



Rate Definitions



Avista wants our customers to have the information they need about their rates. This is why we communicate with customers throughout the year about their energy rates.

Multiple filings with differing components across three states can seem confusing or complicated. To provide some clarity, we've identified and defined common filings and rate "mechanisms" customers may see referenced in communication from Avista about their rates.

<p>General Rate Case Idaho, Oregon and Washington</p>	<p>A general rate case is the formal process through which Avista can make a request to state utility commissions to change customer base rates. Base rates are those that cover the total cost of providing electricity and natural gas service to customers. This includes generating and purchasing energy, the delivery of that energy to customers, as well as a fair return for our shareholders.</p> <p>A general rate case defines base rates for customer energy use as well as the basic charge for utility service.</p> <p>Through a public process, state utility commissions examine Avista's requests, take public comment and set rates that are fair and reasonable for customers and Avista.</p>
<p>Purchased Gas Cost Adjustment (PGA) Idaho, Oregon and Washington</p>	<p>The Purchased Gas Cost Adjustment (PGA) is an annual adjustment that balances the actual cost of wholesale natural gas purchased by Avista with the amount already included in current rates - Avista does not mark up the cost of natural gas to meet customer needs. Avista is required to file the PGA each year, and costs can go up or down, based on the cost of wholesale natural gas.</p>
<p>Power Cost Adjustment (PCA) Idaho</p>	<p>The Power Cost Adjustment (PCA) is an annual rate adjustment made 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.</p>
<p>Residential Exchange Program Idaho and Washington</p>	<p>The Bonneville Power Administration (BPA) 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. We apply the benefits we receive, which typically fluctuate from year to year, to customers as a credit in their monthly electric rates.</p>
<p>Renewable Energy Credits ("RECs") Revenue Mechanism Washington</p>	<p>The Renewable Energy Credits, or REC Revenue mechanism tracks and returns to customers the full level of benefits from the sale of RECs that are not otherwise used by Avista for renewable energy compliance purposes.</p>
<p>Energy Recovery Mechanism Washington</p>	<p>The Energy Recovery Mechanism, or ERM, is a mechanism used in Washington to track certain differences between Avista's actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. Adjustments in customer's rates only occur when the balance in the ERM account reaches \$30 million, in either the rebate or surcharge direction.</p>
<p>Decoupling Oregon and Washington</p> <p>Fixed Cost Adjustment (FCA) Idaho</p>	<p>Decoupling/Fixed Cost Adjustment (FCA) is a mechanism designed to break the link between a utility's revenues and a customer's energy usage.</p> <p>Avista'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.</p> <p>With Decoupling/FCA, Avista's electric and natural gas revenues are 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.</p>

