



## Avista Requests to Adjust Electric and Natural Gas Rates in Idaho

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### Filing Seeks to Recover Costs for Continuing Replacement of Aging Energy Delivery System

SPOKANE, WA, Jul 05, 2011 (MARKETWIRE via COMTEX) --

Costs for replacing aging electric infrastructure to ensure reliability and increased natural gas operating costs are the major drivers in requests Avista (NYSE: AVA) filed today with the Idaho Public Utilities Commission (IPUC) to increase electric and natural gas rates for customers. The IPUC generally has up to seven months to review the filings and issue a decision.

"We continue to make significant investments in replacing our aging infrastructure and upgrading our generation facilities to preserve reliability for our electric customers in Idaho and Washington and to gain efficiencies," said Avista Chairman, President and Chief Executive Officer Scott L. Morris. "Although we have taken measures to ensure that the costs we incur represent a cost-effective and reliable way to continue to serve our customers, we continue to experience significant increases in costs."

The requests would produce \$9.0 million, or 3.5 percent, in additional billed revenue for electric service and \$1.9 million, or 2.8 percent, in additional billed revenue for natural gas service. Both requests are based on a proposed rate of return on rate base of 8.49 percent, with a common equity ratio of 50.15 percent and a 10.9 percent return on equity.

If the requests are approved by the IPUC, a residential customer using an average 956 kilowatt hours per month would see a \$3.06 per month increase, or 3.7 percent, for a revised monthly bill of \$86.87. A natural gas customer using an average of 62 therms per month would see a \$2.15 increase, or 3.5 percent, for a revised monthly bill of \$62.91.

Avista serves over 122,000 electric and more than 74,000 natural gas customers in Idaho.

The cost of equipment today is orders of magnitude more expensive than the equipment being replaced, some of which has been serving customers for 40 to 70 years. The significant difference in the original cost of the aging infrastructure and the cost of replacement equipment is the major driver in the need for annual rate adjustments. Based on current expectations, Avista plans to invest approximately \$1.2 billion in its utility system for the five-year period ending Dec. 31, 2015.

Included in infrastructure costs are upgrades to the remaining two 1950s-era turbines at Avista's Noxon Rapids hydroelectric project in Montana to increase the amount of clean, renewable power available to serve customers, as well as the \$4.7 million upgrade of the 82-year-old spill gates at Avista's Nine Mile hydroelectric project.

Among the transmission and distribution projects included in the request are the construction of three steel substations to replace wood substations located in Coeur d'Alene, Deary and Kellogg, Idaho. The existing substations have either reached the end of their useful lives or must be upgraded to meet current design and construction standards.

To enhance service reliability, Avista is also requesting to recover increases in costs related to its vegetation management program that covers almost 11,000 circuit miles of power lines. Other additional cost increases relate to transmission-related expenses, as well as administrative and general expenses.

The requested electric increases by customer segments are:

Residential Service - Schedule 1 - 3.6% General Service - Schedule 11 & 12 - 3.5 % Large General Service - Schedule 21 & 22 - 3.5 %

Extra Large General Service - Schedule 25 - 3.4 % Clearwater Paper - Schedule 25P - 3.3 % Pumping Service - Schedule 31 & 32 - 3.6 %

Street & Area Lights - Schedules 41 - 49 - 3.6 %

Natural Gas Drivers in the natural gas rate request are increased operating costs and upgrades to the natural gas delivery system. The requested natural gas increases by customer segments are:

General Service - Firm - Schedule 101 - Residential & small commercial - 3.5% Large General Service - Firm - Schedule 111 & 112 - 0.1% High Annual Load Factor Large (Interruptible Service - Schedule 131 & 132) - 1.0% Transportation Service for Customer - Owned Gas - Schedule 146\* - 4.7% \* Excludes natural gas costs

Customer Assistance "We are committed to offering energy efficiency programs for all customers and to supporting energy assistance services that help those residential customers who are most impacted by rising prices," Morris said.

A variety of efficiency programs and information is available for residential, commercial and industrial customers seeking ways to manage their energy

use. In addition, the programs also help reduce the amount of future, more costly energy resources needed to meet customer demand. To learn more, visit [www.everylittlebit.com](http://www.everylittlebit.com).

In addition to support for energy assistance programs, Avista also 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. To learn more, visit [www.avistautilities.com](http://www.avistautilities.com).

Videos on the rate case process and components of Avista's rate request, along with additional rate request information are available at [www.avistautilities.com](http://www.avistautilities.com).

Avista's rate application is a proposal, subject to public review and a decision by the Idaho Public Utilities Commission. A copy of the application is available for public review at the offices of both the IPUC and Avista, as well as the IPUC's homepage at [www.puc.idaho.gov](http://www.puc.idaho.gov). The IPUC will begin a comprehensive review of Avista's application and will seek public input on the company's request.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides electric service to 358,000 customers and natural gas to 319,000 customers. Our service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.5 million. Avista's primary, non-regulated subsidiary is Advantage IQ. Our 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, 2010, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

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