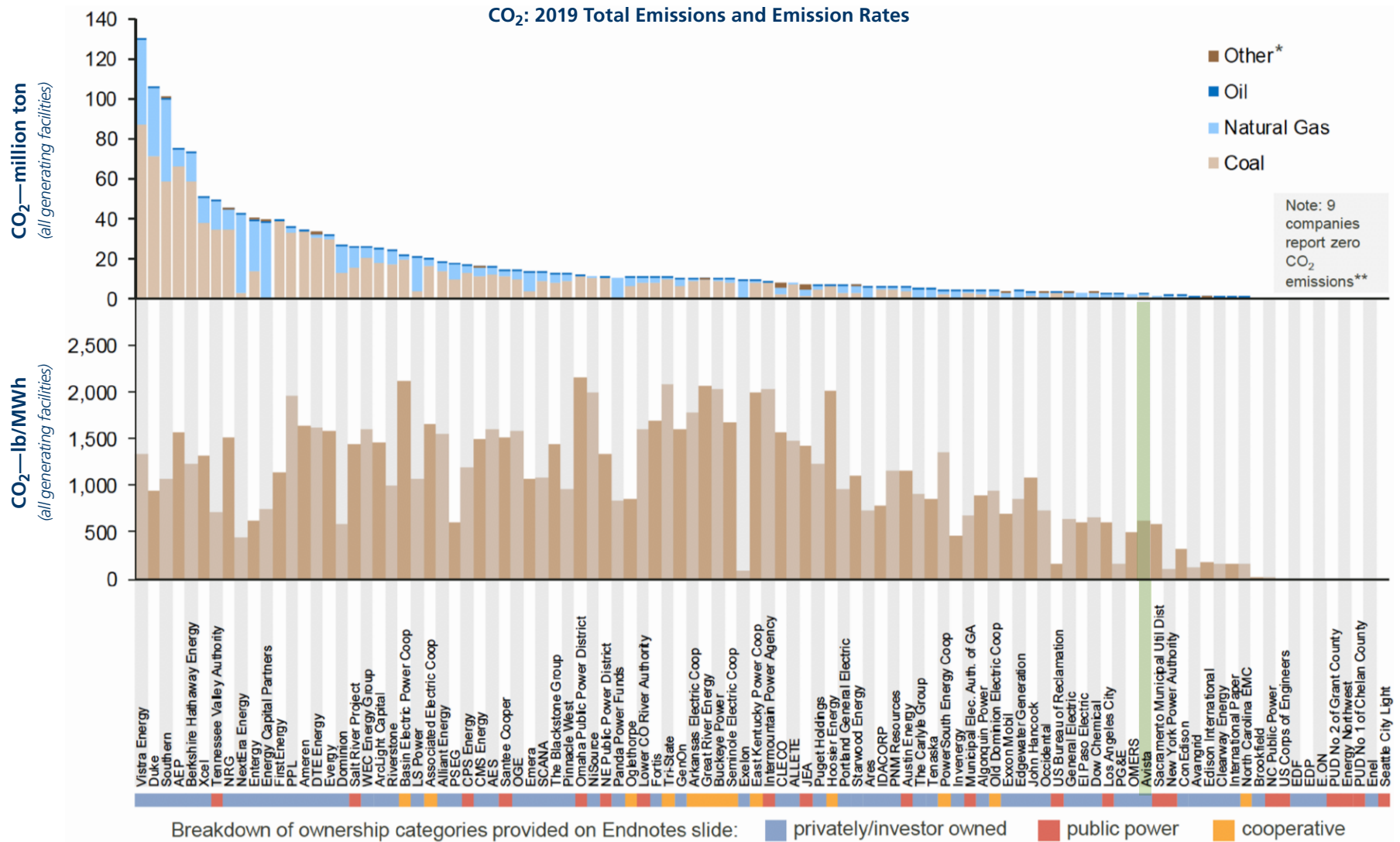
# 1. ■ Integrating renewables as part of our commitment to clean energy and carbon emissions reductions, while maintaining reliability and affordable rates for our customers.

In April 2019, Avista announced clean electricity goals of serving our customers with a carbon neutral supply of electricity by the end of 2027 and with 100% clean electricity by 2045. These goals help focus our efforts as we continue to meet the

energy needs of our customers and communities today and into the future. Since our founding in 1889 as a producer of clean, renewable hydro power, environmental stewardship has meant conducting our business in ways that honor the integrity of the natural resources in the areas we serve. We have long been recognized by the Natural Resources Defense Council as one of the cleanest power producers in the country when it comes to greenhouse gases. Over half of our existing generation capability consists of renewable energy, including hydroelectric, biomass, solar and wind resources.



## Air Emissions of the 100 Largest Electric Power Producers in the U.S.



Natural Resources Defense Council: Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States (July 2020)  
[www.nrdc.org](http://www.nrdc.org)

Sorted from highest to lowest by emission rate

\* Includes wood/biomass, black liquor, MSW, landfill gas and petroleum coke, among others

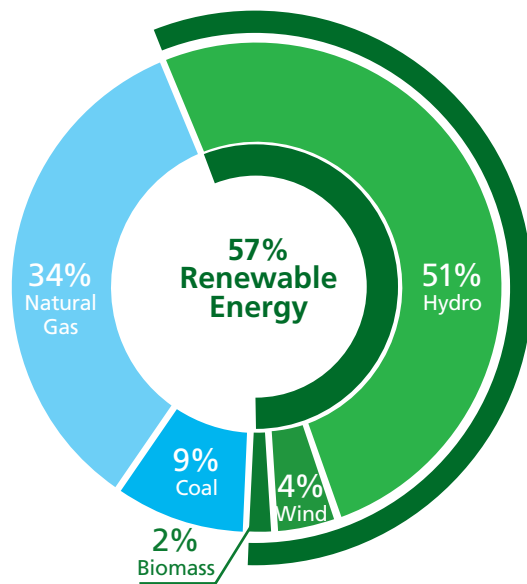
\*\* Companies with zero emissions are ordered based on total generation



We have long been committed to meeting the need for reliable and affordable energy while advancing environmental stewardship, and our actions demonstrate these values. Our most recent additions to our generation portfolio include the following renewable energy projects on behalf of our customers:

- 2012 Palouse Wind 105 MW 30-year Power Purchase Agreement (PPA)
- 2015 Community Solar Array 0.4 MW owned by Avista
- 2018 Lind Solar Farm 28 MW 20-year PPA
- 2020 Rattlesnake Flat Wind 144 MW 20-year PPA
- 2020 Renewable Energy Request for Proposal (RFP) for 120 aMW

### Electricity Generation Resource Mix



As of Dec. 31, 2019,  
Excludes AEL&P

Our 2020 renewable energy RFP is designed to offset market purchases and fossil-fuel thermal generation consistent with Avista's 2020 Electric Integrated Resource Plan (IRP), and reinforces our clean electricity goals. The IRP, refreshed every two years, shapes our generation resource strategy and planned generation procurements for the following 20 years, resulting in a Preferred Resource Strategy (PRS). The PRS is a reasonable low-cost plan balancing cost, reliability, and environmental goals and mandates. Some highlights of the 2020 IRP and PRS include:

- Greenhouse gas emission reductions of between 80-90% from 2018 levels through 2045.
- As much as 300 MW of new renewable energy generation added by 2023.
- Colstrip Units 3 & 4 (coal generation) and Lancaster PPA (natural gas generation) exit electric generation portfolio by 2026, significantly reducing Avista's greenhouse gas emissions.
- An additional 200 MW of renewable energy generation added by 2027.

We are well on our way to achieving our 2027 goal of providing a carbon-neutral supply of electricity. The acquisition of additional renewable energy generation, the departure of our sole coal-fired

thermal generating resource (Colstrip Units 3 & 4), the expiration of a natural gas-fired thermal generating resource (Lancaster PPA) and upgrades to our existing hydroelectric and biomass plants as detailed in Avista's PRS from our 2020 Electric IRP provides a pathway forward in balancing cost, reliability, and our environmental goals. We will continue to engage all our stakeholders as we make our clean energy goals real.

In the years past 2030, as we approach 100% clean electricity by 2045, we expect that long-term energy storage technologies, which are either not currently available or are not cost-effective, will advance such that it will allow us to meet our goals while also maintaining reliability and affordability for our customers. Engaging stakeholders in IRP updates every two years will help inform specific resource decisions and adjustments in our plans. Meeting our clean energy goals may also require accommodation from economic regulatory agencies insofar as the Company may need to acquire emission offsets to meet its goals. For further review of Avista's clean electricity goals and of scenario constraints and assumptions, please refer to our [2020 Electric IRP](#) and our Annual Form 10-K which is accessible on the [Avista Corporation website](#).

## **2 ■ Engaging in climate policy development to promote environmental stewardship along with economic and community vitality.**

Avista's purpose starts with providing the energy that powers the daily lives of our customers. We are also here to help improve the quality of life and to enhance the vitality of the communities we serve and call home. As part of this commitment, we have carefully considered how our business intersects with the environment for decades, as witnessed by our strong environmental record and as one of the cleanest power producers in the country. Our clean electricity goals are another important step environmental stewardship while meeting the energy needs of our customers. All of us play a role in addressing climate change and being good stewards of our shared resources. As part of this effort, we will continue to work together with our customers, communities and other stakeholders toward a lower carbon future while keeping our system reliable and considering the economic impacts to our customers.

With the growing emphasis on climate change and demands for action, we are witnessing numerous and at times competing measures arising from consumer advocacy groups, environmental groups, federal, state, and local government positions and legislative actions that may affect Avista and the energy prices paid by our customers. Through active monitoring and engagement of these emerging initiatives, we seek to represent our stakeholders' interests to ensure that proposed solutions do not adversely impact one stakeholder for the benefit of another. Our collaborative and respectful approach to these matters ensures that we have a seat at the table for these important discussions and continues to afford us the opportunity to best represent the interests of our customers and communities. This is especially important when proposed measures have a direct bearing on future costs of our customers' energy. We are there to ensure that all parties recognize the economic realities facing our customers and communities.

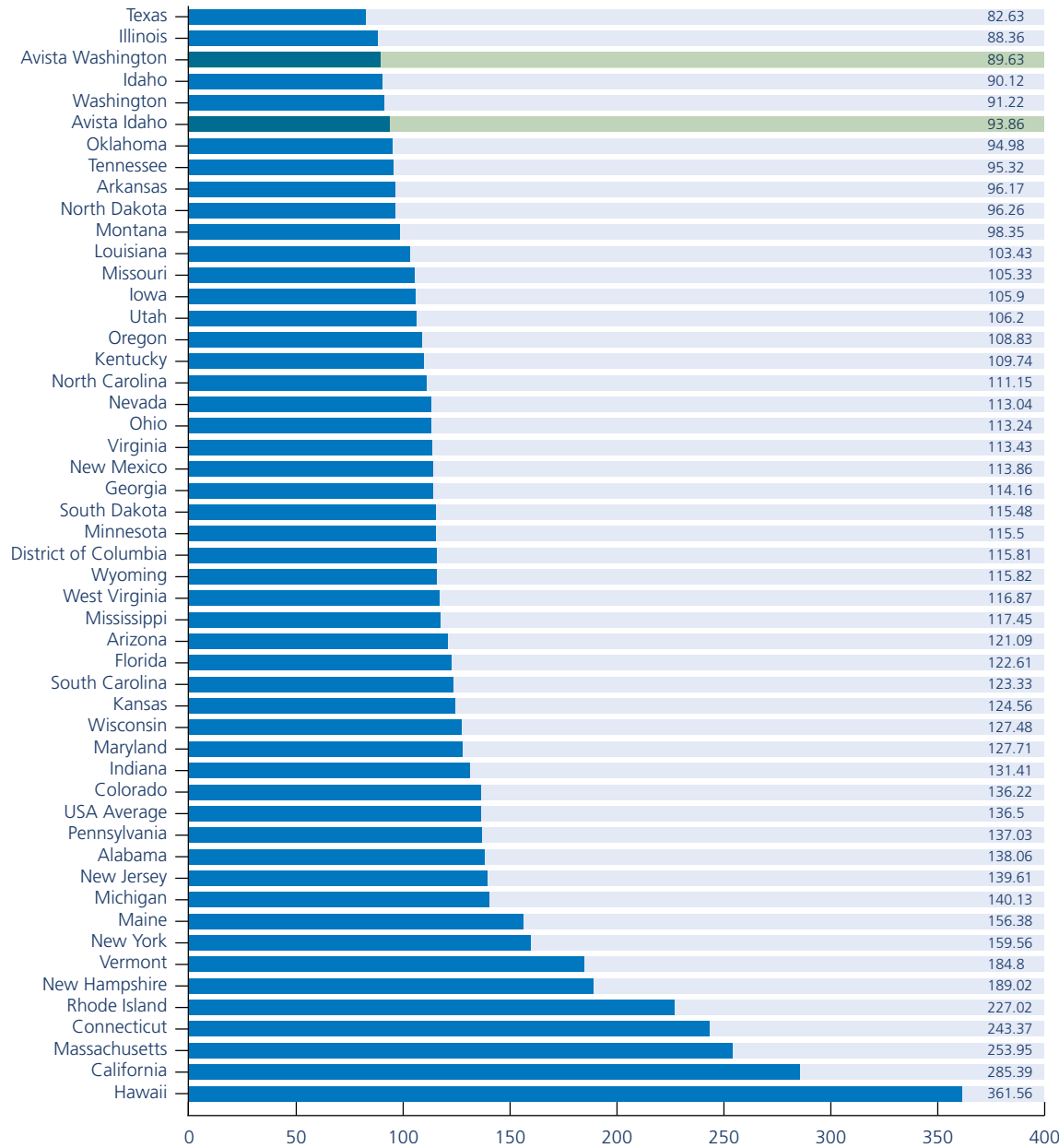
Our Perform Council aids the Company in managing these complex issues. This council meets regularly and is comprised of senior executive leadership, management and other key personnel from departments across the Company to assess the potential impacts of climate related policies to our business and to our customers and communities.

The council also facilitates internal and external communications regarding climate change issues, analyzes policy impacts, anticipates opportunities, evaluates relevant strategies for Avista, and develops recommendations on climate-related policy positions and action plans. In addition to engaging in regulatory and legislative policy making regarding climate change policies, we are preparing for future opportunities related to innovations in electric transportation, distributed generation, and more that can further reduce our carbon footprint and the carbon footprint of our customers and communities.

Our commitments to environmental stewardship and energy price affordability are demonstrated in our current results. Avista is already one of the nation's lowest carbon emitting power producers and on average, the total monthly cost of our residential electric service is 33% lower than the national average for investor-owned utilities. These achievements did not happen by chance, nor do we take them for granted. We work hard every day to plan, build, operate and maintain our energy systems with an eye towards the future. We innovate ways to be more efficient and green and to continue to meet our customers' and communities' expectations regarding environmental stewardship, reliability and cost.

## How do our electric rates compare nationwide?

Source: Edison Electric Institute; Investor-Owned Utilities based on 1,000 kWh of use per month as of January 1, 2020



Going forward, we will continue to keep our same focus and commitments by placing the interests of our customers and communities at the forefront of our business as we engage climate policy making. The conversation about being green or sustainable is not new and will not be dissipating anytime soon. Our approach today is consistent with the way we have done business for well over a century. We believe that all of us play a role in finding solutions to complex issues, and engagement and collaboration will remain key strategies as we progress towards our collective goals around climate change.



### **3 ■ Driving innovation and technology advancements which increase energy efficiency and/or reduce emissions.**

As an energy provider, we are committed to addressing the challenging issues of climate change and being an active leader in the current transformation to a lower carbon future in ways that are technologically feasible and make environmental and economic sense for our customers, communities and other stakeholders. In addition to integrating additional renewable energy into our electric generation resource mix, we are also driving innovation and technology advancements for greater energy efficiency in order to reduce carbon emissions.

Avista has always been on the forefront of clean energy and innovation. Founded on clean, renewable hydro power on the banks of the Spokane River, we have advanced the efficient use of electricity and natural gas and embraced innovation as a platform for our clean energy future. We also view clean energy as a key element in driving economic development and shaping a sustainable future for our customers and communities. Avista created companies including Itron, Ecova and ReliOn that continue to lead in the development, support and implementation of a clean energy future. Similarly, we are a founding partner of Urbanova, Spokane's Smart City living laboratory that is testing smart city concepts. We also recently created the Eco-District

in Spokane's University District to help shape the smart grid of the future and define how buildings can operate and utilize energy in the most efficient manner. We also seek out technology partners and opportunities to innovate through collaboration and are actively exploring opportunities around renewable natural gas.

Also located in Spokane's University District, Urbanova's smart city projects harness data to gain insights, empower people and solve urban challenges in new ways—all with the goal of enabling healthier citizens, safer neighborhoods, smarter energy infrastructure, and a stronger and more sustainable economy. Together we are developing a living laboratory where companies and other innovators are working on smart city solutions. Our Shared Energy Economy Model Pilot is testing the integration of energy assets—from rooftop solar and battery storage to building energy management systems—that can be shared and used for multiple purposes. Our project goal is to examine how we, customers and communities can create a shared energy economy model by demonstrating that the electric grid can become more reliable, efficient, resilient and flexible. [Click here](#) to learn more about Urbanova and our smart city projects.

With the South Landing Eco-District and Catalyst project, Avista set out to create "the five smartest blocks in the world" by creating a place to partner with others to reimagine our energy future, and advance energy innovation. The South Landing Eco-District, anchored by the Scott Morris Center for Energy Innovation and the Catalyst building, are intended to show the utility industry—and the

world—what’s possible. Through these projects, we’re exploring what’s possible when utilities and developers collaborate to design and operate grid-friendly buildings. What we learn could lead to a more affordable clean energy future for all of us.

Most buildings are constructed one at a time, each with a dedicated heating and cooling system and their own grid connection. But Avista and partner McKinstry are testing a new shared energy model called an eco-district—where a centralized heating, cooling, and electrical system can serve the energy needs of a group of buildings. The heart of the South Landing Eco-District will be the central plant located in the Scott Morris Center for Energy Innovation. The system also includes on-site solar panels, battery and thermal storage, plus thousands of sensors throughout the buildings to track its conditions in real-time. While the South Landing Eco District will initially provide energy to the Catalyst and Morris Center, as the five smartest blocks are built out, the Eco-District will also meet the energy needs of other additional buildings.

The Catalyst Building and the Morris Center have been designed from the ground up to interact with each other. They “talk” to each other and with the energy grid. When building operators and the utility share information, they can actively manage energy to maximize the building efficiency and make the best use of the grid—all while keeping the building’s occupants comfortable. The Eco-District will act as a living laboratory, where we can test ideas and gain insights that can help Avista provide reliable and clean energy for our customers, affordably. For example, at night, when energy

usage is low, the Eco-District can pull energy from the grid to recharge onsite batteries and thermal storage tanks at times when there is excess grid capacity. This energy is stored and used to operate the building when energy demand is high. Such flexibility lets the utility make the best use of the existing grid and delay costly construction to meet energy demand. In the end, this makes energy more affordable for everyone.

Ultimately, the South Landing Eco-District will enable us to innovate and test new ideas about how to share energy. What we learn could not only shape how the grid of the future will operate, but also provide a transformative new model for the entire utility industry. This effort demonstrates Avista’s commitment to investing in bold ideas, new technologies and innovative partnerships to leverage the grid in new ways for a more sustainable energy future.

We recognize that technology is changing rapidly, as are the needs and expectations of our customers and communities, often in response to the growing pressures being brought to bear on our environment. Avista is purposeful and focused on identifying unique, and creative solutions for the energy needs of today, while also preparing to meet those that are growing for the immediate future. Collaboration is a key strategy that we employ in order to leverage the experience and technical expertise across a broader range of companies and why we have partnered with Energy Impact Partners (EIP) to further develop leading-edge energy solutions. EIP seeks to bring the best companies, experience and vision in the energy industry to tackle the issues around our emerging



energy landscape. Key focus areas include energy efficiency, sustainable generation, energy storage, connected devices, big data and software solutions, and energy management—“The Grid of Things.”

In working with EIP and their coalition of other progressive utilities, we will help ensure that innovation remains firmly at the core of our business as we continue to drive technology advancements with the goals of increasing energy efficiency for our customers and communities and reducing emissions as we transition to a lower carbon future. EIP is focused on achieving the largest possible near-term environmental impact by identifying innovative solutions that can be immediately adopted within their utility partners’ operations to drive progress and enable other industries to accelerate decarbonization. [Click here](#) to learn more about Energy Impact Partners.

Avista has also partnered with Open Energy Solutions (OES) to collaborate on the development of open source software for grid edge technology solutions. These solutions are being designed to deliver significant benefits to our customers, including information and tools to help them manage and conserve their energy usage. The vision of OES involves the utility grid of the future operating in a similar way to a smart phone

operating system—flexible, useful and resilient. Through this partnership, we will continue to innovate and advance technology in pursuit of making this vision a reality. In addition to these potential customer benefits, the software will use interoperability concepts and distributed intelligence, allowing utilities to more efficiently integrate, coordinate and optimize diverse assets. These assets include the energy grid, traditional and renewable generation and customer assets. Together, these software solutions are designed to improve energy efficiencies in order to further reduce emission. [Click here](#) to learn more about Open Energy Solutions.

### Renewable Natural Gas

We are also exploring new technologies on the natural gas side of our business as well. In particular, renewable natural gas (RNG), or biogas, is being analyzed as a potential supply resource for our natural gas local distribution company (LDC). RNG typically refers to a mixture of gases produced by the biological breakdown of organic matter in the absence of oxygen and may be produced by anaerobic digestion or fermentation of biodegradable materials such as wood biomass, manure or sewage, municipal waste, green waste and energy crops. Regardless of the type of RNG, the captured methane gas yields substantial greenhouse

gas emissions savings and is considered a renewable energy resource. Once contained, RNG can be used by boilers for heat, as power generation, compressed natural gas vehicles for transportation or directly injected into the natural gas grid for consumer end use.

Avista reviewed the cost-effective use of RNG in its [2018 Natural Gas Integrated Resource Planning \(IRP\)](#) and concluded that RNG is best used to reduce greenhouse gas emissions by the direct use of natural gas by our customers rather than use it as a fuel in our natural gas-fired turbines to generate electricity. In addition, the natural gas IRP determined that depending on the location of the RNG facility, it may be cost effective as a supply resource. This is especially the case when a prospective RNG project may be found within our natural gas LDC system in order to reduce the siting, infrastructure and transportation related costs. We continue to explore the possibilities of RNG project development in several of our service territories and view RNG as part of our plan for the future by continuing to invest in the research and development of technologies that support renewable energy adoption, energy efficiency and emission reductions as we work towards our shared energy future.

# 4. Leading energy efficiency and conservation efforts for our customers and within our own system.

Our commitment to clean energy goes beyond the addition of renewable generation resources. We continue to reduce potential greenhouse gas emissions by providing energy efficiency and conservation programs to our customers across our service territories. We do this by making our own operational investments in energy efficiency, upgrading our utility systems through smart grid related projects, enhancing our existing renewable energy plants and executing our Green Fleet Program and commute trip reduction programs. Together, these efforts enable us to address the challenging issues of climate change from a variety of different approaches, experimenting and learning along the way in order to lead the fight against climate change on behalf of our customers, communities and other stakeholders.

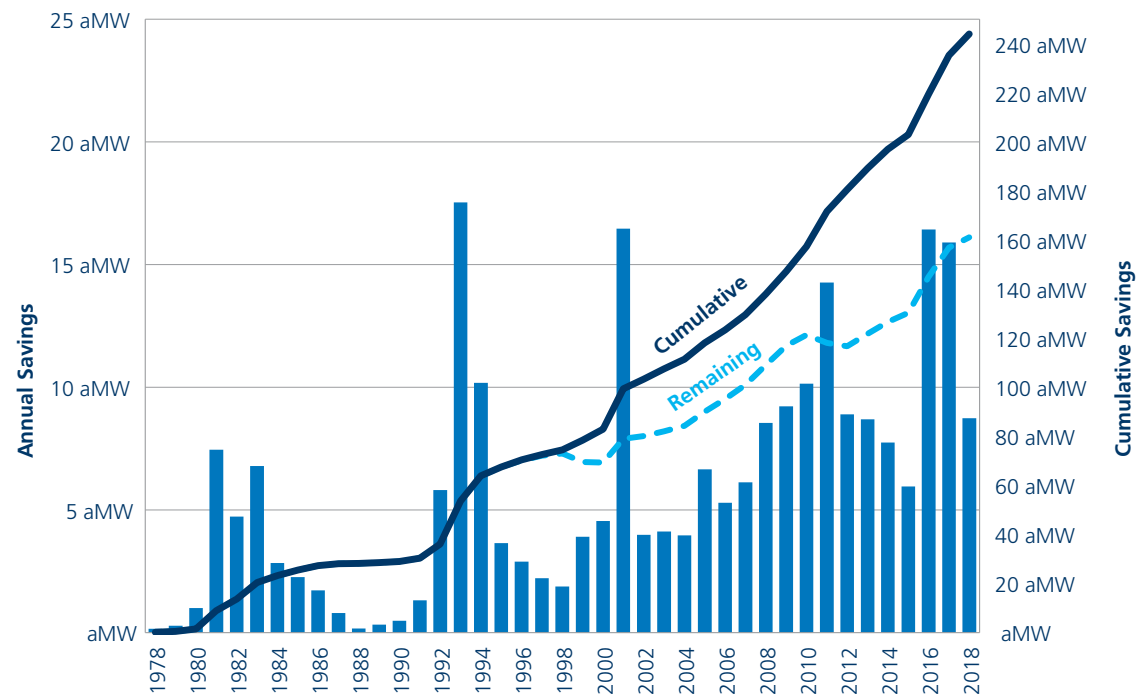
## Energy Efficiency

We began offering energy efficiency and conservation programs to our electrical customers back in 1978. These programs are all cost-effective strategies to reduce customers' usage within the prevailing market and economic conditions. Recent programs with the highest impacts on electrical savings include residential and non-residential prescriptive lighting, residential fuel efficiency, site-specific lighting and small business projects.

This figure illustrates Avista's historic electricity conservation acquisitions. Avista has achieved 240 aMW of energy efficiency since 1978; however, the 18-year average measure life of the conservation portfolio means some measures are no longer reducing load. The 18-year measure life accounts for the difference between the cumulative and online trajectories. Currently, 155 aMW of electrical

energy efficiency is benefiting our customers, representing nearly 12.2% of our 2018 electrical load requirements. Put simply, we are avoiding the associated greenhouse gas emissions of these 155 aMW of electrical generation due to the energy efficiency and conservation actions of our electrical customers.

Historical Electricity Conservation (system)



On the natural gas side of our business, we are similarly committed to offering energy efficiency and conservation programs to our natural gas customers. These programs are economically feasible strategies to reduce customers' usage of natural gas. We began offering natural gas energy efficiency

programs in 1995, including prescriptive standard offerings and site-specific offerings. Avista's prescriptive programs provide cash incentives for standardized products such as the installation of qualifying high-efficiency heating equipment. Our site-specific programs are the most comprehensive

offerings for our non-residential customers. Avista's account executives work with our non-residential customers to identify opportunities, determine potential energy and cost savings and estimate incentives for participation. Other delivery methods build off these approaches and may include upstream buy downs of low-cost measures, free-to-customer direct install programs and coordination with regional entities for market transformation

efforts. The figure below illustrates our natural gas conservation acquisitions over the past ten years. With over 12 million cumulative therms of natural gas consumption avoided through energy efficiency measures in the past decade, our customers are not only benefiting from lower energy usage, but we have also avoided the associated greenhouse gas emissions of these natural gas therms.

LEED Gold certification, Energy Star rating, and the Building Owners and Managers Association (BOMA) 360 designation.

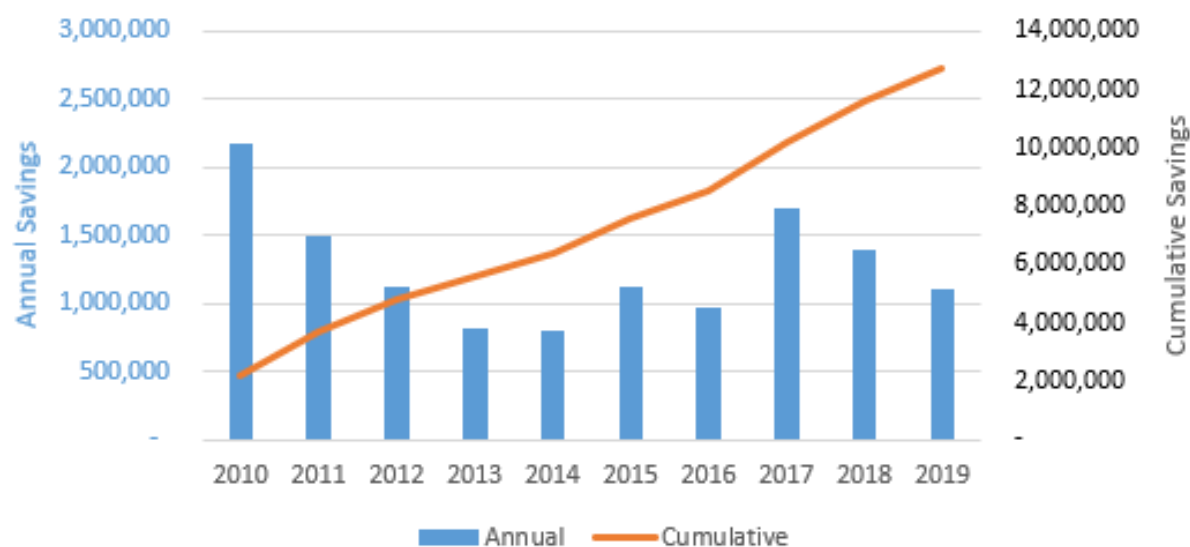
At a growing number of our facilities, we have been busy installing electric vehicle charging stations—an investment that will both encourage the transition to electric vehicles among our employees and will help us prepare for the arrival of more battery-powered vehicles in the decades to come, while avoiding additional greenhouse gas emissions. To learn more about our commitments around Electric Vehicles and our Transportation Electrification Plan, see [Avista Customer & Community Commitments](#).

Avista has been installing more energy efficient streetlights across our electric service territories as part of our streetlight change out program. The effort includes replacement of thousands of company-owned streetlights with energy efficient LED lights. When Avista completes the transition from High Pressure Sodium light fixtures to LED lights towards the end of 2021, the energy savings are expected to be enough each night to power about 2,300 homes. In addition to the hundreds of thousands of dollars in energy savings for our customers and communities, we will all benefit from the reduction of associated greenhouse gas emissions.

### Hydroelectric Upgrades

Since our founding on clean, renewable hydro power in 1889, environmental stewardship has meant conducting our business in ways that honor the integrity of the natural resources in the areas we serve, allowing us to keep our carbon emissions among the lowest in the nation. Along the way

**Natural Gas Conservation in Therms**



### Facilities Management

We like to practice what we preach. Avista also participates in energy efficiency efforts and conservation measures within our own operations, including our facilities management. Over the last few years, we have implemented numerous energy efficiency and conservation measures to reduce our facilities' energy consumption and avoid associated greenhouse gas emissions. Recent projects at

our main corporate campus include lighting retrofit projects, HVAC system replacements and enhancements for improved energy efficiency to take advantage of new building control technology and automated energy management products and the upgrade to more efficient windows that provide better insulation. Our efforts have been recognized by various organizations for our energy efficiency efforts and energy savings, including



we have continued to recognize the importance of our foundational and existing renewable energy projects, especially our hydroelectric projects, in positioning us towards our clean electricity goals. While new renewable energy projects often get the most attention, we take great pride in the operation, maintenance and plant upgrades at some of our

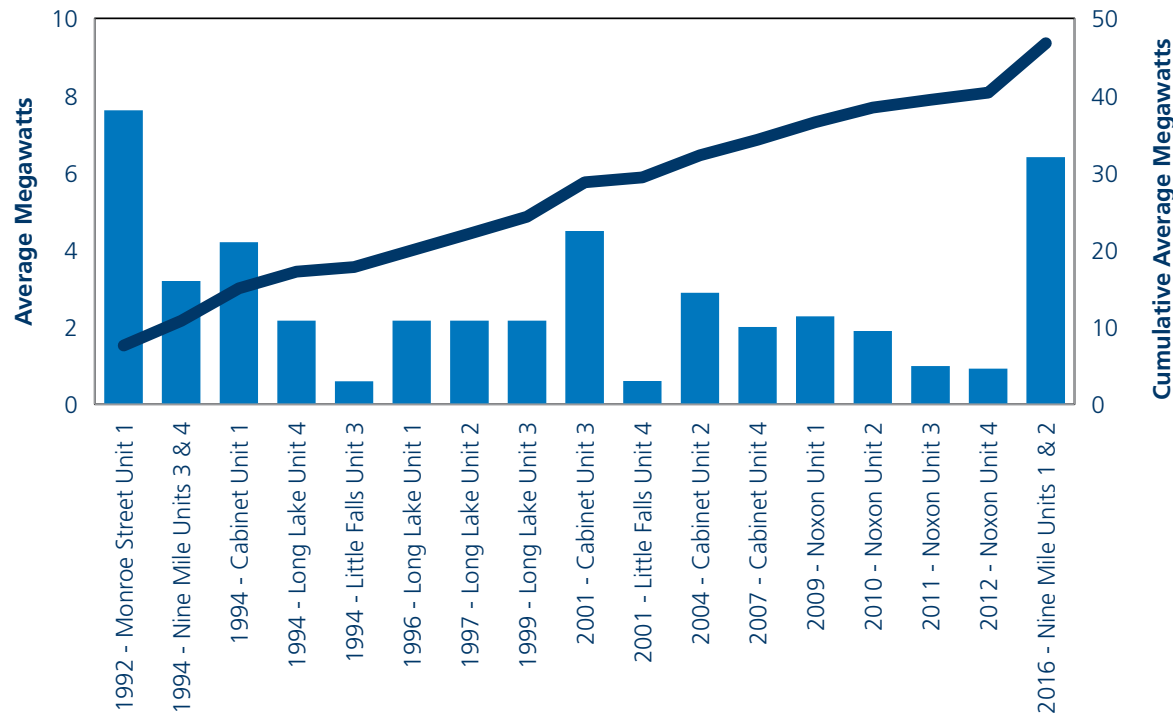
hydroelectric plants, bringing more clean renewable energy online for our customers and communities in support of our clean electricity goals. The figure below illustrates Avista's recent hydroelectric upgrades that have resulted in the addition of 46.8 aMW of zero emission hydroelectric renewable energy since 1992.

serve as our foundation for a more sustainable fleet of the future. Since then, we have managed our fleet resources in a manner consistent with our program intentions, with a sharp focus on emerging vehicle and equipment advancements, enhanced fuel options and further emission reduction opportunities and technologies in an effort to best align our operational and maintenance requirements, safety and performance objectives, and environmental considerations. Efforts from our initial Green Fleet Program include:

- Early adoption of PHEV and EV passenger vehicles to gain experience and information on the performance of electric vehicles and their possible fit within our fleet operations.
- Exploration of alternative vehicle fuel technologies including the use of CNG and renewable diesel options.
- Implementation of electric battery powered components on larger fleet vehicles reducing engine idling at job sites, including electric power take-off (ePTO) to power aerial booms on bucket trucks and job site energy management system (JEMS) for exportable power.
- Founding member of Edison Electric Institute's 2014 commitment targeting 5% of fleet budgets for electrification development and implementation.

Avista's Green Fleet Program has positioned us for the next phase of our fleet electrification goals. In order to continue meeting the needs of our customers and communities and to further enhance our environmental stewardship and reduction of

**Recent Hydroelectric Upgrades**



### Green Fleet Program

We cover a lot of ground every year serving our customers and communities with safe, reliable and affordable energy. Our fleet of over 700 vehicles drive more than 7 million miles in a typical year and range from small passenger cars through Class-8

heavy tractors weighing in at over 105,000 pounds. In order to manage the impact of our fleet on the environment and our local communities, we created a Green Fleet Program back in 2010 with the intent of researching, investing in and implementing cleaner vehicle technologies and practices that would

vehicle emissions, we are committing to converting 25% of our fleet’s light-duty pickup trucks to all electric pickup trucks by 2030. Our light-duty pickup trucks average 9,000 miles per year and by electrifying 25% of these trucks in our fleet, we will eliminate 700 tons of CO2 emissions over the coming decade. This electrification effort will also help save \$325,000 in fuel costs during this same time period. Our electrification commitment is dependent on the continued development and availability of cost-effective electrified pickup trucks that will meet our fleet’s operational requirements. We anticipate that such electrified light-duty pickup trucks will become commercially available and suitable for our utility needs in the coming years and will continue to develop and improve their capabilities and performance through the remainder of this decade.

In support of Avista’s Green Fleet Program, we have been developing and implementing compressed natural gas (CNG) to fuel a growing number of natural gas vehicles (NGVs) in our fleet. When natural gas is compressed to less than 1% of its volume, it officially becomes CNG and may be used in place of gasoline and diesel. The development and accessibility of suitable electric light-duty pickup trucks has yet to be realized for utility applications, and, in the case of medium and heavy-duty trucks, may not become commercially available for quite some time. To bridge these gaps, we continue to invest in CNG technologies and fleet applications in order to reduce our carbon footprint and to save fuel costs. CNG is safe, clean and efficient

alternative fuel that benefits our customers, communities and environment.

In the past decade, Avista has completed the construction of three new CNG refueling stations for our fleet operations, acquired 77 CNG bi-fueled half-ton, three quarter-ton and one-ton pick-up trucks in our fleet, converted the majority of our forklifts to CNG and assisted in the development of several large customer fleet conversions to CNG, including two local waste and recycling collection companies.

### Commute Trip Reduction

As part of our commitment to reducing vehicle-related emissions, improving air quality, avoiding traffic congestion and minimizing energy consumption in our local communities, Avista promotes and manages a Commute Trip Reduction (CTR) program in collaboration with Commute Smart

Northwest and our local planning and transportation agency. Since 1993, we have educated and encouraged employees to make informed decisions about reducing their “drive alone” miles from home to work. Our efforts have reduced single occupant vehicles on our roads. Targeted commute reduction modalities include riding the bus, carpooling, vanpooling, bicycling, walking, tele-commuting, compressed work weeks and other flexible work schedules, reducing the amount of mileage traveled by employees. Through new hire training, CTR promotional events, regular outreach and employee recognitions, our CTR program continues to attract participants and positively impact our local environment. For the year 2019, our employees reduced 467,040 miles being driven on our roadways and eliminated 448,358 pounds of carbon dioxide.

#### Commute Trip Reduction Program Results

Year	Miles not driven	Eliminated pounds of carbon dioxide
2010	340,340	326,726
2011	409,288	392,916
2012	405,066	388,864
2013	401,358	385,304
2014	385,290	369,878
2015	318,834	306,082
2016	358,750	344,400
2017	391,474	375,814
2018	387,868	372,354
2019	467,040	448,358

# 5

**Improving the sustainability of our business practices and promoting stewardship of our shared natural resources. Avista manages its operations and facilities to protect land, air and water. In addition, we protect and restore habitat, water quality and fisheries.**

## Spokane River

Avista implements specific programs and projects to protect and enhance fish and their habitat, wetlands, water quality, recreational opportunities, wildlife habitat, and cultural and aesthetic resources connected to the Spokane River in Idaho and Washington.

Avista owns and operates six hydroelectric plants on the Spokane River. The Spokane River Hydroelectric Project, which is comprised of five of Avista's Spokane River plants, operates under a 50-year license issued by the Federal Energy Regulatory Commission (FERC). The license includes a variety of measures, most based on multi-stakeholder agreements, designed to protect and enhance natural resources connected with the Spokane River. The sixth plant, Little Falls, is operated under separate authority from the U.S. Congress and an agreement with the Spokane Tribe. Avista, through collaboration with agencies, native tribes, landowners and other stakeholders, implements efforts to help protect and enhance the natural resources connected to the Spokane River.

We continue to collaboratively participate with our license partners to improve dissolved oxygen (DO) levels in the Spokane River and Lake Spokane. Avista efforts include monitoring water quality, removing carp, an invasive fish species that competes with warm-water fish and adds excess nutrients into the lake, removing invasive aquatic weeds, working with shoreline homeowners to replace concrete bulkheads with more natural ones, and disseminating best management practices to shoreline homeowners. Another important project involves monitoring of Total Dissolved Gas (TDG) at Long Lake Dam. To reduce TDG below the dam which can harm fish, we constructed massive spillway deflectors on the face of the dam. We also modified the dam to improve oxygen levels in the river downstream during the summer.

In Idaho, we work with and provide funding to the Idaho Department of Environmental Quality and the Coeur d'Alene Tribe for them to complete water quality monitoring in Coeur d'Alene Lake and its tributaries. In addition, Avista carries out construction and maintenance activities at all of its hydro facilities in ways that protect surface and ground waters, and which prevent storm water run-off.

## Clark Fork River

Avista's Clark Fork Hydroelectric Project includes the Cabinet Gorge and Noxon Rapids dams, located on the Clark Fork River in northwestern Montana and northern Idaho. Since 1999, we have been implementing the Clark Fork Settlement Agreement, an agreement reached with multiple states, federal agencies, native tribes and other stakeholders for collaboratively managing and protecting the natural





resources of the area. The agreement resulted in a 45-year operating license from FERC to operate Cabinet Gorge and Noxon Rapids dams. As part of the Clark Fork Settlement Agreement, and with the oversight of the Clark Fork Management Committee, we fund and implement protection, mitigation and enhancement measures for the benefit of our natural resources every year.

Since implementing the Clark Fork Settlement Agreement, we have upgraded over 20 recreational facilities, created six new recreational facilities, completed over 45 stream habitat restoration projects spanning 25 different tributaries, recorded rebounding bull trout populations and protected nearly 89,000 acres of bull trout habitat, wetlands, riparian and associated upland habitats. Recently, Avista supported federal and local agencies on a habitat and wetland restoration effort at the mouth of the Clark Fork River where it meets Lake Pend Oreille. The restoration effort included the placement of more than 50,000 tons of rock for rebuilding shorelines and the planting of approximately 90,000 trees and shrubs in the restored areas. The restored area and wetlands are now rebuilding themselves, providing natural habitat for fish, birds and other wildlife.

Many of these protection, mitigation and enhancement measures of the natural resources along the Clark Fork River focus on improving native bull trout habitat. We also developed a genetic testing process to identify their stream of origin and have implemented aids to bull trout migration to increase their populations. Beginning in 2019, we broke ground on a new fish passage facility to

enhance the return migration of adult bull trout to spawn in their streams of origin.

For specific details on land managed, protected habitats, biodiversity impacts and strategies, see our Spokane River Project FERC License and Clark Fork Project FERC License online at [myavista.com](https://myavista.com).

### Managing PCBs

Manufacture of Polychlorinated Biphenyls (PCBs) was banned in the United States in 1979 due to concerns about the toxicity of these chemicals. However, until that time, manufacturers incorporated PCBs in a wide range of products and materials, many of which are still in use across the country. Ongoing concerns regarding PCBs, including their persistence in the environment, have resulted in extensive regulation. Avista manages PCBs and mineral oil that contains low levels of PCBs in a manner that meets or exceeds the standards of the federal Toxic Substances Control Act (TSCA) and Washington state's stringent regulations. Our goal is to minimize risk associated with PCBs, to avoid spills or releases, and to clean up any releases to levels of non-detection. Federal and state regulations allow the ongoing use of PCB-containing electrical equipment. However, we decided to take a more conservative and proactive approach to reducing risks associated with PCBs. The vast majority of the equipment in service at Avista is non-PCB. Our first wave of removal efforts focused on equipment with levels at 500 ppm or greater of PCBs. This type of equipment, as identified, was removed and properly disposed of during the 1980s. During the 1990s and early 2000s, we focused on removal of equipment containing between 50 and 500 ppm of PCBs.

We are now in the final stages of a multi-year project to remove and replace all electrical distribution equipment with any levels of PCBs, an approach that exceeds any regulatory requirement. We are, once again, conducting these efforts in concert with system and efficiency upgrades and in coordination with our wood pole management plans. In this way, we are achieving increased environmental protection along with reliability improvements in a cost-effective manner, benefitting our customers and our communities.

### **Managing Hazardous Waste Streams**

Our approach to managing hazardous waste starts with prevention: making diligent product selection to avoid generating waste and improving work processes to reduce waste. We also conduct hazardous waste training and ongoing review of our collection, treatment and disposal processes for further opportunities to reduce our hazardous waste and ensure best management.

### **Spill Response / Pollution Prevention**

The Environmental Compliance group at Avista is on call 24 hours a day, seven days a week to respond immediately to environmental emergencies. In the case of an oil spill originating from any of our facilities, lines or poles, we immediately implement emergency spill procedures and begin working with the appropriate local, state and federal agencies to assess the situation and begin clean-up. Avista responds to all spills, regardless of size, location or oil type. The goal is to safely and efficiently prevent any potential harm to fish, wildlife, natural resources, water supplies or people.

Avista is also a voluntary member of the Spokane River Response Group, organized by the Washington Department of Ecology, a collaborative effort made up of local, state, and federal oil spill responders as well as members of industry. This group was developed to address the need for oil spill preparedness and response along the Spokane River. Members of the group share resources and collaborate on training to make coordination on spill responses efficient and effective. We also participate in local emergency planning committees in Washington, Idaho and Montana. Pollution prevention matters at Avista. We're continuously looking for process modifications and ways to improve housekeeping, maintenance and training that reduce the amount of hazardous or any regulated waste we generate.

### **Recycling**

Through a 30-year partnership with a community nonprofit organization, Avista's recycling program employs fulltime a number of intellectually or developmentally disabled workers who help us recycle paper, corrugated cardboard, aluminum cans, plastic and glass bottles, magazines, newspapers, wood reels, phone books and batteries. Avista is also committed to recycling nonhazardous electrical equipment and materials. Working closely with recycling companies, aluminum, copper, lead, and other ferrous and non-ferrous metals are reclaimed and recycled. Other materials are prepared for re-use within our own system. Not only is it good for the environment, but our recycling efforts have saved Avista thousands of dollars in refuse disposal costs.



# 6 ■ Providing recreational opportunities to improve access for all people along the Clark Fork and Spokane Rivers in Montana, Idaho and Washington.

In addition to generating clean, renewable hydropower, our Clark Fork and Spokane River hydroelectric projects provide abundant recreational opportunities for our customers and local communities. These generating facilities, and the waters and lands associated with them, provide outdoor recreational activities such as boating, camping, fishing, bird watching, swimming, hiking, and more.

As part of the Clark Fork and Spokane River Project Licenses, we implement recreation plans with our agency partners, including customer and community involvement, to determine recreational project priorities, ongoing maintenance requirements and the planning, design, and construction of new or enhanced recreation projects. Enhancements to existing recreation projects take on many different forms depending on the current condition of the existing amenities and the identified priorities of our agency partners. The goal of these enhancement projects is to ensure the continued care, maintenance and expansion of quality amenities that our communities desire, ensuring that will continue to be available for the enjoyment of our customers and communities for generations to come. Our recreation project improvements may include:

- ADA access including enhanced parking, paved walkways, access ramps and overlooks.
- Trail improvements and the installation of project, interpretive and cultural signage.
- Landscaping, fencing, lighting, picnic tables and refuse and recycling facilities.
- Campsite and day use area improvements and restroom facilities.
- Shoreline stabilization, boat ramp and dock construction or extensions.

Anglers visit Avista project waters from across the region to take advantage of the benefits of our, and

our partners', aquatic management. We also stock Lake Spokane and other sections of the Spokane River with more than 165,000 rainbow trout each year. Stocking with sterile trout provides excellent fishing opportunities while reducing pressure on native stocks.

For those customers, local community members or new visitors to our backyard, we invite you to explore the abundance of recreational opportunities that Avista has the honor of providing and supporting along our Clark Fork River and Spokane River projects. Plan your next adventure by visiting our recreational facility and amenity interactive maps:

## Clark Fork Project Recreation Amenities:

5,000 acres open to the public  
57 public recreation sites  
Campgrounds and day use areas  
11,140 surface acres of water  
14 boat launches

[View Clark Fork River interactive map](#)

## Spokane River Project Recreation Amenities:

3,000 acres open to the public  
101 public recreation sites  
Campgrounds and day use areas  
5,655 surface acres of water  
4 boat launches

[View Spokane River interactive map](#)

Running through the heart of downtown Spokane is the upper falls section of the Spokane River. Long ago, the upper falls section was modified by early settlers to Spokane in order to divert water to flour and lumber mills being constructed on the banks of the river back in the late 1800s. Long after those pioneering uses stopped, the modifications continued to alter the river's flow, reducing the beauty and sound of the natural falls that existed before. Avista undertook a project to

restore the upper falls by strategically installing weirs constructed to look like the natural bedrock. Collectively, the weirs spread water more evenly through the two channels of the river, and across the full face of the falls, just as nature did originally. The result of the completed project, along with operational changes to provide aesthetic flows is a more picturesque falls that can be viewed and enjoyed by our customers and community all year long, and that sounds beautiful too.

Located on the south bank of the Spokane River next to Spokane's city hall and bordering Riverfront Park, we developed the Spokane Tribal Gathering Place as a gift to Spokane in celebration of our Company's 125th anniversary. This urban plaza features views and access from downtown to the Spokane River, amphitheater seating, water features and several terraced gathering spaces. The Spokane Tribal Gathering Place also connects the public to our Huntington Park that underwent significant renovations in conjunction with the development of the plaza. Avista's Huntington Park frames the amazing power of the Spokane River for visitors as the River plunges down the lower falls and incorporates themed structures, hydroelectric dam

artifacts, and period light fixtures to highlight the history of our River City.

We are continuing our legacy of enhancing public access and recreational opportunities among our natural resources with our planned development for Upriver Park. This new park will provide additional public access to the Spokane River, and a revitalized and safer section of the Centennial Trail and will include a launch area for paddlers. Upriver Park will include additional amenities such as park benches, interpretive signage, picnic tables, bike racks, lighting and a grass amphitheater seating area, along with the plantings of native trees and shrubs. Upriver Park is expected to be completed in 2021.





# Commitment to Our People



# Our Commitment to Our People

Our success lies in hiring talented people and setting them free to pursue great ideas—ideas that engage the imagination, stretch us all and ensure that we continue to provide exemplary and cost-effective service to our customers. Our efforts and commitments include:

1. Ensuring a safe and healthy work environment, preventing accidents and incidents, and ensuring that all Avista employees return home healthy and whole.
2. Fostering a culture that values trust and respect based on diversity, equity and inclusion, and offering all employees the chance to enrich their lives and careers through challenging and meaningful work—all in an equal opportunity workplace that is surrounded by a supportive and inclusive environment.
3. Valuing the contribution of our employees by focusing on creating and maintaining an environment to attract, develop, motivate, retain and reward high-caliber employees.
4. Performing to our ethical and compliance standards, ensuring that we conduct ourselves in a legal and ethical manner in upholding our regulatory obligations.
5. Holding our contractors, suppliers and other business partners to the same ethical and compliance standards to which we hold ourselves.



# 1 ■ Ensuring a safe and healthy work environment, preventing accidents and incidents, and ensuring that all Avista employees return home healthy and whole.

We work in a challenging industry with demanding physical requirements. Crews often work through harsh weather conditions, surrounded by high voltage electrical equipment and high-pressure natural gas lines. In order to execute on our commitments to our stakeholders, Avista must ensure the safety and health of our own people.

Safety is an essential part of our mission. For us it means successfully executing on our mission while protecting ourselves and others from harm. We do this by increasing our organization's dynamic capacity to complete work with minimum accidents, injuries or incidents through being vigilant, recognizing hazards, applying defenses, continuously learning and improving from our experiences and staying resilient in varying and unpredictable conditions.

Avista values the safety and health of our employees and expects that all employees will place their own personal safety, the safety of their co-workers and the safety of our customers and communities at the forefront of their decisions and actions. We work

with our employees to build personal responsibility regarding safety and health measures and to create and always maintain a safe work environment. We also emphasize and require that if someone witnesses a situation that may endanger themselves, other employees, customers or community members, or threatens to damage an Avista asset or piece of equipment, they must take immediate action. All employees and contractors of Avista are empowered and have the authority to immediately stop work without fear of retaliation through our Authorization to Stop Work program.

At Avista, we're proud of our mindset that everyone is a safety leader whose role it is to ensure the safety of ourselves and of those around us. We all have a responsibility to question, challenge, and fix any situation we feel is not in compliance with safe practices or safety policies. Our work must be performed in the safest possible manner, consistent with our safe work practices. Our Incident Prevention Manual outlines Avista's safety commitments and expectations as well as the safety rules and practices for our different operating units. Our Vehicle Use Policy is similarly designed to ensure the safety of our employees and the public while driving vehicles for work. Regular trainings, communications, performance metrics and safety alerts and lessons learned regarding our safety policies and practices are delivered to our workforce throughout the year.



While it is the responsibility of our employees to know, understand and follow our safety policies and practices, we recognize our larger shared responsibility towards safety and health, which is why we continue our efforts with policies, trainings and communications. To further enhance Avista's safety culture, we've implemented the following actions:

- Daily safety tailboard meetings for field crews
- Structured safety tailboard meetings for field crews at the start of each new project
- Weekly safety huddles among work groups
- Monthly department safety meetings
- Company-wide safety stand-up meetings
- Safety alerts regarding near-misses or potential safety concerns
- Monthly safety newsletter including performance metrics
- Safety communication boards throughout our facilities
- Formal recognition programs for outstanding safety service
- Incident assessments based on the Human & Organizational Performance (HOP) methodology to reduce incident consequences or eliminate hazards entirely
- Lessons learned from incident assessments are shared company-wide for employees to learn safe practices at work and at home

- Safety and health information management system accessible to all employees for reporting incidents, accidents and near misses
- Annual safety conference reinforcing our commitments to safety through learning, sharing and reflecting on our continuous efforts to improve safety performance

Our ultimate goal is best summed up in our employee created slogan:

**Safety for family.  
For work. For life.**

Beginning in 2016, Avista implemented its first company-wide safety survey. The voluntary survey is an anonymous and confidential means for our employees to provide their views about safety and health at Avista, providing critical insights on where we are performing well and where we still have room to strengthen our safety performance. The survey questions focused on the following areas: management participation, supervisor participation, employee participation, safety support activities, safety support climate and organizational climate. We have also implemented the National Safety Council's Safety Management System (SMS) which consists of additional safety related focus areas within the Company. The survey and Avista's SMS assessments are conducted biennially to determine the maturity of our safety programs, including the

### **Our Safety Intent Statement:**

As an Avista safety leader, I am committed and responsible for my safety and the safety of those around me. I am focused on the task at hand and recognize that no situation is routine. I am vigilant in maintaining my hazard awareness because something can always go wrong.

I am always learning and seeking safer ways to complete my work. I step in and speak up when I observe at-risk actions and welcome constructive feedback from others. I support others when they are doing it right.

All of my decisions focus on integrating safety into the work I do. I am well-trained and follow safe work practices in my job and in my life.

My family can rely on me to come home healthy and whole.

prioritization of safety initiatives, new program initiative effectiveness and overall improvements against our baseline measures. We are committed to understanding how we may improve to ensure our workers return home safely at the end of the day.

Avista has also implemented an all-inclusive approach consisting of employee representation across all levels of the organization. Collaboration and engagement are prioritized to effectively operate our safety and health programs in the structure below:

<p><b>Central Safety Council</b></p>	<ul style="list-style-type: none"> <li>• Provides overall commitments, policies and strategy for Avista’s safety and health programs and results.</li> <li>• Working group comprised of senior resources.</li> <li>• Advocates for necessary actions and resources.</li> <li>• Quarterly reporting to Board of Directors.</li> </ul>
<p><b>Safety Core Team</b></p>	<ul style="list-style-type: none"> <li>• Responsible for supporting and implementing safety and health initiatives across the organization.</li> <li>• Working group comprised of management.</li> <li>• Coordinates and monitors safety and health performance.</li> </ul>
<p><b>Safety Team</b></p>	<ul style="list-style-type: none"> <li>• Supports employees by implementing safety and health initiatives across the organization</li> <li>• Provides safety expertise and guidance</li> <li>• Working group comprised of public and safety specialists, industrial hygiene, human and organizational performance and safety administration</li> </ul>
<p><b>Joint Safety Committees</b></p>	<ul style="list-style-type: none"> <li>• Focus on safety and health issues related to their specific functioning areas across the organization.</li> <li>• Comprised of bargaining and non-bargaining employees.</li> </ul>
<p><b>Operations Teams</b></p>	<ul style="list-style-type: none"> <li>• Monthly team meetings led by Safety Chairs / Co-Chairs.</li> <li>• Responsible for awareness and providing updates to new or changing items and for the collection of safety concerns.</li> </ul>

Safety and health commitments and program requirements are key topics addressed in our formal agreements with the trade unions who represent our craft employees. We work with our craft representatives to ensure the safety and health of all craft employees. Our Labor and Management Committee regularly meets to promote collaboration and open dialogue in order to review and work through any raised concerns. Our formal agreements with our trade unions also include grievance and arbitration provisions in order to focus on any potential safety or health related concern or complaint. In addition to our Labor and Management Committee, our Joint Safety Committees are chartered to support and implement our safety and health initiatives related to their specific functioning areas.

Avista follows all federal, state and local safety and health regulations through a dedicated Safety and Health department and their administration of both employee and public related safety and health compliance programs. These compliance programs focus on regulatory requirements from agencies such as the United States Occupational Safety and Health Administration (OSHA), Washington Division of Occupational Safety and Health (DOSH), Oregon Department of Occupational Safety and Health (Oregon OSHA), and the Department of Transportation (DOT), among many others.

In order to support and equip our employees with the necessary knowledge and tools to perform their work in a safe and healthy manner, Avista administers numerous training programs as required for our employees by OSHA, DOT, DOSH and Oregon OSHA. Through a combination of Avista instructor-led, third-party and online training programs, we keep our employees properly trained and aware to ensure their safety and health. Avista also supplies personal protective equipment for employees as needed for their work, including the tools, equipment and machinery required to

perform their jobs safely. Ergonomic equipment is similarly used whenever possible to reduce fatigue, strain or potential injuries. Other programs that further ensure a safe and healthy workplace for our employees include:

- Substance abuse prevention program including pre-employment, random, for-cause and post-incident testing and monitoring.
- Operator qualification training for our natural gas employees to ensure safe operation of gas systems.

- Contract employees receive a safety and health orientation before commencing work on any Avista property.
- All new hires, regardless of position, receive a safety onboarding kit and perform required safety and health training.
- Confidential employee assistance program administered by a third-party provider supports our employees and their families in safety and health related matters.

Safety Metrics	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Vehicle Accident Rate (VAR):</b> Accidents /1 Mil. Miles Driven	5.28	6.27	8.14	6.05	6.12	5.04	9.14	9.60	8.33
<b>Recordable Injury Rate (RIR):</b> Recordable Injuries per 200,000 hours worked	3.21	4.56	4.09	3.88	3.66	4.71	5.71	6.64	7.45
<b>Lost Time Injury Rate (LTIUR):</b> Lost-time injuries per 200,000 hours worked	0.83	1.62	1.40	1.48	1.24	1.42	2.55	2.24	2.58
<b>Employee Fatalities:</b>	0	0	0	0	0	0	0	0	0

## 2 ■ Fostering a culture that values trust and respect based on diversity, equity and inclusion, and offering all employees the chance to enrich their lives and careers through challenging and meaningful work—all in an equal opportunity workplace surrounded by a supportive and inclusive environment.

We take great pride in our workplace culture. It's one that values trust and respect and guides our overall commitment to doing what is right. Our people are committed to conducting business ethically and honestly, and Avista is committed to providing a trusting and respectful work environment centered around diversity, equity and inclusion. Our people and our culture have always been our greatest asset and they continue to be areas of focus in which we challenge ourselves to seek opportunities for the further advancement of diversity, equity and inclusion at Avista.

We believe that diversity in our backgrounds, experiences, and perspectives makes us stronger as a Company and as a community. Our differences should be valued and embraced. Our goals can best be achieved by bringing forward a truly diverse workforce in which we gain the benefit of different ways of looking at our business, leading to innovative outcomes. As we continue to seek out a diverse range of people to join us and work towards our goals, we recognize that the diversity of our employees should reflect the customers

and communities that we serve. We also recognize that diversity goes beyond gender and ethnicity. Currently, our data is mostly available in these areas and is being shared with our stakeholders. Avista has historically tracked other areas such as employees who self-identify as veterans and individuals with disabilities and has plans for gathering other demographics as well as encouraging employees to continue to self-identify. We look forward to sharing additional demographic information as our data continues to improve.

### Women Representation

Women Representation	%
Bargaining Employees	3%
Non-Bargaining Employees	45%
All of Avista	29%
Spokane Workforce Availability	50%

### Minority Representation

Minority Representation	%
Bargaining Employees	5%
Non-Bargaining Employees	8%
All of Avista	7%
Spokane Workforce Availability	11%

### Tenure Diversity (All Employees)

Tenure	%
Less than 1 Year	9%
1 to 4 Years	22%
5 to 9 Years	24%
Greater than 10 Years	45%

### Generational Diversity (All Employees)

Generation	%
Generation Z	4%
Millennial	34%
Generation X	42%
Baby Boomer	20%

In support of our commitments to a diverse workforce, we believe that equality, both in fair treatment and opportunity to all, is central to our ability to enhance our diverse workforce. Our focus on equality encompasses more than our adherence to Equal Employment Opportunity and Affirmative Action programs and compliance, it extends into our Company's structures, systems and policies that may lead to inequity in the first place. By reviewing and adopting policies and procedures that specifically address unconscious bias in recruiting, interviewing, hiring, promoting and pay equity practices, we can remove institutional and social barriers and promote equality among our current and future workforces. Similarly, focused efforts on training and development, mentoring and sponsorship programs are designed to support, retain and provide avenues for advancement among our diverse talent. At Avista, we offer everyone the opportunity to enrich their careers and lives through challenging and meaningful work in a caring and supportive environment that champions diversity and equality.

While having a diverse and equitable work environment may naturally lead to a more inclusive culture, we are busy taking action to ensure our culture continues to be trusting, respectful, supportive and inclusive of everyone. We recognize that when a company's culture is diverse, fair and inclusive, underrepresented groups are better supported, engaged and more likely to thrive and bring their full, authentic selves to Avista. We are committed to providing resources to our employees to engage, listen and learn together to strengthen

our culture of belonging. Through new employee support programs, sponsored community and educational webinar events, targeted trainings for leaders, raising racial justice awareness and the creation of employee resource groups such as the Women of Avista, we are building awareness and practices that bring the principles of diversity, equity and inclusion to life as we strengthen our workplace environment and culture of belonging.

### Belonging:

I feel welcome to bring my whole self to Avista, including my unique identity, experiences, expertise, and insights.



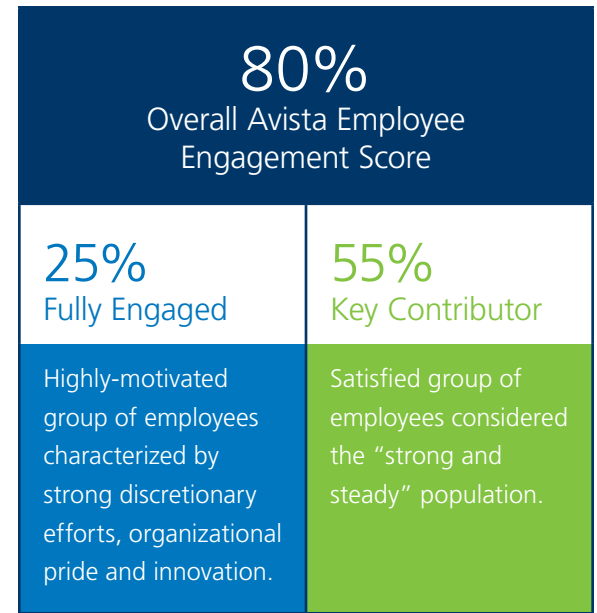
We are starting from a position of strength when it comes to our workplace culture, yet we recognize we must continue to grow and enhance our business practices to meet the challenges that lay ahead. That is why we are actively engaging and listening to our employees, customers and





communities. These actions will help inform and allow us to measure our diversity, equity, inclusion and racial and social justice commitments. To support this process, we created the “Our People Council” that is comprised of our officers and a large and diverse group of employees from all over the Company. To evaluate our current workplace culture through these lenses, we are also developing the next evolution of a comprehensive Diversity, Equity, and Inclusion (DEI) strategic plan that will serve as a roadmap for our collective success.

Strategic planning to support our DEI efforts is deeply connected to our business strategies and commitments, and provides a vehicle to hold ourselves accountable and accelerate progress in these important areas. Together, we will continue to support and ensure a diverse, equitable and inclusive culture where our people remain fully engaged, enabling us to effectively execute on our strategies.



2019 Employee Engagement Survey Highlights		Strongly Agree / Agree
I'm willing to go beyond the requirements of my job to help Avista succeed.		93%
The people I work with treat me with respect.		87%
Our team is proud of the work we do.		86%
I enjoy working with the people on my team.		86%
I would recommend Avista as a great place to work.		85%
Avista trusts their employees to do their jobs.		85%
Avista cares about employees.		82%



# 3 ■ Valuing the contribution of our employees by focusing on creating and maintaining an environment to attract, develop, motivate, retain and reward high-caliber employees.

Better energy for life. We have been building towards this vision for 130 years. We have not been alone in this pursuit. We've collaborated with our customers, communities and other stakeholders to create a company that is positioned for the future. Central to our ability to deliver clean, reliable and affordable energy over this time are the talented and dedicated employees of Avista. Our employees are a part of the fabric and everyday lives of our customers and communities who rely and trust us to meet their energy needs.

Avista employees work cooperatively, decisively, and strategically, guided by a simple principle: do what is right in a manner that is fair and worthy of trust. Our success lies in hiring talented people and setting them free to pursue great ideas—ideas that engage the imagination, stretch us all, explore what's possible and prepare us for the future in support of our values:

## **Trustworthy:**

Our word is reliable, we do what is right.

## **Collaborative:**

We are respectful and at our best when working together.

## **Innovative:**

We continuously improve and find better ways to get things done.

Avista believes it is important to provide a compensation structure that is competitive within the industries and regions in which we compete for talent while maintaining equity across genders, races, ethnicities and backgrounds. We generally target overall compensation levels at the market median; pay components for an individual may be higher or lower depending on an individual's role, responsibilities, experiences and performance within the Company. Managers review base pay for non-bargaining employees annually through a merit process following the conclusion of a performance management process. We believe in and practice effective performance management through ongoing, meaningful conversations between leaders and employees around performance, goal setting and development planning. Included in this process are specific tools and training resources for employees to maximize their preparation and development planning opportunities. Avista believes this target positioning and active performance management practices are effective tools to attract, retain, motivate and reward our employees for their contributions.

The Avista employee incentive plan is similarly designed to help motivate and focus employees on our customer service, reliability, and operational cost goals which benefit our customers and communities. Our incentive plan seeks to tie employee efforts to our organizational goals that are mutually beneficial for all our stakeholders. The incentive plan is also an important element of our overall compensation to employees and in the Company's alignment of a competitive compensation structure with comparable positions of companies within the utility industry. We believe that our incentive plan is a key part of our ability to motivate, engage and reward our employees for their collective efforts, and to ensure that we may continue to attract, and retain our high-caliber employees.

As our employees continue to find new and innovative ways to excel, we have kept pace as a Company to reward their ingenuity. In addition to our compensation structure, performance management and incentive plan, we have several other recognition channels and awards that serve to honor the desired performance and accomplishments of our employees, particularly when it comes to innovation, safety and customer service. Some of our additional recognition programs include:

- A Pacesetter Cash Reward Program
- Medallions and other recognition methods for acknowledging safety, customer service and cross-company collaboration efforts
- President's Leadership Awards for outstanding excellence in for customer experience, innovation and safety

This ecosystem of recognition methods provides multiple venues for employees to nominate others for consideration as well as giving leaders options for reinforcing behaviors that contribute to our success.

In addition to our compensation structure, performance management and incentive plan, Avista believes our employment benefits are a key strategy in our ability to attract and retain the talent that we need to succeed. Avista's benefits package includes:

- Medical, dental, vision, life, and disability coverage
- Retirement benefits including pension plan and/or 401(k)
- Time-off programs, including military absences
- Tuition benefits, continuing education, and training
- Incentive based wellness program
- On-site medical clinic (main campus)
- Adoption support
- Free telemedicine program
- On-site gym and locker rooms (some locations)
- Flexible work arrangements
- Ergonomic workstations
- On-site dining (main campus)
- Employee Assistance Program

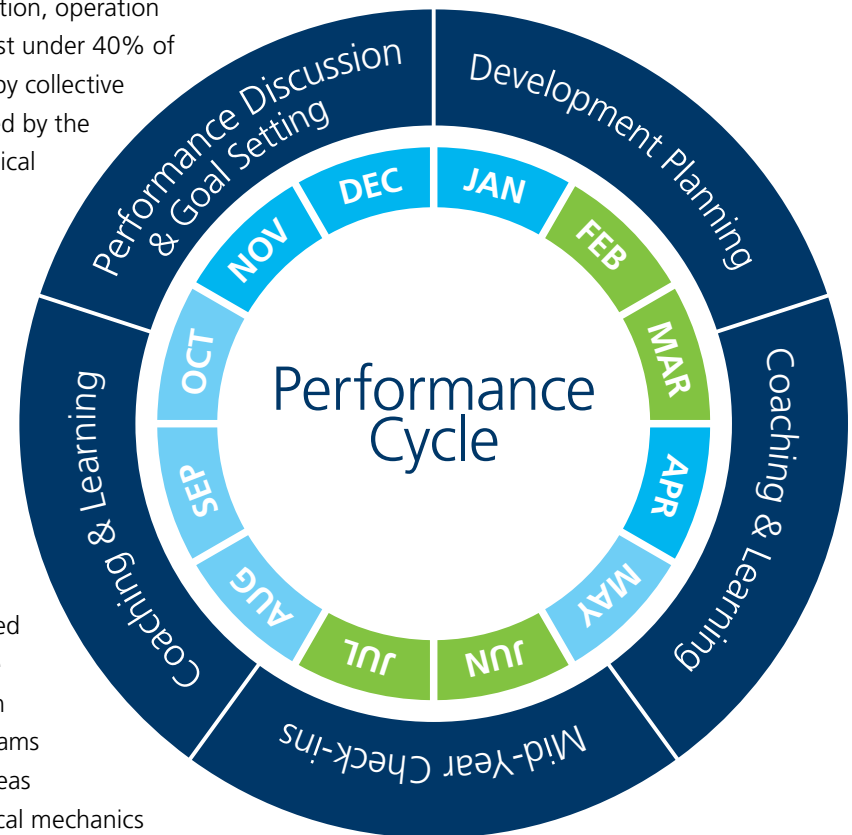
Continuous learning plays a large part in fostering collaboration and innovation among our employees and is pervasive throughout Avista. Our development opportunities are created to prepare our employees at all levels to ensure they have the skills, knowledge and experience to perform today and well into the

future. Keeping our workforce equipped to succeed is imperative to meet the emerging challenges that lay ahead. We develop training that is relevant, necessary and in demand for our organization. Training may be delivered through instructor-led courses, self-service topics, computer-based learning modules and field-based, hands-on workshop models that cover the range of our operations.

For our craft/field employees, Avista has a dedicated training department to provide required electric and natural gas trainings and Avista-specific trainings. Our craft training programs are administered to ensure our employees can safely perform their duties in compliance with construction, operation and maintenance requirements. Just under 40% of our Avista employees are covered by collective bargaining agreements, represented by the International Brotherhood of Electrical Workers, Local 659 (Oregon) and Local 77 (Washington/Idaho). As part of our commitment to our craft workforce development, we currently provide 11 active apprenticeship programs. These apprenticeship programs, which typically take 2–4 years to complete, provide participants with classroom, workshop and on-the-job training to gain the background and experience required to advance within their fields while maintaining their employment with Avista. These apprenticeship programs represent a wide range of focus areas across our operations, from electrical mechanics

and lineman to hydroelectric operators and communication technicians.

With a continued eye on the future, Avista has long offered a Student Engineering Development Program that provides a variety of opportunities for local engineering students to develop their skills, gain an insight into the energy industry, gain valuable working experience and explore future professional opportunities. Students spend several months working with Avista, where they participate in meaningful projects, experience focused mentorship and prepare for the next steps in their career. The program is mutually beneficial as students are



exposed to Avista’s culture and we keep pulse on the latest technology and principles being taught in our colleges. This program further enables Avista to build a strategic and more diverse pipeline to our internal Engineering Development Program.

Avista helps employees understand how they can drive and maximize their development for current roles and to prepare for future opportunities through a robust development planning toolset and a menu of continuous learning and development suggestions. Employees have access to a variety of learning opportunities as part of our overall professional and leadership development programs. Examples of topics include leadership, business

process improvement, presentation skills, project management, industry standard coaching skills, emotional intelligence and natural instincts, and leading change. In addition to our internally led courses, we send employees to industry events and certification programs, courses or programs offered through energy-related organizations such as the Western Energy Institute, the American Gas Association and the Edison Electric Institute, as well as to our local colleges and universities such as the University of Idaho, Willamette University, Gonzaga University and others.

Our Aspiring Leader Program entering its 18th session continues to provide an immersive

development opportunity for those employees preparing for future leadership roles. This one-year program provides selected employees exposure to a variety of departments, training, leadership concepts and mentoring. Graduates of Avista’s Aspiring Leader Program are found throughout all levels of leadership in the organization, including several of our Company officers and senior managers.

Avista provides tuition assistance for undergraduate and master’s level studies in programs that add to employees’ performance and effectiveness in present or foreseeable jobs within the Company.

Training Program Metrics	2019	2018	2017	2016	2015	2014	2013	2012
<b>Pre-Line School:</b>								
Total students graduated	76	78	70	68	68	73	74	73
Hours of training	46,816	40,048	43,120	42,432	42,432	45,552	46,176	45,552
Credits awarded per student	43	43	43	49	49	49	49	49
<b>Apprentices—All Crafts:</b>								
Total number of apprentices trained	74	73	88	71	60	80	64	59
Number of active programs	11	11	11	10	10	10	11	10
Hours of training on the job	153,920	151,840	183,040	147,680	124,800	166,400	133,120	120,640
Hours of classroom training	10,967	10,820	14,960	13,200	7,798	14,101	8,236	3,961
<b>Journeyman Training:</b>								
Electric/generation	8,764	9,497	6,939	9,732	13,680	10,404	6,217	7,587
Gas refresher—hours	3,380	3,260	3,840	3,040	2,752	2,251	2,248	1,417

# 4. Performing to our ethical and compliance standards, ensuring that we conduct ourselves in a legal and ethical manner in upholding our regulatory obligations.

Avista is committed to conducting our business with the highest level of integrity. We work hard all day, every day, doing what's right for our customers and our communities because we know they rely on us. Bottom line: we do the right thing. This philosophy is accurately captured in our code of conduct.

[Our Code of Conduct](#) provides the foundation for our business decisions and guides our approach to ethical conduct and compliance with legal and regulatory requirements. The Code defines expectations for all employees, members of leadership, our board of directors, and business partners. It also outlines our core policies, including Avista's approach to anti-trust, anti-corruption, insider trading, and conflicts of interest. All employees and our Board of Directors are required to complete annual training on the Code of Conduct.

Avista's Ethics & Compliance Program promotes an ethical corporate culture and provides the framework to enable business areas to achieve compliance while pursuing Company initiatives. The Ethics & Compliance Department utilizes a blend of employee training, policies and risk management to drive engagement. The department partners with internal audit, human resources, legal and enterprise risk

management to facilitate the coordination of ethical and compliance related activities across the organization.

Avista actively encourages employees and others to ask questions, voice concerns, and report alleged violations of Company policies, laws, or regulatory requirements. We respect confidentiality, subject to legal requirements. Retaliation against anyone who reports a concern is strictly prohibited. Avista provides several channels for raising concerns, including a 24/7 confidential message hotline that allows anonymous reporting if desired. An investigation process guide provides consistency and transparency to our investigation process. Hotline reporting metrics are made available to our employees and supplied to our Board of Directors.

Avista conducts internal audits and self-assessments to evaluate its control systems, adherence to our code of conduct and overall ethics and compliance program performance. With respect to program performance, Avista utilizes an internal methodology to assess program effectiveness. Avista also benchmarks its ethics and compliance activities against other industry and non-industry entities to gain a broader perspective on best practices.

Strong support from Avista's leadership and the Board of Directors help drive the success of our Ethics and Compliance Program. Our commitment to ethics and compliance is reflected in the Company's recent recognition as one of the 2020 World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, corporate character, integrity, transparency and corporate trust.



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# 5. ■ Holding our contractors, suppliers and other business partners to the same ethical and compliance standards to which we hold ourselves.

Providing clean, safe, and reliable electricity to 395,000 customers and natural gas to 364,000 customers across 30,000 square miles and four northwestern states is a big job. Sometimes we need extra help to ensure that we get the job done. That is where our contracted employees, suppliers and other business partners come into play. Whether delivering goods or performing services on behalf of Avista, we expect our third parties to operate and behave in the same ethical and compliant manner as our own employees. As such, they are subject to the same obligations and responsibilities outlined in Avista's Code of Conduct.

[The Avista Code of Conduct](#) outlines our expectations and acceptable behaviors required of all employees, including Company officers, members of our Board of Directors and all third parties—contractors, suppliers, consultants, agents and others working with or on behalf of Avista. In addition to adhering to the Code of Conduct, Avista third parties may be subject to specific regulatory compliance requirements, including mandatory trainings, background checks, drug and alcohol testing and all safety related measures and performance.

Where applicable, our third parties receive the required and necessary training and communication in order to meet these requirements.

Avista continues to advance the design and impact of its supply chain. Due diligence is performed as needed to assess a potential supplier's ability to meet Avista policy or contractual requirements including intellectual property provisions, safety performance and manufacturing and operational quality conformance. Our Supplier Code of Conduct sets forth provisions regarding matters such as safety, compliance, ethical conduct, respect, diversity and equal opportunity. In addition, our Tier 1 Vendors must provide a copy of their own organization's code of conduct or business ethics policy for Avista's review.

Special focus is placed on Avista's Tier 1 vendors—those vendors with an annualized spend in excess of \$2 million who may be of strategic importance to our operations or who may be difficult or costly to replace. As part of our Supplier Relationship Management program, we work with our Tier 1 vendors to formally embed and promote our values into our supply chain. For these vendors, we track their commitments to our values and evaluate their performance in and business results. This is accomplished by using a scorecard process that includes an analysis of activities such as safety, quality and service, collaboration, schedule performance, risk mitigation, innovation, technology, sustainability, environmental practices, code of conduct and ethics policies, and diversity spend programs. Our business partners are a valuable and integral part of our operations. Their alignment with our vision and values enables us to deliver our commitments to our customers and the communities we serve.



# Customer & Community Commitments

# Our Commitment to Our Customers and Community

We are invested in our customers and the communities we serve. We recognize that bringing energy to life extends beyond providing electricity and natural gas for our customers. As employees and as a company, we are an active partner and advocate that brings energy to strengthening the customers and communities in which we live, work, serve and play. Our efforts and commitments include:

1. Providing safe, reliable service that is there when needed, and that is affordable for our customers and for our region.
2. Bringing value to our customers through services, programs and methods for using energy efficiently, and that otherwise help to enrich customers' lives.
3. Building value for our customers and communities through active involvement in organizations, causes and engagement with local stakeholders to grow jobs and improve the quality of life in our region.
4. Providing meaningful philanthropic support to our communities without impacting customer rates, recognizing that these efforts help to strengthen our communities, broaden the reach of local organizations and improve our local economies.
5. Supporting and encouraging our employees to help local charities and community organizations in the regions in which we operate.
6. Holding our customers and communities' interests at the forefront of our decisions, operating our business with transparency, genuine care and ease of conducting business—our stakeholders can rely on us.



# 1

■ **Providing safe, reliable service that is there when needed, and that is affordable for our customers and for our region.**

## Public Safety

Our commitment to safety encompasses our customers and communities throughout our service territories. The infrastructure of Avista's energy systems is wide-ranging, complex and embedded within our communities, from hydroelectric dams to natural gas pipelines and electric power distribution lines. The design, construction, operation and maintenance of these energy systems is conducted in a manner to continuously improve the safety of our systems and ensure we meet our customers' energy needs safely and reliably. We want everyone who lives or works near our electric and natural gas systems to be safe.

In addition to Avista's public safety programs and materials, we routinely perform system inspections of our electric and natural gas infrastructure, administer natural gas pipeline integrity management programs, implement asset maintenance and replacement programs and provide protection through physical security measures.

Our proactive approach to public safety continues to keep pace with disruptions within our industry and our changing environment as demonstrated through our enhanced [Wildfire Resiliency Plan](#). Utilities are facing the increasing risks of wildfires across our service territories. At the same time, we

are witnessing residential developments expand into forested areas and other higher fire-risk locations. Avista's enhanced Wildfire Resiliency Plan seeks to further minimize the possibilities of wildfires and their related impacts on our customers and communities through the expansion of our current safeguards for preventing, mitigating and reducing the impact of wildfires. This 10-year Wildfire Resiliency Plan emphasizes grid hardening, vegetation management, partnerships with emergency providers and fire agencies, and it provides helpful resources and tips to protect property and prevent wildfires.

Our approach to public safety is not new. In fact, we are nearing the half-way point of an ambitious 20-year natural gas pipeline replacement program. This program is the result of our commitment to maintain a safe and reliable natural gas system by replacing approximately 737 miles of natural gas pipeline which was installed prior to 1987.

We are committed to keeping people, property and our communities safe.

Avista has developed emergency operating plans (EOPs) and emergency action plans (EAPs) to respond to varying types of emergencies such as large utility outages, hydroelectric dam failures, natural disasters, cyber security breaches and more. The EOPs and EAPs are focused on responding to the initial emergency, minimizing potential dangers to people, property and the environment until we can return to normal operations. These plans are regularly exercised internally and in conjunction with local emergency responders and peer utilities. In support of these plans and to ensure proper coordination

## Avista's Public Safety Programs & Materials

- Dial 811 Before You Dig
- Electric Safety
- Natural Gas Safety
- Dam Safety
- Safety Around Trees
- Wildfire Resiliency Plan
- Beware of Scams
- Emergency Responders
- Public Officials
- Safety Videos
- Kid's Center

with local emergency responders, Avista utilizes the Incident Command System (ICS) as the means by which all emergencies are managed. Each of our EOPs and EAPs align with the use of ICS.

## Reliable Service

For more than 130 years, Avista has been committed to providing safe and reliable energy to those we serve. Whether we are upgrading our hydroelectric facilities or electrical substations, maintaining trees and other vegetation near electrical lines, inspecting and replacing aging natural gas pipelines or installing new smart meters to enhance reliability, we are hard at work all day, every day, doing what's right for our customers and our communities.

To help ensure reliability, we continue investing capital to operate and maintain our current electric and natural gas utility infrastructure. This solid foundation enables Avista to plan and build for the future, which is increasingly being



influenced by emerging technologies and climate change implications. Prudent and essential capital investments in our existing hydroelectric plants, integrating additional renewable energy projects, upgrading and modernizing our transmission and distribution systems, replacing aging natural gas equipment and pipelines and providing our customers with more energy-related products and services are all part of the complex challenges that we face to ensure the continued delivery of safe and reliable energy to our customers.

Our diverse energy mix is the foundation for providing our customers with clean, reliable power at fair and affordable prices. Avista’s electrical generation portfolio, including hydroelectric, biomass, natural gas, coal, wind and solar allows us to keep electricity rates as affordable providing flexibility to shift between generating resources when it makes economic sense, while still maintaining the reliability of the electrical system.

In addition to our customers’ direct use of natural gas, which is more efficient and clean compared to other energy choices such as wood or oil, natural gas is also used to generate electricity and is often relied upon as a flexible resource that supports the integration of renewable generation such as wind

and solar. When the wind dies down and the sun doesn’t shine as bright, our natural gas generation can immediately ramp up to balance this unanticipated dip in renewable generation. We’re committed to our natural gas operations and generation and are excited to continue to share the value and benefits that natural gas provides our customers and communities today and into the future.

In April of 2022, Avista will begin operating within the Western Energy Imbalance Market (EIM) operated by the California Independent System Operator (CAISO) in the western United States. Most investor-owned utilities in the Pacific Northwest are either participants in the Western EIM or plan to integrate into the market in the near future. The Western EIM is a real-time energy balancing market that automatically uses the lowest-cost electric resources available over a large geographic area to meet utility customer needs while optimizing the use of renewable energy.

By rebalancing supply and demand across a larger and more diverse footprint in a more economic manner, the Western EIM participants can share generation resources, which drives customers’ costs lower and allows for the efficient use of renewable resources while maintaining the reliability

of the electrical grid. [Learn more about our participation in the Western EIM.](#)

Avista’s biennial Integrated Resource Plan (IRP) for electric and natural gas services guides our energy resource acquisition strategies over a 20-year planning horizon. It is also a part of how we plan for and determine how to meet the future energy needs of our customers in a reliable manner.

### The IRP is a Public Process

The development of an IRP for our electric and natural gas utilities is guided by a Technical Advisory Committee (TAC). TAC members include customers, Avista staff, consumer advocates, academics, utility peers, government agencies, environmental groups, public utility commission staff and other interested parties. The TAC provides significant input on modeling, resource assumptions and the general direction of the planning process. Public participation is an important part of the IRP development process. The experience of this group provides a robust forum for the exchange of ideas and discussion of issues and risks that affect the planning process. Regulators in Washington, Idaho and Oregon ensure that reliability, environmental impact, conservation, efficiency and cost are factored into the IRP forecasting and the decisions that we implement to support our customers and communities.

Reliability Metric	2019	2018	2017	2016	2015
<b>SAIDI Outage Time / Customer (Minutes)</b>	137	126	183	121	163
<b>SAIFI Sustained Outages / Customer</b>	0.94	0.81	1.20	0.79	1.05
<b>CAIDI Average Restoration Time (Minutes)</b>	145	155	153	153	155

## Energy Affordability

Since 1889, we have been committed to providing safe, reliable and affordable energy services to our customers. Throughout this time, we have remained steadfast in our approach to maintaining competitive energy prices for our customers to balance the financial needs of our company and that of our customers and communities. Avista recognizes that strong financial performance is achieved in tandem with strong communities who are able to leverage our safe, reliable and affordable energy for their own economic vitality.

Avista is overseen and regulated by public utility commissions in the states in which we operate. Unlike most companies, who can change their prices whenever they want, Avista must engage in a public and transparent rate case process to explain why our expenses are outpacing our income and the need for additional capital investments. It is only after a thorough review, including potential revisions to our request, that we may change our prices following approval from the state public utility commissions. This rate case process is highly regulated and typically takes numerous months to complete affording interested parties, such as customers and consumer advocates, the opportunity to participate and provide feedback. [Learn more about how our prices are set by state public utility commissions.](#)

Across the nation, all communities and utilities are dealing with a similar reality of rising energy costs. Delivering safe and reliable energy includes operating, maintaining and upgrading massive infrastructure made up of pipes, poles, wires,

meters, dams and substations. Many parts of our system are more than 30, 40 or 50 years old and need physical replacement, as well as upgrades to keep pace with emerging technologies and customer expectations. Avista will need to continue to invest hundreds of millions of dollars in our system every year to keep pace and continue providing safe and reliable service for our customers.

We work hard every day to plan, build, operate and maintain our energy systems with an eye toward the future and seeking innovative ways to be more efficient and meet customer expectations. This hard work is paying off in terms of keeping our energy prices affordable. Our customers pay some of the lowest energy prices in the nation. On average, the total monthly cost of Avista's residential electric service is 33% lower than the national average for investor-owned utilities.

Our diverse energy mix is the foundation for providing our customers with clean, reliable power at fair and affordable prices. Avista's electrical generation portfolio, including hydroelectric, biomass, natural gas, coal, wind and solar allows us to keep electricity rates affordable by providing flexibility to shift between generating resources when it makes economic sense while still maintaining the reliability of the electrical system. When making decisions about our energy mix, Avista must balance safety and reliability, environmental implications and the cost impact to our customers.

With the growing emphasis on climate change and demands for action, we are witnessing numerous and often competing measures arising from consumer advocacy groups, environmental groups,



federal, state and local governments and legislative actions that may affect Avista and our customers' energy prices.

Through active monitoring and engagement of these emerging initiatives, we seek to represent our stakeholders' interests to ensure that proposed solutions do not adversely impact one stakeholder for the benefit of others. Our collaborative and respectful approach to these matters ensures that we have a seat at the table for these important discussions and continues to afford us the opportunity to best represent the interests of our customers and communities. This is especially important when these proposed measures have a direct bearing on future costs of our customers' energy prices. We are there to ensure that all parties understand and recognize the economic realities facing our customers and communities.

Despite these and other efforts to keep our prices affordable, we recognize that energy prices and the ability to pay is a serious issue for many of our customers. We care deeply about all of our customers and keep their energy costs at the forefront of our decisions. Within Avista's service

territories, there are many individuals and families living on fixed or limited incomes, including seniors and individuals with disabilities. These members of our communities may rely on assistance to maintain essential needs such as food on their tables or gasoline in their vehicles, access to healthcare or communication and utility services. Avista is committed to reducing the energy burden for our customers most affected by rising costs of household goods and services. To assist our customers, we focus on actions and programs in four primary areas:

- Advocacy for and support of energy assistance programs that provide direct financial assistance
- Low income and senior outreach programs
- Energy efficiency and conservation education
- Support of community programs that increase customers' ability to meet the basic costs of living

Avista's Low-Income Rate Assistance Program (LIRAP) is funded through a tariff surcharge program approved by the Washington Utilities and Transportation Commission and is designated for bill payment assistance for our Washington electric and natural gas customers.

A similar program approved by the Oregon Public Utility Commission operates for the benefit of our natural gas customers in Oregon. We partner with local community action agency to distribute these funds to our customers.

Low Income Heating Assistance Program (LIHEAP) is a federally funded program to help low-income households with home-heating and cooling costs, emergency situations and weatherization services. Avista is active in advocating for these federal funds each year, and through our partnerships with local community agencies, ensure that funds are distributed to qualifying residential customers across our service territories.

Project Share provides emergency energy assistance grants for limited-income and low-income residential customers in Washington, Idaho and Oregon. Project Share is funded through contributions from our customers, employees and Avista. These funds are distributed to qualifying residential customers in partnership with local community action agencies.

We have also launched a new rate discount program for income-eligible residential customers with disabilities and seniors (age 60+) who reside in

Education—Energy Efficiency & Conservation	2019	
	Number of Events	Number of Participants
Energy Fairs	5	3,977
Workshops	52	1,873
Mobile Outreach	77	5,024

Washington. The rate discount is approved by the Washington Utilities and Transportation Commission and can be applied to either electric or natural gas bills for qualifying individuals. [Learn more about our energy assistance programs.](#)

We actively engage with low-income, senior and vulnerable customers through recurring energy efficiency and conservation education events throughout our service territories. These education events demonstrate energy savings tips, provide free samples, distribute energy usage guides, share information about utility payment options

and our energy assistance programs. They also provide valuable community resources including safety and independent living resources for seniors, employment and financial counseling services, and connections to local community food banks. Recognizing that many of this target audience may be reliant on medical equipment or living with chronic health conditions, we also review power outage preparedness and encourage individuals to create a plan should an outage occur.

- Energy Fairs are held in neighborhood community centers and other locations recognized as core gathering locations to a given neighborhood.
- Conservation workshops are held in convenient locations such as senior centers and community meal sites.
- Mobile outreach serves to reach our more remote locations across our service territories and coordinate with other mobile community agency outreach programs to present additional resources.

[Learn more about our energy efficiency and conservation education events.](#)

Energy Assistance <sup>1</sup>	2018 / 2019	2017 / 2018	2016 / 2017	2015 / 2016	2014 / 2015
<b>LIRAP Grants Awarded <sup>2</sup></b>	\$6,496,448	\$6,455,456	\$6,717,231	\$5,311,324	\$4,671,950
<b>Project Share Grants Awarded</b>	\$240,699	\$256,705	\$264,399	\$290,833	\$242,019
<b>Avista Contributions to Project Share <sup>3</sup></b>	\$454,849	\$472,172	\$478,930	\$506,222	\$540,920
<b>LIHEAP Grants Awarded <sup>4</sup></b>	\$4,627,719	\$4,655,439	\$4,831,868	\$4,874,660	\$4,700,054

1. The energy assistance program year is October 1 through September 30

2. LIRAP is only available in Washington and Oregon

3. 2018 and 2019 Project Share donations data is calendar year

4. Avista is an active partner in advocating for and facilitating the distribution of federal Low Income Heating Assistance (LIHEAP) funds

## 2 ■ Bringing value to our customers through services, programs and methods for using energy efficiently, and that otherwise help to enrich customers' lives.

### Energy Efficiency & Conservation Program

Help the environment and save money at the same time? It may sound too good to be true, but it isn't. When our customers choose to participate in energy efficiency programs with Avista, they help by consuming less energy and save on future utility bills.

For more than 40 years Avista has been offering Demand Side Management (DSM) or energy efficiency programs, creating shared value for all our customers. [Learn more about our energy efficiency programs.](#)

For our customers, DSM means managing your own energy use. For Avista, it also means implementing programs that help customers use less energy as well as ways Avista can generate energy, through better equipment and processes. It's how we plan, implement, measure and monitor energy efficiency as a way to ensure it's being used wisely.

At Avista, we make choices everyday about the best and most affordable source of energy to deliver to our customers. Energy efficiency gives us one more choice—and one that is lower cost. This is why it is an important element of our [Integrated Resource Plan](#) as we look to the future.

Our approach to energy efficiency is based on two key principles: to pursue cost-effective electric and natural gas energy savings by offering financial incentives for qualifying energy saving measures, and to use the most effective means to deliver energy efficiency services to customers.

### Energy Saving Advice

[Click here](#) for more information and energy saving advice.



Electricity Conservation in kWh				
Year	Idaho	Washington	Annual	Cumulative
2010	25,605,000	77,112,000	102,741,000	102,717,000
2011	34,395,000	97,579,000	131,874,000	234,691,000
2012	20,431,000	60,371,000	80,802,000	315,493,000
2013	18,341,000	49,663,000	68,004,000	383,497,000
2014	15,744,000	56,593,000	72,337,000	455,834,000
2015	17,141,000	56,343,000	73,484,000	529,318,000
2016	50,765,000	71,572,000	122,337,000	651,655,000
2017	42,373,000	64,666,000	107,247,000	758,694,000
2018	29,805,000	46,442,000	76,247,000	834,941,000
2019	25,231,000	41,741,000	66,972,000	<b>901,913,000</b>

**Energy Saving Advice**  
[Click here](#) for more information and energy saving advice.

Cumulative reduction in electricity consumption over the past 10 years is more than the annual electricity usage of 82,000 of our customers' homes.

Natural Gas Conservation in Therms					
Year	Idaho	Washington	Oregon	Annual	Cumulative
2010	460,500	1,396,000	312,400	2,168,900	2,168,900
2011	281,000	905,500	312,274	1,498,274	3,667,174
2012	228,000	612,000	277,402	1,117,402	4,784,576
2013	19,00	518,000	217,177	817,177	5,601,753
2014	0*	615,000	192,955	807,955	6,409,708
2015	0*	920,000	210,738	1,130,738	7,540,446
2016	189,000	546,000	230,503	965,503	8,505,949
2017	306,000	1,046,000	347,324	1,699,324	10,205,273
2018	248,000	737,000	415,818	1,400,818	11,606,091
2019	217,000	504,000	391,204	1,112,204	<b>12,718,295</b>

\* Avista's Idaho natural gas energy efficiency programs were suspended in 2013, 2014, and 2015 (2013 saw some activity due to prior commitments). Avista filed for and was approved to reinstate Idaho Natural Gas energy efficiency programs January 1, 2016.

Cumulative reduction in natural gas consumption over the past 10 years is more than the annual natural gas usage of 17,000 of our customers' homes.



## Smart Meters

One of the largest capital projects in Avista's history puts customers at the center of our focus and our operations. The deployment of Advanced Metering Infrastructure (AMI), otherwise known as smart meters, across our Washington service territory is a game changer for our customers. Smart meters open the door to two-way communication between Avista and our customers for operational efficiencies and improved customer usage information. Smart meters also provide a platform for accommodating new and emerging technologies in the future.

Conventional meters do not have any communication capabilities, so we often rely on customers to report an outage to us. Now with smart meters, we can detect the outage right away without any customer intervention and often before a customer even knows of the outage. In addition to faster outage detection and restoration efforts, smart meters can relay energy data directly to Avista, meaning no more on-site meter reads by Avista employees. Not only do smart meters lower our meter reading costs, but it also increases our customer's privacy as our meter readers will no longer make their monthly treks onto our customers' premises to read their meter.

Smart meters give our customers greater control over their energy bills by providing detailed information about their energy consumption. Smart meters enable our customers to view their energy data across different intervals (monthly, daily and hourly) and provide trending and comparison data. This highly detailed information will provide customers with more information about their energy use so

they can make decisions about how best to manage their energy consumption and reduce their own bills going forward. Additionally, customers will receive more personalized service as our representatives will have more information available to provide solutions unique to specific needs. Soon, it will be possible for our customers' to receive automatic alerts (via emails or text messages) regarding unusual energy consumption or when it exceeds their pre-determined threshold.

Smart meters are the foundation for new and emerging technologies associated with smart grid and modernizing the utility infrastructure. With a smart grid, digital technologies are applied to every aspect of the industry, from generation, to transmission, to distribution and the customer interface. This will help the grid sense what is happening to the energy flow, keep it in balance, improve reliability and make the grid more resilient to outages and other problems.

The smart grid of the future will also contribute to a more sustainable community. With this technology, we'll be able to integrate more renewables on our system and help reduce our region's carbon footprint.

The energy industry, associated technologies, and customer expectations keep evolving and demanding more of Avista. We know that our customers and communities rely on us, and we are committed to continue raising the bar with imaginative thinking, adaptive approaches and innovative energy solutions. [Learn more about our smart meter program.](#)



## Electrical Transportation

As battery and electric-drive technologies continue to improve, moving people and goods using clean and affordable electricity is becoming a reality for a growing number of customers. Avista is laying the foundation for accelerating this transition, through a comprehensive [Transportation Electrification Plan](#) that aims to meet customer expectations, reduce transportation-related greenhouse gas emissions and provide value beyond traditional energy services. [Learn more about the benefits of electric vehicles.](#)

From 2016 through 2019, Avista conducted a pilot program involving the installation of Electric Vehicle (EV) charging infrastructure to collect and analyze data and to position the Company for the future. This program, the first of its kind in Washington state and one of just a few in the nation, resulted in the installation of 439 EVSE charging ports at residential and commercial customer locations. During the pilot, we experimented with cutting-edge load management technologies and customer preferences, as well as innovative education and outreach activities and programs benefiting disadvantaged customers and communities. Through this pilot, Avista was able to better understand how EVs could affect the grid, the economy and the environment, while providing early support for EV adoption in our region.

Building on what we learned, the [Transportation Electrification Plan](#) lays out a roadmap for transitioning to a better energy future, where by mid-century the majority of transportation is powered by clean electricity. This will save our region over \$1 billion per year in overall fuel and maintenance costs, while eliminating more than 80% of harmful air pollution and greenhouse gases in the transportation sector that currently account for the largest source of emissions in our area. The Transportation Electrification Plan accomplishes this through a number of programs and activities, including ongoing investments in charging infrastructure, education and outreach, support for low-income communities and customers, commercial and public fleet electrification and optimally integrating transportation loads with the grid to maximize benefits for all customers.

Avista is committed to supporting transportation electrification through innovative and cost-effective solutions, in partnership with industry partners, community leaders, regulators, and customers.

### [Avista customer options for a more sustainable future:](#)

- Generate your own renewable energy
- Purchase renewable energy
- Participate in community renewable options
- Compressed natural gas





# 3 ■ Building value for our customers and communities through active involvement in organizations, causes and engagement with local stakeholders to grow jobs and improve the quality of life in our region.

## University District

Our purpose goes beyond providing the energy that powers the daily lives of our customers. We're here to improve the quality of life and to enhance the strength, health and vitality of the communities we serve and call home.

One way we are strengthening the Spokane area is through the continued transformation of the University District and the positive impact these collective efforts have on our local and regional economies. The University District is home to six higher education campuses, two medical schools, a research facility and more.

The knowledge and innovation growing here is shaping the future of energy, driving economic development, and attracting students and businesses. We are proud to play a key role in the vibrant growth of the University District.

When Avista Chairman Scott Morris envisioned creating the five smartest blocks in the world, we provided an under-utilized piece of land, recruited the right partners and through intentional growth and development, we are creating space for innovation that will drive business and enhance the economic vitality of our region. The result is the Catalyst building and the adjacent Scott Morris Center for Energy Innovation which together anchor the South Landing of the University District.

The five-story, 150,000 square foot Catalyst building aims to be one of the largest zero energy and first zero carbon buildings in North America. It is planned to become an innovation hub where industry and academia intersect to foster innovation and collaboration within dry labs, offices, classrooms and common study areas. The four-story, 40,000 square foot Scott Morris building houses a shared-energy plant that will provide centralized heating, cooling and electricity for multiple buildings in the South Landing development. This innovative shared-energy model could transform how the electrical grid operates. In this living laboratory, we can re-imagine our future and what it can bring.

A gateway bridge was built by the City of Spokane connecting the South Landing and the University District creating a pathway where people, ideas, research, education and business are linked in unique and innovative ways. [Learn more about the South Landing development.](#)

## Regional Efforts

Avista's Regional Business Managers (RBMs) are actively involved with local government, businesses and civic organizations across the Northwest and focus on improving quality of life, economic growth strategies, sustainability efforts and other local infrastructure and construction projects. RBMs also facilitate the identification of philanthropy and sponsorships opportunities that support education, economic and cultural vitality of the communities that we serve.

### Meet Your RBMs

We are a founding investor of Inland Northwest Partners (INP), a non-profit organization focused on enhancing the long-term vitality of our service territory communities in Washington and Idaho. The INP facilitates knowledge-sharing to build strong economic bases among member communities. Collectively, the INP represents a deep pool of economic development know-how and experience. Educational meetings, programs and seminars are the core offering. These forums provide a means to share ideas and experiences and form new partnerships. Topics include technology, financing community initiatives, forging regional partnerships, local business expansion and retention, job recruitment and much more. More than 300 business and community leaders from eastern Washington and northern Idaho are members of the INP. Our RBMs play an active role in support of the INP and currently hold multiple board positions, including chairman. Through these efforts, the INP

plays an important role in enhancing the long-term economic vitality of all communities in our region.

[Learn more about Inland Northwest Partners.](#)

We are also active in our Oregon service territory through our involvement with the Southern Oregon Regional Economic Development Inc. (SORED), a non-profit organization dedicated to increasing the long-term prosperity of Jackson and Josephine Counties, which are home to most of our Oregon communities. Through engagement, education and outreach, SORED aims to improve the region's quality of life by deploying economic growth strategies and sustainability efforts to help local businesses prosper. We are an active contributor and leader with SORED, and currently hold a board position. [Learn more about Southern Oregon Regional Economic Development Inc.](#)

Avista is also in the middle of a rural vitality initiative currently being led by our RBMs. Beginning in 2019, we began approaching small rural communities in our service territories to offer interactive workshops and assessments designed to help local leaders gain fresh perspectives and new insights and challenge their current vision in order to explore a new future vision for their community. The workshops and assessment are an effective and efficient way to gain a clear understanding of each community so that it may begin plotting a new course for its future. Initial results were delivered to the communities, and our RBMs will continue to work with these communities in 2021 to assist in developing and implementing their action plans. Each participating rural community is eligible to apply for a Rural Vitality grant from Avista to support their efforts.



### Supply Chain

We are committed to maximizing the value created through effective supply chain services to meet our operational needs and to provide value through efficiencies and cost savings that we can pass along to our customers. Our internal processes ensure a competitive contracting environment while developing strong partnerships with our suppliers. We also focus on developing and maintaining supplier engagements among organizations that self-identify as women-owned, minority-owned, small business, veteran-owned and disadvantaged. In addition to supporting diversity among our supplier relationships, we also seek to engage with local and small businesses when their products and services meet our supply chain requirements. Avista conducts and attends local events that allow us to engage with diverse and local businesses, provide resources and educational materials, establish contacts and lists of potential suppliers and share information about current bidding opportunities.

Beginning in 2015, we implemented a Supplier Relationship Management program to annually evaluate and recognize our top performing suppliers. Implementation of this program was

also designed to formally embed and promote Avista’s values in our supply chain processes. For our Tier 1 vendors (vendors or suppliers with annualized spend in excess of \$2M million, or who may be of particular strategic importance to Avista operations, or who may be difficult or potentially costly to replace), their commitments to our values are tracked and evaluated alongside their business results as part of our annual scorecard process. This scorecard includes an analysis of safety, quality and service, collaboration, schedule performance, risk mitigation, innovation and technology, sustainability, environmental practices and diversity spend programs, among others.

In addition, we provide ongoing assistance to our suppliers to support them in developing or maintaining a formal sustainability or social responsibility program. Through the sharing of best practices from peer Tier 1 vendor scorecards and by providing examples of sustainability programs and relevant metrics, Avista has strongly promoted the advent of sustainability programs and metrics with our vendors and suppliers. [Learn more about how to do business with Avista.](#)

As one of the largest taxpayers in the region, paying approximately \$100 million in taxes annually, our economic impact supports family-wage jobs in rural, suburban and urban communities in our 30,000 square-mile service territory in eastern Washington, northern Idaho and parts of southern and eastern Oregon and Sanders County, Montana.

Supply Chain Spend Breakdown		2019
Total Diversity Spend		\$6.9M
% of Goods and Services Total Spend		1.4%
Total Small Business Spend		\$23.9M
% of Goods and Services Total Spend		4.9%
Total Local Community Spend		\$90.1M
% of Goods and Services Total Spend		18.4%

# 4. Providing meaningful philanthropic support to our communities without impacting customer rates, recognizing that these efforts help to strengthen our communities, broaden the reach of local organizations, and improve our local economies.

## Avista Foundation

Our vision for giving back means that we invest in organizations and causes in ways that can be transformational and have long-lasting impact. Avista community investments are made through corporate and foundation donations and are not included in customer rates. Rather, we give back a portion of the profits that we are allowed to earn from our state utility commissions and reinvest in the communities we serve. We believe that bringing value to our customers and communities and attaining our business goals go hand-in-hand.

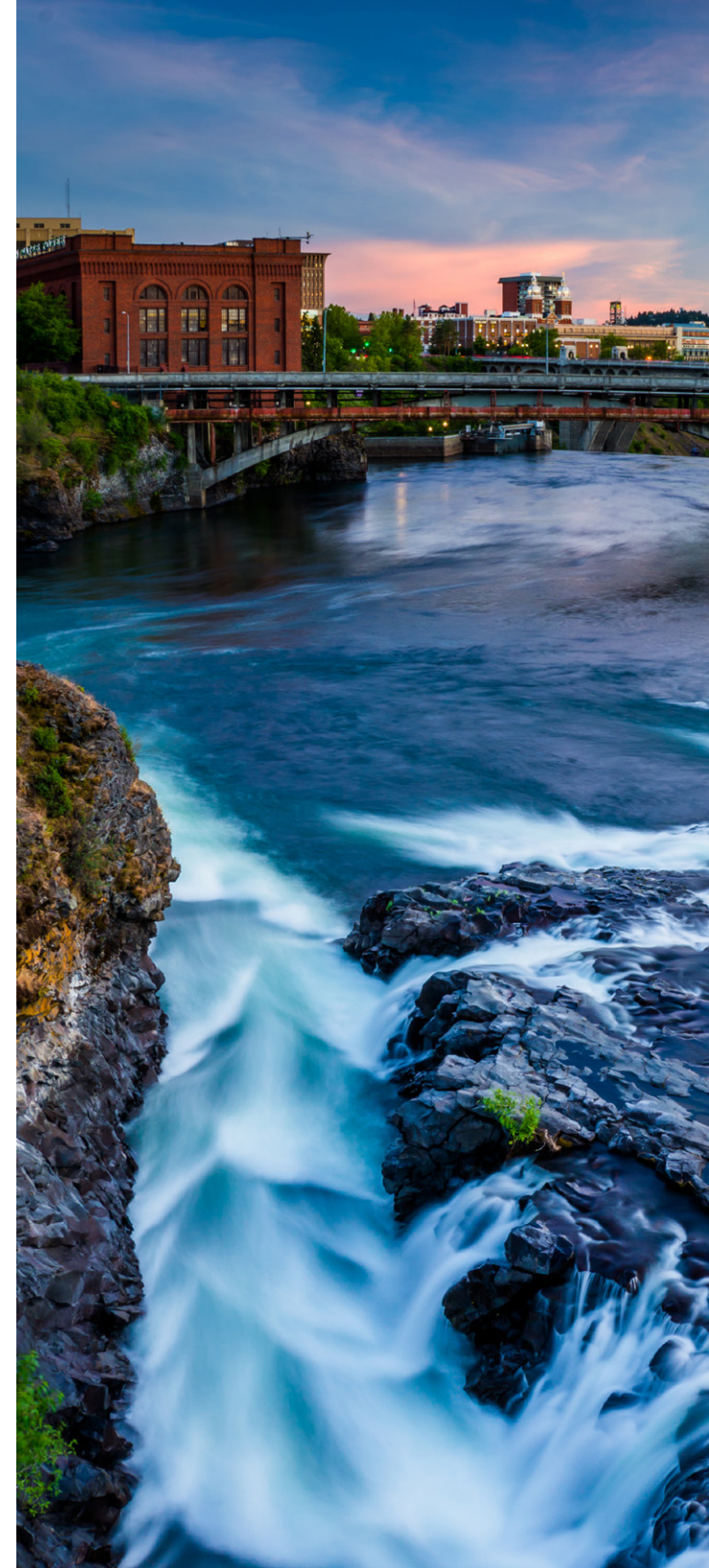
Since its founding in 2002, the Avista Foundation has created a legacy of investments for our local communities and continues to serve as the primary charitable vehicle for our Company. The Avista

Foundation focuses its giving on grants that strengthen communities and enhance the quality of life for those we serve. Emphasis is in the areas of:

- Education—supporting K-12 education particularly in the fields of science, math and technology; and higher education including scholarships.
- Vulnerable and limited income populations — providing assistance to those on limited incomes and support for initiatives to reduce poverty.
- Economic and cultural vitality—supporting projects that help our communities and citizens to grow and prosper. Avista corporate donations focus primarily on energy assistance and economic vitality-related initiatives that benefit our customers and communities.

In 2019, our Company celebrated its 130th anniversary by committing to a \$7 million investment in the Avista Foundation. This investment is being targeted to assist our local communities to prevent homelessness, promote youth education, and support small communities. During 2019, the Avista Foundation provided grants totaling \$3.4 million for community vitality, education, health and human services, arts and culture, and youth organizations and programs throughout our service territories.

[Learn more about the Avista Foundation.](#)



## Scholarships

Planning for our future is not limited to our utility infrastructure. It also entails growing and supporting our future workforce. As part of our focus and efforts to support our communities and reach of local organizations, we partner with colleges and universities throughout our service territories to provide several different scholarship opportunities for students. Our aim for these scholarships is to promote excellence in the STEM fields of science, technology, engineering and math. Our hope is that

students will become innovators, problem solvers and part of a diverse and talented generation of new workers, ensuring a skilled and local workforce for our future.

Avista scholarships are offered at select colleges and universities across Washington, Oregon, and Idaho:

- Community Colleges of Spokane
- Eastern Oregon State College
- Eastern Washington University
- Gonzaga University

- Lewis and Clark State College
- North Idaho College
- Oregon Institute of Technology
- Southern Oregon State College
- University of Idaho
- Walla Walla Community College
- Washington State University

[Learn more about Avista's scholarship opportunities.](#)

Avista Foundation Grants by Category	2019	2018	2017	2016	2015
<b>Health &amp; Human Services</b>	\$1,338,599	\$723,529	\$609,056	\$689,456	\$1,270,256
<b>Youth</b>	\$505,990	\$337,121	\$188,234	\$177,552	\$137,856
<b>Art &amp; Culture</b>	\$282,680	\$169,043	\$141,341	\$183,873	\$148,418
<b>Education</b>	\$335,204	\$318,224	\$719,598	\$485,320	\$435,169
<b>Community Vitality</b>	\$899,903	\$403,294	\$617,755	\$670,011	\$566,071
<b>Environmental *</b>	\$22,299	\$20,323	\$17,652	\$25,010	\$24,439
<b>TOTAL</b>	<b>\$3,384,675</b>	<b>\$1,971,534</b>	<b>\$2,293,636</b>	<b>\$2,231,222</b>	<b>\$2,582,209</b>

\* The majority of Avista's support for environmental stewardship comes through the millions spent each year in meeting the federal license requirements for our projects on the Clark Fork and Spokane rivers. Please see our Environmental Commitments sections of this report for more information.



## **5** ■ Supporting and encouraging our employees to help local charities and community organizations in the regions in which we operate.

### **Employee Giving**

Human powered is more than our brand promise. It's the consistent way that our employees interact, innovate, and lead meaningful change in our local communities. Wherever and whenever there is a major event, it's a given that Avista will be there. Our employees embrace the spirit and can-do attitudes of our customers and our communities and embrace the many opportunities to serve in volunteer capacities for personal growth, camaraderie, fun and to serve others. Often, our employees are leading local organizations that support and impact the towns they call home throughout our service territories.

Avista actively encourages our employees to engage in external volunteer and leadership capacities throughout the regions we serve.

Hundreds of Avista employees are in volunteer leadership roles in Washington, Idaho, Oregon and Montana. These may include health and human services organizations, civic organizations, environmental and non-governmental groups (NGOs), economic development organizations, educational institutions and industry groups. These external interactions provide unique insights into local community needs, establish important contacts and identify new resources, potential partners and ways to solve new problems.

For over 130 years, we have been an active partner with our local communities, not just with safe, reliable and affordable energy, but with our spirit of service and putting the interests of our customer and our communities at the heart of our actions. Our employees are dedicated to the communities they call home and participate in numerous opportunities. In 2019, their generosity resulted in over 12,000 hours of volunteer service to more than 250 organizations, both large and small, across our service territory. Avista is truly grateful for these exceptional efforts by our employees.

## Employee Gift Matching

Our employee gift matching program is an intentional and meaningful way for Avista to support and recognize the dedication and generosity of our employees who make personal donations to non-profit organizations in our local communities. Often, when our employees make donations, they have a personal connection to the non-profit organization, perhaps through regular volunteering or knowing someone who was positively impacted by the support or services being provided. Regardless of the reason, it is our privilege to increase the impact of that personal donation to those non-profit organizations that are so valued by our employees through the matching gifts program of the Avista Foundation.

All eligible gifts up to \$200 each year receive a dollar-for-dollar match. Funding for this program is from the Avista Foundation and is not included in customer rates. We appreciate the opportunity to join with our employees to give generously to causes and local organizations that make meaningful impacts for our children, families, and communities.

In 2019, employees generously gave \$30,902 to non-profit organizations that are important to them, their families, and their community. Avista was able to match those contributions for a total of \$61,804 distributed to local non-profits through the Avista Foundation's employee gift matching program.

Employee Gift Matching Program Metrics	2019	2018	2017	2016	2015
Employee Gifts	\$30,902	\$30,150	\$24,443	\$29,464	\$24,454
Company Match	\$30,902	\$30,150	\$24,443	\$29,464	\$24,454
<b>Total Program Gifts</b>	<b>\$61,804</b>	<b>\$60,300</b>	<b>\$48,886</b>	<b>\$58,928</b>	<b>\$48,908</b>

Employee Volunteering Metrics	2019
Total Volunteer Hours	12,988
# of Organizations Impacted	253





# 6 ■ Holding our customers and communities' interests at the forefront of our decisions, operating our business with transparency, genuine care, and ease of conducting business—our customers can rely on us.

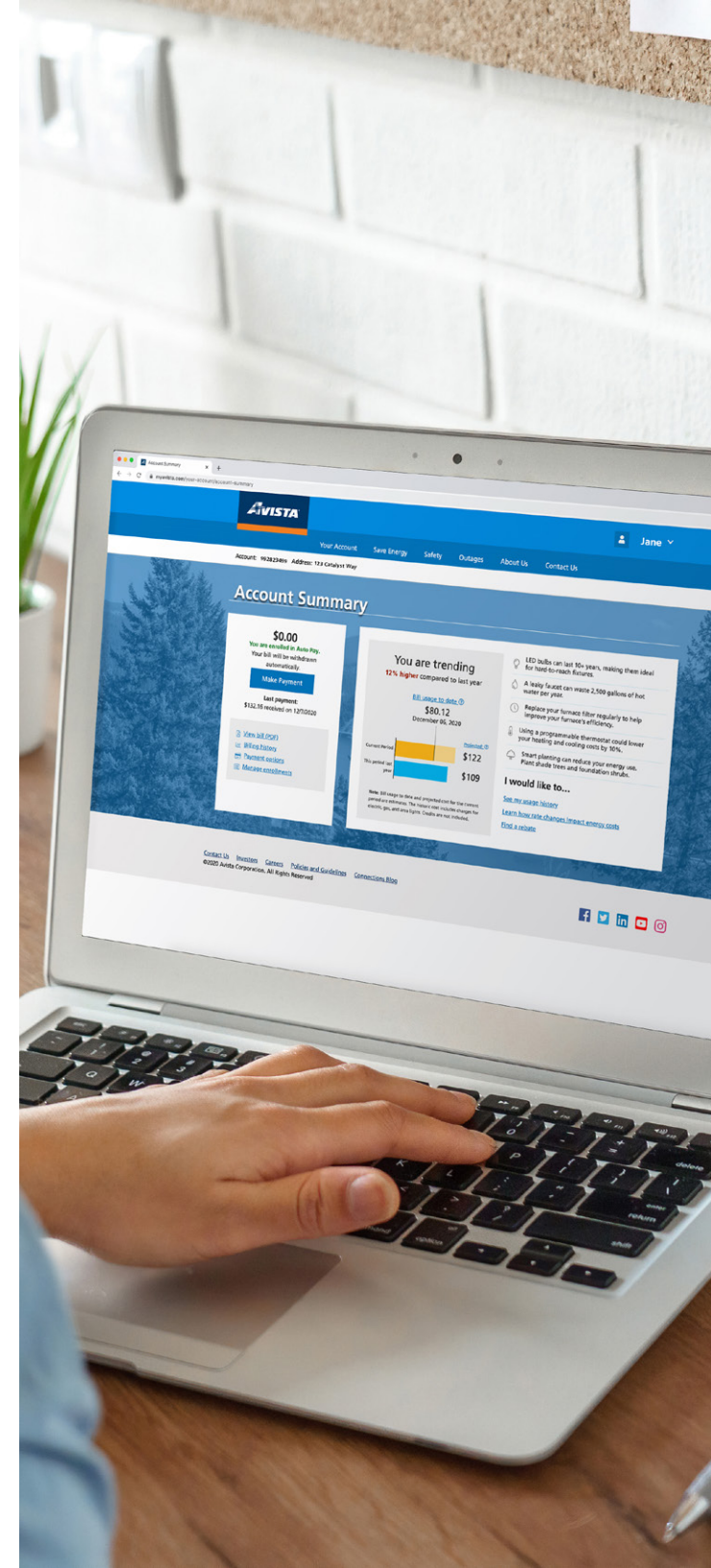
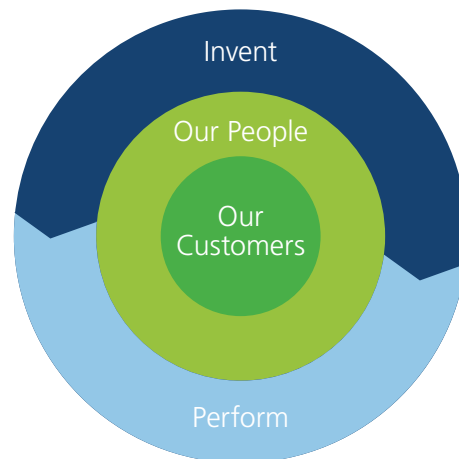
## Customers at the Core

Throughout Avista's history we have focused on providing safe, reliable and affordable energy service. Over these past 130 years, we have witnessed and experienced a lot of change and tackled the issues of our times with a determined commitment to serve the best interests our customers and communities. Today, we are faced with a growing number of challenges that span our operations and impact all our stakeholders. Transforming industries and economies, rapidly evolving technologies, rising consumer expectations, increasing growth in urban communities, emerging racial and social justice reform demands and the growing list of environmental concerns related to climate change are just a few of the challenges at our doorstep. When challenges present themselves, so do opportunities.

Our employees are poised to tackle these challenges head-on to continue and build upon the legacy of our past employees by holding our customers and communities' interests at the forefront of our actions and demonstrating our values of trust, collaboration and innovation. The new generation of technologies being implemented provides our customers and

communities with more efficient ways to use and manage their energy. We continue making investments in the smart grid of the future, which enables us to reliably integrate renewable energy sources and pursue additional energy efficiency and conservation measures within our utility systems, together reducing costs and future emissions. By taking advantage of these technology opportunities, we are positioning ourselves and our customers and communities for a cleaner and more vibrant future.

Avista is committed to conducting our business ethically and being transparent about our actions. We know that our work directly empowers our customers to live their lives to the fullest. As such, we carefully consider how our business intersects with our customers and communities, especially on important issues such as climate change.



We are committed to working together with our customers, communities and regulators to address the challenging issues of climate change, and aid in the transition to a lower-carbon future in ways that make technological, environmental and economic sense. Our efforts include:

- Integrating renewables as part of our commitment to clean energy and the overall efforts to reduce carbon emissions without asking customers to compromise on reliability or cost.
- Engaging in and influencing climate policies that promote environmental stewardship while considering the economic realities of our customers.
- Driving innovation and technologic advancements to increase energy efficiency, reduce operating costs or reduce emissions.
- Leading with energy efficiency and conservation and promoting these for our customers and our own system.



In a world characterized by an expanding array of options competing for attention, our focus is to offer solutions and to conduct ourselves with integrity and genuine care that will benefit our environment, provide value to our customers and contribute to healthy and vibrant communities in the areas we serve. In 2020, Avista was recognized by Ethisphere, a global leader in defining and advancing the standards of ethical business practices, as one of the World's Most Ethical Companies. Our actions are mission-driven and values-based, with a commitment to achieving our organizational goals in ways that deliver value for all our stakeholders. We're honored to receive this recognition, which demonstrates the leadership of our employees and Avista's commitment to an ethical corporate culture built on trust, collaboration and innovation. [Learn more about Ethisphere and their World's Most Ethical Companies award.](#)

Our mission is to improve our customers' lives through innovative energy solutions. We do this safely, responsibly and affordably. We also put those we serve at the center of everything we do. By placing our customers and communities at the center of everything we do, we ultimately hold their interests at the forefront of our decisions. Avista's four strategic focus areas serve to guide and reinforce our commitments to the customers and local communities that we serve:

## Focus Areas

### Our Customers

We must hold our customers interests at the forefront of all our decisions, operating our businesses by showing that we are transparent, genuinely care, and are easy to do business with.

### Our People

Our employees are essential: Through them we deliver value to our customers and the continuities we serve.

### Perform

Our focus on performance today is critical to serving our customers well and unlocking pathways to growth.

### Invent

The activities that yielded yesterday's successes will not be sufficient to meet the challenges of tomorrow.

The one constant throughout our history has been our focus on our customers and communities. We are a part of our communities and are woven into the fabric of the everyday lives of our customers and area businesses. Working together, we will continue to find new ways to grow and learn and to co-create the utility of the future with an innovative and pioneering vision—Better energy for life.



## Customer Satisfaction

Our customers are at the center of everything Avista does. We hold ourselves accountable to meeting their customer service expectations, as well as our own. All facets of Avista's operations either directly interact and provide services to our customers, or support and enable the services that our customers are receiving. From our call center representatives who seek to answer all calls in under 60 seconds, to electrical and natural gas field workers responding to service requests or outages, and accounting staff keeping track of our books and records, every Avista employee has an impact on our ability to serve our customers.

We set clear customer service goals through our Service Quality Measures (SQM) program. These ambitious goals are tracked with metrics, and internal processes and controls are designed to support our employees and in achieving them. In some instances, if we miss our goals, we may incur financial penalties which are payable to our customers in the form of bill credits. On an annual basis, we compile the results of the SQM program and make a public filing with the Washington and Idaho public utility commissions for their review. We also send our Washington and Idaho customers an annual SQM report card detailing the results of our efforts and serves to highlight our ongoing commitments to customer satisfaction.

Embedded within Avista's SQM program is a key customer service satisfaction metric called the Voice

of the Customer (VOC) survey. The VOC survey is administered by a third-party vendor to measure and track the satisfaction of customers who interact with us either through one of our contact centers or who had work performed through one of our construction offices. Customers are asked to rate the importance of several service attributes (time for connection to representative, representative being courteous and friendly, representative being knowledgeable, being informed of job status, leaving property in condition found, etc.) and then to rate our performance in these same areas. Customers are then asked to rate their overall satisfaction with the services they normally receive from Avista throughout the year. We also record and analyze any customer-provided comments that are recorded verbatim. Often these comments shed light on new opportunities to learn and explore different perspectives regarding our products and services and how we may further improve our offerings and customer satisfaction.

We are extremely proud of our customer service efforts and the dedication and contributions of all employees who stand ready to serve our customers with genuine care and professionalism. We live, work and share the same communities as our customers, and we treat them as if they are family, friends, neighbors or coworkers—because often, they are. For each of the past 20 years, our Voice of the Customer satisfaction ratings have exceeded 90%.

## WA 2019 Service Quality Measures Report Card

Each year, Avista measures how well we perform in meeting our goal to provide the best customer service possible. In line with that tradition, we've established a set of service quality measures in collaboration with the Washington Utilities and Transportation Commission (WUTC) and others. We provide an annual report card to customers showing how we are doing on meeting our goals. For more information, [visit myavista.com](http://visit.myavista.com).

Customer Service Measures	Benchmark	2019 Performance	Achieved
Percentage of customers satisfied with our Contact Center services, based on survey results	At least 90%	94.4%	YES
Percentage of customers satisfied with Field Services, based on survey results	At least 90%	94.4%	YES
Number of complaints filed with the WUTC per 1,000 customers, per year.	Less than 0.40	0.13	YES
Percentage of calls answered live within 60 seconds by our Contact Center.	At least 80%	80.7%	YES
Average time from customer call to arrival of field technicians in response to electric system emergencies, per year	No more than 80 minutes	44.3 minutes	YES
Average time from customer call to arrival of field technicians in response to natural gas system emergencies, per year	No more than 55 minutes	43 minutes	YES
Electric System Reliability	5-Year Average (2015–2019)	2019 Result	Change in 5-Year Average
Frequency of non-major-storm power interruptions, per year, per customer (SAIFI)	0.97	0.94	-0.04
Length of power outages, per year, per customer (SAIDI)	151 minutes	137 minutes	2 minutes

## Stakeholder Engagement

Our purpose goes beyond providing the energy that powers the daily lives of our customers. We are here to improve the quality of life and to enhance the strength, health and vitality of the communities we serve and call home. In order to understand the unique perspectives and needs of those who rely on us, Avista proactively engages with our stakeholders through a variety of communication methods, partnerships, committees and recurring meetings, research and surveys, employees who are directly responsible for specific stakeholder engagements and by monitoring emerging initiatives and regulatory proceedings. Our stakeholders include:

- our residential, commercial and industrial customers,
- investors, financial analysts, credit rating and financial institutions,
- current and retired employees,
- residents of the communities we serve and those of neighboring cities and towns,
- non-profit and low income advocates,
- environmental groups,
- federal, state and local regulators,
- vendors and contracted employees,
- elected officials,
- media channels,
- other companies in the energy industry among others.

Public policy plays an important role in shaping the economic environment of our local communities

and operations. As an energy company, we are affected by the decisions made by federal, state and local officials. In turn, these decisions also affect our customers, communities, employees and investors. We have both a Government Relations department and a Regulatory Affairs department who monitor and participate in the public policy and regulatory arenas for the benefit of all our stakeholders. Avista works hard to develop our collaborative and respectful approach to these issues so that we have a seat at the table and continue to best represent the interests of our stakeholders.

Avista's Regional Business Managers (RBMs) actively engage with local government, businesses and civic organizations across the Northwest and focus on improving quality of life, economic growth strategies, sustainability efforts and other local infrastructure and construction projects. RBMs also facilitate the identification of philanthropy and sponsorships opportunities that support education and economic and cultural vitality of the communities that we serve.

Over 25 years ago, Avista established an American Indian Relations department to enhance our partnerships with local Tribes. As key stakeholders and business partners, Avista recognizes the strategic importance of building and maintaining strong relationships with our local Tribes. Together, we work to support operations on tribal reservations, maintain compliance with tribal and federal regulations, pursue potential business opportunities with Tribes and partner on employment and educational opportunities. Our local American Indian Tribes appreciably contribute to, and influence, our regional



economy, highlighting our intentional commitments to these relationships for the mutual benefit of the communities we serve.

Our Corporate Communications department engages with our customers, communities, employees, local media, regional and national media and investors through a variety of communication channels, including issue-focused emails, social media channels such as Facebook, Twitter and Instagram, listening posts, focus groups, surveys, community meetings, print and digital media, electronic and print newsletters, bill inserts, press releases and regular meetings with media editors and news staff.

Throughout our company, we encourage stakeholder engagement in our planning and implementation activities on a regular basis, including electric and natural gas construction projects, long range Integrated Resource Planning (IRP) for electric and natural gas resources, energy efficiency programs, vegetation management programs, emergency response exercises, and the requirements of our hydroelectric licenses, among others.

### **Dam Licensing Information**

Avista works with federal and state agencies, conservation organizations, and area tribes to bring a variety of perspectives and interests to the table in implementing federal and state mandated environmental measures associated with our hydroelectric dams on the Spokane and Clark Fork rivers. Representatives of federal and state agencies address issues such as water quality, endangered species and fish passage. Tribal representatives are concerned with protecting the area's cultural and natural resources. Other stakeholders represent local non-profits, community groups and customers.





# Ethical Governance Commitments

# Our Commitment to Ethical Governance

We maintain a strong foundation of corporate governance practices that promote transparency, accountability, and engagement, and that ensures there is complete, transparent, and effective oversight of the affairs of our Company to protect and enhance shareholder value. Our efforts and commitments include:

1. Approaching all aspects of corporate governance ethically and with clear standards of appropriate corporate behavior.
2. Promoting effective oversight of the Company through a strong and independent board.
3. Actively seeking to establish and enhance diversity among our Board of Directors and executive leadership.
4. Striving to improve the performance of the Board of Directors and executive leadership through effective performance assessments, appropriate and fair compensation practices, and ongoing investment in education and professional development.
5. Ensuring that shareholders have an appropriate voice with respect to matters impacting the Company through outreach and engagement.
6. Maintaining transparency with respect to governance of the Company and the pursuit of its strategic goals.





# 1 ■ Approaching all aspects of corporate governance ethically and with clear standards of appropriate corporate behavior.

Better energy for life. Our vision is to empower our customers to live their lives to the fullest. To achieve this bold vision, we understand that our focus and accomplishments cannot be centered solely around our shareholders but must consider broader impacts and other stakeholders including our employees, customers, communities and environment. Avista's commitment to Corporate Responsibility encompasses this broader approach to sustainability, stewardship and corporate citizenship to build long-term value for all our stakeholders. For over 130 years, these same principles have guided us and are reflected in the Company's recognition as one of the 2020 World's Most Ethical Companies by the [Ethisphere Institute](#), a global leader in defining and advancing the standards of ethical business practices, corporate character, integrity, transparency and corporate trust.

Our board is responsible for directing the management of the business and affairs of Avista. As such, the board gives the Company's executive officers strategic direction and oversees their operation of the Company's business and their conduct of its affairs, with a view to serving the best interests of the Company, its shareholders and other stakeholders.

Avista's governance guidelines are adopted by our board to address matters including qualification of directors, standards of independence for directors, election of directors, responsibilities and expectations of directors and evaluation of director and committee performance. The governance guidelines are reviewed annually and updated as necessary. Along with the bylaws, board committee charters, and our code of conduct, these guidelines provide the framework for the governance of the Company. Our governance guidelines and code of conduct are accessible on the [Avista Corporation](#) website.



<b>Board Meetings in 2020</b>	4
<b>Board Member Attendance Rate</b>	100%

Directors are each elected annually to hold office for a one-year term. The Governance and Corporate Responsibility Committee is responsible for reviewing, evaluating, and presenting recommended director nominations and will likewise consider recommendations made by our shareholders. Of our eleven directors, currently nine of them are independent, and the positions of board chair and CEO are held by separate parties. Avista has also established the position of lead director, a board elected position to be filled by an independent director for a three-year term. All directors are strongly encouraged to attend all board meetings, committee meetings and the annual meeting of shareholders.

All members of our board and executive officers are required to achieve and maintain certain minimum investment levels of Avista common stock within specified timelines for the duration of their tenure. The objectives of our stock ownership guidelines are to strengthen the alignment of board and executive officer financial interests with those of our shareholders, enhance long-term perspective and focus on shareholder value growth, reinforce “pay at risk” philosophy, provide an additional basis for sharing in Company success or failure as reflected in shareholder returns and to align with corporate governance best practices.

Our Insider Trading Policy expressly prohibits all directors and executive officers from engaging in short-sales, zero-cost collars, forward sales contracts, pledging, hedging or otherwise offsetting any decrease in the market value of their Avista shares. Similarly, our Board has adopted a [Related Party Transactions Policy](#) due to the heightened risk of certain transactions that may present potential conflicts of interest for our directors or executive officers. [Our Code of Conduct](#) also applies to our board members, and to all employees and business partners, including suppliers, contractors, consultants, agents or others working with or on behalf of Avista. We all have the same obligations and responsibilities to understand and follow Avista’s code of conduct.

**Board members complete code of conduct training on an annual basis**

We employ a confidential hotline to provide an anonymous way to raise concerns of potential misconduct. Any party may use Avista’s confidential hotline, administered by a third-party vendor and available 24 hours a day, every day. The chair of the Audit Committee and members of our executive officer group and senior management are notified of raised concerns directly from the third-party vendor. Reported concerns are investigated and results are presented quarterly to the Audit Committee.

Shareholders and other interested parties may also send concerns about accounting, internal accounting controls or auditing matters to the chair of our Audit Committee, via the Corporate Secretary’s office, at the following address:

**Avista Corporate Secretary**  
 1411 East Mission Avenue  
 P.O. Box 3727 (MSC-10)  
 Spokane, WA 99220

**Avista Hotline:**  
 1-877-861-6690

**Avista Alertline Website:**  
[www.avistacorp.alertline.com](http://www.avistacorp.alertline.com)



## 2. Promoting effective oversight of the Company through a strong and independent board.

The Board has been, and continues to be, a strong proponent of director independence. It is the policy of the Board that a majority of the directors be independent from management and that the Board not engage in transactions that would conflict with the best interests of the Company's business. The Company's corporate governance structures and practices provide for a strong, independent Board and include several independent oversight mechanisms:

- All members of the board are independent with the exception of the chair of the board and the president/chief executive officer.
- All members of the board committees are independent, with the exception of Scott Morris who chairs the Executive Committee and is a member of the Finance Committee.
- Each board committee has a separate independent chair, with the exception of the Executive Committee.
- All board committees may seek legal, financial or other expert advice from sources independent from management.

In addition to these independent oversight mechanisms the following items serve to underscore Avista's commitment to ensuring an appropriate balance of director independence:

- Nine of the Company's 11 directors are independent.
- The positions of chair and CEO are separate.
- The average tenure of our directors is 10 years and their average age is 61.
- The Board is committed to board refreshment. Our Board has added three new members in the past five years, two of whom are independent.
- The Company has an independent lead director, selected by the board.
- Independent directors are required to achieve a minimum investment of five times the minimum equity portion of their retainer in company common stock within five years of becoming board members and are expected to retain at least that level of investment during their tenure on the Board.
- Directors and officers are prohibited from engaging in short sales, pledging, or hedging the economic interest in their shares.



The independent lead director position was established by the Board. The lead director serves a three-year term. The lead director’s duties include:

- Maintaining an active, positive and collaborative relationship with the chair and the CEO.
- Keeping an open line of communication that provides for dissemination of information to the Board and discussion before actions are finalized.
- Serving as primary liaison between independent directors, the chair and the CEO.
- Presiding at all meetings at which the chair is not present, including executive sessions of the independent directors held at each regularly scheduled board meeting.
- Calling meetings of the independent directors when necessary and appropriate.
- Working with the chair to set meeting schedules and agendas for board meetings, including soliciting input from the other independent directors on items for agendas, to ensure that appropriate agenda items are included and that there is adequate time for discussion of these items.

Avista’s lead director is available for communications and consultation with major shareholders. The Company has a mechanism for shareholders to communicate with the lead director and independent directors as a group, or on an individual basis.

Our independent directors meet at each regularly scheduled board meeting in an executive session without management present. The lead director chairs the executive sessions. The lead director establishes the agenda for each executive session, and also determines which, if any, other individuals, including members of management and independent advisors, should be available for each meeting.

We believe that our corporate governance structure and practices provide for a strong, independent board that promotes transparency, accountability and engagement regarding the effective oversight of our Company’s affairs in order to protect and enhance shareholder value.

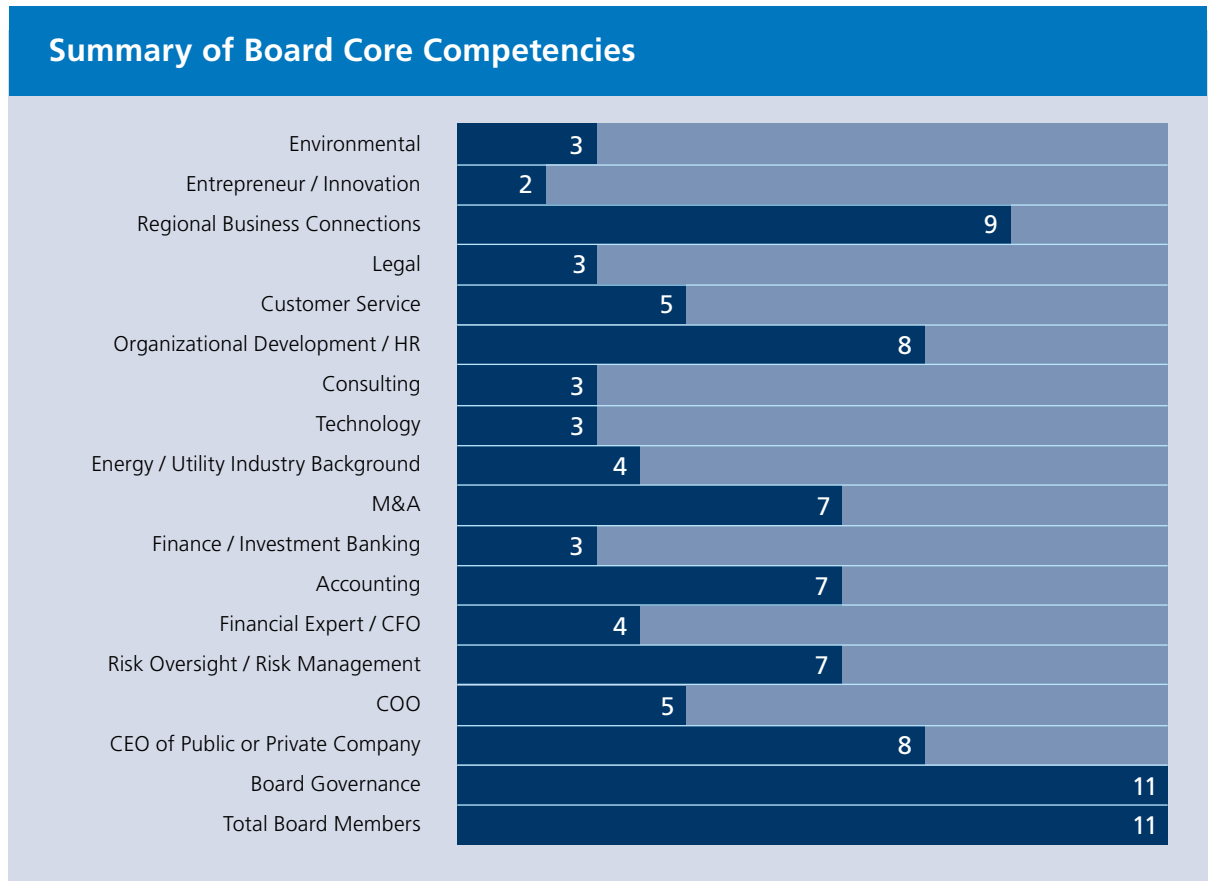
<b>Average Director Tenure</b>	10 years
<b>Average Director Age</b>	61 Years
<b>Director Independent Members</b>	81.8%

# 3 ■ Actively seeking to establish and enhance diversity among our Board of Directors and executive leadership.

Beginning in 2020, we adopted a new policy to enhance the diversity of our board. Avista and the board is committed to seeking out highly qualified women and minority candidates for the Board and will endeavor to include such individuals in each Board candidate pool. This emphasis on diversity will strengthen the director nomination and evaluation process.

The Governance Committee and the Board reviews the board composition and recommends, if necessary, steps to be taken so that the Board reflects the appropriate balance of knowledge, experience, competencies and expertise. In evaluating a director candidate, the Governance Committee considers the knowledge, experience, integrity, business acumen and judgment of that candidate; the potential contribution of that candidate. It also considers diversity of background, race, gender and culture as well as additional relevant competencies, willingness to consider strategic proposals and any other established criteria.

*Our director nominees bring a balance of relevant skills to the boardroom, as well as an effective mix of diversity and experience. The following graph sets out a summary of the director nominees' core competencies.*



For longer-serving directors, the Governance Committee also considers the tenure of a director and whether the duration of service impairs such director's independence from management, as demonstrated by the director's relationship with management and the director's participation in

board and committee deliberations. Directors must be able to commit the requisite time for preparation and attendance at regularly scheduled board and committee meetings, as well as be able to participate in other matters necessary to ensure that good corporate governance is practiced.

The Board believes that it must continue to refresh itself. During the last five years, the Board has added three new members, two of whom are independent, as a result of retirements and departures due to professional and personal commitments. The average tenure of the current directors is 10 years and the average age is 61. Directors may not stand for board election after age 72.

With the retirement of Marian Durkin and Karen Feltes from Avista’s executive team in 2020, our executive gender diversity metric for women dropped from 29% to 17%. For reference, Avista’s overall workforce is comprised of approximately 30% women. In an effort to support and develop additional diversity in our workforce, management launched two new initiatives in 2020: Women of Avista and the Our People Council.

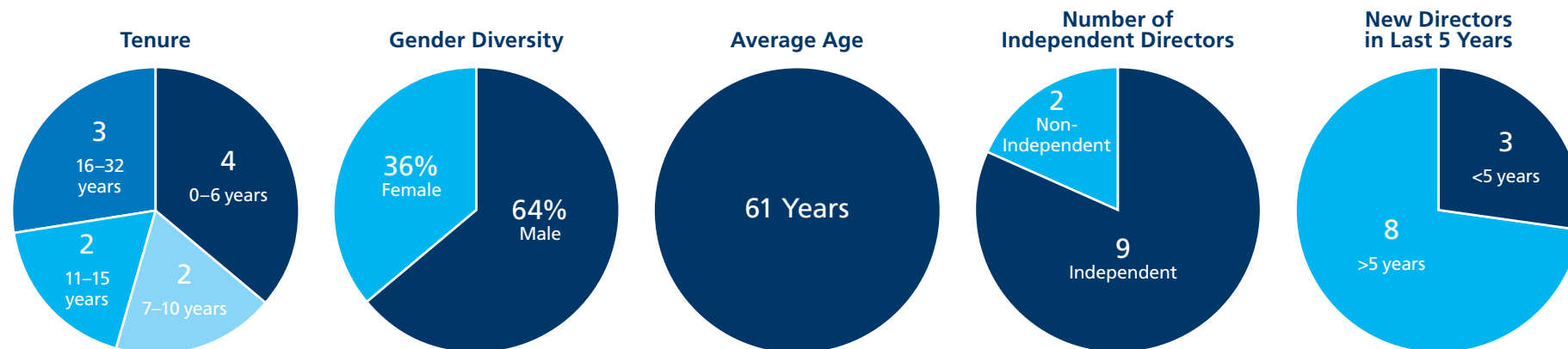
Both programs are sponsored by our CEO and senior executive officers. Women of Avista is committed to building a diverse culture that is more caring, supportive and inclusive for women. The Our



**Avista Lead Director  
Kristianne Blake**  
Principal  
Kristianne Gates Blake, P.S.  
Spokane, Washington  
Director Since 07/01/00

People Council is focused on issues of diversity, equity, inclusion and racial and social justice efforts within our workforce and with our customer and community partners. Along with our existing student and employee development programs, we aim to further enhance diversity among our workforce and ultimately into our executive leadership ranks.

Board Demographics	
Director Women	36.4%
Director Ethnic Minorities	9.1%
Executive Women	16.7%
Executive Ethnic Minorities	8.3%



# 4 ■ Striving to improve the performance of the Board of Directors and executive leadership through effective performance assessments, appropriate and fair compensation practices, and ongoing investment in education and professional development.

We believe that performance management is a key strategy for the continued success of our Company. Our performance management practices are embedded throughout all levels of our workforce in order to continually assess how we are executing on our commitments for all our stakeholders. The Company further believes that performance management of our executive officers and our board remains vitally important to evaluate our strategies, policies, structures and results in order to meet and exceed the ever-changing expectation of our stakeholders.

The Board conducts an annual assessment of its performance and effectiveness. The process is coordinated by the Board chair and the chair of the Governance and Corporate Responsibility Committee and is proctored through written assessments completed by each director. Areas of inquiry include, among other things, the following:

- Overall board performance and areas of focus including strategic and business issues, challenges and opportunities;
- Succession planning;
- Board committee structure and composition;
- Board culture;
- Board composition;
- Management performance, including quality of materials, provided to the directors; and
- Board meeting logistics.

The Board's committees also conduct annual assessments of their performance and effectiveness through written assessments completed by each committee member. Areas of inquiry include, among other things, the following:

- The sufficiency of their charters;
- Whether committee members possess the right skills and experience or whether additional education or training is required;
- Whether there are sufficient meetings covering the right topics; and
- Whether meeting materials are effective.

A summary of all committee assessment results is provided to the Governance and Corporate Responsibility Committee and Board for review and discussion.

Annually, the Board Chair conducts an objective assessment of the quality of each Board member, taking into account such factors as attendance, participation, engagement with other Board members, and any other factors deemed

appropriate. This process includes a discussion between the Board Chair and the Chairs of each Board Committee, as well as individual interviews of each director. The process provides an opportunity for the Board Chair to seek direct input on individual director performance, as well as practical input from each director on what the Board should continue doing, start doing and stop doing. The information gathered through the assessment process is incorporated into the Governance and Corporate Responsibility Committee's review and recommendation of Board members to stand for election each year.

Avista executive officers receive annual performance reviews conducted by their direct manager, and the Compensation Committee of the Board reviews each Named Executive Officer's (NEO) performance ratings. For each NEO, the Compensation Committee also reviews the results of the Company's 360-degree survey, which is a standardized performance survey conducted periodically on multiple leadership performance categories that includes feedback from peers within the Company, direct reports and the NEO's direct manager.

At the beginning of each calendar year, the Compensation Committee asks our CEO to develop specific performance targets and goals for his/her role based on strategic goals set by the Board. The Compensation Committee reviews and approves our CEO's goals at its annual February meeting and presents those goals to the Board for its information and review. The Compensation Committee quarterly reviews our CEO's performance relative to his targets and provides quarterly status updates to the

Board. At the end of the year, the Compensation Committee reviews our CEO's year-end results as part of its overall CEO annual performance review process.

The Board regularly reviews director compensation to determine whether it is appropriate and competitive in light of market circumstances and prevailing best practices for corporate governance for the industry. Through this review process, the Board targets overall director compensation to the median of the same peer group used to review executive compensation. The elements of director compensation reflect the Board's view that compensation to the independent directors should consist of an appropriate mix of cash and stock. Both the cash and stock portions of the retainer are paid quarterly. Employee directors are not compensated for their board service.

The Company has a minimum stock ownership expectation for all board members. Within five years of becoming a board member, outside directors are expected to achieve a minimum investment of five times the minimum stock portion of their retainer and retain at least that same level of investment while a board member. The ownership expectation illustrates the Board's philosophy of the importance of stock ownership for directors to further strengthen the commonality of interest between the Board and shareholders.

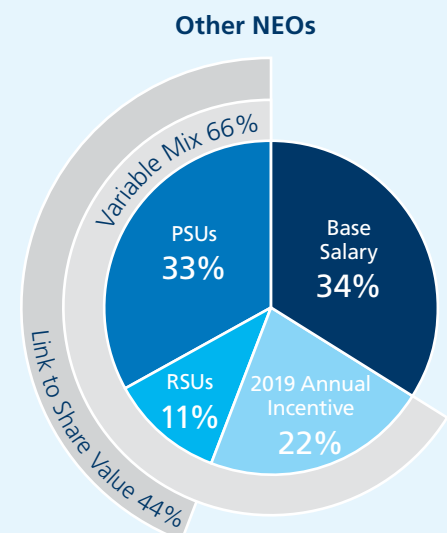
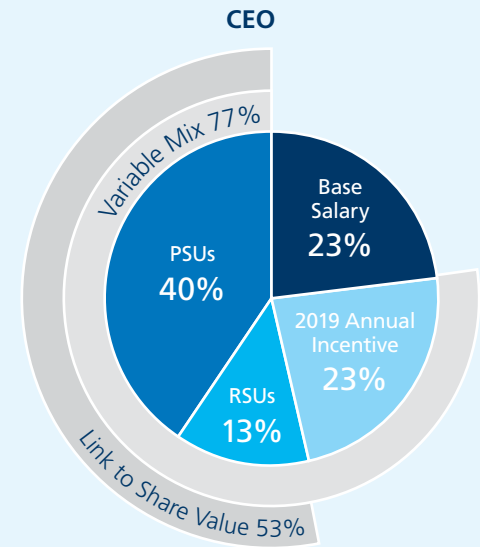
The Compensation Committee approves and implements a compensation program that focuses executives on the achievement of specific annual, long-term and strategic goals, aligning executives' interests with those of shareholders by rewarding

performance that maintains and improves shareholder value. The Compensation Committee believes that the overall compensation of our senior executives should be weighted toward variable performance-based compensation. A significant portion of compensation is linked with goals related to specific items of corporate performance that are likely to produce long-term shareholder and customer value.

Our executives are provided with an annual base salary to compensate them for services rendered during the year. The Compensation Committee reviews the base salary of all executive officers at least annually. The factors that influence the Compensation Committee's decisions in setting the annual base salary for our executives include market data job complexity, experience and breadth of knowledge in the utility and diversified energy industry. The Compensation Committee also considers each executive's responsibilities, which may include electric and natural gas utility operations, as well as subsidiary operations, and recognizes that the Company operates in several states, which requires quality relationships and interaction with multiple regulatory agencies.

Avista's executives are also provided with an annual cash incentive plan designed to align the interests of our executives with both shareholder and customer interests to achieve overall positive financial and operational performance for the Company. The cash incentive plan reflects these goals by having 60% of the total incentive opportunity tied to consolidated earnings per share, with the remaining 40% tied to key components of utility operation. Each metric is

The charts below show the portion of target compensation that is variable and therefore is "at risk" for our CEO and the average for our other NEOs. Variable compensation includes: annual incentives, RSUs and performance shares. The charts also show the portion of target compensation for our CEO and the average target compensation for our other NEOs that is directly linked to share value, including RSUs and performance shares. The numbers used for the CEO are based on Scott Morris who was our CEO until October 1, 2019.





independent, which allows the cash incentive plan to pay a portion of the award upon the attainment of one goal even if the other goals are not met.

The cash incentive plan's performance metrics are based on factors that are essential for the long-term success of the Company, and, with the exception of the consolidated earnings per share, are identical to performance metrics used in the Company's annual cash incentive plan for non-executive employees. The Compensation Committee believes that having similar metrics for both the cash incentive plan and the non-executive plan encourages employees at all levels of the Company to focus on common objectives.

The Compensation Committee believes that equity-based compensation is the most effective way to create a long-term link between shareholder returns and the compensation provided to executives and other key management. This program encourages participants to focus on long-term company performance and provides an opportunity for executive officers and designated key employees to maintain ownership in the Company through grants of stock that can be earned based on either service or performance, and sometimes both, over a three-year cycle. Through the use of long-term performance awards and restricted stock units, the Company can compensate executives for sustained increases in the Company's stock performance, as well as long-term growth relative to its peer group for the relevant cycle.

The Board has implemented stock ownership guidelines for the Company's executive officers. The guidelines require executive officers to own shares and achieve set ownership levels based on a formula designated as a multiple of salary within a target timeframe of five years from their employment date or date of promotion, as described within the program guidelines. The value for each executive's ownership level is determined by using the average closing share price over the prior calendar year. This methodology aligns with current competitive practices within the peer group based on market data provided by Meridian. The objectives of our stock ownership guidelines are to:

- Strengthen alignment of the executives' financial interests with those of shareholders;
- Enhance executive long-term perspective and focus on shareholder value growth;
- Reinforce "pay at risk" philosophy and provide an additional basis for sharing in Company success or failure as reflected in shareholder returns; and
- Align Company practice with corporate governance best practices.

The Compensation Committee believes that the Company's compensation policies and practices do not create risks reasonably likely to have a material adverse effect on the Company. In establishing pay practices for the Company, the Compensation Committee's goal is to design a compensation structure that does not encourage inappropriate risk-taking by employees or executive officers. The following features of the compensation structure reflect this approach:

- Short and long-term incentive payments are capped;
- Annual cash incentive design balances key performance metrics that are focused on financial results and system sustainability over time;
- The total compensation program does not guarantee bonuses and has multiple financial and non-financial performance measures;
- The Compensation Committee reviews both short-term and long-term financial scenarios to ensure the plan design does not encourage executives to take excessive risks but also does not discourage appropriate risks;
- Stock ownership guidelines are in place to strengthen the alignment of the financial interests of executives with those of shareholders;
- Directors and officers are prohibited from engaging in short-sales, zero-cost collars, forward sales contracts, pledging, hedging or otherwise offsetting any decrease in the market value of their company shares; and
- The Company maintains a formal recoupment (i.e., clawback) policy.

Company is required to prepare an accounting restatement as a result of misconduct or a material error, incentive payouts based on the original results should be revised. Therefore, the Board has adopted a formal recoupment policy applicable to incentive compensation awards. The policy authorizes the Company to recover incentive payouts if those payouts are based on performance results that are subsequently revised or restated to levels that would have produced payouts lower than the original incentive plan payouts. If misconduct or material

error results in a restatement of financial results, the Compensation Committee may recommend that the Board either require forfeiture of incentive awards or seek to recover appropriate portions of the executive officer's compensation for the relevant period, in addition to other disciplinary actions that might be appropriate based on the circumstances. Effective February 5, 2020, the Compensation Committee expanded this policy to allow up to three years of incentive compensation to be subject to recovery for detrimental conduct.

The Compensation Committee believes it is in the interest of shareholders to provide severance to our executive officers in the event of a change in control (CIC), thereby reducing the inherent conflict of our executive officers pursuing a transaction that may result in their personal job loss. Effective January 1, 2020, a new CIC plan was put in place for all current officers of the Company. Executives prior to January 1, 2020 would have received three times the sum of their annual base salary and targeted annual bonus. Going forward, they would receive two times the sum of their annual base salary and target annual bonus.

## 28 to 1

Ratio of CEO pay to the pay of our median employee for 2019

Our Governance and Corporate Responsibility Committee and management are responsible for director orientation programs. Orientation programs are designed to familiarize new directors with the Company's business strategies and policies. The Governance and Corporate Responsibility Committee is also responsible for director continuing education. Continuing education programs include a combination of internally developed materials and presentations and outside programs presented by third parties. Financial and administrative support is available to directors for attendance at academic or other independent programs. Succession plans for our CEO and other officers are an important part of the Company's long-term success, and the Company has a succession-planning process that reflects the Company's long-term business strategy. The Compensation Committee conducts an annual review of the succession plans for our CEO and other executives and receives quarterly updates on the plans. Our CEO and the Compensation Committee

review those succession plans annually with the Board. The succession plans reflect the Board's belief that the Company should regularly identify internal candidates for the CEO and other executive positions and that it should develop those candidates for consideration when a transition is planned or necessary. Accordingly, management has identified internal candidates in various phases of development and has implemented development plans to assure the candidates' readiness. Those development plans identify the candidates' strengths and developmental opportunities, and the Compensation Committee regularly reviews progress. In addition to internal development pools, to assure selection of the best candidate(s), the Company may recruit externally if such approach would better suit the Company's strategic needs. The Compensation Committee believes that the Company's succession planning process provides a good structure to assure that the Company will have qualified successors for its executive officers.

The Board has adopted a contingency CEO succession plan to outline the procedures for the temporary appointment of an interim CEO to avoid a vacancy in leadership that may occur because of an absence event due to death, illness, disability or sudden departure of our CEO.

The following chart shows the Cash Incentive Plan performance goals for each performance metric, the weighting of each metric, and the 2019 actual results of each metric.

Metric	Weighting	Threshold	Target	Exceeds	Actual	2019 Results
<b>Earnings Components</b>						
Consolidated Earnings per Share* Payout can vary 0%–167% based on performance level.	60%	\$ 2.78	\$ 2.88	\$ 2.98	\$ 2.97	Met 160%
<b>Utility Operations Components</b>						
Cost Per Customer* The Operating and Maintenance (O&M) cost is directly related to maintaining reliable, cost-effective service levels. Payouts can vary 0%–150% based on performance level.	20%	\$ 395.39	\$ 393.01	\$ 384.22	\$ 394.71	Met 64.29%
Customer Satisfaction Rating This rating is derived from a Voice of the Customer survey conducted each quarter by an independent agency. The survey is used to track satisfaction levels of customers that have had recent contact with our call center or service center. This is a hit or miss target and the payout is either 100% or 0% based on achievement of objective.	8%	NA	90%	NA	94%	Met 100%
Reliability Index This measure is derived from the combination of three indices that track average restoration time for sustained outages, average number of sustained outages per customer, and percent of customers experiencing more than three sustained outages during the year. This is a hit or miss target and the payout is either 100% or 0% based on achievement of objective.	8%	NA	1.00	NA	1.18	Met 100%
Response Time This measures how quickly the Company responds to dispatched natural gas emergency calls. This is a hit or miss target and the payout is either 100% or 0% based on achievement of objective.	4%	NA	<55	NA	38	Met 100%

\* Payout levels are interpolated on a straight-line basis for results between the threshold performance level and the maximum level.

# 5 ■ Ensuring that shareholders have an appropriate voice with respect to matters impacting the company through outreach and engagement.

We believe that our shareholders are vitally important for the Company to be able to execute on our vision to empower our customers to live their lives to the fullest. As such, we need to regularly engage with our shareholders and ensure that they have an appropriate voice with respect to matters impacting Avista. As an example of this commitment, we proactively adopted Proxy access for director nominees. Avista will continue to focus on our shareholder engagement practices in order to strengthen healthy dialogue and align our corporate governance, business operations and performance with the expectations of our shareholders.

Another example of how we understand and incorporate our shareholders' voice and expectations occurred following our Company's May 2019 Annual Meeting with regards to the Say on Pay advisory resolution. Shareholders expressed substantial support for the compensation of our named executive officers, with approximately 94.28% of the votes cast for the Say on Pay advisory resolution approving our executive compensation. Although this was a slightly lower percentage of support than the previous vote, we still viewed this outcome as a signal of strong shareholder support for our executive compensation philosophy, policies and

practices. In subsequent discussions with various shareholders, we discussed our overall approach to executive compensation and governance and took into consideration feedback we received. Based in part on the feedback received from our shareholders and the results of the Say on Pay advisory vote, we decided to adopt a new Change in Control (CIC) plan and eliminate individual CIC agreements with all current officers. We also modified our recoupment policy. We anticipate issuing our next Say on Pay advisory resolution in 2023.

In addition to our smaller shareholder engagements and discussions occurring throughout the year, our Annual Meeting of Shareholders presents an opportunity to engage with all our shareholders. By having our directors stand for election each year (in uncontested elections, directors must be elected by majority of the votes cast), seeking ratification of our selected independent registered public accounting firm, and soliciting the Say on Pay advisory resolution, the Board has the opportunity to receive feedback through the voting results of our shareholders, and any other business or engagements that may be raised during the course of the annual meeting. Of note, while the Company's Audit Committee has direct responsibility for the appointment of the independent registered public accounting firm, as a matter of good corporate governance, our Board submits its selection of the independent registered public accounting firm to our shareholders for ratification. Similarly, consistent with our record of shareholder engagement and the recent revisions made to our executive compensation practices, the Board will take the outcome of the Say



on Pay advisory resolution votes into consideration, along with other relevant factors, when making future determinations concerning compensation and the frequency of such advisory votes.

Avista's Corporate Responsibility initiative is yet another example of how our Company strives to ensure that our shareholders have an appropriate voice with respect to matters impacting the company. In response to shareholder engagements and questions concerning environmental, social and governance (ESG) issues and expectations Avista, we launched our Corporate Responsibility initiative intending to provide greater disclosure and transparency around these issues. Furthermore, we sought to align additional disclosures around these same issues with widely adopted reporting frameworks that our shareholders supported, namely the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability

Accounting Standards Board (SASB). The Company also provides requested disclosures in accordance with the Edison Electric Institute (EEl) and American Gas Association (AGA) joint reporting template on ESG and sustainability topics, which includes quantitative generation portfolio and emission data, employee health and safety information, and details on the Company's use of water resources and handling of hazardous waste products. Access Avista's TCFD, SASB, EEl and AGA reporting frameworks at [avistacorp.com](http://avistacorp.com).

As a publicly traded company, we also report on material issues impacting the company through a variety of disclosure mechanisms governed by the Securities and Exchange Commission, including our 10-K and Annual Report, quarterly 10-Q filings, and periodic 8-K filings. We also regularly issue press releases regarding issues of importance to our business. Shareholders and other interested parties may subscribe to receive email alerts of these disclosure mechanisms and the Company's press release through our email alerts form on the [Avista Corporation](http://Avista Corporation) website.

Shareholders and other interested parties may send correspondence to our Board or to any individual director including our lead director to our Corporate Secretary's office at 1411 East Mission Avenue, P.O. Box 3727 (MSC-10), Spokane, Washington 99220. Shareholders and other interested parties may also contact our Shareholder Services and Investor Relations group through our investor relations contact form on the [Avista Corporation](http://Avista Corporation) website, or through these channels:

### **Avista Corp. Shareholder Services and Investor Relations**

P.O. Box 3727, MSC-19  
Spokane, WA 99220-3727  
Phone: 509-495-4203

### **Analyst Contact**

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(509) 495-4174

### **Interactive Voice Recording (IVR)**

1-800-222-4931

# 6

## ■ Maintaining transparency with respect to governance of the Company and the pursuit of its strategic goals.

Avista's commitment to corporate responsibility encompasses our broader approach to sustainability, stewardship and corporate citizenship in order to build long-term value for all of our stakeholders. We believe that executing good corporate governance is an essential component of this broader approach. And when it comes to our corporate governance, we need to ensure that we clearly communicate, explain and provide transparency in our disclosures for our stakeholders to clearly understand Avista's strategic goals.

Our Board is responsible for directing the management of the business and affairs of the Company. As such, the Board gives the Company's executive officers strategic direction and oversees their operation of the Company's business and their conduct of its affairs, with a view to serving the best interests of the Company, its shareholders and other stakeholders.

The Board plays an active role in the identification of the major risks affecting the Company and the oversight of the Company's risk management in pursuit of our strategic goals. The Board's risk oversight process includes receiving reports from members of corporate management on areas of material risk to the Company, including financial, regulatory, energy commodity, operational,

compliance, cyber and technology, wildfire resiliency, strategic and external mandate risks. The Board's oversight is conducted primarily through the committees of the Board as set out in their charters. However, the full Board retains responsibility for the general oversight of risks.

While our Board is responsible for risk oversight, Avista's management team is responsible for the day-to-day management of risks including the appropriate officer reporting on risks to the appropriate board committee or to the full Board. For example, quarterly, the director of finance and risk reports on the Company's risk analysis and risk management processes to the Audit Committee. Quarterly, the Environmental Committee reviews risks related to the Company's operations, and, annually, the CFO reports to the Board on the Company's enterprise risk management program and processes. When a committee receives a report from management, the chair of that committee advises the full Board at its next meeting. This enables the Board and its committees to coordinate comprehensive risk oversight. Our Annual Report on Form 10-K contains a detailed discussion of the material risks to the Company's business and the Company's efforts to manage them. The report can be found on the [Avista Corporation](#) website.

Avista's management team performs their risk management and mitigation related activities throughout the year. We have an enterprise risk management (ERM) process for managing risks throughout the organization, which facilitates the identification and measurement of various forms of risk that may affect the Company. Our risk



management department facilitates the collection of risk information, providing senior management with a consolidated view of the Company's major risks and risk mitigation measures. The ERM process supports management in identifying, assessing, quantifying, managing and mitigating the risks. Despite all risk mitigation measures, however, risks are not eliminated. Our primary identified categories of risk exposure are utility regulatory, operational, cyber and technology, strategic, external mandates, financial, energy commodity and compliance. We consider the management of these risks an integral part of managing our core business and a key element of our approach to corporate governance.

Concerns about long-term global climate changes and implications could have a significant effect on our business. Our operations could be affected by changes in laws and regulations intended to mitigate the risk of, or alter, global climate changes, including restrictions on the operation of our power generation resources and obligations or limitations imposed on the sale of natural gas. Changing temperatures and

precipitation, including snowpack conditions, affect the availability and timing of stream flows, which impact hydroelectric generation. Extreme weather events could increase fire risks, service interruptions, outages and maintenance costs. Changing temperatures could also increase or decrease customer demand. Our Perform Council, a successor body to our historical Clean Energy Council, is an interdisciplinary team of management and other employees of the Company which regularly meets to discuss, assess and manage potential risks associated with long-term global climate change. Among other things, the Perform Council:

- facilitates internal and external communications regarding climate change and related issues,
- analyzes policy effects, anticipates opportunities and evaluates strategies for the Company,
- develops recommendations on climate-related policy positions and action plans, and
- provides direction and oversight with respect to the Company's clean energy goals.

In addition to the Perform Council, issues concerning climate-related risk and the Company's clean energy goals are reviewed and regularly discussed by the Board. The Board's Environmental, Technology and Operations Committee regularly reviews and discusses environmental and climate-related risks and advises the Board on any critical or emerging risks and/or related policies. Likewise, the Audit Committee provides oversight of climate-related disclosures in the Company's financial statements.

While the identification of global climate change-related risks and opportunities are present and embedded in the Company's ERM processes and Perform Council, a further analysis occurs through the Company's implementation of the Task Force on Climate-related Financial Disclosures (TCFD) framework. For additional information concerning these risks and mitigation strategies, please access Avista's TCFD framework disclosure at [avistacorp.com](https://www.avistacorp.com).

## Forward-Looking Statement

This report contains forward-looking statements, including statements regarding our current expectations, plans or objectives for future operations and other factors, which may affect the company in the future. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond our control and many of which could have significant impact on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in our statements.

For a further discussion of these factors and other important factors please refer to our most recent Annual Report on Form 10-K, or Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission. Those reports are also available on our website at [www.avistacorp.com](http://www.avistacorp.com) The forward-looking statements contained in this report is current as of December 31, 2020, and should not be relied upon as being current as of any subsequent date. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to

reflect the occurrence of unanticipated events. New risks, uncertainties and other factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on our business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.