



## Avista Reaches Settlement to Extend Current Rate Plan in Idaho

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### Proposal Would Result in No Base Retail Rate Increase for Customers Prior to 2016

SPOKANE, WA -- (Marketwired) -- 07/14/14 -- Avista (NYSE: AVA) and all other participating parties have reached a settlement agreement that, if approved by the Idaho Public Utilities Commission (IPUC or Commission), would keep base retail rates unchanged through Dec. 31, 2015.

#### **Details leading to the settlement agreement**

The settlement agreement comes after discussions regarding Avista's retail rates in Idaho.

- On March 24, 2014, Avista filed a notice with the IPUC that the Company intended to file a combined electric and natural gas general rate case on or after June 2, 2014.
- Subsequently the Company had informal discussions with all parties to Avista's last general rate case regarding a possible one-year extension of the existing rate plan from Jan. 1, 2015 to Jan. 1, 2016.
- Avista made a request to the Commission on May 30, 2014 to initiate settlement discussions.
- The Commission issued an order on June 11, 2014, which, among other things, set a settlement conference for June 25, 2014.
- The Parties subsequently entered into a settlement stipulation, including terms and conditions for a one-year extension of the current rate plan, from Jan. 1, 2015 to Jan. 1, 2016.

#### **Details of the settlement agreement**

The proposed settlement would provide an estimated \$3.7 million increase in pre-tax margin in 2015 for Idaho operations. This \$3.7 million consists of:

1. delay of the beginning of the amortization of previously deferred operations and maintenance costs pertaining to the Colstrip and Coyote Springs 2 thermal generating facilities from 2015 to 2016 and
2. deferred accounting, for later review and recovery, of the majority of the costs associated with the planned completion of Project Compass in the first quarter of 2015. Project Compass involves the replacement of Avista's customer information system, which includes, among other things, meter reading, customer billing, and work management.

The settlement agreement establishes a return on equity (ROE) deadband between the currently authorized ROE of 9.8 percent and a 9.5 percent ROE. Under the settlement agreement, Avista would be allowed to use any 2014 Idaho earnings test deferral to support an actual earned ROE in 2015 up to a 9.5 percent ROE. The 2014 earnings test provides that if Avista's actual earned ROE in 2014 for Idaho operations exceeds 9.8 percent, 50 percent of any earnings above 9.8 percent would be deferred for future ratemaking. This deferral, if any, would be used to support the extension of the rate plan for one year, by contributing towards an ROE in 2015 of up to 9.5 percent. During 2015, if the company earns more than the 9.8 percent ROE, which continues to be the authorized ROE, 50 percent of the earnings above 9.8 percent would be deferred for future ratemaking.

As part of the settlement, Avista agrees to not file a general rate case in 2014, and would file no earlier than May 31, 2015 for new electric or natural gas base retail rates to become effective on or after Jan. 1, 2016. In addition, the proposed settlement would replace two rebates, set to expire on Jan. 1, 2015, that are currently reducing customers' monthly energy bills by 1.3 percent on the electric side and 1.7 percent on the natural gas side. The rebates would be replaced for a one-year period, through Dec. 31, 2015, using existing deferral balances due customers, which would have no impact on net income of the Company. Avista would continue to file its annual adjustments related to the Power Cost Adjustment (PCA) and Purchased Gas Cost Adjustment (PGA) mechanisms, which are filed each year, typically in the third quarter.

"Our customers will benefit from the stability in their energy rates this proposed settlement provides. It is a positive outcome for our customers as well as the company and our shareholders," said Dennis Vermillion, Avista Corp. senior vice president and president of Avista Utilities. "We are pleased that all parties could work together to develop a comprehensive plan that is beneficial for all involved."

Avista serves 125,000 electric and 77,000 natural gas customers in Idaho.

Additional information about Avista's rates and the rate-making process is available online at [www.avistautilities.com](http://www.avistautilities.com).

#### **About Avista**

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 367,000 customers and natural gas to 326,000 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. 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. 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, 2013 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

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