

Hydro One Inc.
483 Bay Street
8th Floor South Tower
Toronto, Ontario M5G 2P5
www.HydroOne.com



Mayo Schmidt
President & CEO

August 14, 2017

Mr. Rorie Watt
City Manager
Office of the Manager
155 S. Seward Street
Juneau, Alaska 99801-1397

Dear Mr. Watt,

Thank you for your recent letter of introduction for Mr. Keith Comstock and Mr. Duff Mitchell. I have been briefed by Avista regarding the expression of interest and related letter, I have read with interest the local media activity related to this letter and am aware that Mr. Mitchell has called Mr. Paul Berry, Executive Vice President of Strategy and Corporate Development of Hydro One, to inquire about our interest in selling Alaska Electric Light & Power (AEL&P) and Alaska Energy and Resources Company (AERC), Avista Corporation's assets in Southeast Alaska.

The Agreement and Plan of Merger between Hydro One and Avista Corporation (Avista), signed on July 19, 2017, is subject to many federal and state regulatory approvals. These approvals may not be fully secured until the second half of 2018. It would not be appropriate for Hydro One to engage in any discussion about divesting of Avista's assets in Southeast Alaska.

I realize your letter is not intended as an expression of interest by the Assembly of the City/Borough of Juneau to buy Avista's assets. Nevertheless, I appreciate that you might like to know our response to Mr. Comstock and Mr. Mitchell; that is, assuming the transaction is approved by all regulatory bodies and closed, Hydro One has no interest in selling Avista's assets or subsidiary companies. In fact, Hydro One's merger with Avista brings to Alaska an international Utility company with a considerable ability to invest more deeply in the markets we are resident.

Your letter articulates the community's interest in local control and ownership of Avista's assets in Southeast Alaska. I would like to confirm that AEL&P and AERC will remain subsidiaries of Avista after our transaction is completed, and the Agreement and Plan of Merger stipulates that Avista will be governed by an independent Board of Directors, rather than being managed directly by Hydro One. This arrangement ensures that the transaction between Hydro One and Avista will have no material impact on AEL&P, its employees, or its community ethic and civic engagement. AEL&P will continue to have local employees and the local "feel" that it has always had.

Our interest in merging with Avista stems from our companies' mutual commitment of service, investment and partnership in the communities we serve. I understand that when Avista bought AEL&P and AERC from the Corbus family that Avista promised to maintain the family's strong focus on customer service, its legacy of community service, and its commitment to empowering and developing employees. Avista has been keeping its promise. Over the past three years, Avista has helped to underwrite important programs to assist those most in need and it has invested in cultural and economic development initiatives. Hydro One fully supports AEL&P's 124-year old vision of bringing safe, reliable, affordable power to Juneau. I have every confidence that Avista will always do the same.

Sincerely,

A handwritten signature in cursive script, reading "Mayo Schmidt". The signature is written in black ink and is positioned above the printed name.

Mayo Schmidt

Cc: CBJ Assembly members
Governor Bill Walker
Senator Lisa Murkowski
Senator Dan Sullivan
Congressman Don Young