



All-Party Settlement Reached in Idaho Electric and Natural Gas General Rate Case

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Agreement is subject to commission approval

SPOKANE, Wash., Aug. 8 /PRNewswire-FirstCall/ -- Avista (NYSE: AVA) and other parties have reached a settlement agreement in the electric and natural gas general rate case filed with the Idaho Public Utilities Commission (IPUC) on April 3, 2008, to recover increased costs of providing service to Idaho customers. The agreement calls for electric base rates for Idaho customers to increase by an average of 11.98 percent and natural gas base rates to increase by an average of 4.7 percent.

(<http://www.newscom.com/cgi-bin/prnh/20040128/SFW031LOGO>)

If the agreement is approved by the IPUC, the new electric and natural gas rates are intended to become effective on Oct. 1, 2008. A residential customer using an average of 977 kilowatt hours per month would see a \$7.89 increase, for a revised monthly electric bill of \$69.86. A residential customer using an average of 65 therms of natural gas per month would see a \$4.03 increase, for a revised monthly bill of \$79.17.

"We are pleased that all parties to the rate case worked together to achieve a reasonable resolution of the issues," said Scott Morris, Avista Corp. chairman, president and chief executive officer. "In addition to recovery of costs for providing service for our Idaho customers, the agreement provides additional support to help mitigate the impact of rising energy prices on our low income and most vulnerable customers."

The agreement calls for an increase in low income energy assistance of \$115,000 per year, to \$465,000 from \$350,000, and for Avista's participation in and support of any IPUC customer-focused workshops on energy affordability and energy assistance programs. In addition, the agreement provides additional funding to support Idaho community action agencies to aid them in low-income outreach and education programs for energy conservation.

The settlement is based on a rate of return of 8.45 percent, with a common equity ratio of 47.94 percent and a 10.20 percent return on equity. It is intended to increase annual electric revenues by \$23.2 million and to increase annual natural gas revenues by \$3.9 million. Also in the settlement, the parties agreed to accumulate for later recovery the expenses, including a carrying charge, related to relicensing the five hydroelectric projects on the Spokane River.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides service to 351,000 electric and 310,000 natural gas customers in three Western states. Avista's primary, non-regulated subsidiary is Advantage IQ. Our stock is traded under the ticker symbol "AVA." For more information about Avista, please visit <http://www.avistacorp.com>.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2007, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

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