



Washington Utility Commission Issues Decision in Avista's Electric and Natural Gas Rate Cases; Avista Reaffirms 2010 Earnings Guidance

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Superior Court substantially upholds WUTC's 2008 Avista rate decision

SPOKANE, Wash., Dec 23, 2009 /PRNewswire-FirstCall via COMTEX/ -- The Washington Utilities and Transportation Commission (WUTC) has issued its ruling on a rate request filed by Avista (NYSE: AVA) on Jan. 23, 2009. The Commission approved a 2.8 percent increase in annual electric rates, designed to increase revenue by \$12.1 million per year, and an increase in natural gas rates of 0.3 percent, designed to increase revenue by \$557,000. The Commission also directed the company to file for deferred accounting treatment of \$12.2 million of annual costs associated with the Lancaster generating project, including a carrying charge, with the opportunity to recover the costs in the next rate case. The Commission approved a 10.2 percent return on equity and a 46.5 percent common equity ratio. Rates will be effective Jan. 1, 2010.

Following the execution of an all-party partial settlement agreement in September, Avista revised downward its electric rate increase request from \$69.8 million to \$37.5 million, primarily due to the decline in the wholesale prices of electricity and natural gas. Avista also reduced its natural gas request from \$4.9 million to \$2.8 million. The company's original request was based on a proposed 11 percent return on equity and a 47.5 common equity ratio.

"We are disappointed with the outcome in this rate case. The approved rates will not allow us to fully recover our costs for the significant investments made in the generation and transmission infrastructure to serve our customers' energy needs," said Scott Morris, chairman, president and chief executive officer of Avista Corp. "However, the commission's order does provide additional guidance for procedures and documentation that we believe will facilitate improved cost recovery for both operating expenses and capital in the future. We anticipate filing general rate cases in Washington as early as the end of the first quarter 2010.

"While the WUTC declined to allow recovery of costs in current rates associated with the purchase of power from the Lancaster plant in Rathdrum, Idaho, they directed the company to file for deferred accounting treatment, with a carrying charge, for these costs and the opportunity to recover them in the next rate case. We look forward to adding the output from Lancaster to our diversified resource mix. It is an outstanding resource for our customers, as it is one of the most cost-effective and reliable gas-fired generating resources in the Northwest.

"With regard to recovery of lost margin associated with Avista's energy efficiency programs, we are pleased that the Commission approved continuation of the company's natural gas decoupling mechanism with certain modifications," said Morris.

2010 Earnings Guidance Reaffirmed

Avista reaffirms its 2010 guidance for consolidated earnings to be in the range of \$1.55 to \$1.75 per diluted share. Although the WUTC decision will not allow the company to make meaningful improvement in reducing regulatory lag for 2010, Avista expects to manage its capital investment and operating costs, while continuing to provide safe, reliable service for its customers.

WUTC 2008 Approval of Settlement Stipulation Largely Upheld

On Dec. 18, 2009, the Thurston County (WA) Superior Court affirmed the previous decision of the WUTC in Avista's 2008 general rate case and rejected the arguments of the Office of Public Counsel, with the exception of disallowing approximately \$94,000 of miscellaneous expenses. On Jan. 27, 2009, Public Counsel had filed a Petition for Judicial Review (in Thurston County Superior Court) of the WUTC's December 2008 order approving Avista Corp.'s multi-party settlement, which was designed to increase electric annual revenues by \$32.5 million and natural gas revenues by \$4.8 million.

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 electric service to 353,000 homes and businesses and natural gas to 313,000 homes and businesses in three Western states, serving more than 492,000 customers. Avista's primary, non-regulated subsidiary is Advantage IQ. Avista 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 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, 2008, and the Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2009.

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