

# *Avista Corp. Business Update*

*AGA Financial Forum  
May 2012*

# 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.*

*The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: weather conditions (temperatures, precipitation levels and wind patterns) and their effects on energy demand and electric generation, including the effect of precipitation and temperatures on the availability of hydroelectric resources, the effect of wind patterns on the availability of wind resources, the effect of temperatures on customer demand, and similar impacts on supply and demand in the wholesale energy markets; the effect of state and federal regulatory decisions on our ability to recover costs and earn a reasonable return including, but not limited to, the disallowance of costs and investments, and delay in the recovery of capital investments and operating costs; changes in wholesale energy prices that can affect, among other things, the cash requirements to purchase electricity and natural gas, the value received for sales in the wholesale energy market, the necessity to request changes in rates that are subject to regulatory approval, collateral required of us by counterparties on wholesale energy transactions and credit risk to us from such transactions, and the market value of derivative assets and liabilities; economic conditions in our service areas, including the effect on the demand for, and customers' payment for, our utility services; global financial and economic conditions (including the impact on capital markets) and their effect on our ability to obtain funding at a reasonable cost; our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rates and other capital market conditions; the potential effects of legislation or administrative rulemaking, including the possible adoption of national or state laws requiring our resources to meet certain standards and placing restrictions on greenhouse gas emissions to mitigate concerns over global climate changes; changes in actuarial assumptions, interest rates and the actual return on plan assets for our pension plan, which can affect future funding obligations, pension expense and pension plan liabilities; volatility and illiquidity in wholesale energy markets, including the availability of willing buyers and sellers, and prices of purchased energy and demand for energy sales; unplanned outages at any of our generating facilities or the inability of facilities to operate as intended; the outcome of pending regulatory and legal proceedings arising out of the "western energy crisis" of 2000 and 2001, and including possible refunds; the outcome of legal proceedings and other contingencies; changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs; wholesale and retail competition including, but not limited to, alternative energy sources, suppliers and delivery arrangements; the ability to comply with the terms of the licenses for our hydroelectric generating facilities at cost-effective levels; natural disasters that can disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies and support services; explosions, fires, accidents, or mechanical breakdowns that may occur while operating and maintaining our generation, transmission and distribution systems; blackouts or disruptions of interconnected transmission systems; disruption to information systems, automated controls and other technologies that we rely on for operations, communications and customer service; the potential for terrorist attacks, cyber security attacks or other malicious acts, that cause damage to our utility assets, as well as the national economy in general; including the impact of acts of terrorism, cyber security attacks or vandalism that damage or disrupt information technology systems; delays or changes in construction costs, and/or our ability to obtain required permits and materials for present or prospective facilities; changes in the long-term climate of the Pacific Northwest, which can affect, among other things, customer demand patterns and the volume and timing of streamflows to our hydroelectric resources; changes in industrial, commercial and residential growth and demographic patterns in our service territory or the loss of significant customers; the loss of key suppliers for materials or services; default or nonperformance on the part of any parties from which we purchase and/or sell capacity or energy; deterioration in the creditworthiness of our customers and counterparties; the effect of any potential decline in our credit ratings, including impeded access to capital markets, higher interest costs, and certain covenants with ratings triggers in our financing arrangements and wholesale energy contracts; increasing health care costs and the resulting effect on health insurance provided to our employees and retirees; increasing costs of insurance, more restricted coverage terms and our ability to obtain insurance; work force issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, availability of workers in a variety of skill areas, and our ability to recruit and retain employees; the potential effects of negative publicity regarding business practices, whether true or not, which could result in, among other things, costly litigation and a decline in our common stock price; changes in technologies, possibly making some of the current technology obsolete; changes in tax rates and/or policies; changes in the payment acceptance policies of Ecova's client vendors that could reduce operating revenues; potential difficulties for Ecova in integrating acquired operations and in realizing expected opportunities, diversions of management resources and losses of key employees, challenges with respect to operating new businesses and other unanticipated risks and liabilities; and changes in our strategic business plans, which may be affected by any or all of the foregoing, including the entry into new businesses and/or the exit from existing businesses.*

*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, 2011 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2012. The forward-looking statements contained in this news release 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 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.*

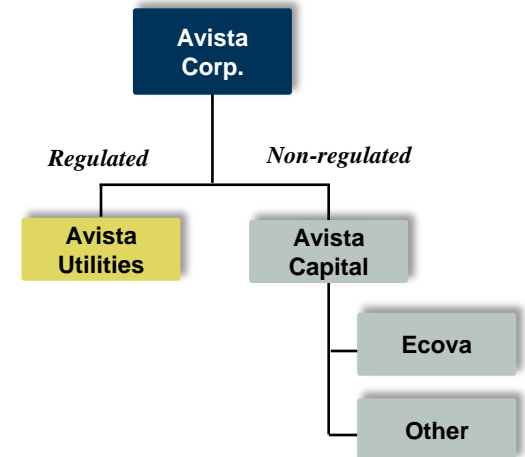
## *Investment Highlights*

- Target long-term corporate earnings growth at 5% to 7% per year
  - Utility rate base growth and customer growth
  - Continue growing our non-regulated subsidiary – Ecova
- Attractive dividend yield, currently 4.4%
  - Targeting 60% to 70% dividend payout ratio
- One of the greenest utilities in the country



# *Avista Corporation Overview*

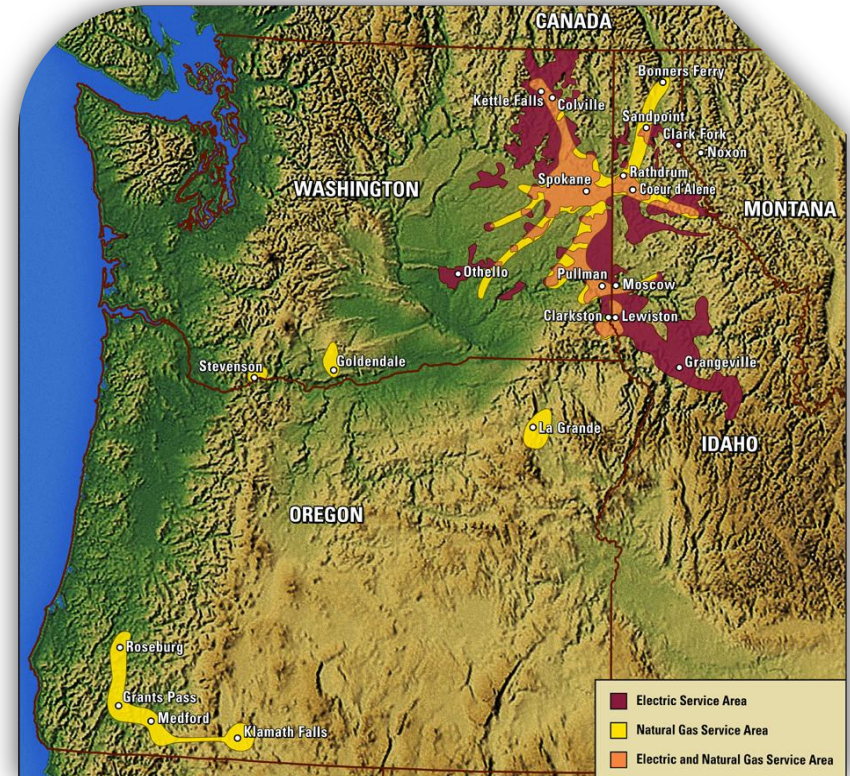
- Incorporated in the state of Washington in 1889; headquartered in Spokane, Wash.
- Primary business is the regulated utility
- Non-regulated subsidiary – Ecova
- “Other” businesses include: sheet metal fabrication business, emerging technology venture fund investments and commercial real estate investments



# Utility Overview

- Provide electric and natural gas service to parts of Washington and Idaho and provide natural gas service to parts of Oregon
  - 360,000 electric customers
  - 321,000 natural gas customers
- Percent of operating revenue by jurisdiction
  - Washington 59%
  - Idaho 31%
  - Oregon 10%
- Have one of the smallest carbon footprints among America's 100 largest investor-owned utilities

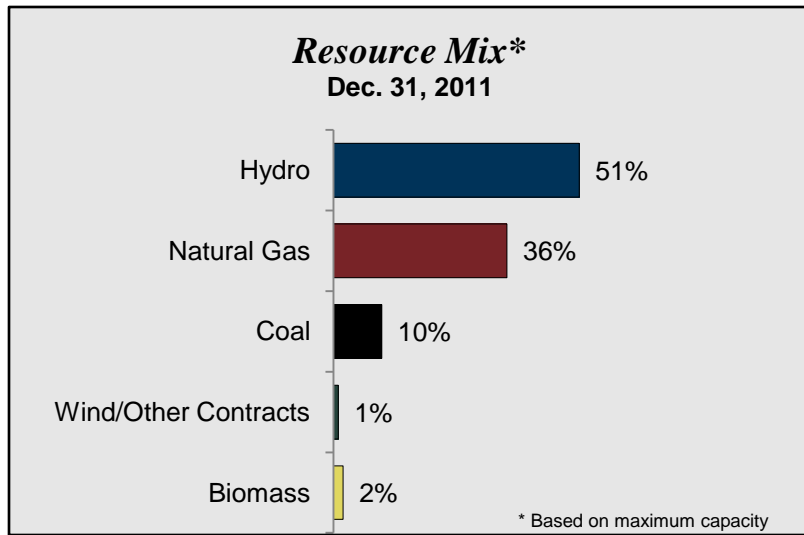
## Service Territory



Information as of Dec. 31, 2011

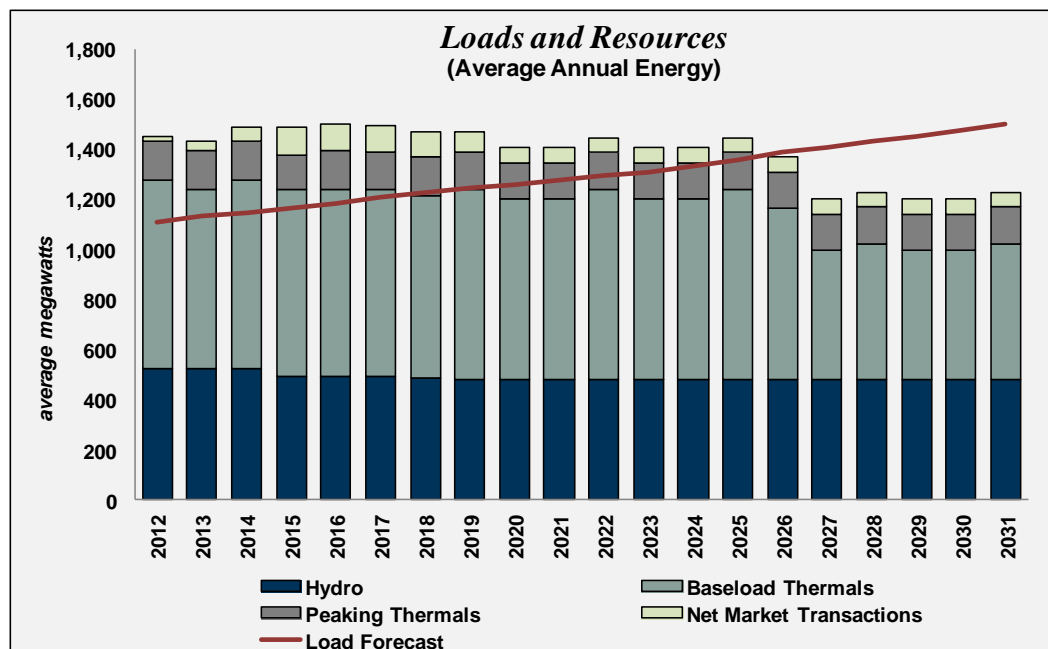


# Responsible Resources



*Well positioned with a strong base of sustainable resources*

# 2011 Electric Integrated Resource Plan (IRP)



*On March 7, 2012, Washington Governor Christine Gregoire signed the biomass energy bill (SB5575) which defines legacy biomass energy as an eligible renewable resource for purposes of meeting Washington State Renewable Portfolio Standards (RPS)*

2011 Electric IRP Resources	By Year End	Nameplate (MW)	Energy (aMW)
NW Wind	2012	120	35
SCCT	2018	83	75
Existing Thermal Resource Upgrades	2019	4	3
NW Wind	2019 - 2020	120	35
SCCT	2020	83	75
CCCT	2023	270	237
CCCT	2026	270	237
SCCT	2029	46	42
<b>Total</b>		<b>996</b>	<b>739</b>

Efficiency Improvements	By Year End	Nameplate (MW)	Energy (aMW)
Distribution Efficiencies	2012 - 2031	28	13
Energy Efficiency	2012 - 2031	419	310
<b>Total</b>		<b>447</b>	<b>323</b>

Washington State RPS	2012	2015	2016	2019	2020
I-937 Requirement	3%	3%	9%	9%	15%
Required Renewables (aMW)	5	6	52	56	106

# *Regulatory Update*

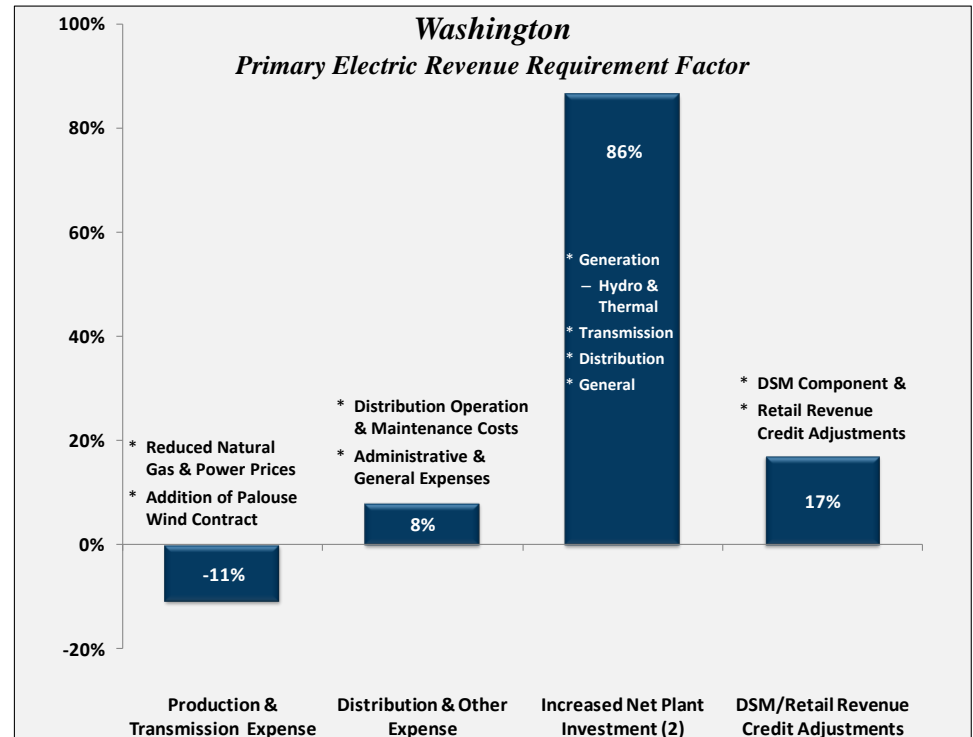


# Recent Rate Filings

## Washington General Rate Cases

*On April 2, 2012, we filed electric and natural gas general rate cases with the WUTC*

- Designed to increase annual electric revenues by \$41.0 million and increase annual natural gas revenues by \$10.1 million
- Requests based on 48.4% equity ratio and 10.9% return on equity
- As part of the filing, we have requested a one-year rate decrease of 2.9 percent, designed to reduce electric revenues by \$13.6 million, to rebate to customers the deferred liability for the Energy Recovery Mechanism (ERM)



<sup>1</sup> This chart represents the approximate breakdown of revenue requirement for the major cost categories.

<sup>2</sup> Includes return on investment, depreciation and taxes, offset by the tax benefit of interest.

ecova™

# *Solid Data-Driven Solutions*

- Industry pioneer, founded in 1995
- Provides energy efficiency and cost management programs and services for multi-site customers and utilities throughout North America
- Primary product lines include expense management services for utility and telecom needs as well as strategic energy management and efficiency services
- Responsible for over \$18 billion in utility expenditures and corresponding data



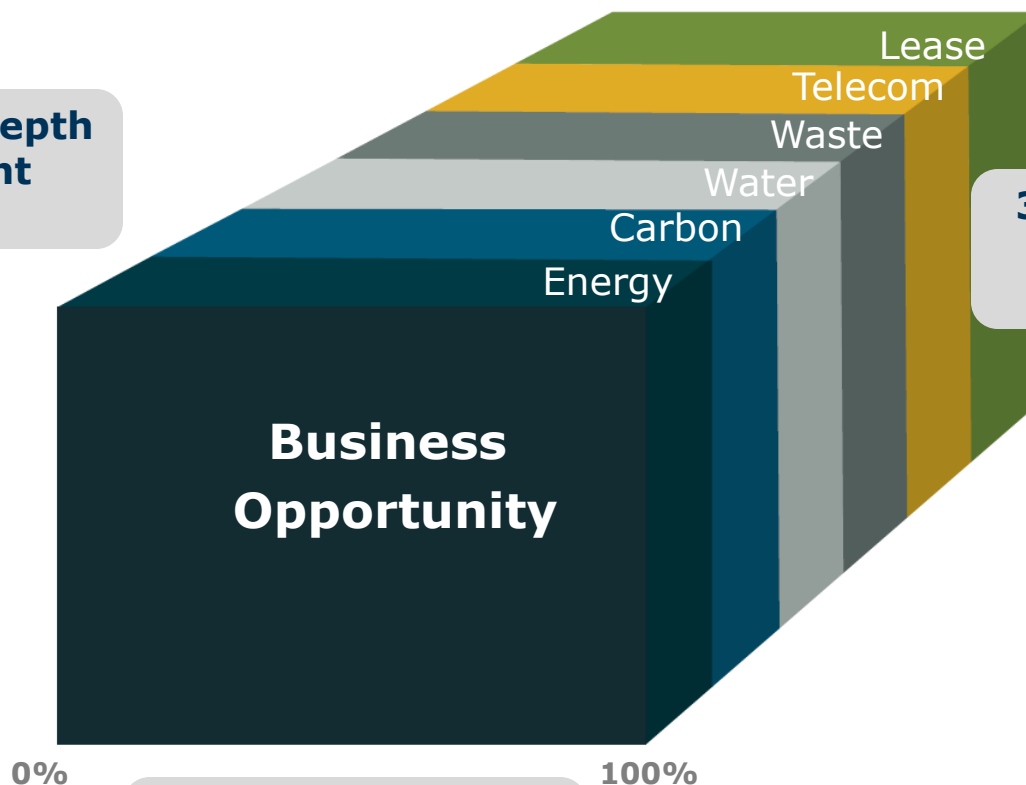
*Using precise insights based on consumption, cost and carbon footprint data from a vast array of utilities, businesses and households, Ecova provides fully managed, technology-optimized solutions to help customers see more opportunities, save more money and sustain more natural resources.*

# Our Strategy

## Total Energy & Sustainability Management

**1. Increase our depth  
of management  
value**

Strategy  
Risk Management  
Procurement  
Training  
Compliance  
Programs  
Energy Efficiency  
Processing



**2. Expand our  
share of resources  
managed**

**3. Extend our value  
across more  
categories**

# Ecova Then and Now

## *Advantage IQ (2000)*

71 employees

Revenues: \$1.3 million

Utility Expense Management

## *Ecova (2011)*

1,200 employees\*

Revenues: \$137.8 million

Total Energy and Sustainability Management



**ecova**™

\* Includes LBP Energy Management transaction

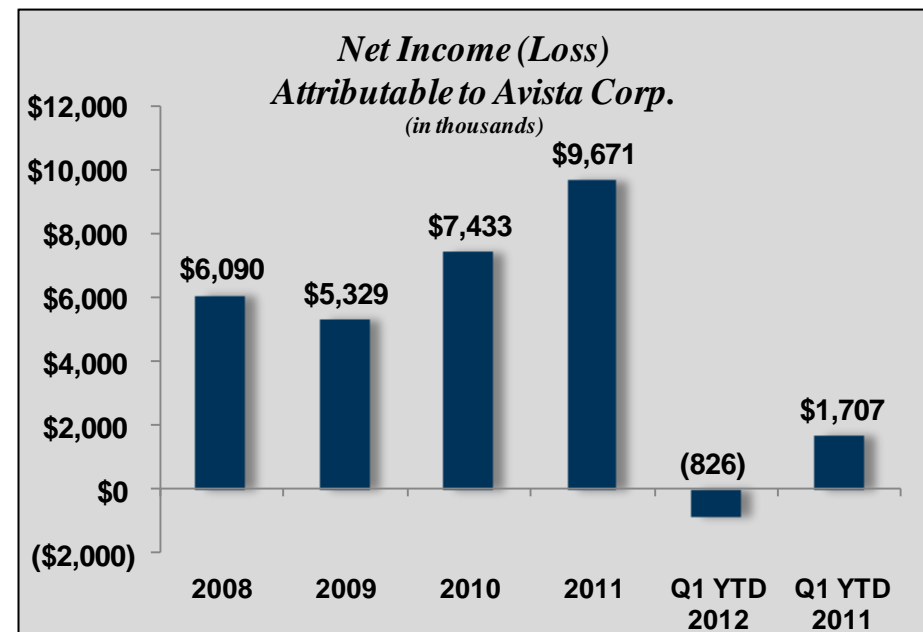
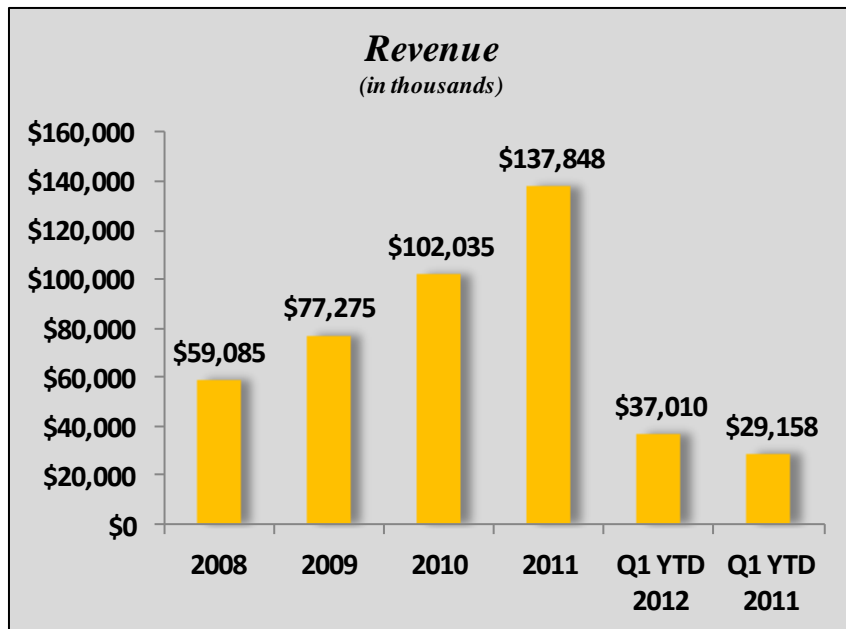
# Credentials: An Extension of More Businesses

- 749 Customers
- 95% Renewal Rate
- 539,000 Billed Sites



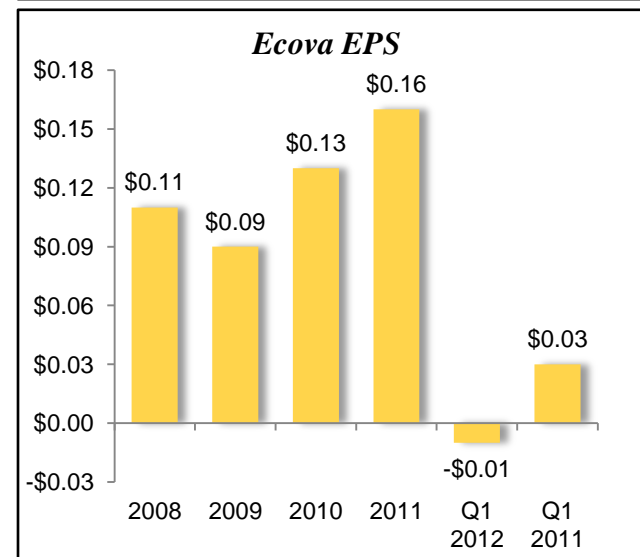
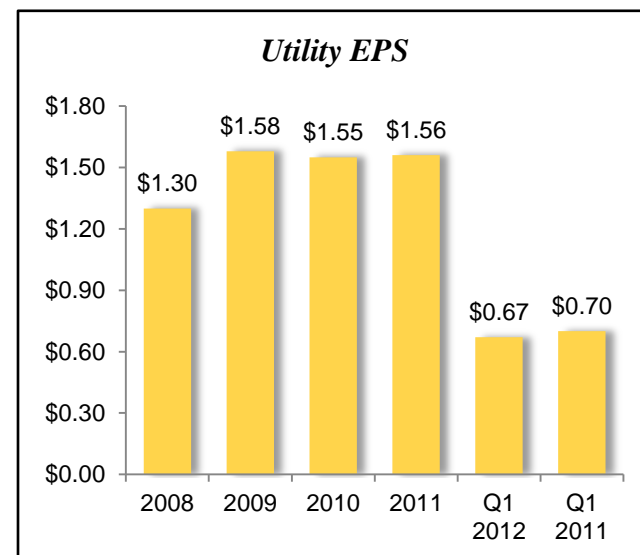
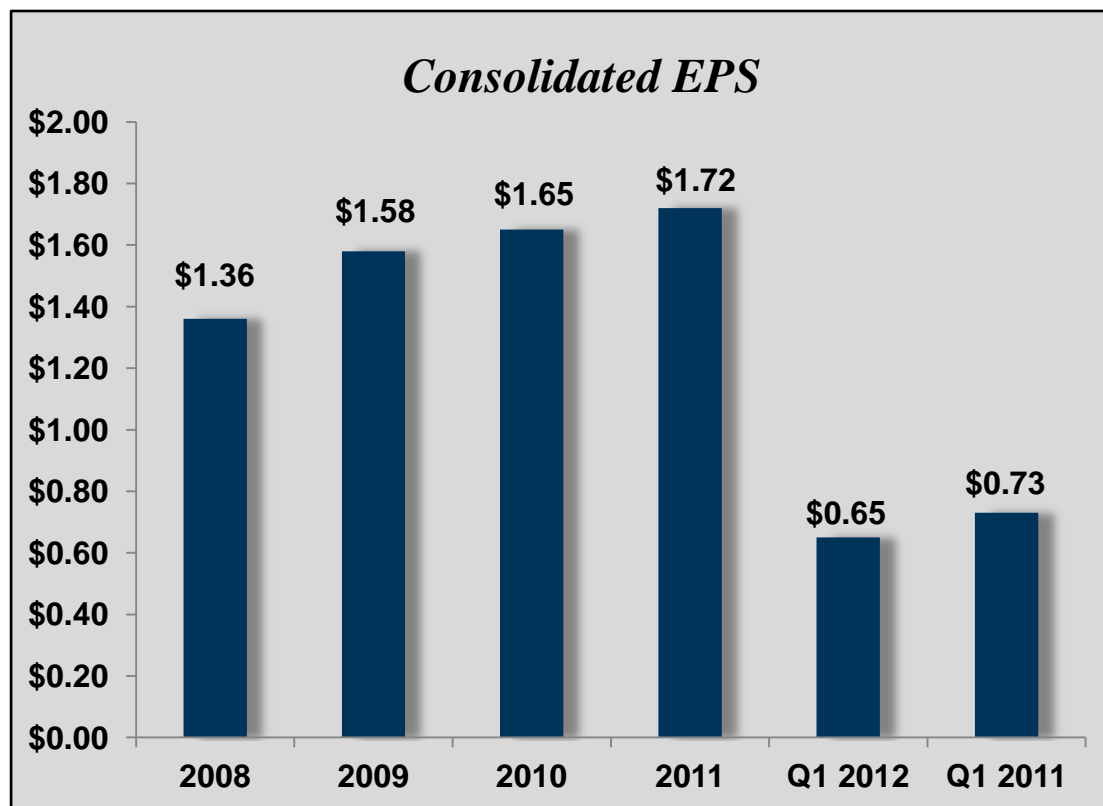
Information as of Mar. 31, 2012



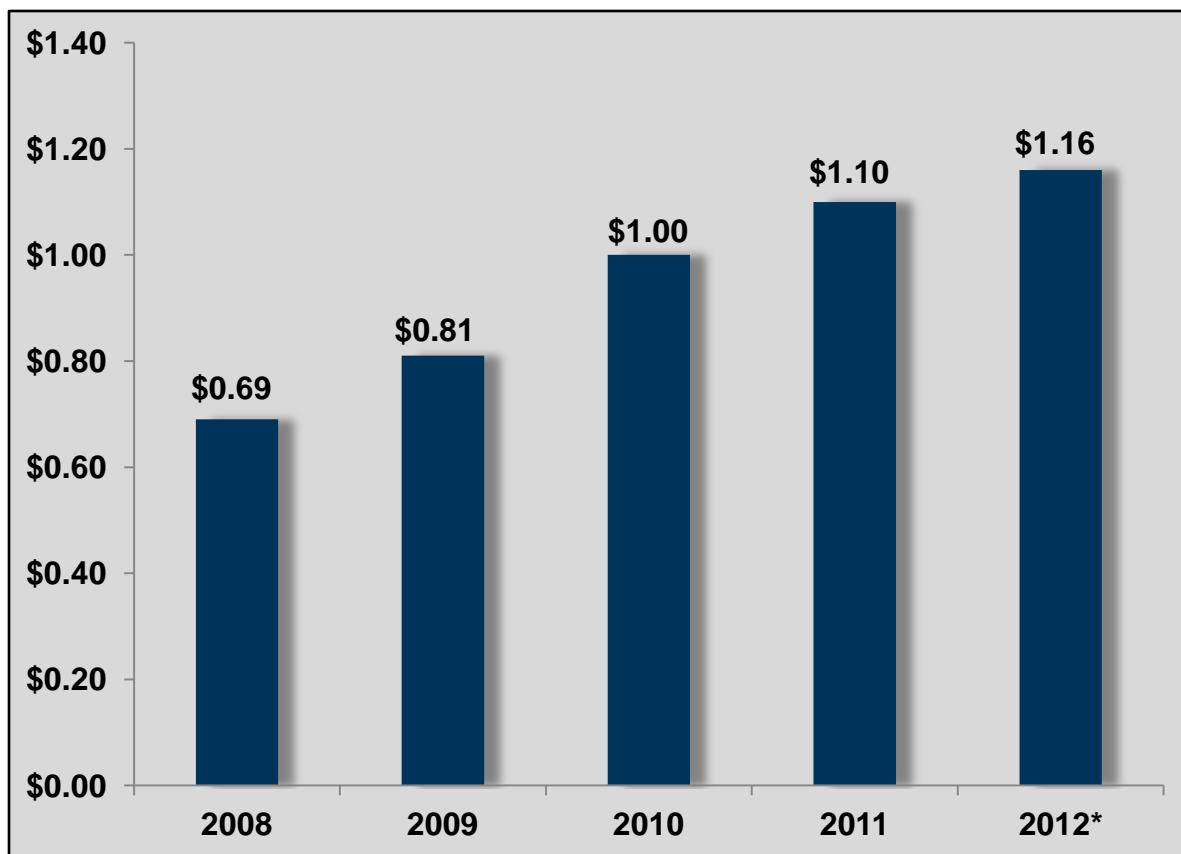


# *Financial*

# Earnings Per Diluted Share



# Annual Dividend History



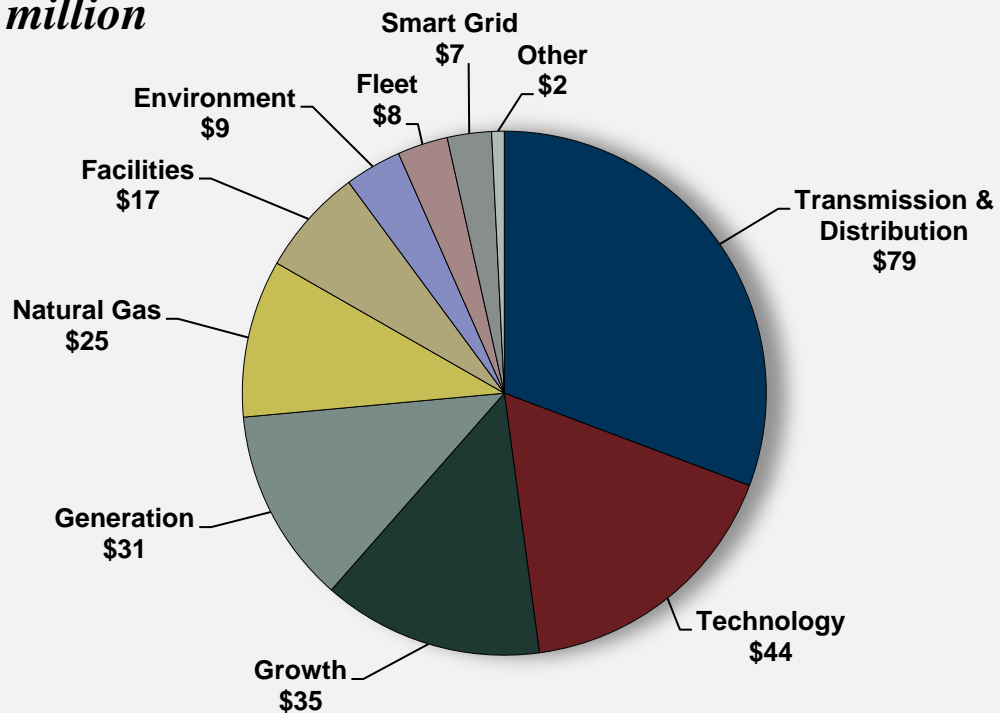
- Current Dividend Yield 4.4%
- Ten consecutive years of dividend increases
- Dividend growth expected to keep pace with long-term earnings growth

\* Current Quarterly Dividend of \$0.29 Annualized

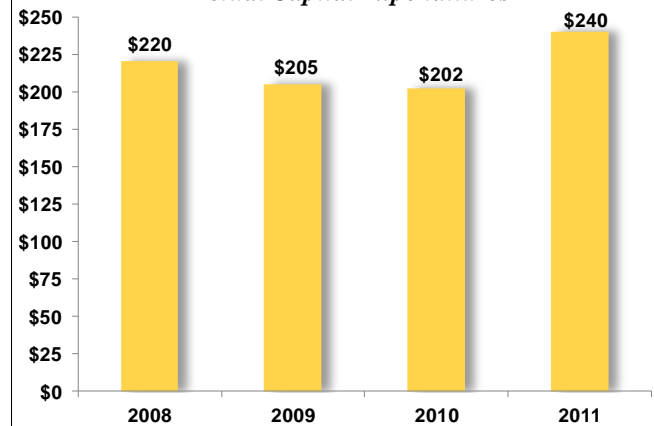
# 2012 Forecasted Utility Capital Expenditures

(\$ in millions)

**\$257 million**



*Actual Capital Expenditures*

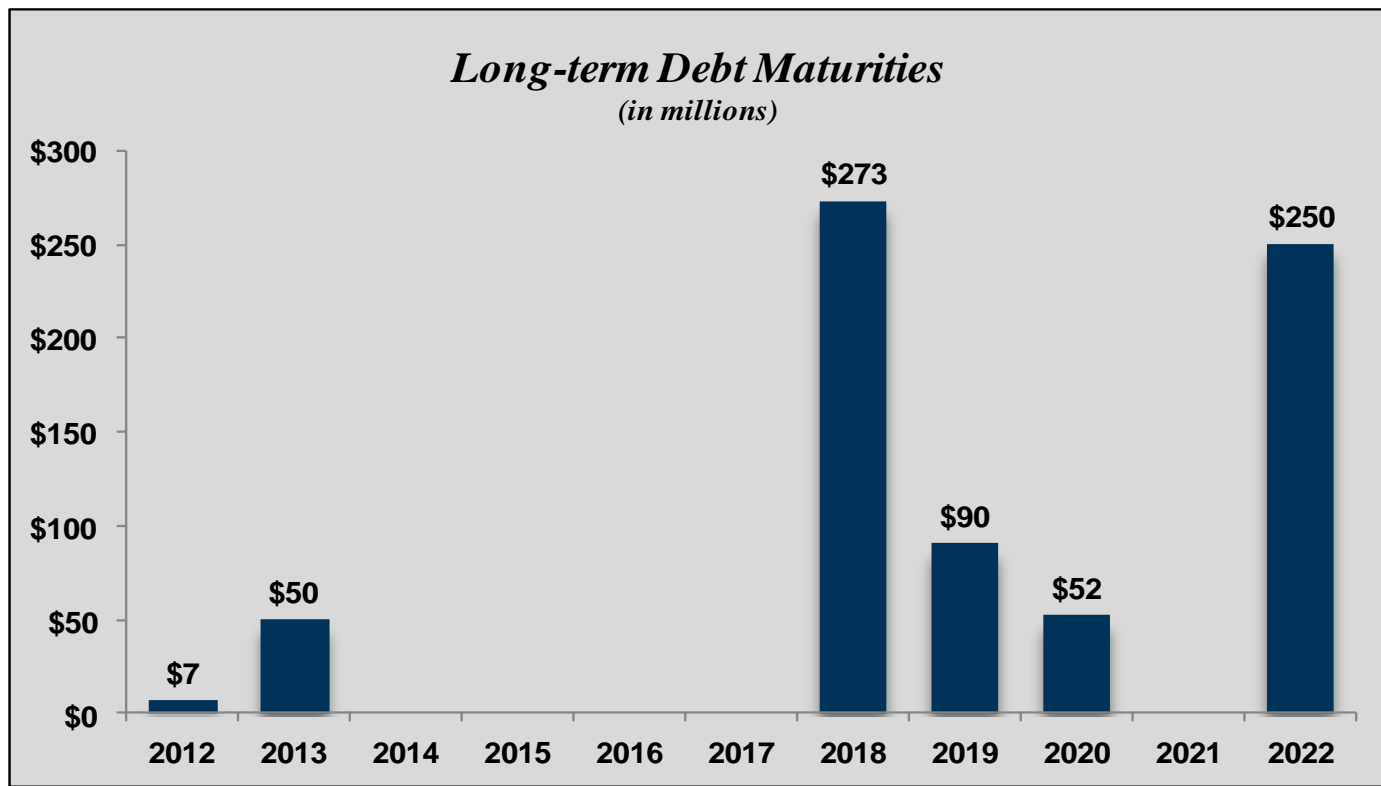


*We expect utility capital expenditures to be approximately \$250 million in 2013 and 2014*

*Target rate base growth of 4%-6% annually*

# *Liquidity*

- \$343 million of available liquidity as of March 31, 2012
- Expect to issue up to \$45 million in equity and up to \$100 million in long-term debt in 2012, as reported in our 10-K





# *Earnings Guidance*

	2012
Consolidated	\$1.65-\$1.85
Avista Utilities	\$1.51-\$1.66
Ecova	\$0.16-\$0.19
Other	\$(0.02)-\$0.00

## *Guidance Assumptions*

- Our outlook for Avista Utilities assumes, among other variables, normal precipitation and temperatures 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 utility guidance range does not include any benefit or expense under the ERM.
- We are expecting a benefit under the ERM in 2012 within the 90 percent customer/10 percent company sharing band. It is important to note that the forecast of our position in the ERM can vary significantly due to a variety of factors including the level of hydroelectric generation and retail loads, as well as changes in purchased power and natural gas fuel prices.