**Important Notice for**
**Idaho Electric Customers**
August – September 2013

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IDAHO PUBLIC UTILITIES COMMISSION

**Proposed Electric Rate Adjustments Filed to be Effective October 1, 2013**

Avista has filed three rate requests with the Idaho Public Utilities Commission (Commission), with a requested effective date of October 1, 2013. The first rate request is for the approval of a proposed Power Cost Adjustment (PCA) rebate. The PCA is an annual rate adjustment to reflect certain differences between Avista's actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. Power supply costs were lower in 2012 due to factors such as lower natural gas and wholesale power prices and favorable hydroelectric conditions. Lower natural gas prices reduced the cost to generate power with natural gas-fired resources. The proposed PCA rebate is designed to pass through reduced power supply costs to customers that occurred during the twelve-month period that ended June 30, 2013. The proposed revenue decrease that will result from the company's request is approximately $1.9 million or an overall decrease of approximately 0.8 percent.

The second electric rate request filed with the IPUC is to increase the surcharge that funds the company's popular electric energy efficiency program in the state. The request was made to adjust the amount of funding required for Avista to operate its electric energy efficiency program in Idaho, including the rebates and incentives paid to participating customers for installing energy-saving measures. The proposed revenue increase that will result from the company's request is approximately $2.6 million or an overall increase of approximately 1.2 percent.

The final electric rate adjustment is related to the BPA Residential Exchange Program. The Residential Exchange Program provides a share of the benefits of the federal Columbia River power system to the residential and small farm customers of the investor-owned utilities in the Pacific Northwest. Avista applies the benefits it receives, which usually fluctuate annually, to customers as a credit on their monthly electric bill. The benefit that the Company will be receiving from BPA starting in October 2013 will be lower than the current level of benefits currently being passed through applicable customers. As a result of the reduced level of benefits, the proposed revenue increase that will result from the company's request is approximately $1.1 million, or an overall increase of approximately 0.5 percent.

Taking into account the three proposed electric rate changes, as well as the impact of the implementation of the October 1 rate change resulting from the company's last general rate case approved by the IPUC in March 2013, the resulting revenue increase would be approximately 2.9 percent, or $6.5 million, effective October 1, 2013, if the requests are approved by the Commission. Residential electric customers in Idaho using an average of 930 kilowatt-hours per month would see their monthly bills increase from $78.69 to $81.94, an increase of $3.25 per month, or 4.1 percent.

The electric increases by rate schedule, including the effects of the general rate case, are:

| | |
|---|---|
| Residential Service - Schedule 1 | 4.1% |
| General Service - Schedules 11 & 12 | 2.5% |
| Large General Service - Schedules 21 & 22 | 2.4% |
| Extra Large General Service - Schedule 25 | 0.9% |
| Clearwater Paper - Schedule 25P | 0.1% |
| Pumping Service - Schedules 31 & 32 | 3.4% |
| Street & Area Lights - Schedules 41-48 | 3.5% |

The Company's request is a proposal, subject to public review and a Commission decision. A copy of the application is available for public review at the Company and Commission offices, as well as the Commission's homepage (www.puc.idaho.gov). Copies of rate filings are also available on our website at www.avistautilities.com under "Energy Prices," "Rates and Tariffs."

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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# Avista Makes Annual Price Adjustment Requests in Idaho

*Pass-Through Tariffs Could Increase Electric and Natural Gas Prices*

**SPOKANE, Wash. – July 31, 2013, 1:30 p.m. PDT:** Avista **(NYSE: AVA)** customers would see an increase in their electric and natural gas rates on October 1 if the Idaho Public Utilities Commission (IPUC or Commission) approves several annual rate adjustment requests filed today by the company. The requests include three electric rate adjustments and one natural gas rate adjustment:

- Avista's annual Power Cost Adjustment (PCA)
- Electric Energy Efficiency Tariff Rider Adjustment (Tariff Rider)
- Bonneville Power Administration's (BPA) Residential Exchange Program
- Avista's annual Purchased Gas Cost Adjustment (PGA)

There is no impact on company earnings resulting from these adjustments.

**Electric Adjustments**

The PCA is an annual rate adjustment to reflect certain differences between Avista's actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. Power supply costs were lower in 2012 due to factors such as lower natural gas and wholesale power prices and favorable hydroelectric conditions. Lower natural gas prices reduced the cost to generate power with natural gas-fired resources. The proposed PCA rebate is designed to pass through reduced power supply costs to customers that occurred during the twelve-month period that ended June 30, 2013. The proposed revenue decrease that will result from the company's request is approximately $1.9 million or an overall decrease of approximately 0.8 percent.

The second electric rate request filed with the IPUC is to increase the surcharge that funds the company's popular electric energy efficiency program in the state. The request was made to adjust the amount of funding required for Avista to operate its electric energy efficiency program in Idaho, including the rebates and incentives paid to participating customers for installing energy-saving measures. The proposed revenue increase that will result from the company's request is approximately $2.6 million or an overall increase of approximately 1.2 percent.

The final electric rate adjustment is related to the BPA Residential Exchange Program. The Residential Exchange Program provides a share of the benefits of the federal Columbia River power system to the residential and small farm customers of the investor-owned utilities in the Pacific Northwest. Avista applies the benefits it receives, which usually fluctuate annually, to customers as a credit on their monthly electric bill. The benefit that the Company will be receiving from BPA starting in October 2013 will be lower than the current level of benefits currently being passed through applicable customers. As a result of the reduced level of benefits, the proposed revenue increase that will result from the company's request is approximately $1.1 million, or an overall increase of approximately 0.5 percent.

Taking into account the three proposed electric rate changes, as well as the impact of the implementation of the October 1 rate change resulting from the company's last general rate case approved by the IPUC in March 2013, the resulting revenue increase would be approximately 2.9 percent, or $6.5 million, effective October 1, 2013, if the requests are approved by the Commission. Residential electric customers in Idaho using an average of 930 kilowatt-hours per month would see their monthly bills increase from $78.69 to $81.94, an increase of $3.25 per month, or 4.2 percent.

The electric increases by rate schedule, including the effects of the general rate case, are:

| | |
|---|---|
| Residential Service - Schedule 1 | 4.1% |
| General Service - Schedules 11 & 12 | 2.5% |
| Large General Service - Schedules 21 & 22 | 2.4% |
| Extra Large General Service - Schedule 25 | 0.9% |
| Clearwater Paper - Schedule 25P | 0.1% |
| Pumping Service - Schedules 31 & 32 | 3.4% |
| Street & Area Lights - Schedules 41-48 | 3.5% |

**Natural Gas Adjustments**

The combined costs of purchasing natural gas on the wholesale market and transporting it to Avista's system make up about 55 percent of an Avista natural gas customer's bill. These costs fluctuate up and down based on market prices, and Avista does not mark these costs up. The remaining 45 percent covers the cost of delivering the natural gas – the equipment and people needed to provide safe and reliable service.

The annual Purchased Gas Cost Adjustment (PGA) is a true-up that balances the cost of wholesale natural gas purchased by Avista to serve customers with the amount already included in customer rates. The proposed revenue increase that would result from the company's proposal is approximately $4.9 million or an overall 7.5 percent increase.

In 2012, the natural gas market, driven by lower demand, higher production rates and record high storage levels, drove prices to lows not seen in the last decade. However, for most of 2013, prices have moved on an upward trend from these lows. The late, colder than normal winter increased national demand, absorbing excess supply and drawing storage balances down below their five-year average. This return to a more balanced market added to the uplift on wholesale natural gas prices in 2013.

Taking into account the proposed PGA, as well as the impact of the implementation of the October 1, 2013, rate change resulting from the company's last general rate case approved by the IPUC in March 2013, the resulting revenue increase would be approximately 7.8 percent, or $5.1 million, effective October 1, 2013, if the PGA request is approved by the Commission. Residential natural gas customers using an average of 60 therms a month would see a $4.11, or 7.4 percent, increase in their monthly rate for a revised monthly bill of $59.48. The requested natural gas increase by customer segment is as follows:

| | |
|---|---|
| General Service - Firm - Schedule 101 - Residential & Small Commercial | 7.4% |
| Large General Service - Firm - Schedules - Commercial 111 & 112 | 9.2% |
| High Annual Load Factor Large - Interruptible Service Schedules 131 & 132 | 6.9% |

**Rate Application Procedure**

Avista's rate applications are proposals, subject to public review and a decision by the Idaho Public Utilities Commission. Copies of the applications are available for public review at the offices of both

the IPUC and Avista, as well as on the IPUC's homepage at www.puc.idaho.gov. The IPUC will begin a review of Avista's applications and will seek public input on the company's request.

In addition, Avista expects to file its annual Purchase Gas Cost Adjustment this month with the Public Utility Commission of Oregon and in September with the Washington Utilities and Transportation Commission.

**Energy Efficiency and Energy Assistance Programs**
To help customers proactively manage their energy use, Avista offers a number of energy efficiency programs. Information on available energy efficiency rebates and incentives from Avista for residential, commercial and low-income customers is available at www.avistautilities.com, along with other energy-saving information.

Information on energy assistance programs and payment options offered by Avista to help qualifying customers is available at 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 is our operating division that provides electric service to 362,000 customers and natural gas to 323,000 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, 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 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, 2012 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

SOURCE: Avista Corporation

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