# Avista Reaches Multi-Party Settlement in Washington Electric and Natural Gas Rate Requests

09/30/11

SPOKANE, WA, Sep 30, 2011 (MARKETWIRE via COMTEX) --

Avista (NYSE: AVA) and other parties in the company's electric and natural gas rate case filings have reached a settlement agreement that, if approved by the Washington Utilities and Transportation Commission (UTC), is designed to provide an additional $20.0 million, or a 4.5 percent, increase in annual electric billed revenue, and $3.75 million, or a 2.6 percent increase, in annual natural gas billed revenue. Approval of the settlement agreement would conclude the general rate requests filed on May 16, 2011, with new rates becoming effective January 1, 2012.

If the settlement is approved by the UTC, a residential customer in Washington using an average of 977 kilowatt-hours of electricity per month would see a $3.02, or 3.9 percent, per month increase for a revised monthly bill of $80.03. A residential customer using an average of 67 therms of natural gas a month would see a $1.76, or 2.8 percent, increase per month for a revised monthly bill of $64.09.

"We believe the settlement agreement is a fair and reasonable outcome for our customers and for our shareholders," said Dennis Vermillion, Avista Corp. senior vice president and president of Avista Utilities. "The agreement is the result of concessions and compromises on a number of issues to arrive at an outcome that is supported by the settling parties. It also represents continuing progress in our efforts to timely recover the costs of serving our customers."

Avista's original request filed with the UTC in May 2011 included an electric rate increase of 8.7 percent, or $38.3 million, in increased annual electric revenues. The difference between the original request and the amount in the settlement agreement is due to several factors including a decrease in natural gas costs to run the company's thermal plants, removal of the Electric Energy Efficiency Load adjustment, a reduction in certain operating expenses and adjustments for administrative and general expenses. The original request also included an increase in the common equity ratio and the return on equity. The specific capital structure ratios and the cost of capital components were not specified in the settlement agreement.

The settlement agreement includes deferred accounting treatment related to maintenance costs for 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 actual maintenance costs and the amount built into base retail rates would be deferred and amortized over the next four-year period. The amortization amounts would be recovered through future rate cases, as they occur.

Also included in the settlement agreement is a provision that Avista will not file a general rate case in Washington before April 1, 2012. The UTC has up to 11 months to review and issue a decision in a general rate case request.

Recognizing the impact of rising prices on customers, especially limited income and senior customers, funding available under this settlement agreement for Avista's Low Income Rate Assistance Program (LIRAP) would increase by $370,000. The increase in funding plus a reallocation of funds from the conservation education program would result in an additional $550,000 in direct energy bill-payment assistance for limited income and senior customers. In total, annual funding available for the LIRAP program would be approximately $3.6 million for electric customers and approximately $1.8 million for natural gas customers. The LIRAP program is funded through a separate tariff.

In addition to Avista, the parties to the settlement are the staff of the UTC, the Public Counsel Section of the Washington Office of the Attorney General, Northwest Industrial Gas Users, Industrial Customers of Northwest Utilities and The Energy Project. The parties' recommendation to approve the settlement is not binding on the commission.

The Northwest Energy Coalition (NWEC), the only party to not sign the settlement agreement, has indicated that they plan to pursue approval of an electric decoupling mechanism in this case. NWEC has also indicated, however, that they do not oppose other terms of the settlement, including implementation of new retail rates effective January 1, 2012.

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.

In addition to support for energy assistance programs, Avista also offers services for customers 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.

For more information about the rate process, visit www.avistautilities.com.

About Avista 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.



Contact:
Debbie Simock
(509) 495-8031
Email Contact

Investors:
Jason Lang
(509) 495-2930
Email Contact

Avista 24/7 Media Line
(509) 495-4174

SOURCE: Avista Corp.