



February 23, 2016

Karen S. Feltes  
Senior Vice President & Corporate Secretary  
Avista Corp.  
1411 East Mission Avenue  
Spokane, WA 99220-3727

*Re: Withdrawal of the 2016 As You Sow and Arjuna Capital Shareholder Proposal*

Dear Ms. Feltes:

As You Sow and Arjuna Capital greatly appreciate the constructive dialogue with Avista ("the Company") regarding its response to the emerging low-carbon technologies that are disrupting the power sector. We appreciate the Company's commitment to ongoing dialogue on these issues in the future. We also commend the time the Company has allotted to seriously considering the investor concerns raised by the Proposal.

As You Sow and Arjuna Capital have agreed to withdraw the shareholder proposal, submitted on November 25, 2015 on behalf of the Jubitz Family Foundation ("Proponent"), in recognition of the disclosure the Company has agreed to provide on its addressing the issues related to climate-change driven low carbon technologies disrupting the power sector. The terms of withdrawal are as follows:


1. **Withdrawal.** In exchange for the Company's actions, As You Sow and Arjuna Capital hereby agree to withdraw the shareholder proposal, and agree that such proposal shall not appear in the Company's definitive proxy statement for its 2016 annual meeting.
2. **Company Actions.** The Company agrees to make disclosures on its website by September 23, 2016, which is intended to help provide investors and stakeholders with information about how the Company is integrating distributed energy generation into its business planning, addressing the following items:
  - a. The Company will include the following text in its upcoming sustainability report:
    - i. *"The Movement Toward Distributed Generation:* The utility industry has seen broad adoption of distributed generation, with the majority of that being rooftop solar installations. Adoption rates vary throughout the United States. In Avista's service territory, less than 500 customers (or about 0.1%) have distributed generation installed. The relatively low adoption rate in Avista's service territory, and across the Pacific Northwest more broadly, is primarily attributed to the lower utility retail rates in the region and the less favorable solar profile that exists. Avista recognizes the potential opportunities and risks associated with further penetration of distributed generation and is evaluating opportunities with respect to solar generation. In our Integrated Resource Plan, which is filed every two years, we evaluate distributed, community, and grid-scale solar as an alternative to other more traditional sources of generation. We also consider how growing adoption of rooftop solar could impact our customers' consumption patterns in the future.

We will continue to monitor and assess how changes in the costs of solar generation, changes in federal and state incentives, changes in customer preferences related to solar generation, and changes in our retail rates impact the viability of solar generation as a resource at the premise, community, and utility-scale levels, and our Integrated Resource Plan will reflect that analysis going forward."

- b. In addition to the above, the Company will add text describing its consideration and activity around the following matters:
- i. Energy storage
  - ii. Grid modernization
  - iii. Work with regulators on new business mechanisms to integrate emerging low carbon technologies
  - iv. The potential impacts on grid and load growth of distributed generation

This agreement will become effective on the date the last party below executes.

**AS YOU SOW:**

  
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Danielle R. Fugere  
President and General Counsel  
As You Sow


2-25-16  
Date

**ARJUNA CAPITAL:**

  
\_\_\_\_\_  
Natasha Lamb  
Partner  
Arjuna Capital

2/29/16  
Date

**COMPANY:**

  
\_\_\_\_\_  
Avista  
General Counsel and ~~Corporate Secretary~~

2-25-16  
Date