



Avista Requests Recovery in Washington and Idaho for Increasing Energy and System Upgrade Costs

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SPOKANE, Wash., March 23, 2010 /PRNewswire via COMTEX/ -- Increases in the cost of producing and delivering energy, as well as on-going capital investments to upgrade aging infrastructure are drivers in requests Avista (NYSE: AVA) filed today with the Washington Utilities and Transportation Commission (WUTC) and the Idaho Public Utilities Commission (IPUC) to increase electric and natural gas rates for customers. The WUTC has up to 11 months and the IPUC has up to seven months to review the respective filings.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20091223/AVISTALOGO>)

"These requests seek recovery of investments we've made in our system to continue providing safe, reliable energy to customers," said Avista Chairman, President and Chief Executive Officer Scott L. Morris. "We remain focused on managing our costs as we continue making significant investments in upgrading our aging infrastructure, complying with an increasing number of mandates, upgrading our hydroelectric facilities and acquiring additional cost-effective energy for our customers."

Included in the rate filings are power supply costs, or the cost of generating and purchasing power to serve customers, which continue to increase year-over-year partly because of expiring long-term, low-cost power contracts. Also included in the filing are power supply costs associated with adding the 275 megawatt Lancaster combined-cycle combustion turbine into Avista's generation mix. Power from new generation and power purchased in today's market to replace the expiring contracts is significantly more expensive than the amount currently included in customer rates.

Avista continues to invest about \$200 million annually in upgrades to its aging infrastructure, such as generation facilities, power lines, poles and substations - some of which have been serving customers for more than 70 years. In addition to ensuring reliability, the upgrades are necessary to meet customer growth and increased customer demand, as well as compliance mandates such as the Energy Policy Act of 2005, which requires Avista to continually invest in its transmission system to meet more stringent reliability requirements.

Also included in infrastructure costs are continuing upgrades to each of the four 1950s-era turbines at Avista's Noxon Rapids hydroelectric project in Montana and upgrades to some of the recently relicensed Spokane River hydroelectric projects. These upgrades will increase the amount of clean, renewable power available to serve customers. In Washington, the upgrades will count as new renewable energy under the state's renewable portfolio standards law.

Increases in distribution operation and maintenance costs, as well as administrative and general expenses primarily for technology services, are also included in the filing.

A component of the requested natural gas increase in both states is Avista's investment in additional capacity at the Jackson Prairie Storage facility located in Chehalis, Wash. The additional 3,030,887 dekatherms (Dth) of storage capacity will generally allow Avista to purchase lower-priced natural gas to serve customers during times when market prices increase. These benefits will flow through to customers in the annual Purchased Gas Cost Adjustments (PGA).

Videos and photos on Avista's power supply costs and some capital projects included in the rate filings are available at www.avistautilities.com, along with additional information on how proposed rate changes are processed.

Washington Filings

Avista is requesting an overall electric rate increase in Washington of 13.4 percent and an overall 6.0 percent increase in natural gas rates.

The requests would produce \$55.3 million, or 13.4 percent, in additional billed revenue for electric service and \$8.5 million, or 6.0 percent, in additional billed revenue for natural gas service. The request is based on a proposed rate of return on rate base of 8.33 percent, with a common equity ratio of 48.39 percent and a 10.9 percent return on equity.

If the requests are approved, a residential customer using an average 1,000 kilowatt hours per month would see a \$10.62 per month increase, or 14.8 percent, for a revised monthly bill of \$82.41. A natural gas customer using an average of 69 therms per month would see a \$4.00 increase, or 6.8 percent, for a revised monthly bill of \$62.79.

Avista serves more than 234,000 electric and nearly 147,000 natural gas customers in Washington.

Idaho Filings

In Idaho, Avista is requesting an overall electric rate increase of 13.1 percent and an overall 4.1 percent increase in natural gas rates.

The requests would produce \$32.1 million, or 13.1 percent, in additional billed revenue for electric service and \$2.6 million, or 4.1 percent, in additional billed revenue for natural gas service. The request is based on a proposed rate of return on rate base of 8.55 percent, with a common equity ratio of 50 percent and a 10.9 percent return on equity.

If the requests are approved, a residential customer using an average 964 kilowatt hours per month would see a \$11.40 per month increase, or 14.6 percent, for a revised monthly bill of \$89.35. A natural gas customer using an average of 63 therms per month would see a \$2.77 increase, or 4.9 percent, for a revised monthly bill of \$58.80.

Avista serves more than 122,000 electric and 74,000 natural gas customers in Idaho.

Customer Assistance

"We know that a price increase can be challenging for customers. That's why we continue to offer energy efficiency programs to help customers manage their energy use and to support energy assistance programs that help our customers most impacted by rising energy prices," Morris said.

Avista offers a variety of energy efficiency programs for residential, limited income, commercial and industrial customers. In addition to helping customers manage their energy use, the programs also help reduce the amount of future, more costly energy resources needed to meet customer demand. For over 30 years, Avista has offered programs which have provided a cumulative savings of over 147 average megawatts (aMW) - a significant savings when compared with Avista's current load of approximately 1,100 aMW.

In addition to support for energy assistance programs, Avista also offers services for customers in both states such as comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES), which provide assistance to special-needs customers through referrals to area agencies and churches for help with housing, utilities, medical assistance and other needs.

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 356,000 homes and businesses and natural gas to 316,000 homes and businesses in three Western states, serving more than 485,000 customers. 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 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, 2009.

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