

The Commission approves the amount of funding for these important programs through a portion of energy rates. The rate reduction proposed reflects the lower level of funding needed to operate the programs in the coming year.

Residential Exchange Adjustment

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. Due to fluctuations in usage, Avista rebated to customers a level of benefits that was slightly lower than the level of benefits received from BPA. Through this filing Avista is seeking to slightly increase the level of benefits provided to qualifying customers in order to return the under-rebated balance.

Rate Application Procedure

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 rate change, 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

Avista offers a number of programs and services to help customers manage their energy use and costs. Visit www.myavista.com for information on these programs which include Comfort Level Billing, bill payment options, automated payment service, assistance programs, conservation tips, and energy efficiency rebates.

Important Notice for Idaho Electric and Natural Gas Customers

August 2022

Avista has made annual rate adjustment filings with the Idaho Public Utilities Commission (IPUC or Commission) that if approved, are designed to decrease overall electric revenues by approximately \$12.0 million or 4.7% effective Oct. 1, 2022 and decrease overall natural gas revenue by approximately \$0.1 million or 0.2% effective Nov. 1, 2022. These annual filings have no impact on Avista's earnings.

Electric Adjustment Filings

Four annual electric adjustments were filed, that if approved, are designed to change overall electric revenues effective Oct. 1, 2022 as follows:

1. Power Cost Adjustment (PCA): a decrease of approximately \$3.1 million or 1.2%
2. Fixed Cost Adjustment (FCA): a decrease of approximately \$5.1 million or 2.0%
3. Electric Energy Efficiency: a decrease of approximately \$3.7 million or 1.4%
4. Bonneville Power Administration Residential Exchange (ResEx) Program: a decrease of approximately \$0.1 million or 0.1%

Natural Gas Adjustment Filing

The natural gas adjustment request is the annual natural gas FCA. If approved, Avista's request is designed to decrease overall natural gas revenues by approximately \$0.1 million or 0.2% effective Nov. 1, 2022.

Customer Bills Resulting from these Filings

If the electric PCA, FCA, energy efficiency and ResEx filings are approved, residential electric customers in Idaho using an average of 892 kilowatt hours per month would see their monthly bills decrease from \$86.29 to \$82.19, a decrease of \$4.10 per month, or approximately 4.8%. The proposed electric rate change would be effective Oct. 1, 2022.

The requested electric rate change by rate schedule are as follows:

Schedule No.	Rate Schedule	Change in Billed Revenue
1	Residential	-5.0%
11/12	General Service	-6.0%
21/22	Large General Service	-4.3%
25	Ex. Lg. General Service	-3.2%
25P	Ex. Lg. General Service	-3.5%
31/32	Pumping Service	-4.9%
41-49	Street and Area Lights	-1.2%
	Overall	-4.7%

If the natural gas FCA filing is approved, residential natural gas customers in Idaho using an average of 63 therms per month would see their monthly bills decrease from \$62.06 to \$61.73, a decrease of \$0.33 per month, or approximately 0.5%. The proposed natural gas rate change would be effective Nov. 1, 2022.

The net effect, on a revenue basis, for the requested natural gas rate change by rate schedule are:

Schedule No.	Rate Schedule	Change in Billed Revenue
101	General Service	-0.5%
111/112	Large General Service	1.2%
131/132	Interruptible Sales Service	0.0%
146	Transportation Service	0.0%
	Overall	-0.2%

Power Cost Adjustment (PCA)

The PCA is an annual rate adjustment made to reflect the difference between the actual cost of generating and purchasing electric power to serve customers and the cost currently included in customer rates. Over the last year, power supply costs were higher than those included in retail rates due to higher wholesale electric and natural gas prices. However, the higher power supply costs were more than offset by the expiration of last year's surcharge, resulting in an overall rate decrease.

Fixed Cost Adjustment (FCA)

The electric and natural gas 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 other factors. Generally, under the FCA, Avista's revenues are adjusted each month based on the number of customers. The annual difference between revenues based on sales and the number of customers is surcharged or rebated to customers beginning in the following year.

The proposed FCA rate adjustments in 2022 are primarily driven by variations in 2021 customer usage related to weather and the COVID-19 pandemic where a higher level of residential customer usage was partially offset by a lower level of non-residential customers usage. 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.

Energy Efficiency Adjustment

The energy efficiency filing adjusts the level of funding for Avista's electric energy efficiency customer programs so that the level of customer funding aligns with the costs to deliver the programs. Each year, customers achieve significant energy savings and receive rebates and incentives through Avista's energy efficiency programs.