

Hydro One and Avista Merger Frequently Asked Questions

1. What was recently announced with the Washington Utilities and Transportation Commission?

Hydro One and Avista reached an all-party settlement agreement in the Washington merger case, recommending its approval by the Washington Utilities and Transportation Commission. The settlement is designed to preserve and enhance Avista's commitments to its customers, its employees, and the communities it serves.

The settlement agreement is a significant milestone in the regulatory approval process of the proposed merger with Hydro One.

The settlement agreement demonstrates broad support of the merger from a diverse group of parties representing the interests of all stakeholders involved in the process in Washington. In addition to Hydro One and Avista, the parties to the merger proceeding include the Staff of the WUTC, the Public Counsel Unit of the Washington Office of Attorney General, the Northwest Industrial Gas Users, the Industrial Customers of Northwest Utilities, The Energy Project, Northwest Energy Coalition, Renewable Northwest, Natural Resources Defense Council, Sierra Club and the Washington and Northern Idaho District Council of Laborers.

The agreement puts us one step closer to the completion of this merger, and we remain on schedule to close in the second half of 2018.

2. When do you expect the merger to be completed?

We are on schedule to complete the transaction in the second half of 2018.

To date, Avista and Hydro One have already obtained approval from the Federal Energy Regulatory Commission ("FERC") and from Avista shareholders. We still require regulatory approval of the transaction with utility commissions in Idaho, Oregon, Montana and Alaska. We must also obtain approval from the Federal Communications Commission. We are confident that we will be able to work with all of these parties to receive the required approvals.

3. What should customers expect after Avista joins Hydro One?

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. Most importantly, we will continue to provide customers with clean, safe, and reliable service at reasonable rates. Furthermore, our headquarters will remain in Spokane, and no workforce reductions are anticipated as a result of this transaction.

This merger will also allow us to proactively pursue technological innovation, economic development, and community support for the benefit of our customers, our employees, and the local communities we serve. We can also potentially gain efficiencies by

extending the use of the combination of technology, best practices, and business processes over a broader customer base and broader set of infrastructure.

4. What does this mean for rates?

True to our values, our goal going forward will be what it has always been – to provide the best service at reasonable costs.

Hydro One and Avista customer rates will not be impacted by any of the costs associated with the transaction.

5. Will customers receive rate credits?

Yes. Avista and Hydro One have proposed rate credits of \$30.7 million be provided to customers in Washington over five years and \$1 million to Alaska Electric Light and Power customers in Alaska. Customers in Idaho and Oregon will also receive rate credits with amounts to be finalized before the transaction is complete. Rate credits become effective at the close of the transaction.

Because the proposed transaction calls for Avista to continue to operate essentially as it does today, any reductions in rates in the near-term will be modest. Over time, however, this partnership expands 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.

6. Is it unusual for a foreign company to own a U.S. utility?

Not at all. Many foreign companies own utilities in the United States. For example, British, Spanish, and Canadian companies have U.S. electric and natural gas utility subsidiaries, principally in the northeast but in other parts of the country as well.

In 2016 alone, three Canadian companies acquired utilities in the U.S., following several acquisitions by some of the same Canadian companies in previous years. These acquisitions were approved by federal and state regulators.

7. Are there any plans for location closures or staff reductions?

No. Hydro One's plan is to have Avista operate as a wholly-owned subsidiary of Hydro One, conducting business and serving our customers and communities as we do now. Our headquarters will remain here in Spokane. There are no plans for job reductions or to close locations as a result of the transaction, and management will largely remain the same.

8. Will the community benefit from the merger?

Yes. Avista will continue philanthropy and economic development in the communities we serve. In fact, Hydro One has committed to doing more—nearly doubling current levels of community contributions. The annual level of charitable contributions through corporate and Avista Foundation giving will nearly double to \$4 million. The Avista Foundation will grow through an additional \$2 million annual contribution, following a one-time contribution of \$7 million, at the time the transaction closes. Avista will also continue to invest in economic development efforts and sustain community involvement initiatives.