

Important Notice for Idaho Customers

July/August 2018

Avista has made its annual fixed cost adjustment (FCA) filings with the Idaho Public Utilities Commission (IPUC or Commission) that if approved, are designed to decrease overall electric revenues by \$7.4 million or 2.9 percent effective October 1, 2018 and decrease overall natural gas revenues by \$2.7 million or 4.5 percent effective November 1, 2018.

The rate adjustments are driven primarily by a higher level of customer usage in 2017 due in part to a colder than normal winter. The FCA mechanisms do not apply to Avista's Electric Extra Large General and Street Lighting Service Schedules, nor to its Natural Gas Interruptible and Transportation Service Schedules.

These annual filings are required, have no impact on the company's earnings and are not related to the proposed acquisition of Avista by Hydro One.

Avista's electric and natural gas fixed cost adjustment (FCA) 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 or 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, under the FCA Avista's revenues are adjusted each month based on the number of customers. 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.

Customer Bills

Electric: If approved, residential electric customers in Idaho using an average of 910 kilowatt hours per month would see their monthly bills decrease from \$88.49 to \$84.33, a decrease of \$4.16 per month, or approximately 4.7 percent.

The requested electric rate changes by rate schedule are:

Residential Service - Schedule 1, -4.7%

General Service - Schedules 11 & 12, -1.8%

Large General Service - Schedules 21 & 22, -2.2%

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Extra Large General Service - Schedule 25, 0.0%
Extra Large General Service - Schedule 25P, 0.0%
Pumping Service - Schedules 31 & 32, -1.9%
Street & Area Lights - Schedules 41-49, 0.0%
Overall, -2.9%

Natural gas: If approved, residential natural gas customers in Idaho using an average of 63 therms per month would see their monthly bills decrease from \$48.31 to \$46.28, a decrease of \$2.03 per month, or approximately 4.2 percent.

General Service - Schedule 101, -4.2%
Large General Service - Schedules 111 & 112, -5.6%
Interruptible Service - Schedules 131 & 132, 0.0%
Transportation - Schedule 146, 0.0%
Overall, -4.5%

The Company's applications are proposals, subject to public review and a Commission decision. Copies of the applications are available for public review at the offices of both the Commission and Avista, and on the Commission's website (www.puc.idaho.gov). Customers may file with the Commission written comments related to the Company's filings. Customers may also subscribe to the Commission's RSS feed (<http://www.puc.idaho.gov/rssfeeds/rss.htm>) to receive periodic updates via e-mail about the case. Copies of rate filings are also available on our website, www.myavista.com/rates.

If you would like to submit comments on the proposed increase, you can do so by going to the Commission website or mailing comments to:

Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

To assist customers in managing their energy use and energy bills, Avista offers services such as energy efficiency programs and rebates, comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES). To learn more, visit www.myavista.com.

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