



# Positioned for performance: An overview of Q1 2017 and beyond

UBS West Coast Power/Utilities/Solar 1x1 Mini Conference  
San Francisco  
June 1, 2017

# Disclaimer

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All forward-looking statements are Avista management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

For more information on such factors and uncertainties, consult Avista's most recent form 10-K and 10-Q, which are available on our website at [www.avistacorp.com](http://www.avistacorp.com)

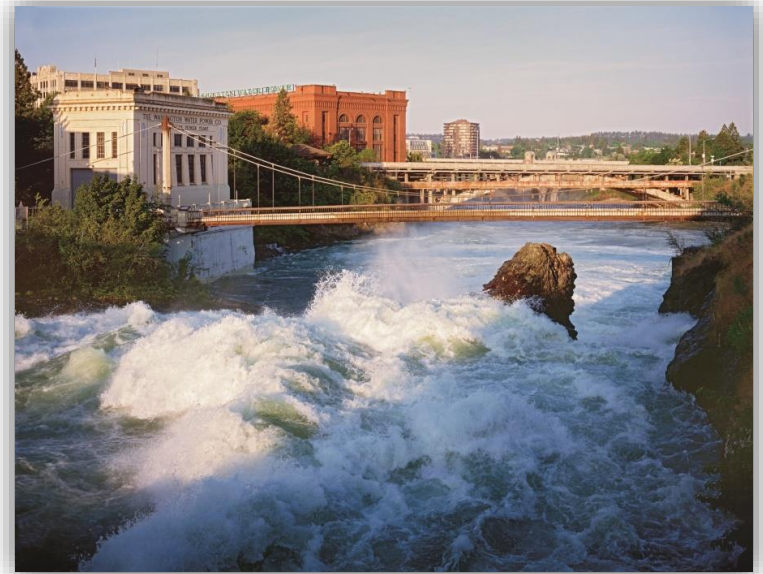
# Strong and stable utility core

## Avista Utilities

- Regulated electric and natural gas operations
- Serves customers in Washington, Idaho and Oregon
- Contributes about 95% of earnings

## Alaska Electric Light & Power Company (AEL&P)

- Regulated electric operations
- Serves customers in City and Borough of Juneau



***Long history of service, trust,  
innovation and collaboration***

*Photo: Spokane River Upper Falls*

# Steadily building long-term value

## Projecting long-term earnings and dividend growth of 4% to 5%

### Avista Utilities

- 5% to 6% rate base growth through utility capital investments
  - Upgrading infrastructure; grid modernization
- Customer growth ~1%
- Near-term earnings are challenged due to 2016 Washington rate order
  - Committed to reducing timing lag and align our earned returns with those authorized by 2019-2020

### AEL&P

- Strong near-term rate base growth through investment in generation
- Customer and load growth ~1%

### Strategic Investments

- Developing platforms for future growth
  - Targeting expanded natural gas services via LNG\*
  - Exploring data science and advanced analytics
  - Investing in emerging technologies

*Reliably building value for our customers,  
investors, communities and employees*

\*LNG: Liquefied natural gas

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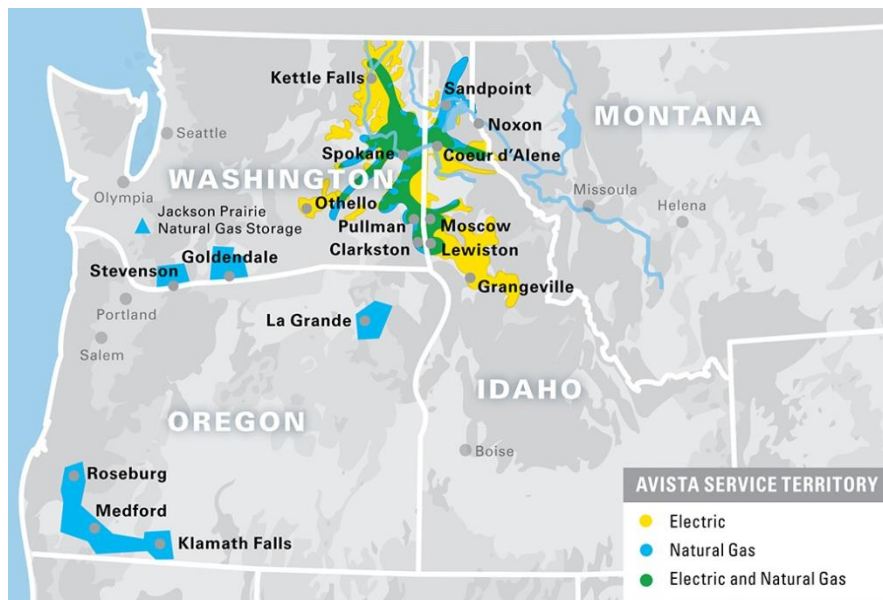
# Avista Utilities

## Investments in utility infrastructure

# Solid foundation and continued commitment to innovation

## Providing safe and reliable service for 128 years

- Diverse customer base
  - 30,000 square mile service territory
  - Service area population 1.6 million
    - 377,000 electric customers
    - 340,000 natural gas customers
- Strong customer focus
  - 90% percent or better customer satisfaction ratings every year since 1999
  - Developing key customer initiatives
- Invested in our communities
  - More than \$2 million per year in charitable donations and over 48,000 volunteer hours from our employees



Information as of Dec. 31, 2016

# A responsible mix of generation

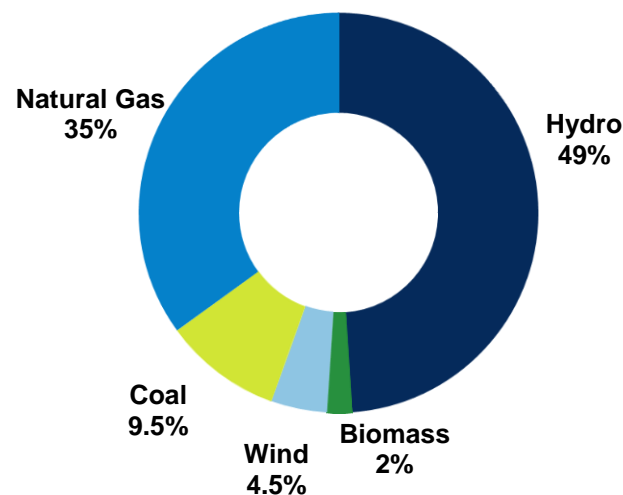
## Founded on clean, renewable hydropower

- Strategy is to control a portfolio of resources that responsibly meet our long-term energy needs
- Long resources through 2021; evaluating preferred resource strategy and will file an electric Integrated Resource Plan in August
- Exceeds Washington state's 15% Renewable Portfolio Standard for the next 20 years



Post Falls Dam, Idaho

**Avista Utilities Electricity Generation Resource Mix\***  
Dec. 31, 2016

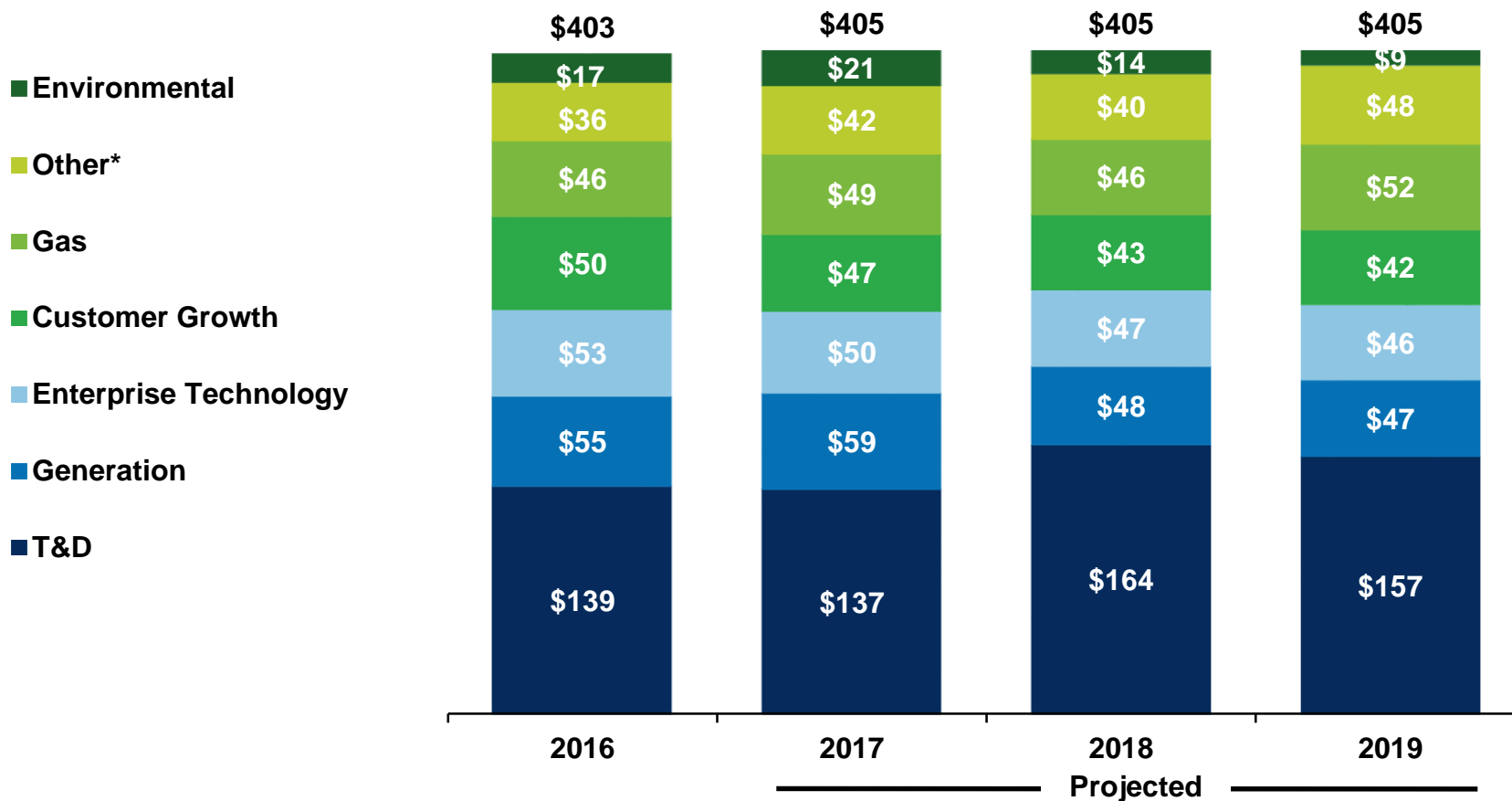


\*Based on maximum capacity  
Excludes AEL&P

# Investments to upgrade our systems

## 5% to 6% rate base growth

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



\* Other includes Facilities and Fleet

\*\* Excludes capital expenditures at AEL&P of \$16 million in 2016, and projected capital expenditures of \$7 million in 2017, \$7 million 2018 and \$13 million in 2019



# Investing in our utility

## Preserving and enhancing service reliability



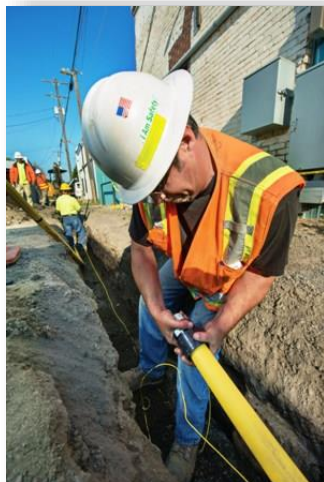
**Advanced Metering Infrastructure (AMI)**



**Grid Modernization**



**Electric Vehicle Pilot Program**



**Aldyl A Natural Gas Pipe Replacement**



**Little Falls Plant Upgrade**

# Driving Effective Regulatory Outcomes

## Recovery of costs and capital investments

### Washington

May 26, 2017, filed two requests with the Washington Utilities and Transportation Commission.



#### POWER COST RATE ADJUSTMENT FILING

- Designed to increase revenue by \$15.0 million or 2.9%.
- Effective Sept. 1, 2017.
- Adjustment will expire at the conclusion of the general rate case.

#### GENERAL RATE CASE FILING

- Designed to increase annual electric revenues by \$61.4 million and annual natural gas revenues by \$8.3 million, effective May 1, 2018.
- Requests based on a 9.9% return on equity with a 50% common equity ratio.

#### *Three-Year Rate Plan*

- New rates will take effect May 1, 2018, with annual increases in May 2019 and May 2020.
- Power supply costs would be updated each year.
- No new general rate cases would be filed with new rates effective prior to May 1, 2021.

	ELECTRIC		NATURAL GAS	
	Proposed Revenue Increase	Base % Increase	Proposed Revenue Increase	Base % Increase
May 1, 2018	\$61.4M	12.5%	\$8.3M	9.3%
May 1, 2019	\$14.0M*	2.5%	\$4.2M	4.4%
May 1, 2020	\$14.4M*	2.5%	\$4.4M	4.4%

\*Excludes power supply adjustment

# Driving Effective Regulatory Outcomes

## Recovery of costs and capital investments

### Alaska



- Sept. 16, 2016, filed an electric general rate request to increase base revenues by 8.1% or \$2.8 million.
- An interim rate increase of 3.86% or \$1.3 million was effective Nov. 23, 2016.
- An additional \$2.9 million annually from interruptible service was approved to reduce overall revenue requirement from \$5.7 million to \$2.8 million.
- Request based on a 58% equity ratio and a 13.8% return on equity.
- The RCA has approximately 15 months to rule on the permanent rate increase.
- The statutory timeline for the AEL&P GRC, with the consent of the parties, has been extended to Feb. 8, 2018.

### Idaho



- Dec. 28, 2016, received approval of all-party settlement agreement designed to increase annual electric base revenues by 2.6% or \$6.3 million, plus continued recovery of \$4.1 million of costs related to Palouse Wind Project through the PCA mechanism.
- Based on a 9.5% return on equity with a 50.0% common equity ratio.
- New rates took effect Jan. 1, 2017.
- Plan to file electric and natural gas general rate case in Q2 2017.

### Oregon



- May 16, 2017, filed an all-party settlement agreement designed to increase annual natural gas base revenues by 5.9% or \$3.5 million.
- Based on 50% equity ratio and 9.4% return on equity.
- If the settlement agreement is approved by the Public Utility Commission of Oregon, new rates would take effect on Oct. 1, 2017.

# Alaska Electric Light & Power Company (AEL&P)

Growing the utility core

# Diversifying our utility footprint



## Oldest regulated electric utility in Alaska, founded in 1893

- Serves 17,000 electric customers in the City and Borough of Juneau, meeting nearly all of its energy needs with hydropower
- One of the lowest-cost electric utilities in the state
- Approved capital structure of 53.8% equity and an authorized return on equity of 12.875%



Juneau, Alaska



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# Strategic Investments

Developing platforms for future growth

# Creating new growth platforms

- Expand natural gas services via LNG
  - Salix (subsidiary)
    - Generation – substitution for diesel
    - Marine and rail fueling
  - Plum Energy
    - Small LNG project investments
- Targeted investments
  - Energy Impact Partners
    - Private equity fund that invests in emerging technologies, services, and business models throughout electricity supply chain with a collaborative, strategic investment approach
  - TROVE
    - Leverage AMI, consumer and other data through predictive analytics to create utility value
  - Spirae
    - Microgrid and distributed energy resource management platform



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# Financial

## Performance Metrics

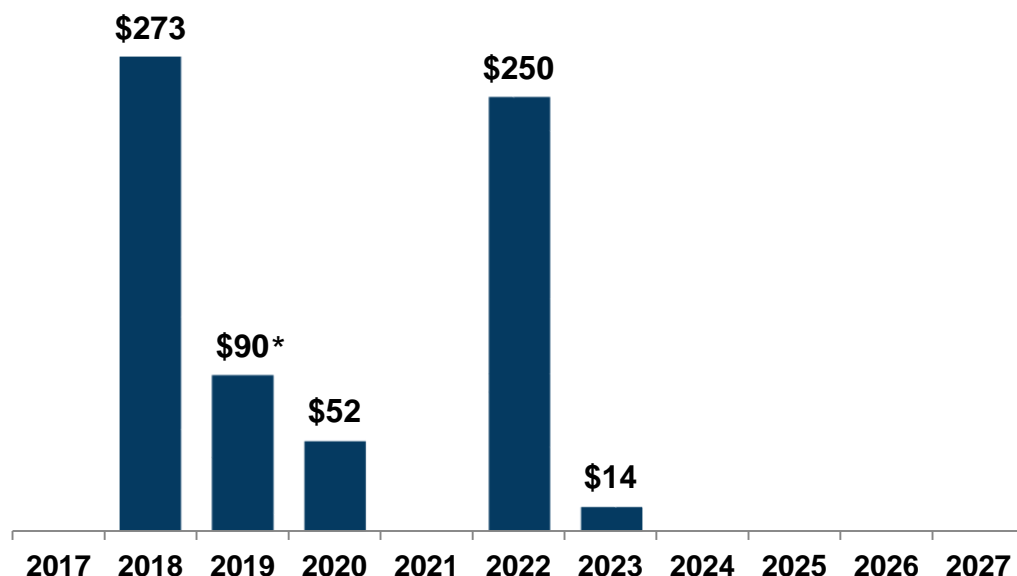


# Prudent Balance Sheet and Liquidity

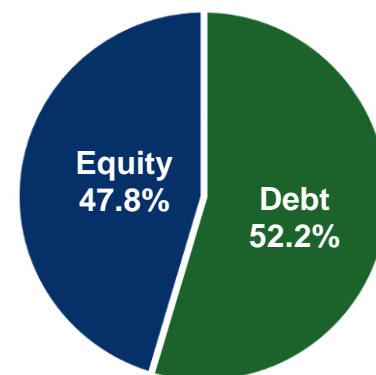
## \$252.9 million of available liquidity at Avista Corp. as of March 31, 2017

- In second half of 2017, expect to issue up to \$110.0 million of long-term debt and up to \$70.0 million of common stock in order to fund planned capital expenditures and maintain an appropriate capital structure

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



**Consolidated Capital Structure**  
March 31, 2017



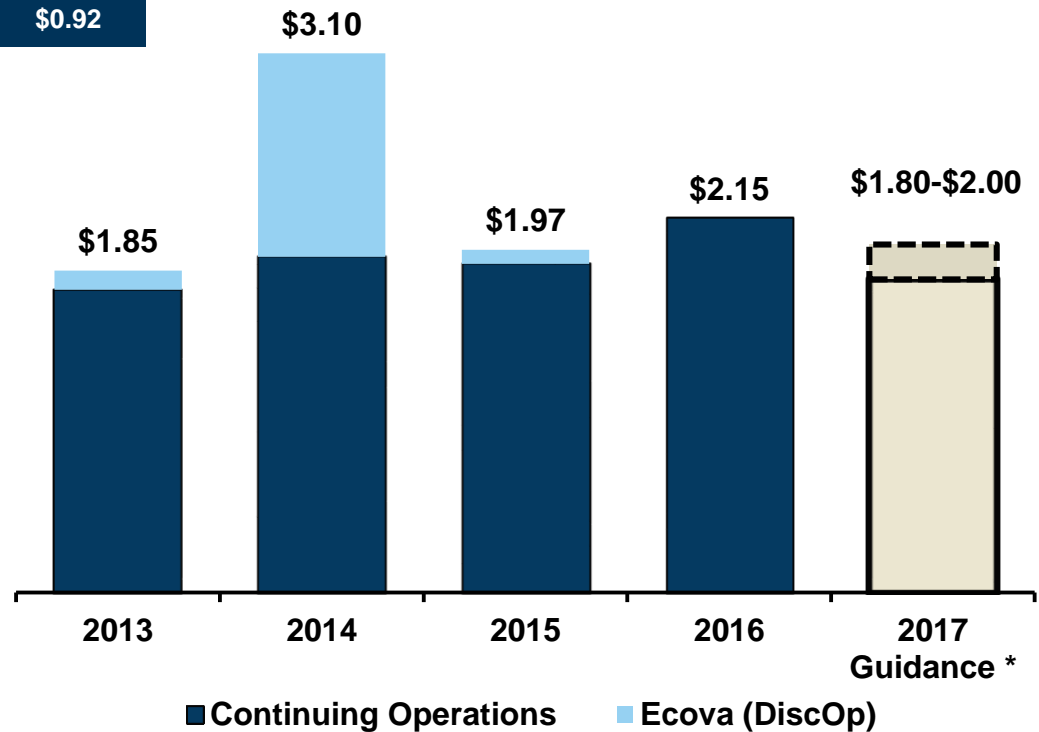
Additional long-term debt maturities beyond 2027 not shown

\*Excludes debt maturities of \$15 million at Alaska Energy and Resources Company in 2019

# Continued long-term earnings growth

## Total Earnings per Diluted Share Attributable to Avista Corporation

Business Segments	Q1 2017	Q1 2016
Avista Utilities	\$0.90	\$0.88
AEL&P	\$0.06	\$0.05
Other	-	\$(0.01)
<b>Diluted EPS</b>	<b>\$0.96</b>	<b>\$0.92</b>



\* 2017 earnings negatively impacted by Washington order

# Confirming 2017 Earnings Guidance

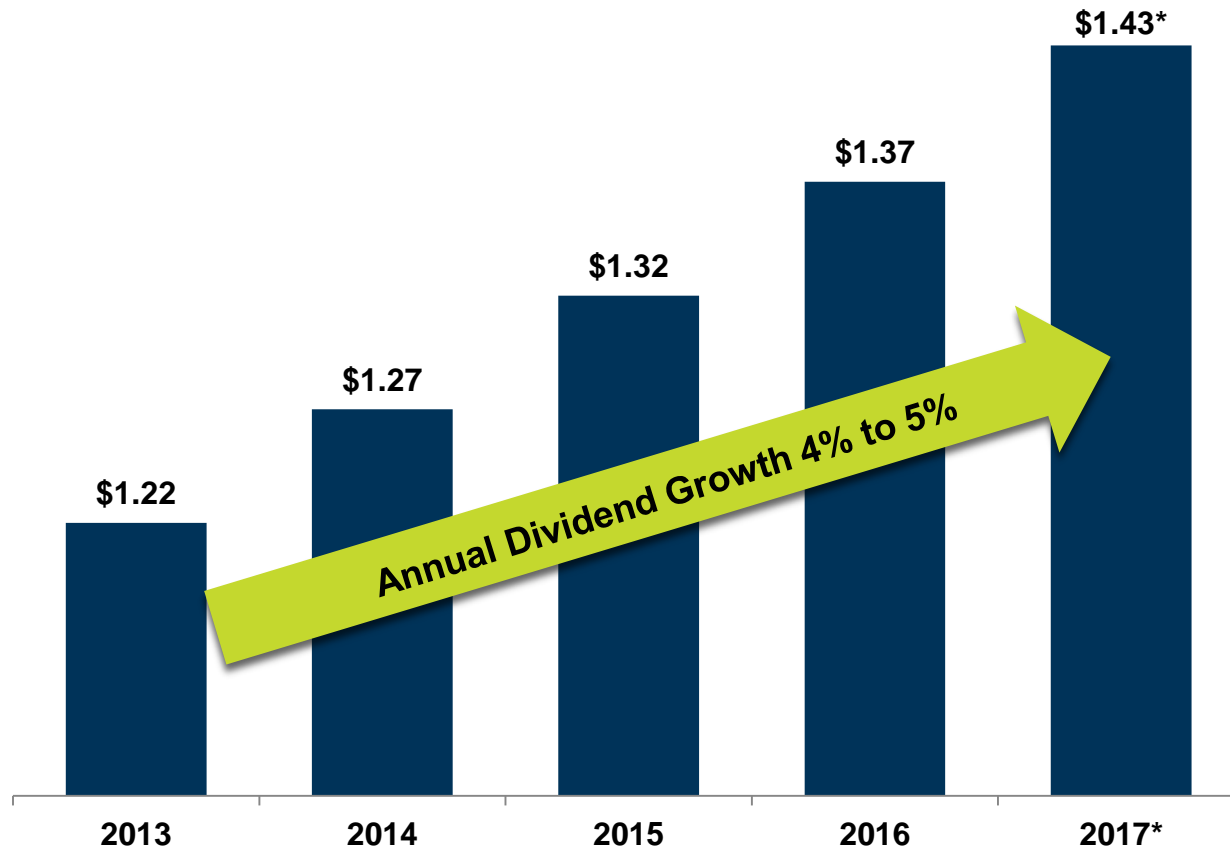
2017 Earnings Guidance	
Avista Utilities	\$1.71 – \$1.85
AEL&P	\$0.10 – \$0.14
Other	\$(0.01) – \$0.01
<b>Consolidated</b>	<b>\$1.80 – \$2.00</b>

## Guidance Assumptions

- Our outlook for Avista Utilities assumes, among other variables, normal precipitation and temperatures and slightly higher than normal hydroelectric generation for the remainder of the year.
- 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 includes \$.07 of expense under the ERM; which is within the 90 percent customers/10 percent shareholders sharing band. Our current expectation for the ERM is an expense position within the 50 percent customers/50 percent shareholders sharing band, an improvement of \$0.01 to \$0.02 per diluted share from our original guidance. Our guidance does not include any amounts related to our potential power supply update request for 2017.

# Attractive and growing dividend

Dividend growth expected to keep pace with long-term earnings growth



\*Current quarterly dividend of \$0.3575 annualized

# An attractive investment

- Strong and responsible core utility
  - Investing substantially to modernize infrastructure and upgrade systems
  - Steady returns and attractive dividend yield
  - One of the greenest utilities in the U.S.\*
  - Committed to reducing current regulatory timing lag of 100-120 bps by 2019-2020
- Focus on utility growth
  - Selective acquisitions
  - Developing new products and services and supporting economic development throughout service area
- Positioning for the future
  - Strategically investing in ways to extend access to natural gas via LNG, leverage AMI data through applied analytics, gain insight into leading-edge energy solutions
  - Track record of innovation (e.g. Itron, ReliOn, Ecova)



***Reliably building value for  
our customers, investors,  
communities and employees***

*Photo: Cabinet Gorge Dam*

\*Source: *Benchmarking Air Emissions of the 100 Largest Power Producers in the United States*,  
NRDC, July 2016

# We welcome your questions

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*Photo: Huntington Park, Spokane, Wash.*