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Customer Notice

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Press Release



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DRAFT

Avista requests multi-year electric and natural gas rate increase in Idaho

Company seeks recovery of costs for capital investments in infrastructure and technology

SPOKANE, Wash., June X, 2015, 1:05 p.m. PDT: Increased capital investments in infrastructure and technology are the major drivers in Avista's (**NYSE: AVA**) two-year electric and natural gas rate plan request filed today with the Idaho Public Utilities Commission (IPUC).

Avista's request, if approved, is designed to increase annual electric revenues effective Jan. 1, 2016, by an overall 5.2 percent or \$13.2 million, and annual natural gas revenues by an overall 5.8 percent or \$3.2 million.

In addition, Avista's request, if approved, is designed to increase annual electric revenues effective Jan. 1, 2017, by an overall 5.1 percent, or \$13.7 million, and annual natural gas revenues by an overall 2.5 percent, or \$1.7 million. The electric and natural gas requests for 2016 and 2017 are based on a proposed rate of return (ROR) on rate base of 7.62 percent with a common equity ratio of 50 percent and a 9.9 percent return on equity (ROE).

"Our general rate requests continue to be driven by the ongoing need to maintain, replace and invest in the facilities and equipment we use every day to serve our customers," Avista Chairman, President and Chief Executive Officer Scott L. Morris said. "We are making investments to modernize our systems so we can meet our customers' needs and continue to provide the safe, reliable energy our customers expect, now and well into the future. This includes ensuring our hydroelectric projects can continue to provide the low-cost energy they have for more than 100 years, systematically replacing aging infrastructure and investing in technology that will enhance reliability."

"We understand that rate increases can be challenging for our customers. While the costs of doing business continue to rise, we maintain a firm focus on managing our costs so that our customers can continue to have energy prices that are among the lowest in the country," Morris said.

Avista serves more than 127,000 electric and nearly 78,100 natural gas customers in Idaho. The last general rate request filing in Idaho was Oct. 10, 2012. The IPUC has up to nine months to review Avista's request.

Residential Customer Electric Bill

If Avista's 2016 electric request is approved, a residential customer using an average of 929 kilowatt hours per month could expect to see a bill increase of \$5.92 per month, or 6.9 percent, for a revised monthly bill of \$91.16. The bill change includes a proposed increase of \$3.25 per month in the basic charge, from \$5.25 to \$8.50 per month.

For 2017, the proposed increase is \$6.10 per month, or a 6.7 percent increase, resulting in an overall monthly bill of \$97.26.

As a part of its application, Avista has also proposed to use \$5.6 million related to its 2014 Idaho electric earnings sharing to extend a \$2.8 million rebate customers are currently receiving in 2015. If approved, that rebate would be extended for a two-year period, through 2017.

The requested electric increase by service schedule for the two-year rate plan is:

Rate Schedule	Description	2016 Billing Increase	2017 Billing Increase
Residential Service	Schedule 1	6.9%	6.7%
General Service	Schedules 11 & 12	3.5%	3.5%
Large General Service	Schedules 21 & 22	4.5%	4.5%
Extra Large General Service	Schedule 25	4.5%	4.5%
Extra Large General Service 25P	Schedule 25P	2.6%	2.7%
Pumping Service	Schedules 31 & 32	5.2%	5.1%
Street & Area Lights	Schedules 41 - 49	6.1%	5.9%
Total		5.2%	5.1%

Residential Customer Natural Gas Bill

A residential natural gas customer using an average of 61 therms per month could expect to see a \$3.90, or 6.6 percent, bill increase for a revised monthly bill of \$63.12. The bill change includes a proposed increase of \$3.75 per month in the basic charge, from \$4.25 to \$8.00 per month.

For 2017, the proposed increase is \$1.79 per month, or a 2.8 percent increase, resulting in an overall monthly bill of \$64.91.

As a part of its application, Avista has proposed to use \$0.2 million related to its 2014 natural gas earnings sharing to replace a portion of a \$1.2 million rebate customers are currently receiving in 2015. If approved, customers would receive that rebate in 2016.

The requested natural gas increase by service schedule for the two-year rate plan is:

Rate Schedule	Description	2016 Billing Increase	2017 Billing Increase
General Service	Schedule 101	6.5%	2.9%
Large General Service	Schedules 111 & 112	3.5%	1.3%
Interruptible Service	Schedules 131 & 132	5.5%	2.0%
Transportation Service	Schedule 146*	4.5%	5.4%
Total		5.8%	2.5%

* *excludes natural gas costs*

Capital Investments

Capital investments included in Avista's request include upgrades and maintenance of the company's generation facilities, transmission and distribution equipment, natural gas pipe, and information technology. Costs to replace facilities and parts of our system are many times more expensive today than when originally installed. This is the primary reason for the need to increase rates.

Among the major capital investments in today's filing are:

- the ongoing and multi-year redevelopment of the 105-year-old Little Falls Powerhouse on the Spokane River to increase generation reliability and the continuing rehabilitation of the 107-year-old Nine Mile Powerhouse on the Spokane River, including the replacement of original generators, turbines and other equipment which will increase the generation of clean, renewable power;
- information technology upgrades, including the replacement of Avista's 20-year-old legacy customer information system which supports traditional utility business functions, such as meter reading, customer billing, payment processing, credit, customer service orders and material management; and
- the ongoing project to systematically replace portions of natural gas distribution pipe, including hundreds of miles of natural gas distribution lines in Avista's service area that were installed prior to 1987.

Fixed Cost Adjustment

The request also includes a proposed electric and natural gas Fixed Cost Adjustment (FCA) mechanism. The FCA is a mechanism designed to break the link between a utility's revenues and a consumer's energy usage. The company's actual revenue, based on kilowatt-hour and therm sales, will vary, up or down, from the level set by the IPUC. This could be due to changes in conservation, weather or the economy.

Under the proposed FCA mechanism, the company's electric and natural gas revenues would be adjusted each month to reflect revenues based on the number of customers, rather than kilowatt-hour and therm sales. The difference between revenues based on sales and revenues based on the number of customers will result in either surcharges or rebates to customers in the following year.

Customer Assistance

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.

More Information

Avista's application is a proposal, subject to public review and a decision by the commission. A copy of the application is available for public review at the offices of both the commission and Avista, and on the commission's homepage (www.puc.idaho.gov). 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.

Additional information about Avista's rate request, including a video, is available at www.avistautilities.com/idrates.

About Avista Corp.

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 369,000 customers and natural gas to 329,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 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](#). Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit 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, 2014 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

SOURCE: Avista Corporation

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To unsubscribe from Avista's news release distribution, send a reply message to shirley.wolf@avistacorp.com

The Avista logo is located in the bottom right corner of the page. It consists of a stylized 'A' symbol followed by the word 'AVISTA' in a bold, sans-serif font. The logo is set against a dark rectangular background.



Important Notice for Idaho Electric Customers

On June 1, 2015, Avista filed an application with the Idaho Public Utilities Commission (Commission) to increase Idaho electric rates. The Company proposed a two-year rate-plan which would increase electric rates by \$13.2 million or 5.2% effective January 1, 2016, and by \$13.7 million or 5.1% effective January 1, 2017. The proposed rate-plan reflects primarily the capital investments to upgrade aging infrastructure to continue to provide our customers with safe and reliable electric service. More information on the requested rate increase is available at www.avistautilities.com/rates. The proposed increase above current billing rates by service schedule is as follows:

		2016 Billing Increase	2017 Billing Increase
Residential Service	Schedule 1	6.9%	6.7%
General Service	Schedules 11 & 12	3.5%	3.5%
Large General Service	Schedules 21 & 22	4.5%	4.5%
Extra Large General Service	Schedule 25	4.5%	4.5%
Extra Large General Service	Schedule 25P	2.6%	2.7%
Pumping Service	Schedules 31 & 32	5.2%	5.1%
Street & Area Lights	Schedules 41 - 49	6.1%	5.9%

As a part of the Company's application, Avista has proposed to use funds related to its 2014 electric earnings sharing to extend a \$2.8 million rebate customers are currently receiving in 2015. If approved, that rebate would be extended through 2017.

For 2016, the proposed increase for residential customers using an average of 929 kilowatt-hours per month would see their monthly bills increase from \$85.24 to \$91.16, an increase of \$5.92 per month or 6.9%. Avista is proposing that the basic monthly charge for residential customers currently set at \$5.25 increase to \$8.50 per month. For 2017 the proposed increase for residential customers using an average of 929 kilowatt-hours per month would see their monthly bills increase from \$91.16 to \$97.26, an increase of \$6.10 per month or 6.7%.

The request also includes a proposed Fixed Cost Adjustment (FCA) mechanism. The FCA is a mechanism designed to break the link between a utility's revenues and a consumer's energy usage. The company's actual revenue, based on kilowatt-hour and therm sales, will vary, up or down, from the level set by the Commission. This could be due to changes in conservation, weather or the economy. Under the proposed FCA mechanism, the company's electric and natural gas revenues would be adjusted each month to reflect revenues based on the number of customers, rather than kilowatt-hour and therm sales. The difference between revenues based on sales and revenues based on the number of customers will result in either surcharges or rebates to customers in the following year.

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 utility, and on the Commission's homepage (www.puc.idaho.gov). 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.

The Commission has up to seven months to review the Company's rate increase requests. The Commission will begin a comprehensive review of Avista's application and will seek public input.

If you would like to submit comments on the proposed increase, 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

Avista offers a number of programs and services to help customers manage their energy use and costs. Visit 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.



Important Notice for Idaho Natural Gas Customers

On June 1, 2015, Avista filed an application with the Idaho Public Utilities Commission (Commission) to increase Idaho natural gas rates. The Company proposed a two-year rate-plan which would increase natural gas rates by \$3.2 million or 5.8% effective January 1, 2016, and by \$1.7 million or 2.5% effective January 1, 2017. The proposed rate-plan reflects primarily the capital investments, operations and maintenance costs, and continuing emphasis on providing customers with safe and reliable natural gas service. More information on the requested rate increase is available at www.avistautilities.com/rates. The proposed increase above current billing rates by service schedule is as follows:

		2016 Billing Increase	2017 Billing Increase
General Service	Schedule 101	6.5%	2.9%
Large General Service	Schedule 111 & 112	3.5%	1.3%
Interruptible Service	Schedules 131 & 132	5.5%	2.0%
Transportation Service	Schedule 146*	4.5%	5.4%
*excludes natural gas costs			

As a part of the Company's application, Avista has proposed to use \$0.2 million related to its 2014 natural gas earnings sharing to replace a portion of a \$1.2 million rebate customers are currently receiving in 2015. If approved, customers would receive that rebate in 2016.

For 2016, the proposed increase for residential customers using an average of 61 therms per month would see their monthly bills increase from \$59.22 to \$63.12, an increase of \$3.90 per month or 6.6%. Avista is proposing that the basic monthly charge for residential customers currently set at \$4.25 increase to \$8.00 per month. For 2017 the proposed increase for residential customers using an average of 61 therms per month would see their monthly bills increase from \$63.12 to \$64.91, an increase of \$1.79 per month or 2.8%.

The request also includes a proposed Fixed Cost Adjustment (FCA) mechanism. The FCA is a mechanism designed to break the link between a utility's revenues and a consumer's energy usage. The company's actual revenue, based on kilowatt-hour and therm sales, will vary, up or down, from the level set by the Commission. This could be due to changes in conservation, weather or the economy. Under the proposed FCA mechanism, the company's electric and natural gas revenues would be adjusted each month to reflect revenues based on the number of customers, rather than kilowatt-hour and therm sales. The difference between revenues based on sales and revenues based on the number of customers will result in either surcharges or rebates to customers in the following year.

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