



October 26, 2018

To Our Valued Customers:

We know you hear from us on a variety of issues. This is because we'd like you to be informed about topics that might matter to you, and that involve Avista. We value the trust you place in us to provide you with reliable, affordable energy, and we take this role seriously. We also view ourselves as more than this. We're here to enhance the strength of our communities.

As we continue to move through the regulatory process toward approval of our proposed merger with Hydro One, we wanted to provide you an update on the status, why we've engaged in this partnership and what it means for customers.

The utility industry is undergoing transformational change and has been consolidating over the last decade. This has changed the landscape for smaller utilities like ours. The decision to team up with Hydro One at a time of strength is a unique opportunity to preserve our identity and legacy while allowing us to continue to define and control, to a significant degree, our future operations.

Over the last nearly year and a half, we've worked diligently to formalize our partnership with Hydro One in a way that aligns with our values and honors the customers and communities we serve. The merger commitments agreed to by Avista and Hydro One throughout the regulatory process ensure this is a partnership that benefits all of our stakeholders.

While this merger would change Avista's ownership structure, our customers and communities can expect business as usual. What does this look like for you?

- High quality, reliable energy at a reasonable cost
- Continued operation as a stand-alone company led by a Board of Directors with significant Pacific Northwest representation
- Ongoing community involvement and economic development
- Increased charitable giving, nearly doubling our current levels of community contributions and an additional \$2 million annual contribution to the Avista Foundation, following a one-time contribution of \$7 million
- Headquarters in Spokane and maintained presence in the communities across our service area
- Rate credits provided to customers once the merger is approved by the state utility commissions
- Rates set by state utility commissions, not Hydro One, which will include only the costs for Avista to serve its customers

Since we last updated you, we've continued to work through the regulatory approval process. The merger has received regulatory approval from utility commissions in Alaska and Montana, and all necessary federal approvals have been received. You may have seen news about changes in leadership at Hydro One and extended regulatory timelines in Washington, Idaho

and Oregon. We remain committed to this merger and the benefits it will bring for all of our stakeholders.

Hydro One is a strong partner who continues to honor the things that matter most about Avista. We believe this partnership is the right thing for our customers, our communities and our future.

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

Thank you,

Avista

