



## Avista requests electric and natural gas rate changes in Washington

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### Company seeks recovery of costs for power supply and investments in infrastructure

SPOKANE, WA -- (Marketwired) -- 05/26/17 -- Avista (**NYSE: AVA**) has filed two requests with the Washington Utilities and Transportation Commission (UTC or Commission) to recover costs related to power supply as well as infrastructure, system maintenance, and technology.

"Our customers expect their energy to be there when they need it, and so do we. To meet these expectations, we're continually investing in our systems in an effort to maintain reliability and deliver value, at a reasonable cost for customers," Avista Chairman, President and Chief Executive Officer Scott L. Morris said.

These investments include the rehabilitation of Avista's Little Falls and Nine Mile hydroelectric projects, both of which are over a century old. The work to upgrade and modernize these facilities will enable them to run efficiently and serve our communities for decades to come, said Morris. Avista's rates are cost-based, where the costs related to projects like Nine Mile and Little Falls included in customer rates reflects the cost of the equipment when it was installed, decades ago. As the company replaces the turbines, generators and other equipment, the costs are many times more expensive today. This is a primary reason for the request to increase rates, he added.

The company is also enhancing its customers' experience with Avista by adding new technology, said Morris. Through the mobile application launched in 2016, customers can easily access the information they need about power outages and restoration. Avista is in the process of completely refreshing its website so that it is easier to use, provides relevant information, and is easily accessible on mobile devices. As a part of this project, the company earlier this year implemented a new payment experience through the website that has streamlined this process for thousands of customers, Morris noted.

"While electric base rates for our customers have not increased since January of 2015, we understand that price adjustments can be a challenge. This is a key consideration as we make decisions about how and where to invest. These requests not only help to more closely align customer rates with Avista's costs of providing service, they also support the opportunity to earn a fair return for our shareholders, especially given that needed rate adjustments were not approved in the 2016 case," Morris said.

The two rate filings are summarized below:

#### **Power Cost Rate Adjustment Filing**

Avista filed a power cost rate adjustment that would update and reset power supply costs included in billed rates. If approved by the Commission, the request is designed to increase revenue by \$15.0 million or 2.9 percent, effective Sept. 1, 2017. The key drivers behind this request include:

- The expiration on Dec. 31, 2016, of a long-term contract with Portland General Electric that was providing approximately \$8 million in net benefits that Avista is no longer receiving, but which Avista is still passing on to customers through the current level of retail rates.
- Updated contract rates related to Chelan County PUD and Palouse Wind Power Purchase Agreements, pursuant to the original contract terms, and natural gas transportation contracts, all of which increase power costs for Avista by approximately \$1.0 million.
- Updated market and short-term contract prices that increase power supply costs for Avista by approximately \$6.0 million.

If approved, this adjustment would expire at the conclusion of the general rate case also filed today.

#### **General Rate Case Filing**

Avista also filed requests to increase electric and natural gas rates, primarily driven by ongoing capital investments. If approved, the electric general rate request is designed to increase annual revenues by \$61.4 million, effective May 1, 2018. With the \$15.0 million power cost rate adjustment referenced above expiring on May 1, 2018, the net increase in billed revenue is \$46.4 million or 8.8 percent on May 1, 2018.

For natural gas, if approved, the general rate request is designed to increase annual billed revenues by \$8.3 million or 5.4 percent, beginning May 1, 2018.

#### **Three-Year Rate Plan**

The proposal is a three-year rate plan, with new rates taking effect May 1, 2018 and annual increases in May 2019 and May 2020. This plan would create a stay-out period where Avista would not file a new general rate case for a new rate plan to be effective prior to May 1, 2021. This would provide

customers with some predictability in their expected future energy prices and would change the cycle of base rate adjustments from winter to spring, at the end of the winter heating season. With this, customers would not experience a base rate increase in the middle of winter. The requested rate adjustments for each year are as follows:

	<b>Electric Billed Revenue Increase</b>	<b>Natural Gas Billed Revenue Increase</b>
<b>Rate year 1</b> May 1, 2018 - April 30, 2019	8.8 percent	5.4 percent
<b>Rate year 2</b> May 1, 2019 - April 30, 2020	2.4 percent	2.6 percent
<b>Rate year 3</b> May 1, 2020 - April 30, 2021	2.5 percent	2.7 percent

In the proposal, power supply costs would be updated each year, and the electric rate adjustments effective May 1 each year would be adjusted up or down based on these updated costs.

The electric and natural gas requests for the May 2018-April 2021 rate periods are based on a proposed rate of return (ROR) on rate base of 7.76 percent with a common equity ratio of 50 percent and a 9.9 percent return on equity (ROE).

### **Capital Investments**

Avista's capital investment plans address the need to replace infrastructure that has reached the end of its useful life, as well as respond to the need for reliability and technology investments required to build the integrated energy services grid that will take us into the future.

In addition to the major hydroelectric investments at Little Falls and Nine Mile, among the capital investments in today's filing are:

- Generator maintenance at the Kettle Falls biomass plant that will ensure efficient generation and operations.
- The ongoing project to systematically replace portions of natural gas distribution pipe in Avista's service area that were installed prior to 1987 as well as replacement of other natural gas service equipment.
- Transmission and distribution system and asset maintenance, such as wood pole replacements, feeder upgrades, and substation and transmission line rebuilds to maintain reliability for our customers.
- Technology upgrades that support necessary business processes and operational efficiencies that allow Avista to effectively manage the utility and serve customers.

### **Residential Customer Bills**

**Power Cost Rate Adjustment Sept. 1, 2017:** Residential electric customers in Washington using an average of 938 kilowatt hours per month could expect to see an increase of \$2.58 per month, or approximately 3.1 percent, for a monthly bill change from \$84.51 to \$87.09, beginning Sept. 1, 2017.

**General Rate Case May 1, 2018:** If both of today's filings are approved, on May 1, 2018, as a result of the general rate request and the expiration of the Power Cost Rate Adjustment, a **residential electric customer** using an average of 938 kilowatt hours per month could expect to see a bill increase of \$8.05 or 9.2 percent for a monthly bill change from \$87.09 to \$95.14, beginning May 1, 2018.

For natural gas, if the request is approved, a **residential natural gas customer** using an average of 65 therms per month could expect to see a bill increase of \$3.25 or 5.6 percent for a revised monthly bill from \$58.14 to \$61.39, beginning May 1, 2018.

The actual percentage increase for individual electric and natural gas customers would depend on how much energy a customer uses.

Avista serves more than 246,000 electric and nearly 156,800 natural gas customers in Washington. The Commission has up to 11 months to review Avista's requests.

Additional information about Avista's rate request and energy prices is available at [www.avistautilities.com/warates](http://www.avistautilities.com/warates).

### **Customer Resources**

To assist customers in managing their energy bills, Avista offers services for customers such as comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES), which provide assistance to special-needs customers through referrals to area agencies and churches for help with housing, utilities, medical assistance and other needs. Avista also provides funding for energy assistance programs Project Share and the company's Low Income Rate Assistance Program, which are administered through community action agencies.

Avista provides energy efficiency and outreach programs that include rebates and incentives as well as tips and resources to help customers manage their energy use and energy bills. Customers can learn more at [www.avistautilities.com](http://www.avistautilities.com).

### **About Avista Corp.**

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. [Avista Utilities](http://www.avistautilities.com) is the operating division that provides electric service to 379,000 customers and natural gas to 342,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 million. Alaska Energy and Resources Company is an Avista subsidiary that provides retail electric service in the city and borough of Juneau, Alaska, through its subsidiary [Alaska Electric Light and Power Company](http://www.alaskalightandpower.com). Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit [www.avistacorp.com](http://www.avistacorp.com).

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2016 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

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