AVU-E-16-05

Important Notice for Idaho Electric Customers (Aug. 2016)

Proposed Electric Rate Adjustments Filed to be Effective Oct. 1, 2016

Avista has filed two annual rate adjustment requests with the Idaho Public Utilities Commission (Commission), with a requested effective date of Oct. 1, 2016. The **first** adjustment is the annual Power Cost Adjustment (PCA). The PCA is an annual rate adjustment made to reflect the differences between Avista's actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. It is a true-up to reflect the actual cost of power to serve customers.

The proposed PCA rate adjustment would rebate to customers approximately $0.5 million effective Oct. 1, 2016. The rebate is primarily associated with power supply costs that were lower than those included in base retail rates, primarily due to lower wholesale natural gas prices. As a result of Avista's PCA filing last year, the Commission approved a rebate of approximately $1.0 million. That rebate will end Sept. 30, 2016. The net effect of the expiring rebate, and the proposed rebate, is an overall increase in rates of approximately 0.2 percent, or $0.5 million.

The **second** electric rate adjustment is related to the Bonneville Power Administration (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, including Avista. Avista applies the benefits it receives, which typically fluctuate from year to year, to customers as a credit in their monthly electric rates. The benefit Avista will receive from BPA starting in October 2016 will result in a higher level of benefits than is currently being passed through to qualifying customers. As a result of the higher level of benefits, the proposed rate decrease to customers is approximately $0.5 million, or an overall decrease of approximately 0.5 percent.

Change in Rates - the two proposed electric rate changes would be effective Oct. 1, 2016. Residential electric customers in Idaho using an average of 918 kilowatt hours per month would see their monthly bills decrease from $84.72 to $84.42, a decrease of $0.30 per month, or 0.3 percent. The PCA-related increase applies to all customer rate schedules. PCA rate adjustments are applied based on a uniform cents per kilowatt-hour change for all rate schedules. Because there are differences in the basic charges, demand charges, and energy charges between the various rate schedules, the PCA percentage increases for each customer rate schedule are different. The decrease related to the BPA Residential Exchange filing, however, only affects residential and small farm customers.

AVISTA

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The proposed PCA rate adjustment would rebate to customers approximately $0.5 million effective Oct. 1, 2016. The rebate is primarily associated with power supply costs that were lower than those included in base retail rates, primarily due to lower wholesale natural gas prices. As a result of Avista's PCA filing last year, the Commission approved a rebate of approximately $1.0 million. That rebate will end Sept. 30, 2016. The net effect of the expiring rebate, and the proposed rebate, is an overall increase in rates of approximately 0.2 percent, or $0.5 million.

The **second** electric rate adjustment is related to the Bonneville Power Administration (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, including Avista. Avista applies the benefits it receives, which typically fluctuate from year to year, to customers as a credit in their monthly electric rates. The benefit Avista will receive from BPA starting in October 2016 will result in a higher level of benefits than is currently being passed through to qualifying customers. As a result of the higher level of benefits, the proposed rate decrease to customers is approximately $0.5 million, or an overall decrease of approximately 0.5 percent.

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The proposed PCA rate adjustment would rebate to customers approximately $0.5 million effective Oct. 1, 2016. The rebate is primarily associated with power supply costs that were lower than those included in base retail rates, primarily due to lower wholesale natural gas prices. As a result of Avista's PCA filing last year, the Commission approved a rebate of approximately $1.0 million. That rebate will end Sept. 30, 2016. The net effect of the expiring rebate, and the proposed rebate, is an overall increase in rates of approximately 0.2 percent, or $0.5 million.

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AVISTA

The requested electric rate changes by rate schedule are:

Residential Service - Schedule 1	-0.3%
General Service - Schedules 11 & 12	0.1%
Large General Service - Schedules 21 & 22	0.2%
Extra Large General Service - Schedule 25	0.3%
Extra Large General Service - Schedule 25P	0.3%
Pumping Service - Schedules 31 & 32	0.1%
Street & Area Lights - Schedules 41-48	0.0%

The Company's applications are proposals, subject to public review and a Commission decision. Copies of the applications are available for public review at the offices of both the Commission and Avista, and on the Commission's website (www.puc.idaho.gov). Customers may file with the Commission written comments related to the Company's filings. Customers may also subscribe to the Commission's RSS feed (http://www.puc.idaho.gov/rssfeeds/rss.htm) to receive periodic updates via e-mail about the case. Copies of rate filings are also available on our website, www.avistautilities.com/rates.

If you would like to submit comments on the proposed decrease, you can do so by going to the Commission website or mailing comments to:

Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

To assist customers in managing their energy bills, Avista offers services such as comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES). CARES provides 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. There, customers can also find information on energy efficiency rebates and incentives, as well as online tools for managing energy use.

AVA203i

The requested electric rate changes by rate schedule are:

Residential Service - Schedule 1	-0.3%
General Service - Schedules 11 & 12	0.1%
Large General Service - Schedules 21 & 22	0.2%
Extra Large General Service - Schedule 25	0.3%
Extra Large General Service - Schedule 25P	0.3%
Pumping Service - Schedules 31 & 32	0.1%
Street & Area Lights - Schedules 41-48	0.0%

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AVA203i

The requested electric rate changes by rate schedule are:

Residential Service - Schedule 1	-0.3%
General Service - Schedules 11 & 12	0.1%
Large General Service - Schedules 21 & 22	0.2%
Extra Large General Service - Schedule 25	0.3%
Extra Large General Service - Schedule 25P	0.3%
Pumping Service - Schedules 31 & 32	0.1%
Street & Area Lights - Schedules 41-48	0.0%

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