



**Important Notice for Idaho Electric Customers
August 2012**

On July 31, 2012, Avista filed two rate requests with the Idaho Public Utilities Commission (Commission), with a requested effective date of October 1, 2012. The first rate request is for the approval of a proposed Power Cost Adjustment (PCA) rebate. The proposed revenue decrease that will result from the Company's proposal is approximately \$5.6 million, or an overall decrease of approximately 2.2%.

The PCA is an annual rate adjustment to reflect differences between Avista's actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. The proposed PCA rebate is designed to pass through reduced power costs that the Company experienced during the twelve-month period ended June 30, 2012. The proposed rebate is 0.090¢ per kilowatt-hour applicable to all of the Company's electric rate schedules. The proposed rebate will replace the existing surcharge of 0.072¢ per kilowatt-hour.

The second rate request filed with the Commission is to reduce the electric Energy Efficiency Tariff Rider Adjustment (Tariff Rider). The Tariff Rider is the rate paid by customers which funds the Company's electric energy efficiency programs. Avista projects that it can meet its regulatory obligations with a lower level of funding. The proposed revenue decrease that will result from the Company's proposal is approximately \$3.4 million, or an overall decrease of approximately 1.3%.

The two proposed rate decreases will be offset partially by the expiration of an existing refund rate. For the period of October 1, 2011 through September 30, 2012, Avista is returning to customers approximately \$3.8 million of deferred Idaho state income taxes from prior years. As a result of the expiration of that rebate, customers will see an increase of approximately 1.5% effective October 1, 2012.

(see over)



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(see over)

If approved by the Commission, the resulting revenue decrease effective October 1, 2012 from the three rate changes is a overall decrease of \$5.2 million, or 2.0%. The table below summarizes the three rate changes:

PCA	(\$5.6 million)	(2.2%)
Tariff Rider	(\$3.4 million)	(1.3%)
Tax Refund Expiration	\$3.8 million	1.5%
Total	(\$5.2 million)	(2.0%)

The percentage decreases resulting from the three rate changes will vary by rate schedule as shown below:

Residential Schedule 1	(1.3%)
General Service Schedules 11 & 12	(2.0%)
Large Gen Service Schedules 21 & 22	(2.1%)
Extra Large Gen Service Schedule 25	(3.1%)
Extra Large Gen Service Schedule 25P	(3.4%)
Pumping Service Schedules 31 & 32	(1.2%)
Street and Area Lights Schedules 41-49	(1.0%)

The variations in the overall percentage decrease by rate schedule results primarily from the PCA rate adjustment which is spread on a uniform cents per kilowatt-hour basis. Residential customers using an average of 939 kilowatt-hours per month would see their monthly bills decrease from \$80.55 to \$79.46, a decrease of \$1.09 per month, or 1.4% as a result of the three rate adjustments.

The Company's application is a proposal, subject to public review and a Commission decision. A copy of the application is available for public review at the offices of both the Commission and the Company as well as their respective websites. If you would like to submit comments on this proposed decrease, or review the application, you can do so by going to the Commission website at www.puc.idaho.gov.

Avista offers a number of programs and services to help customers manage their energy use and costs. Visit us at www.avistautilities.com for information on these programs which include Comfort Level Billing, bill payment options, automated payment service, assistance programs, conservation tips and energy efficiency rebates and incentives.

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