



Revised October 2018

## **AUDIT COMMITTEE CHARTER**

### **I. PURPOSE**

The purpose of the Audit Committee (“Committee”) of the Board of Directors (“Board”) of Avista Corporation (the “Company”) is to assist the Board in its oversight of the integrity of the financial statements of the Company, of the Company’s compliance with legal and regulatory requirements, of the independence and qualifications of the independent auditor, and of the performance of the Company’s internal audit function and independent auditors.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures, and practices at all levels. The Committee should also provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditing function, and the Board.

### **II. COMPOSITION**

The Committee shall be comprised of three or more directors as determined by the Board. Members of the Committee shall be appointed to, and removed from, the Committee by the Board and the Chair of the Committee shall be appointed by the Board. All of the Committee members shall meet the independence and expertise requirements for audit committees imposed by the listing standards of the New York Stock Exchange (“NYSE”) or other national securities exchanges as applicable, and Section 10A(m)(3) of the Exchange Act and any applicable rules of the Securities and Exchange Commission (“SEC”). Each member of the Committee shall have a working familiarity with basic finance and accounting practices (or acquire such familiarity within a reasonable period after his or her appointment) and at least one member of the Committee shall be an “Audit Committee financial expert,” in compliance with the criteria established by the SEC and other relevant regulations. The existence of such member(s) shall be disclosed in periodic filings as required by the SEC.

### **III. MEETINGS AND PROCEDURES**

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet periodically with management, the director of internal auditing and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet quarterly with the independent auditors and management to discuss the annual audited financial statements and quarterly financial statements, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Committee may meet privately with the chief legal officer and the personnel responsible for the ethics and compliance programs, as necessary.

The Committee may meet by telephone or video conference and may take action by unanimous written consent.

The Committee shall perform a self-assessment, at least annually, relative to the Audit Committee's purpose, duties, and responsibilities outlined herein, review and assess this Charter, and submit to the Corporate Governance/Nominating Committee any recommended changes for review by the Corporate Governance/Nominating Committee. After such review by the Corporate Governance/ Nominating Committee, the Committee shall recommend any changes to the Charter to the full board.

### **IV. RESPONSIBILITIES AND DUTIES**

The Committee will report regularly to the Board regarding the execution of its duties and responsibilities. The Committee is charged by the Board with the responsibility to:

#### Financial Reporting and Disclosure Matters

1. Review and discuss with management and the independent auditors, together and separately, the Company's annual financial statements and quarterly financial statements, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and all internal controls reports (or summaries thereof) prior to their respective release. Review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications and internal control assessment reports required by the Sarbanes-Oxley Act of 2002 (Sections 302, 404 and 906) and relevant reports rendered by the independent auditors (or summaries thereof).

2. Recommend to the Board whether the financial statements should be approved for presentation in the Annual Report on Form 10-K prior to its filing. Review with financial management and the independent auditors the Quarterly Reports on Form 10-Q prior to filing. Review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements,
3. In connection with the annual audit and reviews of the quarterly financial information by the independent auditors, discuss with the independent auditors the matters required to be discussed by Auditing Standard No. 16; review with the independent auditors any problems or difficulties and management's response; review management's internal control report and the independent auditors' attestation and report thereon; and hold timely discussions with the independent auditors regarding the following:
  - all critical accounting policies and practices;
  - all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  - other material written communications between the independent auditors and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - an analysis of the auditors' judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
4. Review with management and the independent auditors issues regarding accounting principles, fraud and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
5. Review analyses prepared by management (and the independent auditors as noted in item 3 above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements and analysis of off-balance sheet structures.
6. Review with management the effect of regulatory and accounting initiatives on the financial statements of the Company.
7. Have such direct and independent interaction with members of management, including the Chief Financial Officer and the Chief Accounting Officer, as the Committee believes appropriate.
8. Ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

9. Present to the Board the Committee's conclusions with respect to the qualifications, performance, and independence of the independent auditor.
10. Review, with the Company's counsel, any legal or regulatory matter that could have a significant impact on the Company's financial statements.
11. Review earnings press releases with management, including review of any "pro-forma" or "adjusted" non-GAAP information.
12. Discuss with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
13. Prepare the Audit Committee Report required by the SEC to be included in the Company's annual proxy statement.

#### Internal Controls

14. In consultation with the independent auditors and the internal auditors, review the integrity of the Company's (i) internal accounting controls, established and maintained pursuant to Section 13(b)(2) of the Exchange Act, (ii) disclosure controls and procedures, established and maintained pursuant to Rule 13a-15 under the Exchange Act and (iii) internal control over financial reporting, established and maintained pursuant to Rule 13a-15 under the Exchange Act. The Committee should receive a report from management on any matters of concern arising from the quarterly internal control and disclosure control processes and procedures in connection with the preparation of reports filed with the Exchange Act. Further the Committee should receive and review Management's Report on Internal Control Over Financial Reporting and the Auditor's Report on the Effectiveness of Internal Control.
15. Review with the independent auditors, the internal auditing department, and management the implementation of previously reviewed changes or improvements in significant financial or accounting practices. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
16. Review the Company's material financial and accounting risk exposures and the steps management has undertaken to control them.
17. Periodically review reliance on and internal controls for information technology and information systems related to accounting, financial assets and financial reporting.

### Independent Auditor Oversight

18. Appoint, compensate, terminate, and oversee the independent auditors, and evaluate the work performed by the independent auditors for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent auditors regarding financial reporting in the event that they arise.
19. Review and pre-approve in accordance with Sections 10A(g) and (h) of the Exchange Act, the Regulations and the Accounting Standards of the Public Company Accounting Oversight Board (“PCAOB”), all professional services to be provided to the Company by the independent auditors, provided that the Committee shall not approve any non-audit services proscribed by Section 10A(i) of the Exchange Act in the absence of an applicable exemption. This duty may be delegated to one or more designated members of the Committee with any such pre-approval reported to the full Committee at its next scheduled meeting. The Committee will consider whether the auditors’ performance of permissible non-audit services could impact the auditors’ independence.
20. At least annually, review the qualifications, performance, and independence of the independent auditors. The evaluation should include the review and evaluation of the lead partner of the independent auditors. The Committee shall obtain and review a report by the independent auditors regarding:
  - the firm’s internal quality-control procedures;
  - any material issues raised by the most recent internal quality-control review or peer review of the independent auditor, or by any inquiry or investigation by the PCAOB or other governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues;
  - all relationships between the independent auditors and the Company; and
  - all disclosed relationships or services that may impact the objectivity and independence of the independent auditors.
21. Review the Company’s policy for the hiring of employees or former employees of the independent auditors, as needed.

### Internal Audit Oversight

22. Review and concur on the process for selection, appointment, evaluation and retention of the Director of Internal Audit, who shall have direct access to the Committee.
23. Review and approve, on an annual basis, the internal audit department charter and the internal audit plan and periodically review internal

audit's activities and organizational structure, staffing and budget with the Director of Internal Audit.

24. Review with the Director of Internal Audit any significant audit issues, difficulties, disagreements with management, or scope restrictions encountered in the course of internal audit's work.

#### Ethics, Compliance, Legal and Regulatory Oversight

25. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding its accounting, internal control or auditing matters and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters or alleged fraud.
26. Establish procedures for the receipt, retention, and treatment of complaints from attorneys in accordance with the "Attorney Up The Ladder Reporting Policy."
27. Ensure that the Company has a Code of Conduct that is in compliance with all applicable rules and regulations and that management has established a system to enforce and monitor the Code.
28. Review and, when appropriate, grant any request by an officer of the Company or any Board member for a waiver of a conflict of interest pursuant to the Company's Code of Conduct. Any waiver of conflicts will be disclosed to shareholders.
29. Review, with the Company's Chief Compliance Officer, compliance matters.
30. Receive periodic reports from the General Counsel on all significant litigation and investigations and updates on these matters as warranted by circumstances.

#### Enterprise Risk Management

31. Periodically review and discuss policies and practices with respect to risk assessment and risk management including addressing key risks to the Company.

In addition to all of the above responsibilities, the Committee shall perform any other activities consistent with this Charter, the Company's Bylaws, and governing law, as the Committee or Board deems necessary or appropriate.

## **V. RESOURCES AND AUTHORITY**

The Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities. Further, the Company shall provide appropriate funding, as determined by the Committee, for compensation to the independent auditors and to any advisers that the Committee chooses to engage and for ordinary administrative expenses of the Committee.