

Important Notice for Washington Electric Residential and Small Farm Customers

On September 30, 2004, Avista filed with the Washington Utilities and Transportation Commission (WUTC) a request to modify a rate credit to qualifying residential and small farm customers. The credit results from a residential exchange program aimed at giving electric customers a share of benefits from federal hydroelectric projects located in the Northwest supplied by the Bonneville Power Administration (BPA). Avista uses the rate credit to pass on to its qualifying electric customers the residential exchange benefits it receives from BPA.

Washington Rate Credit Modification

Avista is proposing that the rate credit be increased from the existing credit of 0.277¢ per kilowatt-hour to 0.421¢ per kilowatt-hour effective November 1, 2004. The proposed credit of 0.421¢ is designed to pass through the projected balance of accumulated benefits at October 31, 2004, as well as the expected level of benefits to be received from BPA during the period November 1, 2004 through October 31, 2005.

The proposed rate credit is a uniform cents per kilowatt-hour decrease of 0.421¢ and would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. The proposed increase in the rate credit would result in an annual overall reduction in Washington electric revenue of approximately \$3.4 million. The increase in the rate credit will have no effect on Avista's net income. For a residential customer using 1,000 kilowatt-hours per month the new credit would be \$4.21 per month or \$1.44 more than the existing credit of \$2.77 per month. With the new higher credit in place, residential customers' bills will be about 2.5% lower than they were before the increase in the rate credit. The actual reduction will vary based on customer usage.

Avista's request is a proposal, subject to public review and a decision by the WUTC. A copy of Avista's filing is available for public review at the offices of both the WUTC and Avista. A copy of the filing is also available on our website at www.avistautilities.com under "Energy Prices," "Rates and Tariffs."

If you would like information on energy conservation tips, energy assistance programs, and bill payment plans, visit our website at www.avistautilities.com, or call us at 1-800-227-9187.