



Avista Files Natural Gas General Rate Case With Washington Regulators

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The Company Also Files to Recover Costs Associated With Wholesale Natural Gas

Supplies

SPOKANE, Wash., Aug. 20 /PRNewswire-FirstCall/ -- Avista Corp. (NYSE: AVA) filed a general rate case today with Washington state regulators to address increased costs of operating the company's natural gas distribution system. This general rate case request does not include changes in the rates charged for natural gas supplies, which will be reviewed through a separate filing called a purchased gas cost adjustment (PGA), also filed today with Washington regulators.

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General Rate Case

In the general rate case filing with the Washington Utilities and Transportation Commission (WUTC), Avista is requesting an overall rate increase of 6.2 percent. Avista's request is designed to increase natural gas revenues by \$8.6 million annually. The WUTC generally has up to 11 months to review Avista's general rate case filing.

Avista has not had a general natural gas price increase in Washington since December 2000. Avista's current Washington gas rates are based on the company's 1998 operating costs. The company has added approximately 15,000 new natural gas customers in Washington since 1998.

Under the company's proposal, the monthly bill for a residential gas customer using an average of 78 therms of natural gas would increase from \$67.23 to \$71.68, an increase of \$4.45 per month, or about 7.1 percent. Avista is proposing that the basic monthly charge for residential natural gas service be increased from \$5 to \$5.50.

Larger commercial and industrial customers can expect to see an average increase of 3.7 and 4.4 percent, respectively. The difference in the proposed increase percentages for different customers is based on a comparison of the cost of providing service to those customers and the present rates billed for service.

"Our filing reflects the investments we've made in our natural gas infrastructure since our last general rate case filing as well as general increases in operating costs. We are asking the commission to allow us to recover our costs of continuing to provide safe and reliable service to our customers in Washington," said Scott Morris, president of Avista Utilities.

Among the issues Avista is asking the commission to consider in its general rate case filing are new capital investments in the company's natural gas distribution system, an increase in the cost of capital, and a general increase in operating expenses in the roughly five years since the last general rate case.

Morris said the general rate case is different than a PGA, which was also filed today. The general case covers aspects of Avista's costs other than the cost of natural gas purchased to serve customers.

Purchased Gas Cost Adjustment

A PGA is typically filed annually and reflects changes in the cost of natural gas purchased by Avista to serve customers. Any increases or decreases related to the PGA filings directly result from the cost of the natural gas purchased in the marketplace. Avista Utilities makes no additional net income from PGA rate changes.

Today's PGA request is for an overall revenue increase of 11.8 percent to be effective Oct. 1, 2004. This proposed increase reflects higher wholesale natural gas prices during 2004, as compared to 2003. These higher prices are expected to continue at or near current levels through the coming winter. The market price for natural gas can fluctuate based on supply and demand, similar to the prices for commodities such as wheat and crude oil. The increase in the wholesale cost of natural gas during 2004 is due to factors that affect short-term supply and demand, as well as the overall increase seen in other energy prices.

If the proposed PGA is approved by the WUTC, a residential or small commercial customer using an average of 78 therms per month can expect to see an increase of \$8.06 per month, or about 12 percent. Larger commercial and industrial customers can expect to see an average increase of 14 percent and 15.3 percent, respectively. The higher increase percentages for commercial and industrial customers are due to lower base rates.

Avista recognizes the impact of price increases on its customers, especially on those who have the most difficulty paying their energy bill. In addition to working to control the cost of providing service, Avista's ongoing commitment to customers includes support of Project Share, an energy assistance

program. Avista contributes \$150,000 annually in Washington in support of Project Share.

In 2001, the WUTC approved the Low Income Rate Assistance Program (LIRAP). This program includes a tariff rider charge for electric and natural gas that provides approximately \$3 million per year in energy assistance for qualified Avista customers in Washington state. Avista partners with the local community action agencies to make these funds available to customers. In addition, Avista has donated more than \$900,000 of earned tax credits back to the LIRAP program in the past two years for the benefit of customers, plus an additional \$100,000 in direct contributions to 18 community action agencies in support of energy assistance.

Other customer programs provided by Avista include CARES, a program assisting those who face challenges paying their bills; Comfort Level Billing, a plan that averages annual energy bills into equal monthly payments; and ongoing energy conservation and efficiency programs.

Avista also offers rebates for residential weatherization (wall, floor, ceiling, ducts) and high efficiency water heaters and furnaces. The company offers energy conservation education, including workshops for seniors, energy use guides and home visits by company personnel to help customers reduce energy costs on a long-term basis.

Approximately 50 percent of the company's annual retail natural gas revenues are derived from Washington, where the company serves 131,000 natural gas customers.

For additional information regarding Avista's general rate case and PGA filings, visit the Washington Rate Information Center at www.avistautilities.com.

Avista Corp. is an energy company involved in the generation, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides service to 325,000 electric and 300,000 natural gas customers in four western states. Avista's non-regulated subsidiaries include Avista Advantage and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

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This news release contains forward-looking statements, including statements regarding expected natural gas prices. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control, and many of which could have a significant impact on the company's operations, results of operations and financial condition, and could cause actual results to differ materially from those anticipated.

For a discussion of material risks and uncertainties and other important factors please refer to Avista Corp.'s Annual Report on Form 10-K for the year ended Dec. 31, 2003 and the company's quarterly report on Form 10-Q for the quarters ended March 31 and June 30, 2004. The forward-looking statements contained in this news release speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events.

SOURCE Avista Corp.

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