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Avista Makes Price Reduction Requests in Idaho

Pass-through tariffs could decrease natural gas rates by 8 percent and electric rates by 2 percent

SPOKANE, Wash. – July 31, 2012, 1:05 p.m. PDT: Avista (NYSE: AVA) customers would see a decrease in their electric and natural gas prices on Oct. 1 if the Idaho Public Utilities Commission (IPUC or Commission) approves several annual rate adjustment requests filed today by the company. There is no impact on company earnings from any of these adjustments. The requests include two electric rate adjustments and two natural gas rate adjustments:

- Avista's annual Power Cost Adjustment (PCA)
- Avista's annual Purchased Gas Cost Adjustment (PGA)
- Electric and Natural Gas Energy Efficiency tariff rider adjustments (Tariff Rider)

"Each year, we propose to adjust rates our customers pay so that customers' bills reflect our actual costs of purchasing natural gas and generating and purchasing electric power," said Dennis Vermillion, president of Avista Utilities. "Today's requested rate reductions are due to, among other things, lower natural gas prices and lower power supply costs, which is good news for our customers."

If the requests are approved by the Commission, residential electric customers in Idaho 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 percent. Residential natural gas customers using an average of 60 therms a month would see a \$4.42, or 7.9 percent, decrease in their monthly rate for a revised monthly bill of \$51.36.

Electric Adjustments

The major portion of an Avista electric customer's bill, about 60 percent, is the cost of generating or purchasing electricity to meet customer needs. These costs may fluctuate up or down. Power supply costs were lower in 2011, due to factors such as declining natural gas prices and favorable hydroelectric conditions. The remaining 40 percent of a customer's bill covers the cost of delivering the electricity – the equipment and people needed to provide safe, reliable service.

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. The proposed PCA rebate is designed to pass through reduced power supply costs during the twelve-month period that ended June 30, 2012. The proposed revenue decrease that will result from the company's request is approximately \$5.6 million, or an overall decrease of approximately 2.2 percent.

The second electric rate request filed with the IPUC is to reduce the electric Energy Efficiency Tariff Rider Adjustment (Tariff Rider). The Tariff Rider is the rate paid by customers that funds the company's energy efficiency programs. Avista projects that it can meet the demand for electric energy

efficiency with a lower level of funding. The proposed revenue decrease that will result from the company's request is approximately \$3.4 million, or an overall decrease of approximately 1.3 percent.

The two proposed rate decreases will be offset partially by the expiration of an existing refund rate being passed through to customers. For the period of Oct. 1, 2011 through Sept. 30, 2012, Avista is returning to customers approximately \$3.8 million of deferred Idaho state income taxes. This current rebate will expire on Oct. 1, 2012.

Taking into account the two proposed electric rate decreases, as well as the expiration of the current refund rate, customers would see an overall net decrease of approximately 2 percent, or \$5.2 million, effective Oct. 1, 2012, if the requests are approved by the Commission. As a result, residential electric customers in Idaho 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 percent.

Natural Gas Adjustments

The combined costs of purchasing natural gas on the wholesale market and transporting it to Avista's system makes up about 55 percent of an Avista natural gas customer's bill, and these costs fluctuate up and down based on market prices. 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 decrease that would result from the company's proposal is approximately \$3.6 million or an overall 5.4 percent. As the company noted when it reduced natural gas rates for Idaho customers in March by 6 percent, wholesale natural gas costs have declined over the past twelve months. Abundant supplies of natural gas and continued soft demand for the commodity have continued to keep wholesale natural gas prices at lower levels over the past year.

The second natural gas rate request filed with the IPUC is to reduce the natural gas Energy Efficiency Tariff Rider Adjustment (Tariff Rider). Similar to the electric Tariff Rider for energy efficiency, the natural gas Tariff Rider is the rate paid by customers that funds the Company's natural gas energy efficiency programs. The proposed revenue decrease that will result from the company's proposal is approximately \$1.7 million, or an overall decrease of approximately 2.6 percent.

If the requests are approved by the IPUC, residential customers using an average of 60 therms a month would see a \$4.42, or 7.9 percent, decrease in their monthly rate for a revised monthly bill of \$51.36. Commercial customers could expect decreases of 8.5 percent for general service schedule 111, and 16.8 percent for interruptible sales service schedule 131. If approved by the Commission, new rates would become effective Oct. 1, with annual natural gas revenues decreasing by approximately \$5.3 million. Avista serves over 74,000 natural gas customers in Idaho.

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 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.

Avista expects to file its annual Purchase Gas Cost Adjustment in August with the Oregon Utilities Commission and in September with the Washington Utilities and Transportation Commission.

To help customers proactively manage their energy use, Avista offers a number of energy efficiency programs, including rebates and incentives. Visit www.everylittlebit.com for information on the

programs that helped Avista's Idaho and Washington customers save enough energy in the past two years to power over 15,000 homes and to serve almost 4,000 homes with natural gas.

Information on energy assistance programs and payment options offered by Avista to help qualifying customers is available at www.avistautilities.com.

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 360,000 customers and natural gas to 321,000 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-regulated subsidiary is Ecova, an energy and sustainability management company with more than 500 multi-site commercial and utility customers, representing more than 450,000 sites. Our 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, 2011.

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