



Investor-owned and public utilities



Differences in operation

Avista is an investor-owned utility, often referred to as an IOU or private utility. As an IOU, shareholders invest money that the company uses to conduct business and provide safe, reliable energy to customers. Our shareholders come from all walks of life, many also being customers of the utility. One of our shareholders might be your neighbor, co-worker, or even a family member. Operating with shareholders is a different model than other public utilities such as a public utility district (PUD), a rural electric cooperative (REA or co-op), or a municipality.

There are important distinctions between IOUs like Avista and the public utilities we see in the Pacific Northwest.

	INVESTOR-OWNED UTILITIES (like Avista)	PUBLIC UTILITIES
OWNERSHIP	Shareholders or investors	A government body or customers/members of the utility
RATES	Rates are set, or approved, and regulated by state public utility commissions through a rigorous public process that includes customer participation.	Rates are set or approved by each utility's governing body such as a board of commissioners or city council. This may include a member- or public-participation process.
FINANCING (where utilities get money for operations)	Stockholders (investors), the sale of bonds and borrowing from the bank	PUDs: access tax-free bonds Co-ops: access low-interest loans from the Rural Utilities Services (RUS) or National Rural Utilities Cooperative Finance Corporation
GENERATION	Avista owns its own hydroelectric, biomass, coal and natural gas generation facilities and has contracts to purchase power, including wind power, from market suppliers. (Purchased power meets about 25 percent of Avista's customer needs.)	Power is primarily purchased from the Bonneville Power Administration (BPA). Some utilities operate their own hydroelectric dams and other generation facilities. See below for additional details about BPA.
PROFITS AND NET REVENUE	Rates are approved by state utility commissions to recover costs and earn a reasonable return or profit for investors.	Rates are set to recover costs and earn additional return to maintain bond ratings and invest in new facilities.

The local and national landscape

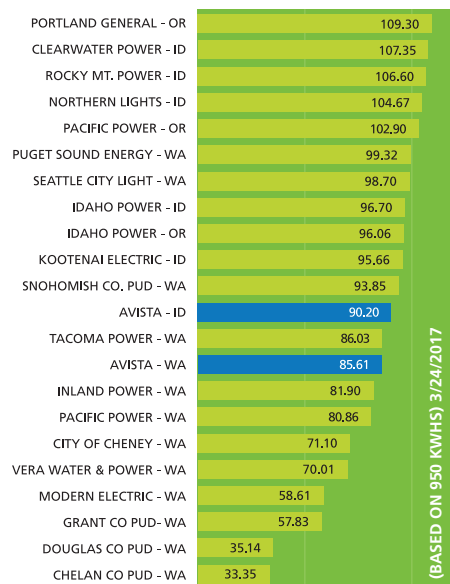
How public utilities acquire power

Many utilities have to purchase energy from outside sources and may not generate their own power. In the Pacific Northwest, most public utilities purchase low-cost electricity from the Bonneville Power Administration (BPA), a federal agency that sells wholesale power from federal hydroelectric and non-federal nuclear generation projects. The cost to purchase and generate power is a large driver of customer rates. This means that some public utility rates may be lower than the rates of IOUs.

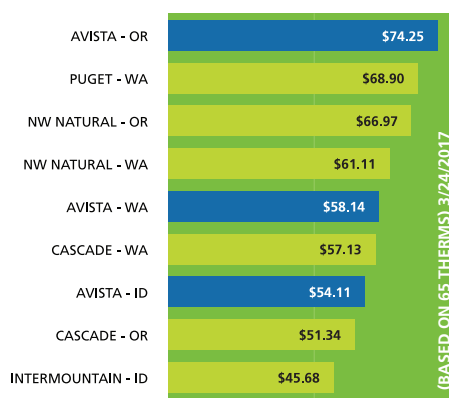
How Avista acquires power

Avista has a diverse mix of energy generation sources. We generate approximately 75 percent of our own electricity, mostly through hydro, along with other fuel types built to align with energy demand. This diverse mix costs more than BPA power alone, but is important for us to provide a stable supply of energy. Even with the cost difference, Avista's rates are still comparable to regional energy providers and are among the lowest of IOUs in the nation.

Pacific NW Electric Utility Residential Bill Comparison



Pacific NW Natural Gas Utility Residential Bill Comparison



Energy costs are rising, regardless of service from an IOU or public utility, as the need to meet demand increases along with renewable energy mandates and delivery-system upgrades. Avista continues efforts to work efficiently and keep rates reasonable.

IOUs and private enterprise

IOUs like Avista are an important part of the private enterprise system that drives our nation's economy. What does this look like? IOUs:

- provide investment opportunities for individuals and retirement plans for government and private-sector employees;
- pay a significant amount of federal and state income taxes that benefit all citizens. Public utilities do not pay federal income taxes and may not pay state income taxes depending on location;
- pay property tax based on the value of company-owned property.

Avista pays about \$100 million in taxes each year and is generally the largest property tax payer in all of the counties in which we have operations. Overall, Avista's operation as an IOU is an investment in the economy and the communities we serve.

Visit myavista.com to learn more.

