

ERRATA TO SETTLEMENT COMMITMENTS 1 AND 43

FILED ON MARCH 27, 2018, APPENDIX A TO SETTLEMENT STIPULATION
(MASTER LIST OF COMMITMENTS IN WASHINGTON)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. U-170970

JOINT TESTIMONY IN SUPPORT OF SETTLEMENT STIPULATION AND AGREEMENT

April 10, 2018

A. Reservation of Certain Authority to the Avista Board of Directors

1. **Authority Reserved:** Consistent with and subject to the terms of Exhibits A and B to the Merger Agreement (referred to as “Delegation of Authority”) contained in Appendix 5 of the Joint Application, decision-making authority over commitments 2-15 below is reserved to the Board of Directors of Avista Corporation (“Avista”) and any change to the policies stated in commitments 2-15 requires a two-thirds (2/3) vote of the Avista Board, provided that, except as otherwise provided for in a specific commitment, Avista must obtain approval for such changes from all regulatory bodies with jurisdiction over the Commitments before such changes can go into effect, and provide written notice to all parties to Docket U-170970 of such request for approval:

Governance

2. **Executive Management:** Avista will seek to retain all current executive management of Avista, subject to voluntary retirements that may occur. This commitment will not limit Avista’s ability to determine its organizational structure and select and retain personnel best able to meet Avista’s needs over time. The Avista board retains the ability to dismiss executive management of Avista and other Avista personnel for standard corporate reasons (subject to the approval of Hydro One Limited (“Hydro One”) for any hiring, dismissal or replacement of the CEO);
3. **Board of Directors:** After the closing of the Proposed Transaction, Avista’s board will consist of nine (9) members, determined as follows: (i) two (2) directors designated by Hydro One who are executives of Hydro One or any of its subsidiaries; (ii) three (3) directors who meet the standards for “independent directors” - under section 303A.02 of the New York Stock Exchange Listed Company Manual (the “Independent Directors”) and who are residents of the Pacific Northwest region, to be designated by Hydro One (collectively, the directors designated in clauses (i) and (ii) hereof, the “Hydro One Designees”), subject to the provisions of Clause 2 of Exhibit A to the Merger Agreement; (iii) three (3) directors who as of immediately prior to the closing of the Proposed Transaction¹ are members of the Board of Directors of Avista, including the Chairman of Avista’s Board of Directors (if such person is different from the Chief Executive Officer of Avista); and (iv) Avista’s Chief Executive Officer (collectively, the directors designated in clauses (iii) and (iv) hereof, the “Avista Designees”). The initial Chairman of Avista’s post-closing Board of Directors shall be the Chief Executive Officer of Avista as of the time immediately prior to closing for a one year term. If any Avista Designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the remaining Avista

¹ “Proposed Transaction” means the transaction proposed in the Joint Application of Avista and Hydro One filed on September 14, 2017.

41. **Compliance with the Sarbanes-Oxley Act:** Following the closing of the Proposed Transaction, Avista will comply with applicable requirements of the Sarbanes-Oxley Act.

E. Ring-Fencing Commitments

42. **Golden Share:** Entering into voluntary bankruptcy shall require the affirmative vote of a “Golden Share” of Avista stock. The Golden Share shall mean the sole share of Preferred Stock of Avista as authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third-party, where the third-party has no financial stake, affiliation, relationship, interest, or tie to Avista or any of its affiliates, or any lender to Avista, or any of its affiliates. This requirement does not preclude the third-party from holding an index fund or mutual fund with negligible interests in Avista or any of its affiliates. In matters of voluntary bankruptcy, this Golden Share will override all other outstanding shares of all types or classes of stock.
43. **Independent Directors:** At least one of the nine members of the board of directors of Avista will be an ~~independent director who is not a member, stockholder, director (except as an independent director of Avista or Olympus Equity LLC), officer, or employee of Hydro One or its affiliates~~Independent Director who, consistent with Commitment 3, meets the standards under 303A.02 of the New York Stock Exchange Listed Company Manual. At least one of the members of the board of directors of Olympus Equity LLC will be an ~~independent director who is not a member, stockholder, director (except as an independent director of Olympus Equity LLC or Avista), officer, or employee of Hydro One or its affiliates~~Independent Director who, consistent with Commitment 3, meets the standards under 303A.02 of the New York Stock Exchange Listed Company Manual. The same individual may serve as an independent director of both Avista and Olympus Equity LLC. The organizational documents for Avista will not permit Avista, without the consent of a two-thirds majority of all its directors, including the affirmative vote of the independent director at Avista (or if at that time Avista has more than one independent director, the affirmative vote of at least one of Avista’s independent directors), to consent to the institution of bankruptcy proceedings or the inclusion of Avista in bankruptcy proceedings. In addition to an affirmative vote of this independent director, the vote of the Golden Share shall also be required for Avista to enter into a voluntary bankruptcy.
44. **Non-Consolidation Opinion:**
- a. Within ninety (90) days of the Proposed Transaction closing, Avista and Olympus Holding Corp. will file a non-consolidation opinion with the Commission which concludes, subject to customary assumptions and exceptions, that the ring-fencing provisions are sufficient that a bankruptcy court would not order the substantive consolidation of the assets and