



# AGA Financial Forum

May 2014

**125**  
YEARS OF SERVICE  
1889-2014

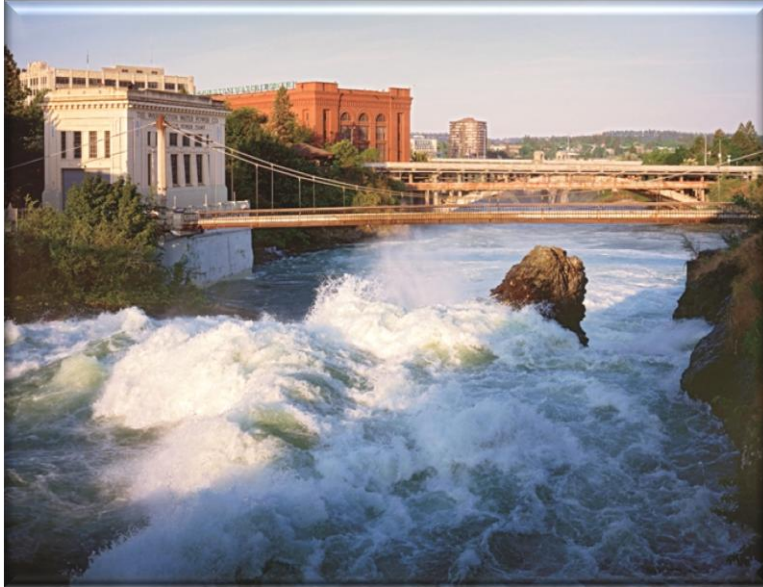
# Disclaimer

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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 [avistacorp.com](http://avistacorp.com)

# A core utility business with growth platforms



*We are an industry leader with a 125-year history of service, trust, innovation and collaboration*

## Avista Utilities

Regulated electric and natural gas operations  
Serves customers in Washington, Idaho and Oregon  
Contributes to over 90% of earnings

## Ecova

Energy sustainability and management company  
Serves 700+ national customers and 50+ utilities

## Other Businesses

Strategic investments for growth  
Includes certain corporate costs

# Key drivers to building value

## Projecting earnings growth of 4% to 5%

### Avista Utilities

- 5% to 6% rate base growth through investment in our utility system
- Load growth ~1% + opportunity in other value added services
- Opportunity for additional selective utility acquisitions
- Attractive dividend growth of 4% to 5%

### Ecova

- Strong earnings growth
- Opportunity for monetization

### Other Businesses

- Exploring new growth opportunities
  - Investments in LNG

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

# Strong foundation and deep dedication to accomplish great things

## Providing safe and reliable service for over 125 years

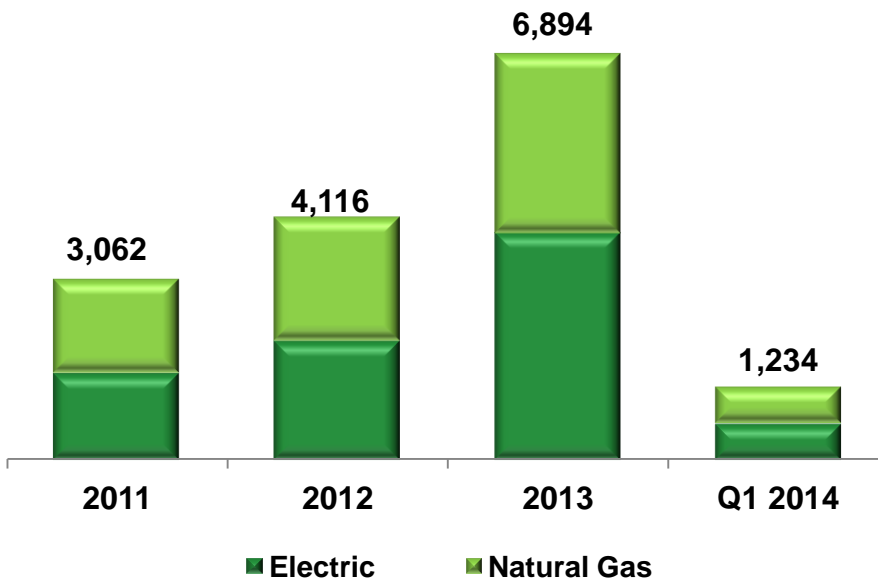
- Serves electric and natural gas customers
  - 30,000 square mile service territory
  - Service area population 1.5 million
    - 367,000 electric customers
    - 326,000 natural gas customers
- Strong customer focus
  - 90% percent or better customer satisfaction ratings every year since 1999
- Invested in the community we serve
  - Over 46,000 employee volunteer hours in 2013
  - \$1.5 million in charitable giving through Avista and the Avista Foundation in 2013



# Growing customer base

Projected annual customer growth ~1%

Increase in Customers Served



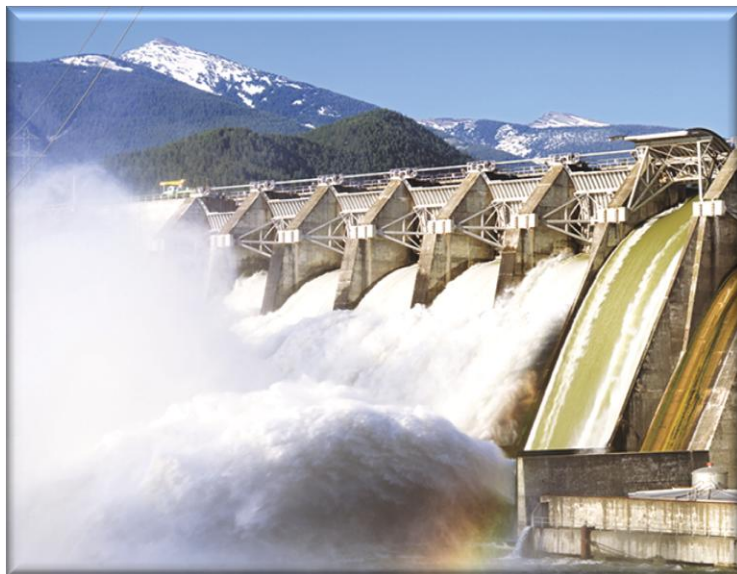
## 2013 retail revenue by customer class

- Residential 51%
- Commercial 38%
- Industrial 11%

# Well positioned with a clean mix of generation resources

## Founded on clean, renewable hydropower

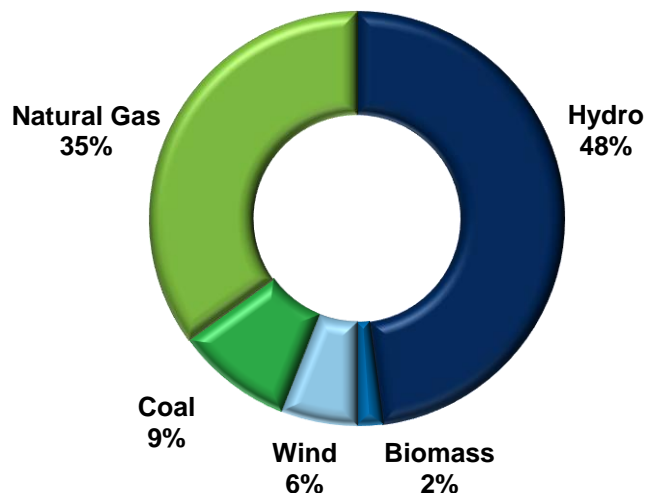
- Strategy is to control a portfolio of resources that responsibly meet our long-term energy needs
- Long resources until 2020
  - Plan to add two 83 MW single-cycle CTs, by the beginning of 2020 and the end of 2023
- Exceeds Washington state's 15% Renewable Portfolio Standard



Noxon Rapids Dam

### Electricity Generation Resource Mix\*

As of Dec. 31, 2013



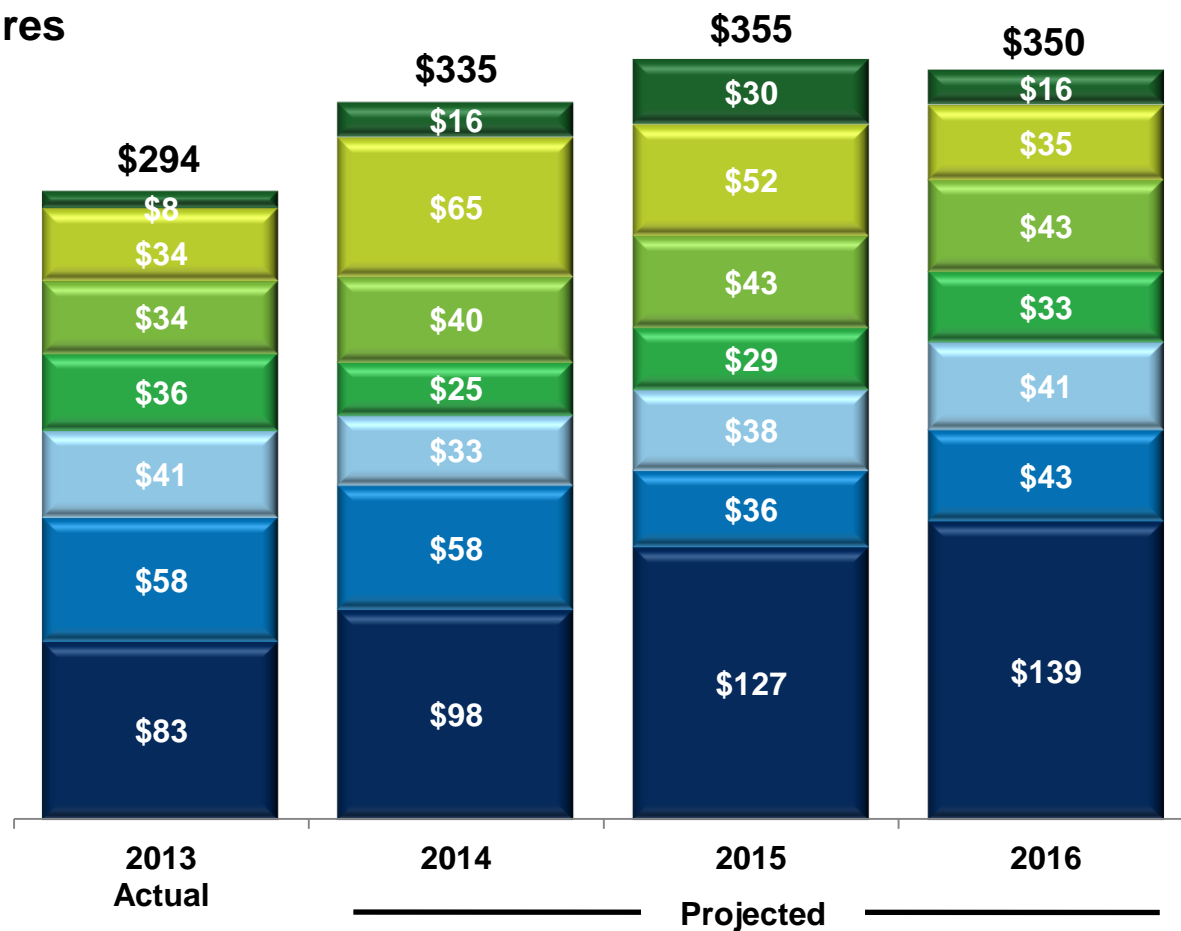
\*Based on maximum capacity



# Modernizing facilities and technology

## Utility Capital Expenditures (\$ millions)

- Environmental
- Generation
- Gas
- Other\*
- Growth
- Enterprise Technology
- T&D



\*Other includes Facilities and Fleet

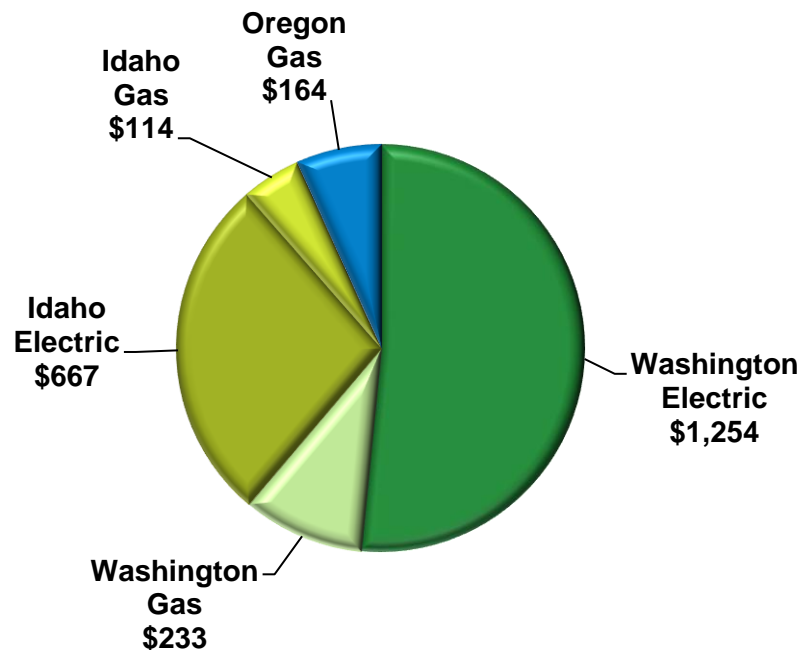


# Investment in our utility system driving growth

5% to 6% rate base growth

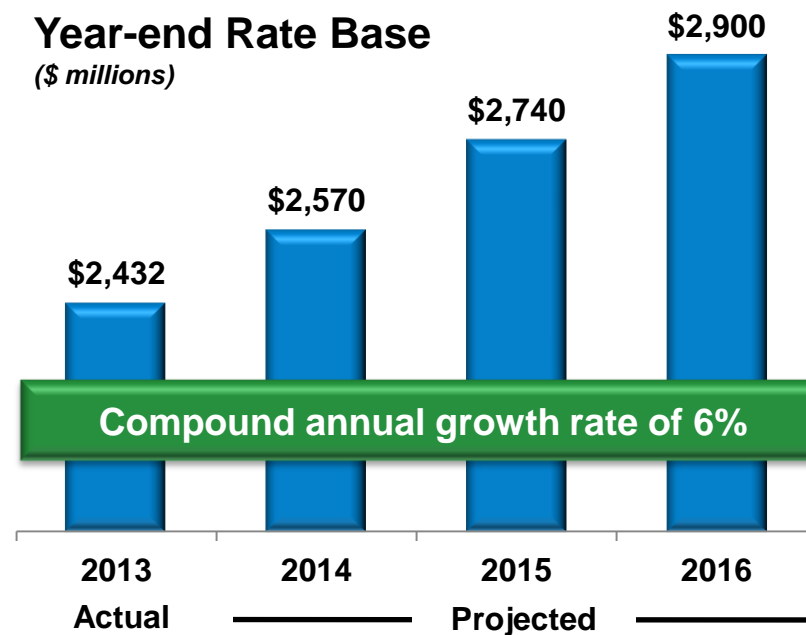
## 2013 Rate Base by Jurisdiction

(\$ millions)



## Year-end Rate Base

(\$ millions)



# AERC\* acquisition – one gateway to new growth

- Expected to close by July 1, 2014
- Purchase price \$170 million, less the assumption of debt and other closing adjustments
- Funded primarily through the issuance of Avista common stock to AERC shareholders
- Slightly accretive to earnings per share in 2015



Juneau, Alaska

Total Revenues	\$42.6 million
Total Rate Base	\$109 million
Approved ROE	12.875%
Approved Equity Ratio	53.8%
Number of Employees	60
Number of Customers	16,000
Name Plate Capacity (MW)	196.6
Hydro	102.7
Diesel	93.9

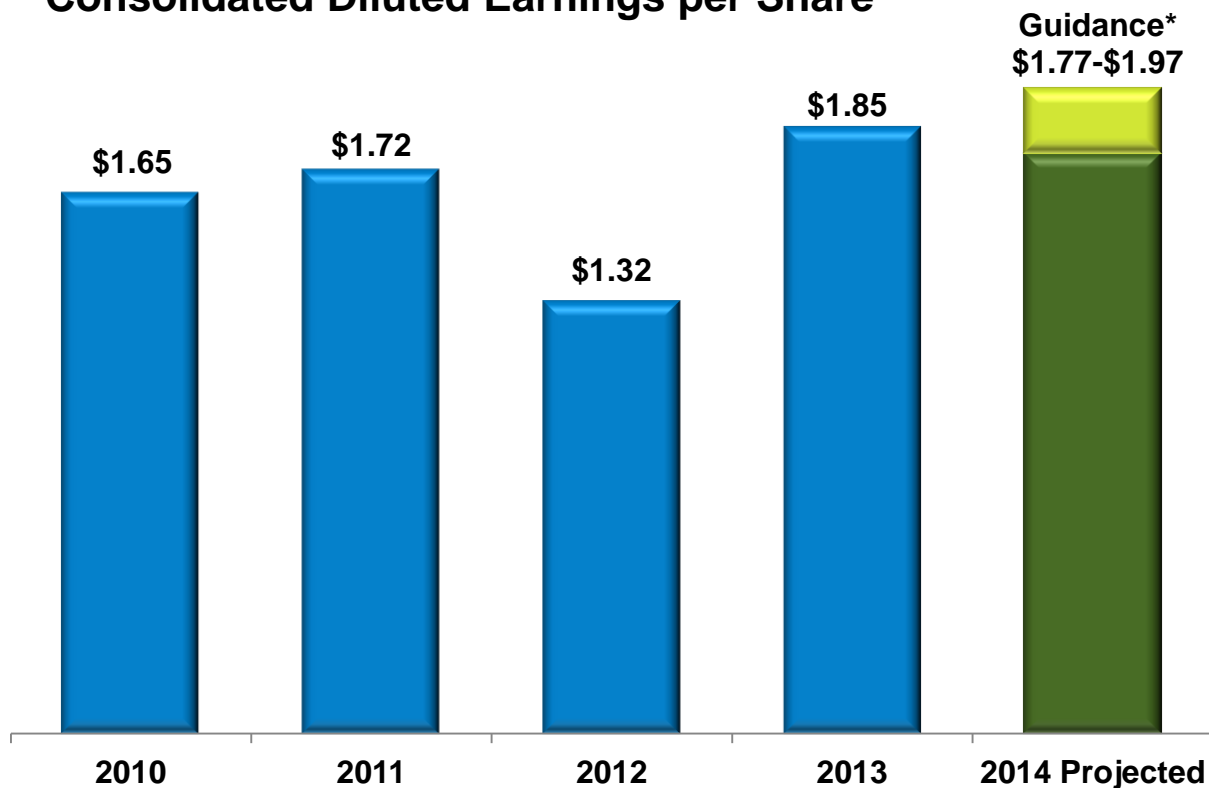
As of March 31, 2014

\*AERC – Alaska Electric Light & Power Company

# Steady earnings growth

Projecting growth of 4% to 5% per year

## Consolidated Diluted Earnings per Share



### Guidance by Segment

Avista Utilities*	\$1.68-\$1.82
Ecova	\$0.12-\$0.16
Other	\$(0.03)-\$(0.01)

Guidance generally includes only normal operating conditions and does not include unusual items such as settlement transactions, impairments, or acquisitions and dispositions until the effects are known and certain.

\* Expect to be near the upper end of the range, including the impacts of the Energy Recovery Mechanism in WA. It does not include any impact from the planned acquisition of AERC.

# Driving effective regulatory outcomes

## Washington



- Filed general rate case Feb. 4, 2014, designed to increase electric base revenues by 3.8% or \$18.2 million and natural gas base revenues by 8.1% or \$12.1 million with proposed rates effective Jan. 1, 2015
- Based on 49% equity ratio and 10.1% return on equity

## Idaho



- Currently evaluating the need to file a general rate case in 2014

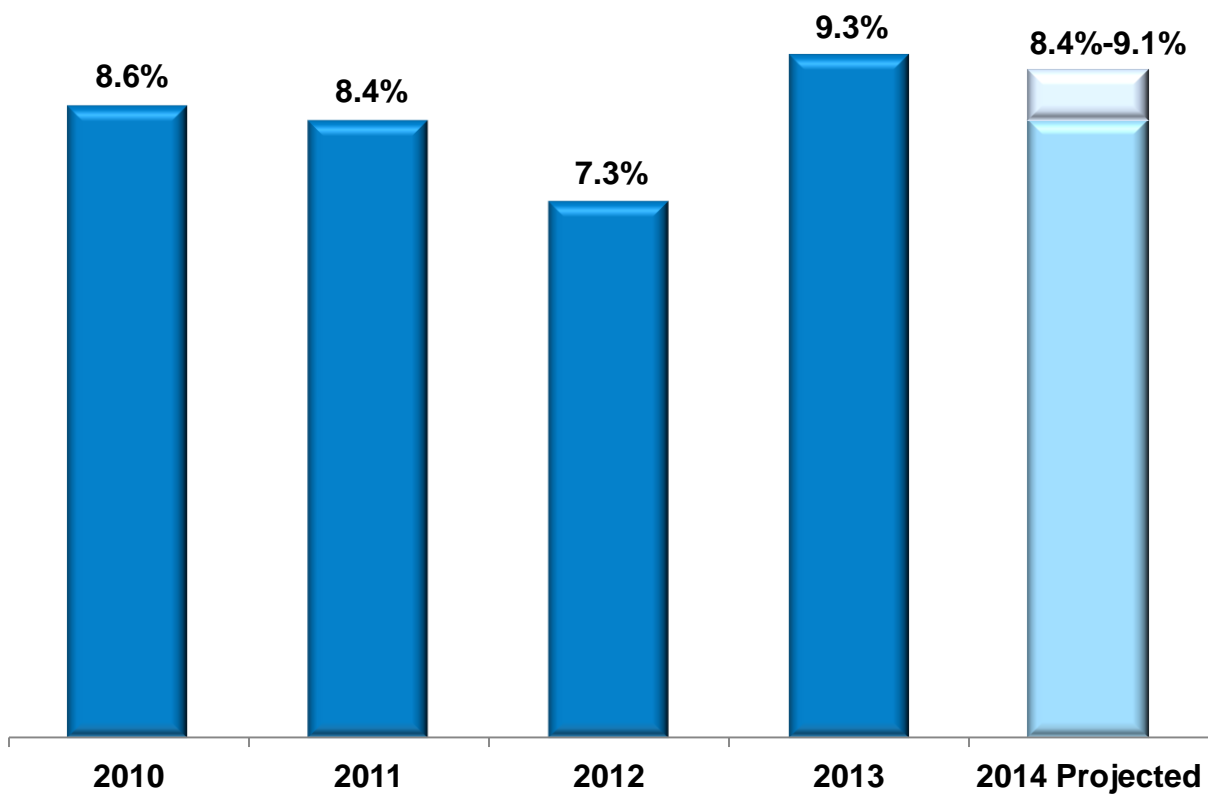
## Oregon



- On Jan. 22, 2014, the Oregon Public Utilities Commission approved an all-party settlement agreement with new rates implemented in two phases
- Natural gas increase of 4.4% or \$3.8 million on Feb. 1, 2014, and 1.6% or \$1.35 million on Nov. 1, 2014
- Based on 48% equity ratio and 9.65% return on equity

# Strong utility returns

Utility Return on Average Shareholder Equity



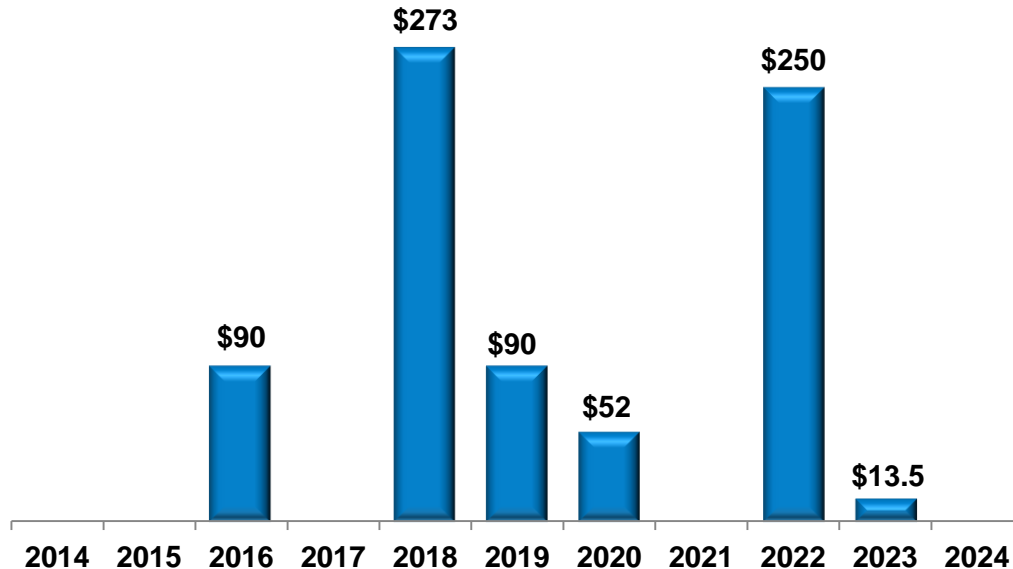
Authorized Return on Equity  
by Jurisdiction

Washington	9.80%
Idaho	9.80%
Oregon	9.65%

# Prudent balance sheet and liquidity

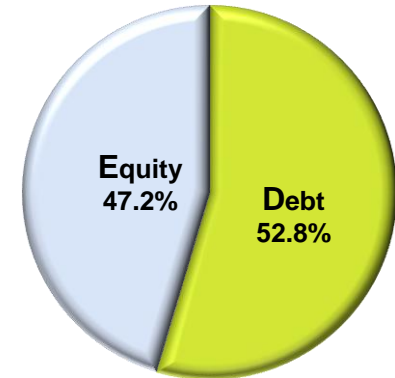
**\$279.4 million of available liquidity as of March 31, 2014**

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



Represents long-term debt maturities only through 2024

## Consolidated Capital Structure March 31, 2014



Healthy Credit Rating*	S&P	Moody's
Corporate Credit/Issuer Rating	BBB	Baa1
Senior Secured Debt	A-	A2
Outlook	Stable	Stable

\* A security rating is not a recommendation to buy, sell or hold securities.

# Maintaining appropriate capital structure

	Expected Issuance		Cash
	Equity	Debt	
Avista Corp.*	\$145 M	\$190 M	\$60 M
Avista Utilities (stand alone)	\$75 M	\$100 M	\$50 M**
AERC***	\$70 M	\$90 M	\$10 M

\* Expect to issue approximately \$145 million of common stock related to closing the planned acquisition of AERC

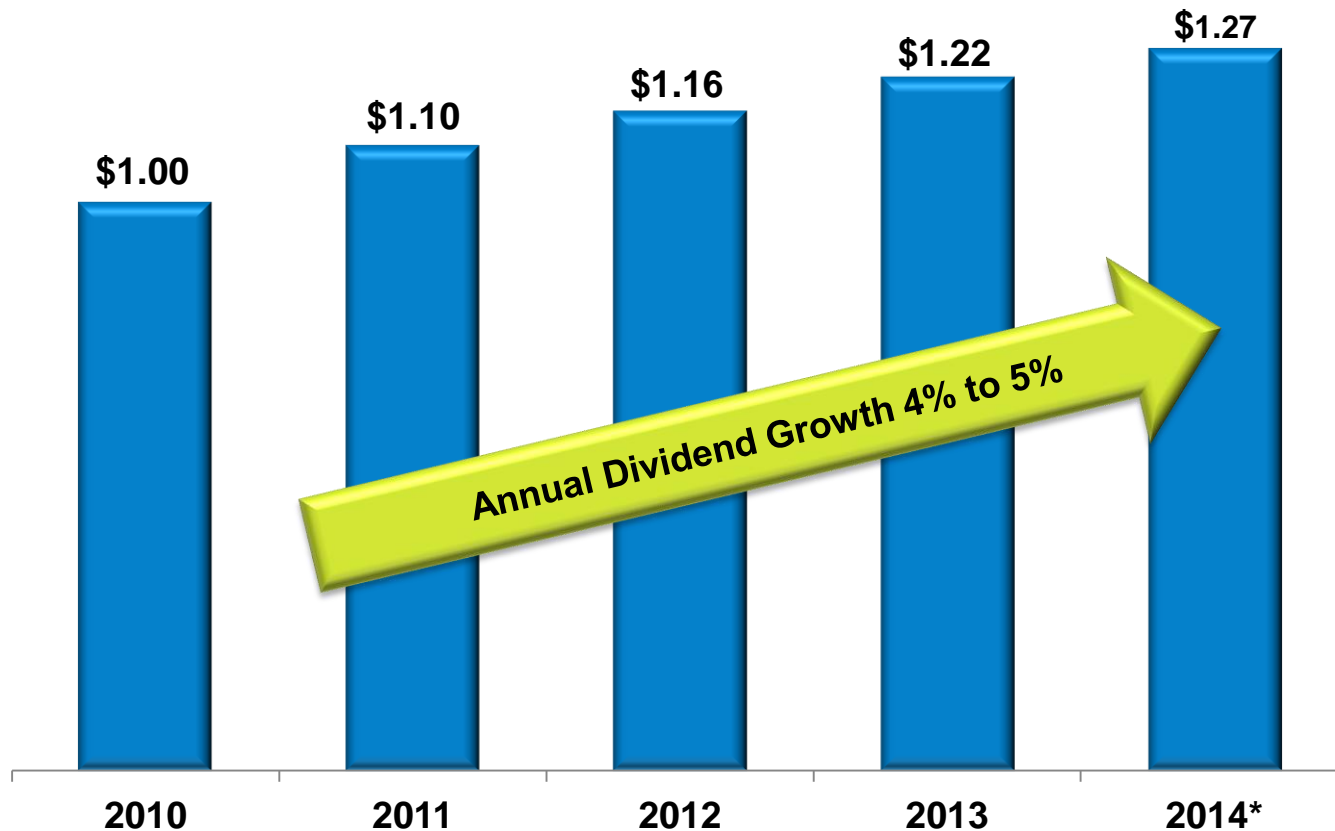
\*\* Included in 2014 liquidity estimates is approximately \$50 million of lower tax payments due to the planned adoption of federal tax tangible property regulations

\*\*\* Rebalancing of the consolidated capital structure at AERC



# Attractive and growing dividend

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



\* Current Quarterly Dividend of \$0.3175 Annualized

# Ecova's contribution to growth

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ecovā<sup>TM</sup>

Total energy and sustainability management

# Providing energy efficiency and cost management



- Industry pioneer, founded in 1995
- Headquartered in Spokane, Wash.
- Over 1,500 employees
- 80.2% owned by Avista Corp.
- We are in the process of exploring the possibility of selling our interest in Ecova

## Expense & Data Management Services

- Utility Bill Processing & Analysis
- Telecom Lifecycle Management
- Financial Planning/Budgeting
- Real Estate Owned

## Energy Management Services

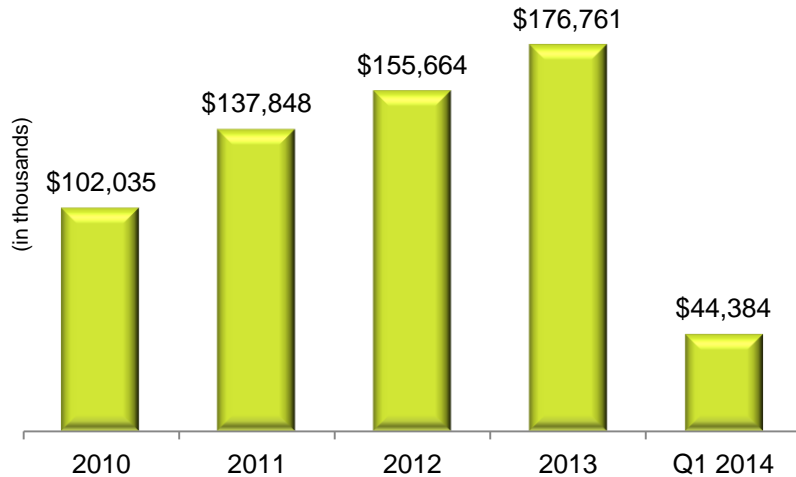
- Energy Supply Management  
(including Procurement, Conservation & Performance Reporting)
- Facility Optimization  
(including Continuous Monitoring)
- Sustainability  
(including Carbon & Waste Management)
- Utility Energy Efficiency Programs

## Manages over 720,000 billed sites totaling about \$22B in expenditures

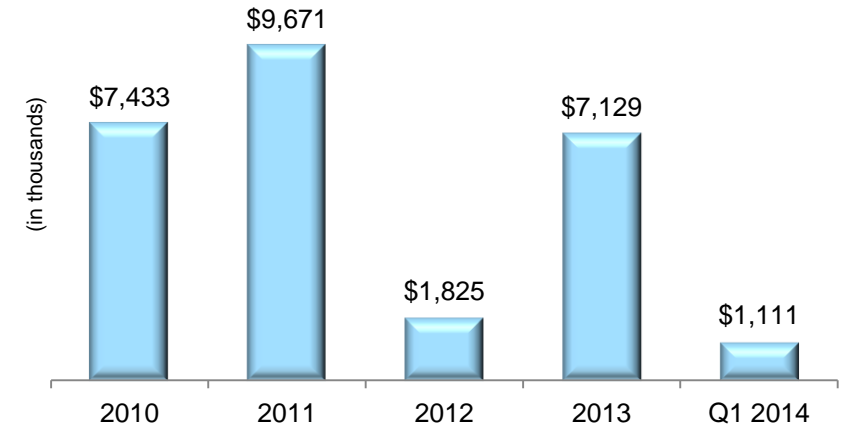


# Continuing growth at Ecova

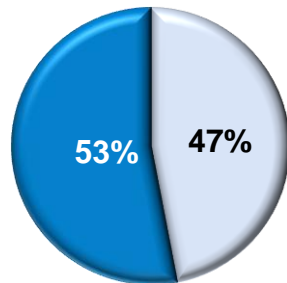
## Total Revenue



## Total Net Income (Attributable to Avista Corp. Shareholders)



## 2014 Projected Revenue by Service



- Expense & Data Management Services
- Energy Management Services

## 2014 Expectations

Revenue in a range of \$180-\$200 million  
Two-thirds of earnings to occur during the second half of the year

# Summary: Creating a valued investment

- Rate base and customer growth driving earnings growth
- Strong growth at Ecova
  - Potential monetization
- Creating other opportunities for growth
  - Selective utility acquisitions
  - Other value added services
  - Extending access to natural gas through CNG/LNG
- Attractive dividend yield, currently 4.0%
- One of the greenest utilities in the country



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

# We welcome your questions



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