125 YEARS & COUNTING

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The front cover image shows a crew of Avista workers standing with a Francis-type turbine at the Noxon Rapids Hydroelectric Project in 2008. The image on the back cover, taken nearly 80 years earlier, shows an unidentified group of individuals standing in front of a vertical shaft turbine during the construction of WWP’s Post St. Substation in 1921.
CONTENTS

Forward 5
The First 100 Years 7
Presidents of Washington Water Power/Avista 11
1989–1999 13
  Fire Storm 1991 19
  Ice Storm 1996 20
2000–2009 23
  Western Energy Crisis 31
2010–2014 33
125 Years & Counting 39
As we begin the celebration of our 125th year of service, it’s important to note the successes, challenges and opportunities that collectively have shaped our company into who we are today.

The story of the company’s first 100 years is told in the book published at our centennial, “A History of The Washington Water Power Company 1889–1989.” Today, the story of our company — now called Avista — recaps the past 25 years of operational excellence, partnerships, customer service, philanthropy, environmental stewardship and more.

Our company is built on a foundation of trust, innovation and collaboration. We’ve seldom wavered from these values. When we have, we’ve worked our way back to them, focusing on balancing the four legs of the stool — customers, investors, employees and communities — to make sure we stay true to our legacy of service.

I want to thank the many people who shared the time, talent and perseverance that made this book possible. To all our employees, I want to say thank you to each and every one of you. It is through your dedicated service that our history is our legacy and it is the foundation of our future.

Scott L. Morris
Chairman, President and CEO
Avista Corp.
March 13, 2014
Electricity was first generated in Spokane Falls, Washington Territory, in 1885. A small dynamo on the Spokane River provided direct current to 10 arc lights in the fledgling downtown business district. A region was transformed.

In 1886, a group of local businessmen bought out George A. Fitch — the owner of the first dynamo on the river — and organized the Spokane Falls Electric Light and Power Company. Working with the Edison Electric Light Company, the second and third DC generators were installed on the river. But more power was needed.

Thomas Edison and other east coast financial backers believed that steam power was preferable to water power and refused to invest additional money into hydropower projects for Spokane Falls.

The Washington Water Power Company (WWP) — now known as Avista — was formed by a group of ten pioneering Spokane industrialists and businessmen who believed the power of the river could provide the electricity needed by the homes and businesses of the 20,000 residents of Spokane Falls — and they decided they would build it themselves.

Working with the natural resource of the Lower Spokane Falls and with the energy and investment of these founding fathers, WWP was born — eight months before Washington Territory achieved statehood.
THE GREAT SPOKANE FIRE

Like all of Spokane Falls, the operations of the fledgling WWP were tested by a fire that broke out downtown on August 4, 1889. The fire grew to a raging blaze that ultimately burned 32 square blocks of businesses and neighborhoods. Electrical wiring, poles and lights along the streets of Spokane Falls were consumed in the fire.

WWP workers salvaged any wire they could find, including barbed and baling wire, and worked around the clock to reconnect the city. By the next evening, they had restored electric power and lighting to the city’s streets and the few buildings that were still standing. The lights illuminated a scene of smoldering devastation, as most of the wooden buildings, storefronts, hotels and downtown residences had been destroyed.

But the spirit of this community was as undimmed as the newly powered streetlights and, with help from WWP, Spokane was rebuilt from the ground up. Brick and mortar replaced plank and nails as more permanent structures were designed and constructed.

Several of the brick buildings that were built immediately after the fire — including the Bennett Block, Fernwell Building and the Spokesman-Review Building — are still in use today and are still powered by electricity generated from the water power of the Spokane River.

POWERING COMMUNITIES

By 1891, WWP bought out Edison Electric Light and took steps to increase the capacity of its Monroe St. power plant.

Around this time, WWP also purchased Natatorium Park as a swimming and entertainment venue and a destination point for the company’s electric trolleys. The company also donated 28 acres of land for what would become another treasured Spokane landmark — Manito Park.

Nearly ten years later, WWP bought the Post Falls, Idaho, generating site, which was originally constructed by Frederick Post, and in 1902 began work on a 100-mile, 45,000 volt electric transmission line to the silver mines of Burke, Idaho — the longest high voltage transmission line in the world at that time.

Another pressing need for the electricity produced by WWP was to power the city’s emerging streetcar systems, which were the perfect solution to carry residents from their homes to work or play and back again.

The company purchased its first street car line in 1891 and actively laid rail track and wires throughout the city. In 1905, WWP’s rail line was extended west to Medical Lake and two years later to Cheney, linking these two communities to the growing metropolis of Spokane. By 1910, WWP’s rail system was carrying 25 million passengers a year.

During this time, many families began to convert from gas to electric lighting in their residences, while still heating their homes and cooking with gas and wood or coal. To overcome some of the barriers to its more widespread adoption, WWP worked diligently to educate people on the benefits of using electricity in the home.

WWP employees conducted training classes with homemakers around the region, showing them how to use electric appliances safely and effectively. WWP engineers helped improve common electric appliances such as the electric range and the home water heater. WWP employee Lloyd Copeman invented the thermostatic control for the electric range, and this literally revolutionized home cooking across the country.
The mid-1930s through the 1940s became a critical time for WWP, which was pushed on every front across its Washington service area by emerging, government-owned or “public power” utilities that were threatening to take over parts of its electric system.

In the midst of these battles, our country’s entrance into World War II dramatically changed the lives of all Americans. Conservation of resources for the war effort, including metals and energy, was a rallying point for WWP and customers alike. By the end of the war, more than 250 WWP employees would serve in the armed forces, and women would do many of the jobs previously done only by men.

Construction of Grand Coulee Dam between 1933 and 1942 created the largest electric generating project in the world, enabling producers to smelt bauxite into aluminum for war planes and providing power for Boeing’s Aircraft Works and for shipyards on the Lower Columbia River. Though Grand Coulee Dam usurped WWP’s federal license to build a hydroelectric plant on the Columbia River at Kettle Falls, WWP was awarded the contract to supply electricity for Grand Coulee’s construction.

America’s pent-up economy surged forward in the post-war years, fueling the region’s need for more electricity. WWP met this need by improving its existing power plants and, in time, constructing new generating plants, including Cabinet Gorge, which went on line in 1952, doubling WWP’s generating capacity. Adding in the power from Noxon Rapids, built in 1959, WWP’s customers were assured of clean, renewable power sources for generations to come.

Above: During WWII, ornamental iron domes are removed from the 1909 Post St. Substation for the metal drive. Right: The promotion of electric appliances for the home in the 1920s improves cooking speed and safety.
RECOGNIZED FOR CONTRIBUTIONS

In 1940, 1950 and 1956, the company received an unprecedented three “Charles A. Coffin” medals from the Edison Electric Institute (now known as “Edison Medals”) for “distinguished contributions to the development of electric light and power for the convenience of the public and the benefit of the industry.”

By the 1970s, environmental issues took center stage locally as the theme of Expo ’74, the 1974 World’s Fair held in Spokane at Riverfront Park. WWP again demonstrated its community leadership, donating five acres of land to the Expo site and co-sponsoring the event’s Energy Pavilion and the gondola ride.

INNOVATION AND COLLABORATION

In the 1950s, WWP partnered with the Mid-Columbia Public Utility Districts (PUDs) to help license and finance their dams on the Columbia River.

In 1983, WWP brought the Kettle Falls biomass-fired generating plant on line — the first plant in the nation built specifically to generate power from wood waste. Also that year, the company began offering an array of energy conservation opportunities for customers. This complemented the company’s commitment to energy efficiency that has continued uninterrupted since the late 1970s.

Innovation continued at WWP when a small group of employees gathered in a garage in Hayden, Idaho, to develop a means to read customer meters in a more cost-effective, efficient and reliable way. The final hand-held device that emerged from that small workshop — owned by WWP Chairman of the Board, President and CEO Wendell Satre — gained widespread use and acceptance through a new company named Itron, which has since gone on to become a market leader in utility electronics.

As an investor-owned, publicly traded company, WWP joined the New York Stock Exchange on September 25, 1952. In celebration of 50 years of continuous membership, company leaders rang the closing bell of the exchange on October 2, 2002.

The first 100 years of the company — now known as Avista — were an exciting reflection of the changing times, technologies and lifestyles of our nation.

Twenty-five years into a second century of service, the only thing certain is that things continue to change. From Avista’s CEO to its newest employee, we are all proud of the opportunity we have to better our company, our communities and the world in which we live. Trust, innovation, and collaboration continue to serve as the cornerstones of everything we do.
1989 marked 100 years of WWP providing energy to the people and businesses of the Pacific Northwest. While the company has much in its past to be proud of, our focus now is on the work at hand and planning for the future.
BUILDING SHARED VALUE

A CENTENNIAL CELEBRATION

The company’s centennial was celebrated in 1989 with the theme “Building on a Century of Service.” WWP offices and generating facilities throughout eastern Washington, northern Idaho and western Montana hosted employee and community events featuring historic company photographs and a video presentation on the history of electric power in the Inland Northwest.

The centennial anniversary was recognized by a series of legacy projects undertaken by WWP that benefited local communities. These projects included a lighted flag display in downtown Spokane; construction of the Pioneer Park Centennial Band Shell in Lewiston, Idaho; a historical document display at the Latah County Courthouse in Moscow, Idaho; establishment of a new city park in Noxon, Montana; and development of a display room in the Shoshone County Mining and Smelting Museum in Kellogg, Idaho, detailing the history of electric power in the development of the Silver Valley mining industry. The legacy projects culminated in the exterior lighting of WWP’s Post St. Substation in downtown Spokane, which enhanced the beauty of the Kirtland Cutter-designed building that was built in 1909.

The legacy projects gained national recognition and, following a request in 1990, the Henry Ford Museum in Dearborn, Michigan, received the Monroe St. Hydroelectric Development’s Number 5 turbine-generator, recently replaced, for an exhibit highlighting the history of energy production technology. The 4,000 horsepower turbine was put into service in 1903 and served WWP’s customers for 87 years, generating 2.25 megawatts of electricity through the power of the Spokane River.

PREPARING THE NEXT GENERATION

As part of its commitment to education, WWP began assisting student learning throughout the service area through financial support provided by “Good Ideas Grants for Teachers,” beginning in 1990. This program was developed to award teachers for their innovative ideas and initiatives. The response to the pilot program was overwhelming. A panel of judges, made up of teachers, school administrators and WWP employees, reviewed requests and awarded grants. This program tied in with WWP’s strategic goals to partner with education, address issues that impede learning and encourage innovative methods of improving students’ motivation, knowledge and skills.

Continuing WWP’s commitment to higher education and regional economic prosperity, in October 1996, the company made a $1 million grant that was shared by ten colleges and universities in the company’s service area in eastern Washington and northern Idaho. Also announced was a WWP scholarship program for regional high school students. In 1998, WP Natural Gas, a company operating division, provided a $100,000 grant shared by higher education institutions in the company’s service areas in Oregon.

Left: WWP’s centennial is recognized through exterior lighting of the Post St. Substation. Below Left: The Noxon, Montana, city park, created during Avista’s centennial, hosted the celebration of Noxon’s 50th anniversary in 2009.

Above: A 4,000 horsepower turbine that generated power for 87 years at WWP’s Monroe St. power plant is donated to the Henry Ford Museum in Dearborn, Michigan.
Commitment to environmental stewardship

Taking care of the environment in which we do business is an important value for WWP/Avista — be it the rivers, the wildlife or the infrastructure of communities where we live.

This commitment to stewardship was put to the test in 1982 when an underground oil leak was discovered at the Central Steam Plant in downtown Spokane. Studies were conducted to ascertain the extent of the leak. Further investigations in the 1990s showed that there was more oil leaked than originally determined. In conjunction with the Washington state Department of Ecology, WWP reported that the oil posed little risk to public health and the environment as the site was not over the Spokane aquifer and no drinking water was affected. However, WWP took on the responsibility of remediating the leak, using bioremediation — stimulating micro-organisms that naturally consume oil — and placing a barrier underground to ensure that the oil did not spread further.

At the same time, WWP worked with community partners to re-develop the historic Steam Plant, which opened in 1999 and created commercial, retail, office and restaurant space, helping re-vitalize the historic Davenport District. WWP’s commitment to managing the oil spill and investing in the downtown neighborhood’s economic vitality helped pave the way for the restoration of Spokane’s signature hotel property — The Davenport.

Environmental stewardship of the rivers can sometimes have an interesting approach. That happened in 1993 when training for a hazardous spill scenario on a river was begun by releasing 600 ping pong balls into the Spokane River just north of the Mission Street Bridge east of downtown Spokane. WWP technicians tracked the movement of the balls as they were carried downstream, replicating the potential movement of a spill and the environmental impact it would have.

A new model for collaboration

In 1999, the Federal Energy Regulatory Commission (FERC) relicensed WWP’s Clark Fork Project, including the Cabinet Gorge and Noxon Rapids hydroelectric facilities. This 45-year “Living License,” the first such collaborative relicensing project in the country, was the result of a unique, multi-year process of engaging dozens of stakeholders and interested parties in the development of the Clark Fork Settlement Agreement and its ongoing implementation. This agreement set a course for protection and enhancement of natural resources along the lower Clark Fork River in Montana and Idaho and became the prime example for a new alternative licensing approach that was adopted by federal regulators.
BUILDING MUTUALLY BENEFICIAL RELATIONSHIPS

In the Northwest, rivers are much more than a resource to generate hydropower. Native American tribes link much of their identity and historic livelihood to these rivers. In 1993, WWP leaders recognized the importance of establishing leader-to-leader relationships with tribal governments. They knew that a long-term commitment from the company would be required to develop and maintain tribal relationships with a focus on finding mutually acceptable resolutions to ongoing issues and an opportunity to develop business partnerships.

In 1994, WWP reached a settlement with the Spokane Tribe, resolving over 10 years of litigation related to the operations of the Little Falls Hydroelectric Development. The settlement addressed the company’s use of the bed and banks of the river as well as other issues. The agreement set a foundation for a relationship built on mutual interest in care and management of the Spokane River.

In 1999, Avista reached a settlement agreement with the Nez Perce Tribe regarding tribal claims for damages on the Clearwater River in Idaho. And nearly 10 years later, in 2008, a 50-year agreement was reached with the Coeur d’Alene Tribe to address issues related to Lake Coeur d’Alene tribal lands, including compensation for water storage, FERC license requirements and transmission line rights-of-way.

Avista continues to meet with regional Tribes on a regular basis to discuss issues and implement programs, including opportunities to enhance tribal and regional economic vitality, and support for education, training and employment.

GROWING OUR BUSINESS

SERVICE EXPANSION

In 1990, nationwide customer demand for natural gas reached near unprecedented levels with competitive rates, diverse sources of natural gas supplies and uncertainty of oil supplies. The growth of WWP in the early 1990s was propelled by the expansion of its service territory into parts of Oregon and California. The 1991 acquisition of CP National’s natural gas distribution properties in these states added approximately 63,000 residential, commercial and industrial customers and increased the company’s natural gas customer base by 64 percent. The California properties were sold in 2005.

Expanding its service area and maximizing resources were also the reasons for WWP’s 1993 purchase of the Wallace, Idaho, service assets of Citizens Utilities Company. This acquisition of the 2,000-customer service area enabled WWP to deepen its commitment to northern Idaho.

Service area expansion work continued through the mid-1990s. In 1994 WWP announced an intent to merge with Sierra Pacific Power Co. The company was to be named Altus. But due to diminishing merger benefits and expenses of completing the transaction, the effort was terminated in 1996.

The company’s service territory did expand in 1994 through the acquisition of Pacific Power & Light’s electric operations in the Sandpoint area of northern Idaho, which added about 11,000 customers to WWP’s system. These customers benefited immediately, as WWP reduced residential electric rates and initiated a four-year rate freeze.

By the mid-1990s, WWP served over 500,000 electric and gas customers in parts of four states — Washington, Idaho, Oregon and California.

In 1994, WWP reached a settlement with the Spokane Tribe, resolving over 10 years of litigation.

In 1999, Avista receives a 45-year “Living License” to continue generating energy on the Clark Fork River in Idaho and Montana.
To help meet the growing demand for power in the company’s expanded service territory, new generation resources were needed. WWP’s Rathdrum (Idaho) Combustion Turbine Generating Station commenced operation in 1995, meeting the project’s original timeline and budget. The natural-gas-fired generating station delivers up to 176 megawatts of electricity to help meet the peak power needs of WWP customers and today is mainly used during the cold winter months.

**INNOVATION**

The mid-1990s into the early 2000s saw WWP/Avista move away from its core utility business into a world of commercial opportunities that were fueled by an attempt to take advantage of emerging digital and telecommunications technologies. While not all the enterprises were successful, each left our company with valuable knowledge and experience.

**AVISTA FIBER/AVISTA COMMUNICATIONS**

In 1995, during the early days of telecommunications deregulation, WWP saw the opportunity to use its own power poles as the means to carry information as well as energy. WWP Fiber, subsequently named Avista Fiber, provided the means for Spokane-area schools and hospitals to interconnect within their own systems and with the developing World Wide Web to share information and communications. Avista Communications began operating as a competitive local exchange carrier in 1998, and in 2000 Avista Fiber merged into that company. With the bursting of the technology bubble in 2000, both subsidiaries left Avista Corp., but the major fiber assets remain in service in the Spokane community.

**WWP ENERGY SOLUTIONS**

WWP’s energy services and new product development subsidiary, WWP Energy Solutions, changed its name to Avista Advantage in 1997. The company’s focus was on providing energy services to customers through a proprietary software system, providing in-depth information about energy use to multi-site companies. The name changed to Advantage IQ in 2006, and to Ecova in 2011, following a series of acquisitions of market competitors. Today, Ecova is a market leader in energy and sustainability management services.

**AVISTA ENERGY**

During the energy boom of the mid-1990s, a team of WWP employees was brought together to develop strategies for marketing and optimizing the under-utilized generating resources of the region.

WWP Energy Resources was formed in 1996 as a non-regulated subsidiary of WWP and renamed Avista Energy in 1997. Its focus was on energy marketing and asset optimization. Its first partnership was with Chelan PUD, a publicly owned...
hydroelectric utility based in central Washington. Chelan's unique position of owning and operating hydro assets on the Columbia River provided Avista Energy the flexibility as a marketer to help balance the ups and downs of energy demand in the marketplace.

AVISTA LABS

Innovative technologies have been a legacy of WWP since the early days of electrical use in the home. In 1998, WWP installed one of the world's first commercial fuel cell power plants at the newly remodeled DoubleTree Hotel in downtown Spokane. The plant provided enough electric energy to fulfill most of the hotel’s nighttime load as well as up to 40 percent of its daytime load.

At the time, WWP was involved in its own fuel cell development with the Spokane Intercollegiate Research and Technology Institute (SIRTI) and a number of Inland Northwest universities through WWP Laboratories, established in 1995 as Altus Laboratories and renamed Avista Labs in 1997. While the concept of fuel cells has been around since the 19th century, the innovation from Avista Labs was the introduction of the cartridge set-up for the fuel cell, allowing flexibility in the formation and number of converter units or cartridges to be used in any given application.

ENERGY EFFICIENCY

As part of its innovative programs to help customers, WWP pioneered the first public benefit system surcharge (tariff) for energy efficiency in 1995, which went on to become the predominant model for energy efficiency programs across the nation. WWP/Avista’s commitment to energy efficiency has been sustained since the late 1970s, saving customers energy and dollars, and delaying the need to add generating resources.

MOVING FROM A REGIONAL TO A NATIONAL PRESENCE

As the end of 1998 approached, WWP readied for its name change to Avista Corp. The new name became official on January 1, and on January 4, 1999, all company operations were unified under the Avista Corp. name. WWP and its WP Natural Gas Division became Avista Utilities.

The new name was in recognition of the company’s evolution from a regional utility to a diversified energy business, offering a full menu of services to customers throughout North America. The name change was a purposeful step in furthering the company’s strategy and vision of increasing its national presence and securing a broader platform for its products and services.

The name Avista stood for a new point of view, which was expected to lead the company into new opportunities.

The company had to address public concerns that it had been bought or merged with another company. Corporate management stressed that the change from WWP to Avista was simply a name change to reflect the expansion of business operations and market presence on a national level. But after doing business as WWP for 110 years, the new name took some getting used to, by customers and employees alike.
IMPACT ON CUSTOMERS

Customers experienced more than just a name change in 1999. The company had held base electric rates flat for over 13 years. However, by 1999 rates were no longer adequately covering the expenses and investments necessary to support the costs of maintaining the company's infrastructure and operating systems. In October 1999, Avista filed a request with the Washington Utilities and Transportation Commission for its first base rate increase in over a decade.

RECOGNITION OF OUR PERFORMANCE

In 1997, WWP was rated second in the country in competitive efficiency, achieving a rating of 99.99 percent according to a 1997 study of 94 U.S. electric utilities. The study reviewed a six-year period between 1990 and 1995 and was conducted by Barakat & Chamberlin, Inc., a firm providing technical and strategic services to the utility industry. Efficiency factors such as total electric sales, average system power rate, total electric sales per employee, operating expenses and percentage of power purchased from other sources were considered in the rating.

In 1998, WWP was ranked among the most efficient utility companies in the United States. Based on figures from 1996, the survey ranked WWP in a tie for fifth out of 100 utility companies rated in the survey. The survey, conducted for Public Utilities Fortnightly, identified and ranked the most efficient investor-owned utility companies based on generating the most productivity, while making the best use of their resources. This ranking was gained in spite of the fact that the analysis time included the challenges of the 1996 Ice Storm and the canceled merger with Sierra Pacific.

In 1998, after only two quarters of operation, Avista Energy was ranked in the top quartile of the nation’s leading power marketers, ranking 21st in sales volume and outpacing more than 100 competitive marketers. In the first quarter of 1998, Avista Energy increased its electric power sales by 90 percent and its sales of natural gas by 42 percent, compared to fourth quarter 1997.

The next year, Avista Energy ranked as one of the top 10 energy marketing and trading companies, outpacing more than 150 national power marketing firms.

WP Natural Gas was selected in 1998 as one of the “100 Best Companies to Work for in Oregon,” by Oregon Business magazine. It was only one of ten southern Oregon companies to be ranked in the top 100. While this was the first ranking for WP Natural Gas — now Avista — in Oregon’s Top 100 list, it wouldn't be the last. The company was also included in 1999, 2003-2010 and once again in 2014.

In January 1999, Avista Corp.’s utility call center was named the nation’s best in a survey conducted by the industry trade publication Call Center magazine. The rating was based on implementing technology, achieving service goals, decreasing employee turnover and increasing productivity within Avista’s call centers located in Spokane, Washington; Coeur d’Alene and Lewiston, Idaho; and Medford, Oregon. At the time, 95 full- and part-time customer service representatives handled about 900,000 customer inquiries annually.

READY FOR THE NEW CENTURY

Across the globe in 1999, the upcoming year 2000 caused concern in the corporate world that most computer platforms wouldn’t be able to roll-over the date from 1999 to 2000. Had that scenario happened, it could have resulted in widespread breakdown of technology, including power grid failures that could have significant negative impact on the delivery of energy to homes and businesses.

Avista joined millions of organizations in their quest for “Y2K Compliance.” As early as February 1999, Avista completed Y2K testing of its generating facilities. No issues regarding generation or transmission infrastructure were found.

Later that year, the company was recognized as “Y2K Ready” by the North American Electric Reliability Council, signifying that the utility had completed all remediation, testing and re-implementation of internal systems that would affect its ability to deliver energy services. And as the clock ticked from 12 midnight on December 31, 1999, to 12:01 a.m. on January 1, 2000, Avista’s entire electric and natural gas system remained sound and in good working order.
Dry conditions combined with gale-force winds in the region created the perfect environment for what would come to be known as Fire Storm. Ninety-two blazes in eastern Washington counties destroyed over 100 homes.

**SURROUNDED BY FIRE**

On October 16, 1991, the beauty of the Inland Northwest looked to some like Armageddon when 60-mile-per-hour winds swept through the area already ravaged by dry conditions and warmer than normal temperatures. Some 92 separate fires burned 35,000 acres, destroyed 114 homes and killed two people before they were contained six days later. Fire Storm was fanned by the gusty winds that brought trees down onto power lines and whipped flames across dry brush lands into homes and businesses, at one point surrounding Spokane on three sides.

**CLAIMS FILED**

Once the flames were out and the smoke had settled, investigators began their work. Claims against WWP and Inland Power & Light for tree trimming practices were launched. Investigators for the Washington Department of Natural Resources determined that downed lines sparked 86 of the 92 blazes.

**SETTLEMENT**

In September 1997, a $11.3 million settlement was announced between the two utilities and more than 1,000 fire victims. WWP would pay $10.3 million and Inland Power & Light agreed to $1 million, with the remaining $300,000 set aside to fund the “Fire Safe Spokane” program to provide fire safety education.
The early morning hours of November 19, 1996, dawned in cold darkness for more than 100,000 WWP customers in eastern Washington and northern Idaho. Heavy, wet snow and ice that began falling on November 18 and continued through the night caused tree limbs to bend or break into power lines, in what was soon to be named by the media as “Ice Storm.”

November 19, 1996

ICE STORM

WORK BEGINS

Crews worked around the clock to restore power to public services, businesses and residential customers that was lost when ice-covered limbs caused powerlines to snap.

The repair of 23 high-voltage transmission lines was the first step in the restoration process. Crews from the Bonneville Power Administration, British Columbia, as well as other contractors and utilities arrived on the scene to help. In addition to the downed transmission lines, 47 distribution feeder lines — of the 109 in the Spokane area — were also down.

This ice storm caused more damage to the electric system than had ever been seen in the region.

A tragic occurrence during these emergency restoration efforts was the death of Jimmie Dean, a dedicated WWP natural gas employee who suffered fatal injuries when he came into contact with an energized power line in the Spokane Valley while investigating a gas leak. Dean had been employed by WWP for six years and was 32 years old. Subsequently, the company named its Spokane Valley natural gas service center in Dean’s memory.

HAMPERED BY WEATHER

After three days, approximately 75 percent of WWP’s affected customers had their power restored. But the weather didn’t cooperate. Crews in northern Idaho lost ground as heavy snow and freezing rain continued to fall, downing power lines and increasing outages in Coeur d’Alene.

Hundreds of miles of power lines were patrolled inch-by-inch to ensure they were clear of trees and other debris. Only after the line was confirmed clear could it be brought back into service.

MEDIA REPORTS

On top of dealing with the crisis, WWP officials had to deal with distressed customers, particularly following erroneous media reports that the company had refused the services of Canadian line workers. Defining the incident as “misleading and irresponsible journalism,” WWP had to explain that with 60 line crews already working, the company had reached the limit in the number of line crews that could be safely and effectively coordinated.
THE HOLIDAYS

Storms continued to blanket the area with additional snow and ice, and when temperatures warmed, heavy snow-laden trees dropped snow loads on power lines, causing further power outages in areas that had previously been restored. Company spokespersons reported that they hoped to have the majority of customers back in service by Thanksgiving.

By December 1, only a small scattering of customers remained without power and crews anticipated complete power restoration shortly.

ASSESSING THE DAMAGE

In the end, WWP estimated that more than 100,000 electric customers had been without service due to storm damage, with some enduring multiple outages. The damage was so extensive that much of the system had to be rebuilt from the ground up. In some cases, WWP purchased more than six times its annual average use of certain construction materials.

WWP and outside crews devoted more than 180,000 man-hours to Ice Storm power restoration — the equivalent of 1,300 people working 24-hours a day throughout the 13-day restoration effort. The call center received 109,000 calls over the outage period. It had been the most devastating storm to hit the Inland Northwest in 115 years.

Costs to repair Ice Storm electrical system damage totaled nearly $22 million. It was a significant financial hit to the company, but WWP made the decision to write-off the cost of the storm against 1996 fourth quarter earnings. Customers saw no increases in electric prices as a result of the storm damage costs.
The company entered the first decade of the 21st century proudly waving the new corporate flag of Avista. 2000 to 2009 shaped up to become a time of continued community partnership, innovation and expansion, as the company — and the energy industry — faced and overcame many challenges.
COMMUNITY PARTNERSHIP

SUSTAINABLE GIVING

Having a positive impact on the community has always been a priority for Avista. And the desire to do so in a consistent and sustainable manner led Avista to form the Avista Foundation in 2002. Grants from the foundation are made to non-profit organizations that strengthen the community and enhance the quality of life for the people served by Avista Utilities with an emphasis in the areas of education, vulnerable populations, and economic and cultural vitality. The initial $2 million seed money for the endowment came from the sale of appreciated Itron stock, long-held by Avista. Since its founding, the foundation has made grants totaling more than $3 million.

A COMPANY AND A COMMUNITY MOURN

Avista and the community of Othello, Washington, were deeply saddened when, in June 2007, tragedy struck during an educational program in which an employee was participating. At the end of a day filled with excitement and learning, Avista Line Foreman Bob Smith died when the elevated bucket that he and a teacher from Hiawatha Elementary School were riding in fell to the ground during the school event. The teacher sustained non-life threatening injuries. It was determined that the accident occurred due to an equipment malfunction on the truck. Avista established a scholarship in Smith’s memory at Spokane Community College for students from Othello who choose to study in the electric lineman training program.

ENERGY ASSISTANCE

Project Share, an emergency energy assistance program, was started by WWP in the early 1980s. Funded by donations from customers, employees and the company, the fund is distributed through SNAP in eastern Washington and through other community action agencies in Avista's service areas in Oregon and Idaho. In 1991, the program was recognized by the American Gas Association with the Consumer and Community Affairs silver award for being an outstanding program that combines effective business practices with a corporate response to consumer and community needs. Since 2000, Avista corporate donations to Project Share have totaled more than $3.5 million while Avista customers and employees have contributed another $4.6 million.

In addition to its Project Share support, Avista developed other programs providing customers with energy assistance grants, including the Low Income Rate Assistance Program (LIRAP), a tariff-based fund. Since its inception in 2001, LIRAP has become a national model for energy assistance programs and has provided more than $46 million for energy assistance grants and related services for low income customers in Washington and Oregon.

Avista’s Low Income Rate Assistance Program becomes a national model for energy assistance programs. Here, a check for $200,000 is being donated to Project Share — a customer, community and company-funded program providing one-time emergency energy assistance to families in our region.
Continuing a legacy of community partnership, in October 2009, Avista announced a significant investment to benefit the communities of Sanders County, Montana, home to the company’s Noxon Rapids hydroelectric facility. A $100,000 investment in the Montana Community Foundation established the Avista Fund, which provides grants for non-profit organizations to support programs that strengthen communities and enhance the quality of life for the people of Montana, including Sanders County.

**HANDS-ON LEARNING**

Education has been a cornerstone of Avista’s community investments. The company annually donates to area colleges and universities for scholarships through Minds in Motion scholarships, which became the Avista Scholars program in 2007. Over the past 10 years, Avista has contributed more than $440,000 to this program. In addition, approximately $250,000 is invested in higher education programs each year, including mentoring and internship programs, and construction and equipment for research laboratories.

In the spring of 2000, Avista’s focus on safety included a partnership with the National Children’s Theater Troupe to deliver a fast-paced, high-energy safety presentation to 101 schools in Washington, Idaho and Oregon. The 45-minute skit taught youngsters the serious business of avoiding electrical, hydroelectric dam and natural gas dangers in and around their homes and communities.

Wattson, the energy and safety watchdog was launched in 2007 to build awareness and educate children about energy, safety and energy conservation. The 6 ½-foot tall mascot, with a collar sporting CFL bulbs, made appearances at more than 200 schools and community events throughout Avista’s service territory. Wattson continues to educate and entertain on his website at AvistaKids.com.

Seeing the need for alternative energy education resources, Avista donated a Capstone natural gas microturbine generator to the Oregon Institute of Technology’s (OIT) “Smart Energy Lab” renewable energy center, in Klamath Falls, Oregon, in June 2004. The $60,000, 30-kilowatt microturbine was used in the Post St. Substation by Avista in 2001 to determine its feasibility for generating additional power during the Western Energy Crisis. As power costs dropped, the generator was taken out of service.
This donation to OIT helped lab students learn about energy by using alternative energy sources to generate electricity directly into the university’s power grid. Students received hands-on experience working with the turbine and seeing the interaction with other emerging and renewable power generation systems such as solar, fuel cells, wind and bio-fuel.

The contribution filled a critical need in the program and came at a time when Oregon’s higher education institutions were in financial need. It was a win-win proposition for OIT and Avista.

**PARTNERING ON LAKE COEUR D’ALENE**

At the end of 2008, another major step in tribal relations was taken when the company and the Coeur d’Alene Tribe reached a comprehensive agreement over Avista’s past and future use of tribal land and water in the operation of its Spokane River hydroelectric projects, including the Post Falls dam. The settlement was the result of collaborative efforts by the Tribe, the U.S. Department of Interior and Avista. This set the stage for proceeding with relicensing Avista’s Spokane River hydroelectric projects.

Avista and the Tribe agreed to support the issuance of a single 50-year license from the FERC for the Post Falls hydroelectric facility and the other four Spokane River hydroelectric projects. The agreement also supported continuation of existing water levels on the lake. Avista agreed to create a Coeur d’Alene resource protection trust fund to finance collaboration on compliance with license requirements, which included shoreline erosion control, wetland restoration, replacement and maintenance, water quality monitoring, aquatic weed management and protection of cultural resources on the reservation.

**INNOVATION**

**ALTERNATIVE ENERGY RESOURCES & ENERGY EFFICIENCY**

Avista’s history of innovation continued in the 21st century with its technology subsidiary company, Avista Labs, receiving patents in 2000 for its groundbreaking fuel cell and distributed generation technology. The company’s focus shifted from using fuel cells in automobiles and homes to using them as distributed and back-up generation in locations far from energy sources, such as rail crossings in rural areas. A majority stake in Avista Labs was subsequently sold to a private equity group, with Avista retaining a small percentage of ownership. The company was renamed ReliOn in 2004.

Other advancements in the mid-2000s included Avista Advantage’s Facility IQ system and its partnership with the EPA. In October 2005 it was announced that Avista Advantage led the nation in helping clients access the EPA energy performance rating system through the use of its patented Facility IQ system and a simplified interface with the EPA’s automated benchmarking tool. As an ENERGY STAR® partner, Avista Advantage brought the right tools to the market place to help organizations be energy efficient and to protect the environment. At the time, Avista Advantage handled more than 90 percent, or 86,000, of the building ratings processed through the EPA’s automated benchmarking system.

**RENEWABLE ENERGY RESOURCES**

In the fall of 2007, Avista and Washington State University Applied Sciences Lab (WSU-ASL) partnered to establish the Sustainable Energy Initiative. This $1 million dollar grant helped fund alternative energy research to help researchers improve the efficient delivery of energy and foster a sustainable energy future.

Avista has a long history of creating energy from renewable resources. On October 13, 2003, Avista’s award-winning wood-waste-fired electrical generation plant in Kettle Falls, Washington, celebrated its 20th anniversary of operation. The innovative facility — the first of its kind in the nation — annually uses about 500,000 tons of wood waste from Pacific Northwest and Canadian lumber mills as a renewable resource for power generation.
Since its start-up in December 1983, the Kettle Falls Generating Station has produced more than 8.9 million megawatt-hours of energy, using over 9 million tons of wood waste. This facility’s operations garnered an Environmental Excellence award from the state of Washington in 1985 for help in keeping the air of our region clean.

In 2013, Kettle Falls celebrated its 30th year of operations with a public open house, including remarks from 5th District U.S. Congresswoman Cathy McMorris Rodgers. Guests were treated to tours of the biomass facility, including close-up views of the seven-story boiler that heats water to generate the steam that runs the turbine and the generator to produce electricity.

**PARTICIPATING IN THE GREEN ENERGY MARKET**

As one of the country’s greenest investor-owned utilities, Avista is committed to containing its carbon footprint. In November 2007, the company joined the Chicago Climate Exchange (CCX), the world’s first voluntary and legally binding integrated greenhouse gas emissions reduction, registry and trading system. The Exchange ended in 2010.

**SMART GRID PILOT**

In 2009, Avista was one of a handful of utilities in the country to receive multiple grants under the American Reinvestment and Recovery Act. Avista’s foresighted planning had positioned the company to be “shovel ready” when the grants were offered as part of federal economic recovery efforts. The smart grid demonstration project created the first “smart community” in the Pacific Northwest — Pullman, Washington. The five-year project involves upgrades and automation of many parts of the electric distribution system using advanced metering, enhanced utility communication and other elements of smart grid technologies. Once complete, customers in the city of Pullman, Washington, and the nearby town of Albion could expect to experience greater reliability, shorter outage times and access to their own energy use information, allowing them to better manage energy expenses. Matching funds for the $38 million project were part of a U.S. Department of Energy grant for a larger $178 million regional project which was administered by Battelle Northwest.

**GROWING RESOURCES & ENHANCING SERVICES**

**GENERATING POWER**

In 2000, Avista announced the selection of a site in Boardman, Oregon, as the location for Coyote Springs 2, the preferred supply-side resource option to meet the company’s growing resource needs. The following year, Avista signed a letter of intent with Mirant Americas Development, Inc., to make each entity a 50 percent owner of the Coyote Springs 2 Project. The partnership deal was finalized in December 2001. The $190 million, 280-megawatt combined-cycle, combustion turbine facility, fueled by natural gas, went into operation on July 1, 2003. On January 20, 2005, Avista purchased Mirant’s 50 percent ownership share in the Coyote Springs 2 Project to become the sole owner of the generating facility.

On September 11, 2001, Rathdrum Power LLC — a natural gas-fired electric generating facility jointly owned by Cogentrix Energy, Inc. and Avista Power — was scheduled to be dedicated and go into commercial service. Out of respect for the thousands who lost their lives in the devastating national attacks on that day, the dedication was delayed one day to September 12, 2001.
MOVING ENERGY SAFELY AND RELIABLY

Expansion continued in May 2001 when Avista began construction of a new 115,000-volt substation in Sagle, Idaho, to meet the growing demand for electricity in Sandpoint, Sagle and Dover, Idaho. The new substation represented an investment of more than $1 million in new infrastructure to serve customers with improved capacity and reliability. This facility was part of a 5-year transmission upgrade plan to improve the capacity and reliability of electric power for this service area.

As Scott Morris, Avista’s 13th president, came into office in 2006, the company was in the midst of an ambitious and vital transmission system expansion and upgrade program to address both regional and local system constraints.

Avista signed a construction agreement with the Bonneville Power Administration (BPA) to address area transmission issues. The agreement obligated BPA to construct a new 85-mile, 500 kV line from the Bell Substation in north Spokane to Grand Coulee and obligated Avista to upgrade and construct several 230 kV transmission facilities.

The Avista projects included the construction of over 100 miles of new 230 kV transmission lines in the Spokane Valley and the Palouse, and the upgrade of an additional 50 miles of transmission lines in north Spokane and the Lewiston-Clarkston area. Two new 230 kV substations were constructed in Spokane Valley and Clarkston, and three existing 230 kV substations were completely rebuilt. Substation equipment was also upgraded at an additional six substations to insure each had adequate capacity for the electric load. Construction of these projects began in 2002 and the last project was completed in 2007.

As part of the 230 kV upgrade project, Avista constructed a fiber optic telecommunications system to improve overall operation of the transmission grid.

HYDRO RELICENSING

For 120 years, starting with the Monroe St. Hydroelectric Development, Avista has provided customers with renewable hydropower through its plants on the Spokane River. In 2009, Avista received a new license from the FERC for five hydroelectric developments on the Spokane River. This new 50-year license includes four projects located in Washington state — Upper Falls, Monroe St., Nine Mile, and Long Lake — and one in Idaho — Post Falls. These projects have the capacity to generate more than 100 megawatts of electric energy, enough to meet the power needs for more than 75,000 homes. The relicensing enables Avista to continue to generate power and manage these critical resources until 2059.

Also in 2009, Avista celebrated both the 50th anniversary of the first power generated at the Noxon Rapids hydroelectric project, and the first 10 years of successful implementation of the Clark Fork Settlement Agreement, which was signed in 1999 by Avista and 26 other parties. This set the course for more than 45 years of protection and enhancement of natural resources along the lower Clark Fork River. Noxon Rapids, part of Avista’s Clark Fork hydroelectric projects on the Clark Fork River in Montana, in conjunction with the Cabinet Gorge Dam, 22 miles downstream in Idaho, generate nearly 70 percent of Avista’s hydroelectric power.

Enhancing the Customer Experience

Avista generates power for customers but also helps them conserve energy. In 2007, 20 public and private school districts in Washington state took advantage of Avista’s energy efficiency rebate and incentive programs. These Avista customers received almost $763,000 in total rebates for saving 3.7 million kilowatt hours and more than 69,000 therms of natural gas. Just in electric savings alone, that’s enough energy to power about 300 homes for one year.

Conservation incentives offered by Avista to its Idaho customers resulted in the City of Post Falls, Idaho, receiving a rebate through the installation of high-efficiency water source heat pumps in its new City Hall. Avista estimated that the more efficient heat pumps would save over 155,000 kilowatt hours of electricity and over 18,500 therms of natural gas annually. These savings equaled the average amount of electricity used by 13 homes and natural gas used by about 23 homes in a year.

Also in Idaho, the Intermountain Community Bancorp received a rebate of over $110,000 for the installation of a high-efficiency natural gas water source heat pump in its Sandpoint Financial and Technical Center. This installation saved approximately $40,000 in electricity and natural gas costs, annually.

In Oregon, the Roseburg School District received a rebate check from Avista for over $100,000 for energy-efficient upgrades to several schools. These upgrades included new insulation on boiler pipes and system controls that saved the district an estimated 29,600 therms of natural gas, or almost $40,000 annually. In 2007, Oregon customers received almost $445,000 in energy efficiency rebates and incentives, which helped reduce natural gas usage by 191,000 therms.

In 2008, Avista’s conservation efforts extended to residential, commercial and industrial customers and contributed to a reduction in their energy use by nearly 75 million kilowatt-hours of electricity and over 2.2 million therms of natural gas. Avista provided more than 15,000 rebates and incentives totaling nearly $15 million to residential and commercial customers.

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With more than 35 years of experience helping residential customers use energy efficiently, in mid-2009 Avista launched a new, online tool to help commercial customers better manage their energy use. “Efficiency Avenue” at www.everylittlebit.com offered businesses, schools, churches, public facilities and other commercial customers information on applicable energy rebate programs, and access to engineering support and analysis for custom energy efficiency projects.

Refocus on Core Competencies

Avista Corp. subsidiary, Avista Energy, pulled back to its position of strength in 2006 — doing business in the West and Northwest, where its strongest relationships were with peer utilities and large commercial companies. Founded on the same values and corporate culture that underpinned WWP, Avista Energy created value for WWP and then Avista Corp. until it was sold to Coral Energy, a subsidiary of Shell Energy, in 2007. Most of the Avista Energy employees became employees of Coral Energy. Proceeds from the sale were estimated to total $175 million and helped fund the ongoing investments needed to serve Avista’s utility customers.
Safely and Reliably Providing Energy

24/7/365

Avista employees work tirelessly when service outages occur. Weather-caused outages, in particular, can be widespread and devastating. An early summer wind and lightning storm in 2005 caused widespread power outages that impacted nearly 19,000 Avista customers in eastern Washington.

Over the next several days, crews worked around the clock to restore power to neighborhoods and homes. Downed power lines, trees and limbs blown into lines, and lightning strikes on transmission lines and poles compounded the problem. In many instances, service restoration involved both tree-trimming and electric service personnel.

Strong weather patterns continued the next year, with November and December 2006 being rough months for Avista customers and crews. Several storms bringing high winds and rain hit the region. In November’s storm, approximately 20,000 customers were without power in eastern Washington and northern Idaho. Power was restored to about 60 percent of those customers in the first five hours. Sixty-three company crews and support personnel aided in the restoration effort.

In mid-December, nearly 53,000 Avista customers lost power due to a strong windstorm that blew through the area, uprooting trees and causing broken limbs to fall across power lines. Crews worked over the weekend to restore power to residences, with the outskirts of Coeur d'Alene and some areas of Spokane’s South Hill not regaining power until Monday. The storm of December 2006 was the most damaging storm to impact Avista since the infamous Ice Storm of 1996.

Late in 2008, a significant cold snap resulted in a record peak load. Between 6:00 p.m. and 7:00 p.m. on Tuesday, December 16, 2008, Avista reached a peak load of 1,821 megawatts of electricity, surpassing the previous record of 1,796 megawatts set in February 1996 when temperatures were minus 22 degrees Fahrenheit. At the time, Avista’s average load was about 1,100 megawatts. As a result of the company’s prudent and long-term planning process, Avista had adequate energy supplies available to meet customer’s peak cold weather needs.

Recognizing Achievement

Environmental Stewardship

Avista’s accomplishments in river protection and enhancement while producing clean, renewable hydroelectricity were recognized by the National Hydropower Association when it awarded Avista’s Clark Fork Project citations for Outstanding Stewardship of America’s Rivers each year from 2000 to 2006. The project included the Cabinet Gorge and Noxon Rapids hydroelectric developments that in 2000 produced enough electricity to meet the annual needs of more than 235,000 households. Special enhancement projects included a long-term effort to reinstate native bull trout upstream of the Cabinet Gorge Dam to re-establish historic migratory runs.

In April 2007, Avista was proud to again receive the highest award in the hydropower industry. The Outstanding Stewardship of America’s Waters (OSAW) award recognized the company’s collaborative efforts to protect the fisheries in Lake Pend Oreille by working with stakeholders to reduce predatory species. These efforts focused on the restoration of native bull trout, a species threatened by non-native lake trout. Commercial netting, angler incentives and education programs managed by Avista and its stakeholder project partners generated positive, documented results. Only three other utility companies nationwide were recipients of the 2007 OSAW award — New York Power Authority, Southern Company and Duke Energy.
That same spring, Avista, Ducks Unlimited and other partners received a $1 million grant to protect and enhance wetland habitat for migratory birds in the Clark Fork-Pend Oreille watershed, located in northern Idaho and western Montana. The $1 million grant was the maximum amount awarded by the North American Wetlands Conservation Act (NAWCA) to any single project.

The grant was used to provide conservation easements on over 200 acres of key streams, marshes and associated uplands on the Bull River in Sanders County, Montana, and in the Pack River area of Bonner County in northern Idaho. In addition, over 600 acres of wetland habitat owned by the U.S. Army Corps of Engineers was enhanced.

Avista Advantage’s focus on the environment was recognized by The U.S. Environmental Protection Agency (EPA) with the 2005 Excellence in Promoting Superior Energy Performance Award for the company’s outstanding contribution to reducing greenhouse gas emissions through energy efficiency. The EPA named Avista Advantage ENERGY STAR® Partner of the Year for providing services to help businesses adopt smart energy practices and investment throughout their operations.

Through the ENERGY STAR® program, in 2004, Americans saved about $10 billion on their energy bills while reducing greenhouse gas emissions equivalent to those of 20 million cars.

Avista’s fish passage studies include radio tracking of adult bull trout that travel from Lake Pend Oreille up the Clark Fork River and its tributaries to the Cabinet Gorge and Noxon Rapids reservoirs.

**CUSTOMER ENGAGEMENT**

Avista has been recognized for leadership in digital communications both on the Web and in the use of social media channels. In 2009, Avista’s website was recognized by E Source, a national benchmarking service for utilities and large energy users, as having the top-ranked electric and natural gas website in North America. AvistaUtilities.com was compared to 100 U.S. and Canadian utilities to evaluate its success in serving residential customers.

Engaging customers in meaningful ways includes using the communication channels that are most meaningful to them. The world of social media gained widespread use, with customers communicating with each other via channels including Craigslist, Facebook, Twitter and media chat rooms.

In February 2009, a “perfect storm” of events coalesced to bring customers out to protest in front of Avista’s Spokane headquarters building for the first time in the company’s history. Record-setting snowfall during the winter of 2008-2009 meant meter readers were hampered in their rounds, so reads were estimated for the month of December. Extremely cold temperatures kept families inside and schools canceled into mid-January 2009. A small group of disgruntled customers were rallied through social media channels to demonstrate their frustration with their utility bills on February 7, 2009.

A new initiative subsequently was launched throughout the company to refocus attention on customer engagement. Avista corporate communications employees became industry leaders in the use of the new media channels, and E Source ranked Avista first in the country in 2012 for the use of social media in utility communications.

**EMPLOYEE ENGAGEMENT**

Avista’s commitment to employees as a vital company resource was once again recognized in 2002 when Avista was ranked third by Washington CEO magazine in its list of Washington’s best large companies for which to work. In 2003 the company was named as the 19th best large company to work for in Oregon by Oregon Business magazine. This ranking was repeated in 2004 and upped to third best company to work for in Oregon in 2005.
In 2000–2001, the western United States experienced disruptions in the energy markets brought about by drought, industry deregulation and alleged manipulation of energy markets. Avista, along with every utility in the region, was impacted by this crisis.

The year 2001 brought record low hydro conditions for Avista, pushing the company to purchase high priced power in an especially volatile open market. During 2000-2001, when prices normally ran $20-$40 per megawatt hour, they spiked to $750 per megawatt hour and beyond. The situation caused substantial wholesale energy losses for the company. By the end of 2001, the company’s cash outlays for energy and natural gas exceeded the amount recovered through customer rates by approximately $265 million.

Although the Washington Utilities and Transportation Commission allowed Avista to defer $33.9 million of the excess retail purchased-power costs in 2000, the issue of power supply remained a concern. The years following the energy crisis were ones of rebuilding and refocusing Avista’s energy business. In 2000, Avista Chairman, President and CEO Tom Matthews left the company, and Executive Vice President Gary Ely was named as the company’s 12th president. Ely announced a “back-to-basics” business plan, with three principles: simplify, focus and execute.

Ely lead a fresh look at the utility business, bringing in new leadership and moving to bolster the company’s generation capacity. Coyote Springs 2 — a natural-gas-fired combustion turbine in Boardman, Oregon — came on line beginning in mid-2002. And, the company locked in purchased-power contracts to help cover power supply needs and to shield customers, as best they could, from volatile market conditions.

Internally the company instituted a hiring freeze and temporarily reduced salaries for corporate and subsidiary officers and senior managers. Utility capital expenditures were reduced by $15 million in 2001 and cut substantially in 2002, while holding utility operating expenses flat for the third straight year.

At one point, Avista Corp.’s credit rating was reduced to “junk” status, and the company came within days of not meeting payroll. By 2009, the company’s credit rating was upgraded to “investment-grade” by the three major rating agencies.
In the beginning years of the second decade of the new millennium, Avista furthered the company’s conservation, environmental and technological efforts, while making the most of visionary business opportunities. The production and distribution of clean, renewable energy continued as a company focus.
COMMUNITY & PHILANTHROPY

ENERGY EFFICIENCY AND CONSERVATION EDUCATION

Customers ask for help in managing their energy use and costs throughout the year, but mainly through the cold winter months.

In 2010, Avista began taking information about energy efficiency directly to customers in locations within their own neighborhoods. Avista Energy Fairs offer a broad range of ideas and demonstrations to help residents keep warm air inside and cold air outside their homes. The fairs also provide access to information about utility payment options and energy assistance resources, as well as access to community resources, including home weatherization, safety and independence resources for senior citizens, and employment and financial counseling services.

A FOUNDATION OF GIVING

In the fall of 2010, Avista made a substantial contribution to Project Share. Avista’s $400,000 donation would help residents in Washington, Idaho and Oregon pay their utility bills during the 2010–2011 winter heating season. The donation was in addition to another gift to Project Share that Avista made in honor of “The Employees of Avista,” in recognition of the company receiving national recognition for customer satisfaction in natural gas service.

WWP/Avista employees have been volunteering in their communities since the company was formed 125 years ago. In 2012, 120 employees partnered with the Salvation Army in Spokane at the Backpack for Kids event, the largest school supply give-away in the region. Together, they handed out more than 3,700 backpacks containing supplies to help low-income children start school prepared to learn. This effort was repeated and surpassed in 2013, when Avista employees helped distribute 4,100 backpacks to more than 1,700 families.

Avista was named one of the top 75 corporate philanthropists in the state of Washington by the Puget Sound Business Journal in 2012 for the third consecutive year. That same year and every year since, employees have donated an average of 50,000 hours of volunteer service to more than 1,000 community organizations.

Later in 2012, the Avista Foundation and Avista employees were presented with the “Making Spokane Better” award by The Salvation Army, in recognition of community grants and exemplary volunteer support for regional non-profit organizations.

In 2012, the Avista Foundation celebrated its 10-year anniversary of providing financial help for people and communities in need.
COMMUNITY ENHANCEMENTS

Beginning in August 2013, Avista undertook an eight-month project to renovate land the company owns south and west of Avista's Post St. Substation in downtown Spokane. The area is known as Huntington Park and is named after David L. Huntington, the third president of the company, who served from 1910 to 1927.

The renovations and enhancements include work on the walkways, grassy areas and structures to provide visitors greater access to the Spokane River and views of the falls. In addition, Avista is constructing a public plaza on city-owned property north of City Hall, which will be a gift to the City of Spokane from shareholders of Avista Corp. in celebration of the company's 125th anniversary. The plaza will create open-air space for gatherings and river viewing. As part of the ongoing enhancements to Riverfront Park, Avista repaints its 1922 Upper Falls Powerhouse and replaces the Theme Stream Bridge.

BUILDING OPPORTUNITIES

EDUCATION AND ADVANCEMENT

Avista knows that well-educated students grow into responsible community members, and supporting educational opportunities is an important role for responsible corporate citizens. As a hydro-based utility, Avista relies on water for about half of our power generation. Because of that reliance, Avista's legacy of environmental stewardship, commitment to social responsibility and sound management of our watersheds are essential parts of our role as a community partner. In 2010, Avista established the Waters of the West scholarship program at the University of Idaho in its Water Resources Program. The scholarship helps support student research that seeks to address the complex nature of contemporary water issues through an interdisciplinary approach to water resource management.

In May 2012, the company announced the creation of the Avista Business Entrepreneurship Network, which includes a $1 million investment by the company. The network, in partnership with Spokane Community College (SCC), provides a continuum of education and ongoing support for budding entrepreneurs in Avista's service territory. This network leverages the successful curriculum established by the Avista Center for Entrepreneurship at SCC in 2007. By mid-2013, three additional community colleges had agreed to participate in the network by creating entrepreneurship programs modeled after SCC, including Rogue Community College (Medford, Oregon), North Idaho College (Coeur d'Alene, Idaho), and Walla Walla Community College-Clarkston (Washington). In addition, the Avista Center for Entrepreneurship was created at Spokane Valley Tech, a specialized high school experience supported through a consortium of Spokane-area school districts.

STEWARDING OUR ENVIRONMENT

ENHANCING THE BEAUTY OF THE SPOKANE RIVER

In the summer of 2011, Avista began the innovative aesthetic spills project in downtown Spokane involving modification of the Spokane River channels to return them to a more natural state, looking more like they did before early 20th century developers cut into the bedrock to collect and funnel water during dry times. Working together with agencies, community members and non-profit organizations, Avista enhanced the year-round beauty of the river and its falls, while maintaining adequate flows for power generation. This work resulted in Avista receiving the Outstanding Stewards of America’s Waters award in 2013.

Before and after images reveal results of the aesthetic spills project. The Spokane River through downtown Spokane now flows more naturally due to Avista's riverbed restoration and water flow management efforts.
COLLABORATING FOR SUCCESS
Following the 2008 agreement with the Coeur d’Alene Tribe and Department of Interior, and the FERC’s issuance of a new 50-year license for the Spokane River Project, Avista began carrying out natural resource projects in collaboration with the Tribe. Since then, the company has acquired over 650 acres of land for wetland mitigation on the Coeur d’Alene Indian Reservation, for the Tribe’s long-term management. With the Tribe, Avista begins protection and restoration efforts on those and other Tribal lands, including erosion protection, wildlife enhancement, as well as water quality improvements. Avista has also worked with the states of Idaho and Washington on erosion protection measures, wetland restoration, and many water quality efforts, all to the benefit of the area’s waters and the people who enjoy visiting them.

BUILDING THE BUSINESS

ENERGY EFFICIENCY ON BOTH SIDES OF THE METER
As 2011 began, Avista and its project partners, including Battelle Northwest, started the second year of the Pullman Smart Grid Demonstration Project. Avista’s project is part of the larger Pacific Northwest Smart Grid Demonstration Project being led by Battelle. While the first year of the five-year Pullman project focused on updating and automating Pullman’s distribution system, the second year involved the installation of Itron advanced meters in the city of Pullman and the community of Albion. Approximately 13,000 electric and 5,000 natural gas customers had their meters upgraded to new, digital meters, with some customers receiving both electric and natural gas meters. The new meters were installed over several months beginning in March, 2011. The advanced meters have the ability to automatically detect and report an outage at a customer’s home or business and are part of an automated distribution system that reduces outage frequency and duration for all customers.

In Spokane, Avista’s headquarters building earned LEED Gold Certification from the U.S. Green Building Council for completing the first phase of replacing its over 50-year-old heating, ventilation and air conditioning system.

Renovating the company’s signature five-story building, begun in 2009, is a five-year project. When completed, the work will provide a healthier environment for employees and is expected to save more than 1.4 million kilowatt hours of electricity, 66,000 therms of natural gas and reduce Avista’s annual energy costs by $149,000 a year. The energy savings are enough to power 116 homes for a year and serve about 80 homes with natural gas.
As a leader in energy efficiency, Avista implemented a Compact Florescent Lighting (CFL) distribution campaign to reduce customers’ energy usage at home and at work. Starting in July 2011, Washington and Idaho residential and small commercial electric customers began receiving an Energy Efficiency Lighting Kit. The kit contained CFLs, a cover letter, educational brochure and “turn-it-off” stickers. Over 2 million CFLs were distributed before the campaign was wrapped up in November. As part of initiating CFL use, Avista began offering customers free CFL recycling options throughout its service area.

Energy efficiency lighting improvements to Palouse Elementary School and the Cooperative Garfield-Palouse High School qualified those school districts for almost $38,000 in incentives from Avista in May 2011. The energy savings from the lighting project was expected to save the Palouse School district over $10,000 per year in energy costs through reduced usage.

Another school district to qualify for rebates was Spokane Public Schools (SPS). SPS made energy saving improvements to its facilities in 2012, which qualified for $300,000 in energy efficiency rebates and incentives from Avista and are expected to save SPS approximately $125,000 annually in energy costs.

From 2005 to 2013, the school district received $2.3 million in energy efficiency incentives. By partnering with Avista on over 200 energy efficiency projects during that time, Spokane Public Schools saved over $800,000 in annual energy costs during that period.

Projects completed in 2012 included new energy efficient lighting at 19 elementary schools, ENERGY STAR® appliances, modernizations at three elementary schools and construction of a new Westview Elementary School. Combined, these projects are expected to annually save enough energy to power 100 homes for a year and provide natural gas to 60 homes.

In 2012, Avista implemented a commercial lighting incentive program, which provided incentives for approximately 70 percent of the energy efficient lighting upgrades that Avista customers perform. Commercial customers who replaced inefficient lights with more efficient lights benefited from enhanced lighting quality, energy savings, cost savings and reduced maintenance costs.

In May 2013, Avista offered a new energy conservation resource to its customers. Over 70,000 residential customers began receiving their first personalized Home Energy Report. Customers were randomly selected to receive this innovative energy-efficiency tool, which provides essential information on energy usage and tips designed to help improve energy efficiency and reduce monthly electric bills.

Exploring new technologies and resources

In the spring of 2010, Avista placed three electric vehicle-charging stations in Spokane. The stations were located at the Steam Plant Grill, at Avista’s headquarters on East Mission and in the parking area just north of City Hall. As a pilot to determine the public’s interest in electric vehicles and the availability of charging, this project showed Avista’s commitment to providing customers with tools to conserve energy and reduce greenhouse gas emissions by reducing fossil-fuel consumption.

Avista is instrumental in the realization of the WSU Spokane Biomedical and Health Sciences Building located in Spokane’s University District. Avista President Scott Morris is the co-chair of the Academic Health Science Center Steering Committee and states that such a project “will be a catalyst for creating new and sustained growth for the entire region.”
Keeping pace with technology, by the summer of 2011 customers were able report and track outages and access their Avista account detail anytime, anywhere from their smartphone or tablet device through the company’s new mobile website. The Avista website detects when a customer is using a mobile browser and automatically redirects them to the mobile website.

Using feedback from smartphone users, Avista developed its new mobile website to focus on functions that were most important to them — natural gas and electric outage reporting, outage safety tips, as well as the ability to review their account information and pay their bill.

Completed in 2013, Avista’s compressed natural gas (CNG) fueling terminals at the Mission Campus in Spokane and at the Jimmie Dean Service Center in Spokane Valley, provide natural gas as an alternative fuel for Avista’s growing fleet of bi-fuel trucks. These vehicles have a gasoline back-up system and run as efficiently as gasoline-fueled vehicles, yet CNG is less expensive to use. Avista continues to explore the use of alternative energy resources for transportation and other customer uses.

REBUILDING INFRASTRUCTURE

2012 was a significant year in rebuilding aging infrastructure. Originally completed in 1903, and rebuilt in 1926, the Burke Canyon transmission line runs through rugged terrain from Wallace, Idaho, to the Montana border. Reconstruction of the 115 kV transmission lines was met with many challenges such as excavating 10 to 12 foot holes in steep, mountainous terrain to accommodate 85 to 90 foot steel poles as well as digging up and relocating boulders the size of Volkswagens, but that weigh much more. It was a feat of modern engineering and well-honed lineman skills. A combination of replacing 50-foot wooden structures with taller steel poles and closer spacing of these new structures decrease the likelihood of snow and tree-related outages and enhance service reliability for Avista customers. All of this was accomplished without a single lost-time accident.

DIVERSIFYING GENERATION RESOURCES

Expanding its commitment to renewable energy, in June 2011 Avista signed an agreement to purchase power generated by the Palouse Wind project in Whitman County, Washington. Palouse Wind is a wind energy facility permitted and developed by First Wind, an independent U.S.-based wind energy company. The purchase power agreement supplies Avista with approximately 40 average megawatts of renewable energy, or as much as 105 megawatts of nameplate wind capacity, under the 30-year contract. The energy qualifies under Washington state’s Energy Independence Act to meet Avista’s renewable portfolio standard (RPS) requirements.
The project features state-of-the-art Vestas wind turbines installed on hills located between the town of Oakesdale and State Route 195 and was completed in December 2012. During construction, the Palouse Wind project pumped more than $25 million of direct spending into the regional economy and created hundreds of construction-related jobs.

On July 8, 2013, Avista and First Wind, along with Washington Governor Jay Inslee, commemorated the generation of 150,000 megawatt hours of clean, renewable energy by the Palouse Wind project since its start of commercial operations in December 2012. Since the Palouse Wind project went on line, it has brought significant long-term tax revenue to Whitman County while generating enough clean energy to power about 30,000 homes.

**ENERGY FOCUSED SUBSIDIARIES**

In 2009, Advantage IQ, Avista’s utility expense, energy and sustainability management firm serving large commercial and industrial companies throughout North America, acquired Ecos, a Portland, Oregon-based supplier of energy efficiency solutions. In 2011, the two companies became one under the name Ecova. With more than 700 commercial and utility customers, Ecova is now positioned to offer total energy and sustainability management solutions to help clients see more, save more and sustain more.

Avista took the first step to expanding its energy services northward with the November 4, 2013, announcement of a signed agreement by Avista to acquire Alaska Energy and Resources Company (AERC), a privately-held company based in Juneau, Alaska. The primary subsidiary of AERC is Alaska Electric Light and Power Company (AEL&P), a utility with a 120-year history of providing energy from clean, renewable hydroelectric sources. AEL&P currently serves approximately 15,900 customers in the city and borough of Juneau.

The $170 million purchase price will be funded through the issuance of Avista common stock to the shareholders of AERC. The transaction is expected to close by July 1, 2014. When the transaction is complete, AERC will become a wholly-owned subsidiary of Avista Corp.

**RECOGNITIONS**

Avista’s customer satisfaction rankings through the Voice of the Customer have surpassed 90 percent since 2000. In 2010, J.D. Power and Associates ranked Avista in a tie for the highest customer satisfaction among residential natural gas customers in the western U.S.

In November 2012, Avista received a special recognition award from the judges of the Green Washington Awards, sponsored by Seattle Business magazine. The honor highlighted Avista’s 123-year legacy of clean power generation, successful energy efficiency programs and innovations in sustainable business practices. Avista was also named to the list of the 50 greenest companies in the state of Washington.

The following year, Ecova earned the 2013 Accreditation from the Carbon Disclosure Project to Help Companies Calculate Carbon Data. For the second year in a row, Ecova earned accreditation from the Carbon Disclosure Project as a Carbon Calculation Partner. The accreditation reflected Ecova’s success in helping its customers accurately calculate and report greenhouse gas emissions through the use of Ecova’s carbon accounting solution, Carbon Manager.
Increased energy efficiency, reliability, economics and sustainability are realized through efforts such as Avista’s Smart Grid Demonstration Project.