



To Our Valued Customers and Community Partners:

Today, we took an important step to position Avista for the future.

In partnership with Hydro One, Ontario, Canada's, largest electricity transmission and distribution provider, we jointly announced a unique transaction under which we will become a subsidiary of Hydro One in a manner that preserves our identity and legacy and allows us to continue charting our own course in a rapidly consolidating industry landscape. See more details at www.myavista.com.

While this changes our ownership structure, it doesn't change the things that matter most about Avista. We take very seriously our responsibility to be a good corporate citizen and community partner, and we are confident that this transaction is good news for our customers and the communities we serve.

We worked hard to put in place a special set of agreements with Hydro One that add up to one thing: How we work, make decisions, and engage with our customers and communities will not change as a result of this transaction. We will deliver the same levels of high quality service for customers, continue to focus on our core strategies, and there will be no workforce reductions as a result of the transaction.

We will continue to operate under the Avista name, from the same headquarters in Spokane, with the same management team and existing employees, overseen by a Board of Directors with significant Pacific Northwest representation. Scott Morris, our current board chair, president and CEO, will serve as chairman of the board.

Our decision to team up with Hydro One at a time of strength and growth for our company is a unique opportunity to secure a partnership that preserves our identity and our strong legacy while allowing us to continue to define and control, to a significant degree, our future operations in an industry that requires increasing scale to compete most effectively.

We were deeply committed to joining with a partner that both understood and would be committed to helping us lock in the things that have long been important to us. It was critical for us to create a 'win' for each of our important stakeholders. We believe we have achieved this goal as:

- Avista's customers will continue to be provided with high quality and reliable energy services at a reasonable cost. Further, Avista and Hydro One share longstanding commitments to environmental stewardship and safety.
- The communities Avista serves will continue to benefit from the important philanthropic and economic development support we provide. In fact, Hydro One has committed to doing even more – nearly doubling our current levels of community contributions and providing a \$2 million annual contribution to the Avista Foundation.
- Avista employees will see a continuation of the company essentially as it is today.

- And the transaction delivers solid value to our shareholders, who will receive an attractive price of \$53 for each of their shares.

In Hydro One, we have a strong partner that shares a similar culture, values, and deep commitments to all its stakeholders. Like Avista, Hydro One is also building for the future. Since it went public in 2015, Hydro One has transformed itself into the great company it is today, with a dynamic leadership team headed by President and CEO, Mayo Schmidt.

Based in Toronto, Hydro One is Ontario's largest electricity transmission and distribution provider with more than 1.3 million customers, C\$25 billion in assets and annual revenues of over C\$6.5 billion. Hydro One has a team of 5,500 employees serving suburban, rural and remote communities across Ontario. Like Avista, Hydro One is committed to the communities it serves, and has been rated as the top utility in Canada for its corporate citizenship, sustainability, and diversity initiatives.

Hydro One is five times the size of Avista in terms of market capitalization, expanding the financial capacity of the combined company to make additional investments to benefit customers. With Hydro One as our partner, we will continue to uphold our longstanding commitment to environmental responsibility, innovation, safety and reliability. Hydro One will provide Avista with additional scale, helping us build a stronger foundation for our future and augmenting the resources available to us to continue to invest in our energy infrastructure and technology.

Further, this combination will provide increased opportunities for innovation and efficiencies by extending the use of technology, best practices and business processes over a broader customer base and a broader set of infrastructure.

Bottom line, this is the right partnership at the right time. Hydro One was attracted to Avista in large part due to our long-standing commitment to provide exceptional value to all our stakeholders. They are looking forward to collaborating with us and helping us achieve our next level of success. In turn, we will be able to contribute to the success of a larger organization. We have a rich legacy of a 128-year-old company to honor and uphold. We believe that partnering with Hydro One is in the best interests of our customers, communities, employees and shareholders.

Until the time we close, which we expect sometime in the second half of 2018, Avista and Hydro One will continue to operate as two independent companies.

Thank you,

Avista

