



March 27, 2018

To Our Valued Customers:

Today, Avista announced another significant milestone in the approval process of our proposed merger with Hydro One. A settlement agreement has been filed with the Washington Utilities and Transportation Commission that preserves and enhances Avista's commitments to our customers, communities and employees. Reaching this agreement brings us one step closer to the completion of the merger, and we remain on schedule to close in the second half of this year.

We felt this was a great opportunity to update all of our customers on the progress we have made so far.

Last July, we announced that we were merging with Hydro One and would become a subsidiary of that company. As we wrote to you at the time, this unique partnership preserves our identity and legacy and enables us to continue charting our own course in a rapidly consolidating industry.

True to our long-held values, our goal going forward will be what it has always been – to provide the best service to our customers at reasonable prices. Upon completion of the merger, and as a subsidiary of Hydro One, Avista will continue to operate essentially as it does today, conducting business and serving our customers and communities as we do now. Our headquarters will remain in Spokane, and no workforce reductions are anticipated as a result of this transaction.

As we have worked with Hydro One through the merger process over the last several months, we are even more excited about the opportunity this partnership holds for our future. We are confident that this partnership will expand our opportunities to be innovative and gain operating efficiencies by extending the use of technology, best practices, and business processes over a broader customer base and broader set of infrastructure.

Since July, we have made steady progress towards completing this merger. In November, our shareholders voted in favor of the acquisition. Around that same time, we filed for regulatory approval in all five of our jurisdictions (Alaska, Montana, Idaho, Oregon and Washington), and these are still pending. Shortly thereafter, we received approval from the Federal Energy Regulatory Commission (FERC). Today's settlement with the Washington Utilities and Transportation Commission is an important next step, as we get closer to completing this historic transaction.

Throughout this process, we have continued to keep close the things that matter most about Avista. We continue to take very seriously our responsibility to be a good corporate citizen and community partner, and we continue to be confident that this transaction is good news for our customers and the communities we serve.

We have a rich legacy of a 129-year-old company to honor and uphold, and we believe that partnering with Hydro One is in the best interests of all of our important stakeholders.

For more information about the settlement agreement, our partnership with Hydro One, the process for approval of the merger and details on past milestones and communications, please visit www.myavista.com/hydroone.

Thank you,

Avista

