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Avista Makes Annual Price Adjustment Filings in Idaho

Changes would result in modest decrease in electric prices effective Oct. 1, 2015

SPOKANE, Wash. – Aug. 3, 2015, 4:00 a.m. PDT: Avista (NYSE: AVA) has made two annual rate adjustment filings with the Idaho Public Utilities Commission (IPUC or commission) that could, if approved, result in a modest electric decrease effective Oct. 1, 2015.

These annual filings are separate from the general rate case request filed in June 2015 regarding base retail rates in Idaho and have no impact on the company's earnings.

Power Cost Adjustment (PCA)

The first adjustment is the Avista's 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.

Part of the proposed PCA rate adjustment decrease is related to the expiration of a surcharge customers are currently paying in their retail rates. Beginning in October 2014, Avista began passing through to customers a one-year surcharge of approximately \$7.8 million related to last year's PCA. That surcharge will end Sept. 30, 2015. In addition, power supply costs in the most recent 12 months ending June 2015 were approximately \$1.0 million lower than those included in base retail rates, due primarily to decreased natural gas and wholesale power prices and favorable hydroelectric conditions. As a result of the expiration of the prior period PCA surcharge and the decreased costs for the last 12 months, the proposed decrease to rates is approximately 3.5 percent, or \$8.8 million.

Residential Exchange Program

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 2015 will be lower than the current level of benefits currently being passed through to qualifying customers. As a result of the lower level of benefits, the proposed rate increase to customers is approximately \$3.2 million, or an overall increase of approximately 1.3 percent.

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