



Contact:

DRAFT

Media: Casey Fielder (509) 495-4916, casey.fielder@avistacorp.com

Investors: Lauren Pendergraft (509) 495-2998, lauren.pendergraft@avistacorp.com

Avista 24/7 Media Access (509) 495-4174

Avista Makes Annual Price Adjustment Requests in Washington

New rates would take effect Nov. 1, 2016

SPOKANE, Wash. Aug. 31, 2016, 1:05 p.m. PST: Avista (**NYSE: AVA**) has made its annual rate adjustment filings with the Washington Utilities and Transportation Commission (UTC or Commission) that would, if approved, result in a decrease in natural gas rates, and a modest change in electric rates, effective Nov. 1, 2016.

These annual filings are separate from the general rate case request filed in February 2016 regarding base retail rates in Washington and have no impact on the company's earnings.

Purchased Gas Cost Adjustment (PGA)

The first rate adjustment is Avista's Purchased Gas Cost Adjustment (PGA). PGAs are filed each year to balance the actual cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates. This includes the natural gas commodity cost as well as the cost to transport natural gas on interstate pipelines to Avista's local distribution system. If approved, Avista's request is designed to decrease natural gas revenues by \$12.8 million or 8.0 percent.

The primary driver for the company's requested decrease is a reduction in natural gas commodity costs due to a warmer than normal winter, an abundance of natural gas held in storage, and continued high production levels of natural gas.

About 50 percent of an Avista natural gas customer's bill is the combined cost of purchasing natural gas on the wholesale market and transporting it to Avista's system. These costs fluctuate up and down based on market prices. The costs are not marked up by Avista. The remaining 50 percent covers the cost of delivering the natural gas -- the equipment and people needed to provide safe and reliable service.

Residential Exchange Program

The second 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 for residential and small farm

customers is designed to decrease revenues by approximately \$0.6 million, or an overall decrease of approximately 0.1 percent.

Electric and Natural Gas Decoupling

The third rate adjustment, which affects both electric and natural gas service, is related to Avista's decoupling mechanisms. Decoupling is a mechanism designed to break the link between a utility's revenues and customers' energy usage. Avista's actual revenue, based on kilowatt hour and therm sales will vary, up or down, from the level included in a general rate case and approved by the Commission. This could be caused by changes in weather, energy conservation or the economy. Generally, our electric and natural gas revenues are adjusted each month 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 is surcharged or rebated to customers beginning in the following year.

For electric operations, the rate adjustment is designed to increase revenues by \$3.4 million, or 0.7 percent. For natural gas operations, the rate adjustment is designed to increase revenues by \$4.6 million, or 2.9 percent. These rate adjustments are driven primarily by a lower level of customer usage in 2015 due in part to a warmer than normal winter.

Change in Rates

If approved by the Commission, the rate changes would be effective Nov. 1, 2016. As a result of the filings, residential electric customers in Washington using an average of 957 kilowatt hours per month would see their monthly bills change from \$83.91 to \$86.19, an increase of \$2.28 per month, or approximately 2.7 percent. Residential natural gas customers using an average of 66 therms per month would see their monthly bills change from \$61.85 to \$58.81, a decrease of \$3.04 per month, or approximately 4.9%.

The percentage change for electric and natural gas customers varies by rate schedule and depends on how much energy a customer uses.

If approved, customers would see the following rate adjustments:

Electric

Residential Service - Schedule 1	2.7%
General Service - Schedules 11 & 12	-1.2%
Large General Service - Schedules 21 & 22	-1.5%
Extra Large General Service - Schedule 25	0.0%
Pumping Service - Schedules 31 & 32	-1.5%
Street & Area Lights - Schedules 41-48	0.0%

Natural Gas

General Service - Schedule 101	-4.8%
Large General Service - Schedule 111	-6.5%
Ex. Large General Service - Schedule 121	-4.9%
Interruptible Sales Service - Schedule 131	-1.7%
Transportation Service - Schedule 146	0.0%

Avista serves approximately 241,000 electric customers and 150,000 natural gas customers in Washington.



To help customers proactively manage their energy use, Avista offers a number of energy efficiency programs, energy-saving information, rebates and incentives. Avista also provides energy bill payment assistance programs and payment options for qualifying customers. Information about these customer programs and options is available at www.avistautilities.com.

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 375,000 customers and natural gas to 335,000 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, 2015 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

SOURCE: Avista Corporation

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