



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

10/11/12

Oct 11, 2012 (Marketwire via COMTEX) --Avista (NYSE: AVA) filed requests today with the Idaho Public Utilities Commission (IPUC) to increase electric and natural gas rates in Idaho. The requests primarily seek recovery of costs associated with capital investments and other expenses necessary to maintain Avista's system. The IPUC has up to seven months to review the filings and issue a decision.

If the IPUC approves the requests, an electric residential customer in Idaho using an average of 930 kilowatt hours per month would see an increase of 5.3 percent or \$4.20 per month, or about 14 cents a day, for a revised bill of \$82.89. Natural gas customers in Idaho using an average of 60 therms per month would see an increase of 7.8 percent or \$4.12, or about 14 cents a day, for a revised monthly bill of \$56.67.

Avista proposed an overall net electric rate increase of 4.6 percent, to produce \$11.4 million in additional electric revenue. Avista has also requested a \$4.6 million increase in natural gas revenues, or a 7.3 percent overall increase. The electric and natural gas filings reflect a proposed rate of return on rate base of 8.46 percent with a common equity ratio of 50 percent and a 10.9 percent return on equity.

Effective Oct. 1, Idaho customers saw [decreases in both natural gas and electric rates](#) because of lower natural gas prices and lower power supply costs, after the IPUC approved several rate decrease requests Avista filed in July. Rates for natural gas customers in Idaho have decreased twice this year, in part due to lower wholesale natural gas prices, dropping by approximately 12 percent overall in 2012.

"It's good that natural gas prices and power costs have been lower, because we've been able to pass those savings through to customers with rate decreases," said Avista Chairman, President and Chief Executive Officer Scott L. Morris. "But the other costs of delivering energy to customers safely and reliably continue to rise. This is the primary reason for our request to increase rates."

The requested electric increases by customer segments are:

<i>Residential Service - Schedule 1</i>	<i>5.3%</i>
<i>General Service - Schedules 11 &amp; 12</i>	<i>4.1%</i>
<i>Large General Service - Schedules 21 &amp; 22</i>	<i>4.8%</i>
<i>Extra Large General Service - Schedule 25</i>	<i>3.9%</i>
<i>Clearwater Paper - Schedule 25P</i>	<i>3.3%</i>
<i>Pumping Service - Schedules 31 &amp; 32</i>	<i>5.7%</i>
<i>Street &amp; Area Lights - Schedules 41-48</i>	<i>4.5%</i>

The requested natural gas increases by customer segments are:

<i>General Service - Firm - Schedule 101 - Residential &amp; small commercial</i>	<i>7.8%</i>
<i>Large General Service - Firm - Schedules 111 &amp; 112</i>	<i>5.7%</i>
<i>High Annual Load Factor Large (Interruptible Service Schedules 131 &amp; 132)</i>	<i>5.9%</i>
<i>Transportation Service for Customer - Owned Gas - Schedule 146*</i>	<i>12.8%</i>

*\* Excludes natural gas costs*

Delivery costs continue to rise

About 60 percent of a customer's electric bill is the cost of power itself -- the cost of generating or purchasing electricity. The remaining 40 percent covers delivery costs -- the equipment and people it takes to safely and reliably deliver the energy through our distribution system to a customer's home or business. For natural gas, delivery costs make up about 45 percent of a customer's bill, while the combined costs of purchasing natural gas on the wholesale market and transporting it to our system for delivery to customers is about 55 percent.

Delivery costs for both electricity and natural gas continue to rise. Avista is charged with maintaining and updating an extensive system of pipes, poles, dams and substations in order to deliver safe, reliable energy to customers. Capital investments required to assure the ongoing delivery of reliable

energy, along with rising operations and maintenance costs, continue to drive the need for additional revenue. In 2011, utility capital expenditures were \$240 million and the company expects to invest approximately \$260 million in 2012.

"We expect to invest approximately \$250 million each year for the next three to five years to continue updating and maintaining our system to serve our customers' energy needs," said Morris. "The prices customers are paying today for transformers, distribution poles, substations and transmission lines are based on the cost to install those facilities, in some cases, 40-, 50-, and even 60 years ago. When we replace or update old equipment with new equipment and technology today, it costs many times more than when it was installed."

The IPUC is charged with setting rates that are fair, just, and reasonable for customers, while allowing Avista the opportunity to earn a fair return, or profit, on the investment shareholders have made in the facilities used to provide service to customers.

"Avista has an obligation to serve every customer who requests it with safe, reliable service while still complying with state and federal requirements, even when it costs more to do so," said Morris. "We continually strive to reduce costs and improve efficiency and productivity."

#### Assisting customers most in need

Avista offers services for customers such as comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES), specially-trained representatives who provide referrals to area agencies and churches for customers with special needs for help with housing, utilities, medical assistance, and other needs. To learn more, visit [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. Additional information about the rate request as well as links to video and photos are available at [www.avistautilities.com](http://www.avistautilities.com).

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 our operating division that provides electric service to 359,000 customers and natural gas to 320,000 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-utility subsidiary is [Ecova](http://www.ecova.com), an energy and sustainability management company with over 700 expense management customers, representing more than 600,000 sites. 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, 2011 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.

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