



**Welcome**

**Second Quarter 2015  
Earnings Webcast**

**August 5, 2015**

# Call Participants



**Scott Morris**  
Chairman, President  
and CEO



**Mark Thies**  
Sr. VP and CFO



**Dennis Vermillion**  
Sr. VP, Avista Corp.  
President, Avista Utilities



**Kelly Norwood**  
VP, State and Federal  
Regulation



**Christy Burmeister-Smith**  
VP, Controller and  
Principal Accounting Officer

# Forward-Looking Statements

*This presentation contains forward-looking statements, including statements regarding our current expectations for future financial performance and cash flows, capital expenditures, financing plans, our current 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 such statements.*

*For a further discussion of these factors and other important factors, please refer to our Annual Report on Form 10-K for the year ended Dec. 31, 2014 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. The forward-looking statements contained in this presentation speak only as of the date hereof. 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.*

# Net Income (Loss) and Diluted EPS

<i>(\$ in thousands, except per-share data)</i>	<b>Q2 2015</b>	<b>Q2 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Operating Revenues (continuing operations)	\$337,332	\$312,580	\$783,822	\$759,158
Income from Operations (continuing operations)	\$57,360	\$62,731	\$146,935	\$153,073
Net Income from continuing operations attributable to Avista Corp. Shareholders	\$25,050	\$31,254	\$71,499	\$78,730
Net Income from discontinued operations attributable to Avista Corp. Shareholders	\$196	\$69,617	\$196	\$70,640
<b>Total Net Income attributable to Avista Corp. Shareholders</b>	<b>\$25,246</b>	<b>\$100,871</b>	<b>\$71,695</b>	<b>\$149,370</b>

## **Net Income (Loss) per diluted share by Business Segment attributable to Avista Corp. Shareholders**

Avista Utilities	\$24,478	\$26,685	\$68,862	\$74,681
Alaska Electric Light and Power Company	\$925	—	\$3,559	—
Ecova (discontinued operations)	\$196	\$69,696	\$196	\$70,807
Other	\$(353)	\$4,490	\$(922)	\$3,882

## **Earnings (Loss) per diluted share by Business Segment attributable to Avista Corp. Shareholders**

Avista Utilities	\$0.39	\$0.44	\$1.10	\$1.24
Alaska Electric Light and Power Company	\$0.02	—	\$0.06	—
Ecova (discontinued operations)	—	\$1.15	—	\$1.17
Other	\$(0.01)	\$0.08	\$(0.02)	\$0.07
<b>Total Earnings per diluted share attributable to Avista Corp. Shareholders</b>	<b>\$0.40</b>	<b>\$1.67</b>	<b>\$1.14</b>	<b>\$2.48</b>
Earnings per diluted share from continuing operations	\$0.40	\$0.52	\$1.14	\$1.31
Earnings per diluted share from discontinued operations	—	\$1.15	—	\$1.17
<b>Total Earnings per diluted share attributable to Avista Corp. Shareholders</b>	<b>\$0.40</b>	<b>\$1.67</b>	<b>\$1.14</b>	<b>\$2.48</b>

# Driving effective regulatory outcomes

## Continued recovery of costs and capital investments

### Washington



- May 4, 2015, filed a partial settlement agreement on cost of capital, net power supply costs and rate spread and rate design. Cost of capital based on 48.5% equity ratio and 9.5% return on equity.
- Original electric and natural gas revenue increase request filed Feb. 9, 2015, was reduced from \$33.2 million to \$17.0 million, and from \$12.0 million to \$11.3 million, respectively. Agreement included \$12.4 million reduction to net power supply costs.
- Unsettled issues include capital investments and recovery of increased utility operating costs.

### Oregon



- May 1, 2015, filed a general rate case designed to increase natural gas revenues by \$8.6 million.
- Request based on 50% equity ratio and 9.9% return on equity.
- Approved revenue increase of \$5.0 million took effect April 16, 2015, following approval of the all-party settlement agreement April 9, 2015. New rates based on 51% equity ratio and 9.5% return on equity.

### Idaho

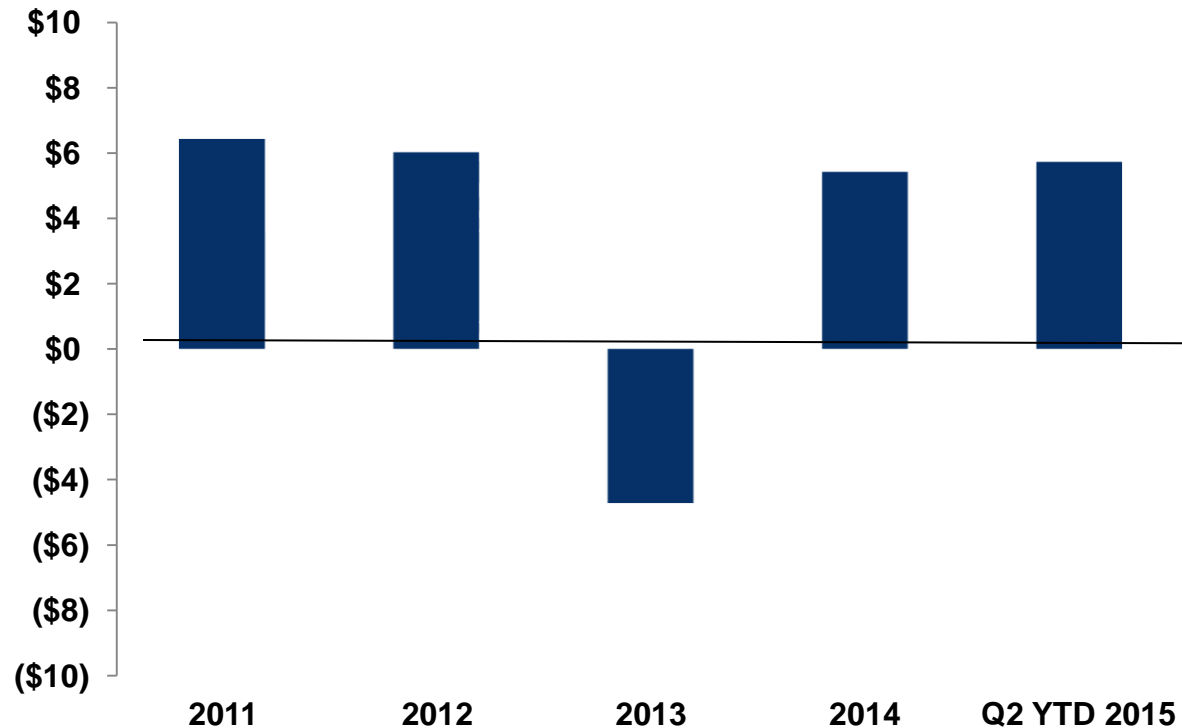


- Filed a two-year electric and natural gas rate request on June 1, 2015.
- Request designed to increase annual electric revenues by \$13.2 million and annual natural gas revenues by \$3.2 million, effective Jan. 1, 2016.
- The request is also designed to increase annual electric revenues by \$13.7 million and annual natural gas revenues by \$1.7 million, effective Jan. 1, 2017.
- Request based on 50% equity ratio and 9.9% return on equity.

# Washington Electric Energy Recovery Mechanism (ERM)

## Annual Benefit/(Expense) to Avista

(\$ millions)



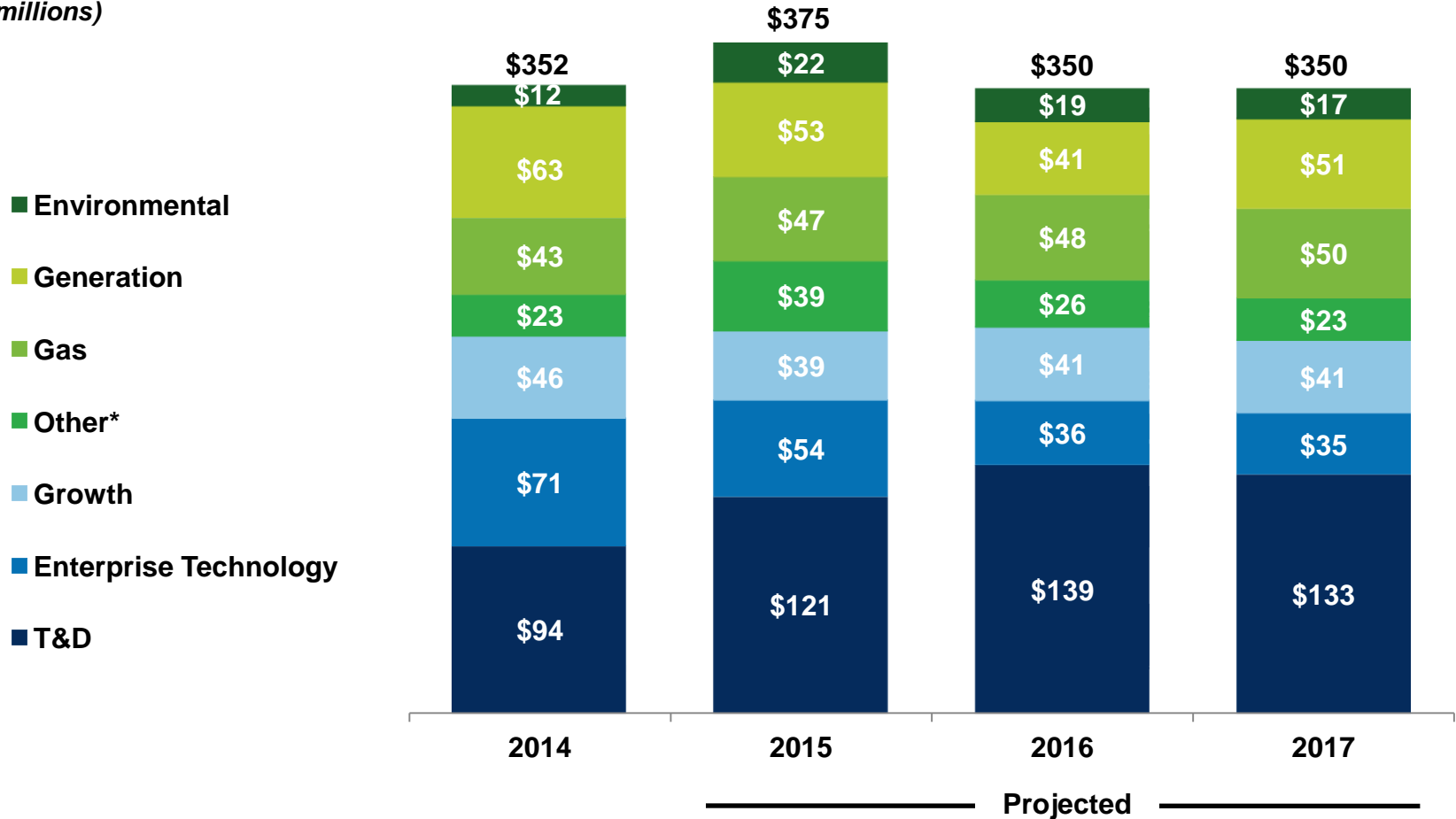
Power supply costs above or below the level in retail rates

\$0 +/- \$4 Million	100% Company
\$4-\$10 Million Expense	50% Company
\$4-\$10 Million Benefit	25% Company
> +/- \$10 Million	10% Company

# Significant investments to upgrade all systems

## 5% to 6% rate base growth

Avista Utilities Capital Expenditures\*\*  
(\$ millions)



\* Other includes Facilities and Fleet

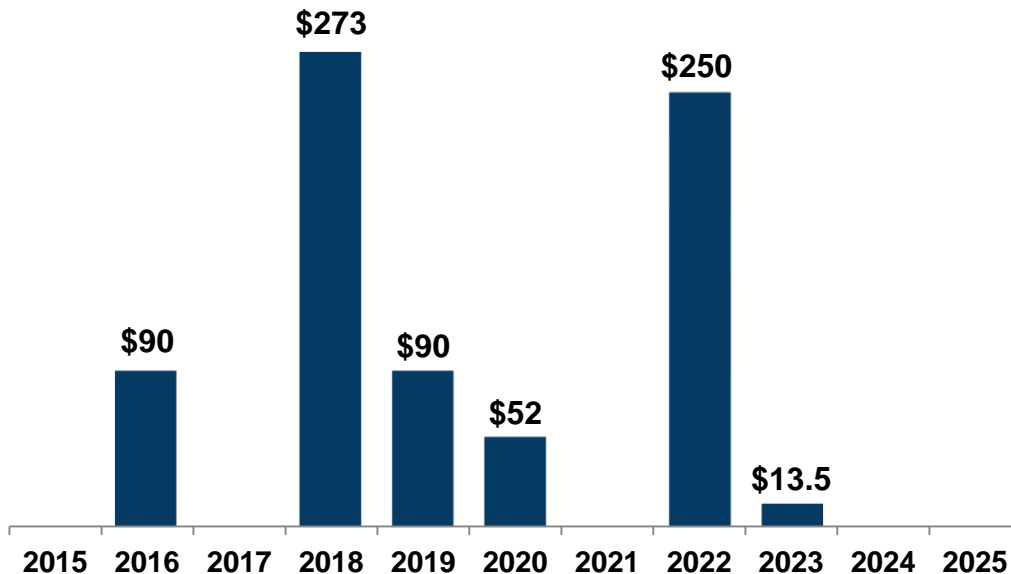
\*\* Excludes planned capital expenditures at AEL&P of \$15 million in 2015, 2016 and 2017

# Prudent balance sheet and liquidity

## \$275.6 million of available liquidity at Avista Corp. as of June 30, 2015

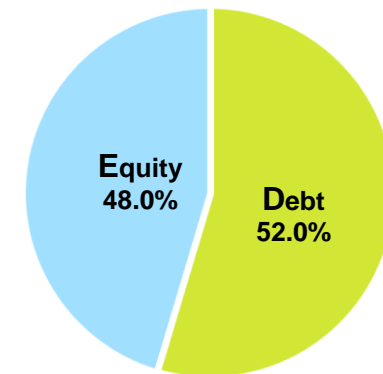
- We expect to issue up to \$125 million of long-term debt at Avista Corp. in 2015
- We do not expect to issue any equity in 2015, other than small amounts under the employee benefit plans

**No significant maturities until 2018**  
(\$ millions)



Additional long-term debt maturities beyond 2025 not shown

**Consolidated Capital Structure**  
June 30, 2015





# Growth for 2015

2015 Earnings Guidance	
Avista Utilities	\$1.81 - \$1.95
AEL&P	\$0.08 - \$0.12
Other	\$(0.03) - \$(0.01)
<b>Consolidated</b>	<b>\$1.86 - \$2.06</b>

## Guidance Assumptions

- Our outlook for Avista Utilities assumes, among other variables, normal precipitation and temperatures for the remainder of the year and includes the expected impact from decoupling in Washington. Also, for Avista Utilities we are estimating that we will have a provision for earnings sharing for our Washington electric operations and our Idaho operations.
- For Avista Utilities we are expecting below normal hydroelectric generation for the third quarter and normal hydroelectric generation for the fourth quarter of the year. Due to the strong generation through April, we are expecting hydroelectric generation to be about 94% of normal for the full year. Due to significantly warmer weather and reduced heating loads in the first quarter of 2015, we expect a reduction to annual consolidated earnings of approximately \$0.08 per diluted share.
- Our outlook for AEL&P assumes, among other variables, normal precipitation, temperatures and hydroelectric generation for the remainder of the year.
- Our guidance range for Avista Utilities encompasses expected variability in power supply costs and the application of the ERM to that power supply cost variability.
- The midpoint of our guidance range for Avista Utilities does not include any benefit or expense under the ERM. In 2015, we expect to be in a benefit position under the ERM within the 90% customer/10% company sharing band, which is expected to add approximately \$0.06 per diluted share.
- In addition, because we did not reach the targeted level of repurchases for our stock repurchase programs, we expect earnings dilution of approximately \$0.03 per diluted share in 2015.

# Questions?



***Kettle Falls Generating Station***

# Contact Information

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