



Washington Utilities and Transportation Commission Approves Settlement of Avista's Combined Electric and Natural Gas General Rate Case With Conditions

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Avista Will Increase Funding for Low-Income Energy Assistance and Energy-Efficiency

SPOKANE, Wash., Dec. 21 /PRNewswire-FirstCall/ -- The Washington Utilities and Transportation Commission (WUTC) today approved Avista's combined electric and natural gas rate case settlement with certain conditions. Avista is currently reviewing the WUTC order. Avista and the other parties to the settlement have one week to either accept or reject the commission's conditions.

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

With today's order, Avista's overall increase in base electric rates in Washington would be approximately 7.7 percent. Natural gas rates would increase by 0.6 percent. These new rates would become effective Jan. 1, 2006. Residential electric customers with average usage would see rates go up about \$5.22 a month, and natural gas bills for the average customer would rise by about 58 cents monthly.

The order includes an additional 1 percent increase to electric rates associated with a power cost surcharge already in effect, which would allow Avista to more quickly recover the balance of power costs previously incurred but not yet paid by customers.

"We know that increased prices present a hardship for many of our customers, especially our limited income customers. As part of the settlement agreement, Avista will increase funding by \$800,000 for two existing programs aimed at assisting limited income customers," said Scott Morris, president, Avista Utilities.

Avista will increase limited income demand side management -- or energy conservation -- funding by \$200,000 to \$1.1 million annually. Avista will also provide an additional \$600,000 annually for two years to the Low Income Rate Assistance Program (LIRAP) in Washington, raising the company's annual funding level to \$3.6 million.

Avista offers Comfort Level Billing as a way to even out what customers pay over the course of the year. The company also provides rebates for customers who increase energy efficiency in their homes and businesses.

To assist the hardest-hit customers, Avista supports Project Share. Last year alone, Avista customers contributed more than \$326,000, and Avista added another \$215,000. Those funds helped nearly 3,000 households with their energy bills. In addition, over the past three years Avista has given over \$1.2 million to local community action agencies to assist low income and senior citizen customers with their energy bills.

Avista also offers a special customer assistance program, called CARES, which provides help for customers with special needs. This help may take the form of special payment arrangements, energy management, budgeting advice on other bills, weatherization programs and referrals to help agencies.

As part of the WUTC's order, Avista's annual electric revenues would increase up to \$22.1 million, and annual natural gas revenues would increase by \$968,000. The commission has required Avista to make certain adjustments to its power supply model which could result in a small reduction to the \$22.1 million electric revenue.

The order calls for an overall rate of return of 9.11 percent with a common equity ratio of 40 percent and a 10.4 percent return on equity. Under an equity building mechanism in the order, Avista will increase the utility equity component to 38 percent by year-end 2008. The current utility equity component is approximately 31 percent. Failure by the company to meet those targets could result in a reduction in base rates.

The WUTC denied, at this time, Avista's proposed reduction from \$9 million to \$3 million a year in the amount the company either absorbs or benefits from changes in the cost of power, also known as the "deadband." This accounting mechanism is called the Energy Recovery Mechanism that is a method to track fuel and purchased power cost changes and allows the utility to share additional power costs or savings with customers.

The commission, however, directed Avista to make a filing with the WUTC by Jan. 31, 2006, to initiate a comprehensive review of the Energy Recovery Mechanism, including any proposed reduction the "deadband."

Approximately 70 percent of the company's annual retail electric and natural gas revenues are derived from Washington where the company serves approximately 220,000 electric customers and 134,000 natural gas customers.

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 a company operating division that provides service to 330,000 electric and 285,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Avista Advantage and Avista Energy. Avista Corp.'s 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, including statements regarding expected annual electric and natural gas revenues. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control, and many of which could have a significant impact on the company's operations, results of operations and financial condition, and could cause actual results to differ materially from those anticipated.

For a further discussion of these factors and other important factors, please refer to the company's Annual Report on Form 10-K for the year ended Dec. 31, 2004 and Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2005. The forward-looking statements contained in this news release speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

SOURCE Avista Corporation

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