



## Avista Utilities Issues Natural Gas Resource Plan

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Company's Natural Gas Integrated Resource Plan Outlines Strategic Natural Gas-Supply Portfolio and, Together With a 'Decoupling' Request, Emphasizes Long-Term Energy Efficiency and Conservation

SPOKANE, Wash., April 5 /PRNewswire-FirstCall/ -- Natural gas markets have undergone dramatic changes in recent years, as the regional market has transitioned to a national, and even a global, market. Customers across the nation have felt the impact of higher energy costs, and natural gas prices continue to be relatively high as compared to historical levels.

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

Some of the factors driving these price increases include oil price increases and the price relationship with natural gas, increased use of natural gas in electric generation, hurricane activity and other weather-related events.

### Planning to meet customer needs

Last week, Avista Utilities filed with state regulators in Washington, Idaho and Oregon its 2006 Natural Gas Integrated Resource Plan (IRP), which outlines the company's strategies to meet future customer demand.

The IRP is a roadmap for Avista as it plans for anticipated growth, which requires additional natural gas distribution facilities and natural gas supplies.

The plan takes a 20-year look into the future and examines and evaluates resource options to secure reliable sources of natural gas for the benefit of its customers. The purpose of the IRP is to balance forecasted demand with new and existing supply alternatives. Efforts to meet total demand include energy conservation activities, which reduce the amount of supply needed.

With regards to natural gas storage, Avista is a one-third owner, with Williams Northwest Pipeline and Puget Sound Energy, in the Jackson Prairie Storage Project (located near Chehalis, Wash.) for the benefit of its Washington and Idaho customers. Natural gas storage is a strategic resource that provides invaluable peaking capability, reduces the need for additional pipeline firm transportation and provides the ability to store lower cost natural gas that is typically purchased in the summer. Currently, the capacity of the Jackson Prairie Storage Project is being increased, and the partners are considering the feasibility of expanding the daily withdrawal capability.

### Natural gas decoupling filing

In a separate action, Avista Utilities filed today with the Washington Utilities and Transportation Commission (WUTC) a proposal to implement a natural gas decoupling mechanism.

Decoupling means separating the direct link between natural gas sales volume and the recovery of the company's fixed cost of providing service, which does not include the cost of the gas itself.

The increase in the cost of natural gas over the past several years makes consideration of a natural gas decoupling mechanism especially important at this time. The increased cost of natural gas, projections of continued high prices in the future, and the fragile balance between supply and demand make it increasingly important to focus on effective long-term energy efficiency and conservation measures.

However, because the company's current rate structures provide recovery of the majority of Avista's fixed costs on a per-therm (sales volume) basis, energy efficiency and conservation objectives are directly at odds with the recovery of fixed costs, which do not vary with the amount of gas sold. Decoupling breaks the link between the volume of sales and the recovery of fixed costs and would promote an increased focus on energy efficiency and conservation. Increased energy conservation would not only benefit the individual customers participating in those measures through reduced bills, but it would also reduce the overall demand for natural gas, which would help to reduce the cost of natural gas for all customers.

The rates established in a general rate proceeding are designed to provide full recovery of the costs of providing service to customers. When the majority of fixed costs are recovered through sales volumes, and those sales volumes are lower than expected, the recovery of fixed costs fall short of the level needed to support ongoing operations. An effective decoupling mechanism, which separates the recovery of fixed costs from sales volumes, is consistent with the objective of encouraging energy efficiency and, at the same time, putting in place rates that are designed to recover fixed costs.

Avista's proposed decoupling mechanism is a three-year "pilot" to begin in July 2006. A rate adjustment in any one-year would be limited to no more than 2 percent. The filing of the first decoupling rate adjustment would be in the fall of 2007.

Avista Corp. (NYSE: AVA) 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 338,000 electric and 297,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Avista Advantage ([www.avistaadvantage.com](http://www.avistaadvantage.com)) and Avista Energy ([www.avistaenergy.com](http://www.avistaenergy.com)). Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit [www.avistacorp.com](http://www.avistacorp.com).

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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, 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.

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