



Avista Reaches Settlement in Idaho Electric and Natural Gas General Rate Requests

08/26/11

Several Proposed Rate Adjustments Would Result in Net Overall Energy Price Reductions

SPOKANE, WA, Aug 26, 2011 (MARKETWIRE via COMTEX) --

Avista (NYSE: AVA) and all other parties involved in the company's electric and natural gas general rate filings have reached a settlement agreement that, if approved by the Idaho Public Utilities Commission (IPUC), would resolve all issues in the cases. The general rate case settlement is designed to recover \$2.8 million in additional annual electric revenue, which is a 1.1 percent increase in electric base rates, and to provide \$1.1 million in additional annual natural gas revenue, or a 1.6% increase. The settlement agreement is supported by all parties. When combined with Avista's other proposed rate adjustments now pending before the IPUC, the results would be a net overall decrease in electric rates of 2.4 percent and a net overall decrease in natural gas rates of 0.8 percent. New rates would become effective October 1, 2011. The Commission must still approve the terms of the settlement.

"We believe the general rate case settlement, when taken as a whole, represents a fair resolution of the issues and provides a reasonable outcome for our customers and our shareholders," said Dennis Vermillion, Avista Corp. senior vice president and president of Avista Utilities.

Elements of the electric and natural gas settlement The electric and natural gas general rate case settlement includes a "stay-out" provision such that Avista will not propose an additional general rate increase that would be effective prior to April 1, 2013. This does not preclude the company from filing annual rate adjustments such as the Power Cost Adjustment (PCA) and Purchased Gas Adjustment (PGA).

In addition, the settlement agreement includes deferred accounting treatment related to the operations and maintenance (O&M) costs associated with Avista's Coyote Springs 2 project and its share of the Colstrip 3 & 4 coal-fired projects that will address the year-to-year variability in these costs. Each year the difference between the actual O&M and the amount built into base retail rates would be deferred and amortized over the next three-year period. The amortization amounts would be recovered through future rate cases, as they occur.

The settlement provides for recovery of 100 percent of the costs associated with the Palouse Wind project through the PCA mechanism, subject to a prudence review of the costs, until those costs are reflected in future base retail rates.

Also included in the settlement is an increase of \$10,000 in annual funding for the Community Action Partnership Association of Idaho (CAPAI) to \$50,000 for outreach and education activities for low income customers. This funding is in addition to the current \$700,000 for low-income weatherization programs.

"We are pleased that this settlement agreement recognizes the need to recover costs to serve our customers. Combining our rate change requests for an October 1 effective date makes it possible to minimize the impact of multiple rate adjustments for our Idaho customers, while preserving a reduction in the overall rates our customers pay for their energy," Vermillion said.

If the Commission approves the settlement and the other proposed electric rate adjustments to become effective Oct. 1, 2011, a residential customer using an average 956 kilowatt-hours per month would see a \$1.79 per month decrease, or 2.1 percent, for a revised monthly bill of \$82.02. A residential customer using an average of 62 therms would see a \$0.27 per month decrease, or 0.4 percent, for a revised monthly bill of \$60.49.

The proposed rate adjustments now pending before the IPUC

Electric Rate Request Filing		Proposed Rate Adjustment
General Rate Request	Rate Increase	\$2.8 million or 1.1%
Power Cost Adjustment (PCA)	Rate Decrease	(\$15.5 million) or (6.0%)
BPA Residential Exchange	Rate Decrease	(\$2.2 million) or (0.9%)
Deferred state income tax credit*	Rate Increase	\$8.7 million or 3.4%
Net overall rate/revenue		

change	Net Rate Decrease	(\$6.2 million) or (2.4%)

Natural Gas Rate Request Filing	Proposed Rate Adjustment	

General Rate Request	Rate Increase	\$1.1 million or 1.6%

Purchased Gas Adjustment (PGA)	Rate Increase	\$0.8 million or 1.1%

Demand-Side Management (DSM)	Rate Decrease	(\$2.9 million) or (4.2%)

Deferred state income tax credit*	Rate Increase	\$0.5 million or 0.7%

Net overall rate/revenue change	Net Rate Decrease	(\$0.5 million) or (0.8%)

* The deferred state income tax credit is a previously-approved temporary rebate to customers, returning \$17.5 million of deferred Idaho state income tax from prior years. The credit offsets base rate changes in 2011 and 2012 under a settlement agreement approved by the Commission in September 2010.

The BPA Residential Exchange credit, PCA, PGA and DSM adjustments are rate adjustments that pass through actual changes in expenses (or benefits from the BPA Residential Exchange credit) and have no impact on company earnings.

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 357,000 customers and natural gas to 317,000 customers. Our service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.5 million. 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.

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, 2010 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

To unsubscribe from Avista's news release distribution, send a reply message to shirley.wolf@avistacorp.com

Contact:

Media:

Jessie Wuerst
(509) 495-8578
Email Contact

Investors:

Jason Lang
(509) 495-2930
Email Contact
Avista 24/7 Media Access
(509) 495-4174

SOURCE: Avista

<http://www2.marketwire.com/mw/emailprcntct?id=FFDC6C1B86D1B7D2>
<http://www2.marketwire.com/mw/emailprcntct?id=EEEC260E63EEE36A>