



Avista Files for Natural Gas Rate Changes in Oregon

10/15/07

Filings include revised purchase gas cost adjustment and general rate case

SPOKANE, Wash., Oct. 15 /PRNewswire-FirstCall/ -- Avista (NYSE: AVA) has filed two requests with the Public Utility Commission of Oregon (PUC) seeking changes in natural gas rates for its 94,000 customers in the state. Filed were a revised purchased gas cost adjustment (PGA) requesting an average natural gas price decrease of 1.7 percent, a change from the original request for a 0.3 percent decrease filed by the company on Sept. 1, and a general rate case seeking a 2.3 percent increase, or \$2.97 million.

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

Approximately 80 percent of a customer's monthly natural gas bill is the cost of natural gas Avista purchases to meet customer demand. These costs are adjusted, either upward or downward, through annual PGA filings. Avista's fixed costs for providing service to customers make up the remaining 20 percent of a customer's monthly bill.

Purchase Gas Cost Adjustment

Lower wholesale natural gas prices are allowing Avista to request a larger PGA decrease. If the revised request is approved by the PUC, a residential customer using an average of 51 therms of natural gas per month could expect to see a \$1.09 decrease for a revised total monthly bill of \$77.82 beginning Nov. 1. Most commercial customers will see a decrease of 1.6 percent, while industrial customers will see a slightly higher decrease.

General Rate Case

The requested general increase of 2.3 percent is driven by investments in expanding and maintaining the company's natural gas distribution system and by increases in general operating and administrative expenses. Avista's last general rate increase was in October 2003.

Included in the request are increased costs associated with distribution system upgrades necessary to meet growing customer demand and to ensure system reliability within Avista's Oregon service area. Also included are costs associated with the implementation in Oregon of Automated Meter Reading (AMR) which has allowed Avista to substantially reduce its annual meter reading expenses.

If the general request is approved by the PUC, a residential customer using an average of 51 therms of natural gas per month could expect to see a \$2.02 increase per month for a revised monthly bill of \$79.84. The PUC has up to 10 months after the filing to make a determination on the request. The request is based on a proposed rate of return on rate base of 8.98 percent with a common equity ratio of 51.15 percent and an 11.0 percent return on equity.

Avista offers a number of programs to assist customers most impacted by rising energy costs, in addition to offering level payment plans and payment arrangements. These programs include:

- Low Income Rate Assistance Program (LIRAP) which collects approximately \$230,000 annually through a natural gas tariff surcharge. The funds are distributed by community action agencies in a manner similar to the Federal and State-sponsored Low Income Heating Energy Assistance Program (LIHEAP).
- Project Share which is a community-funded program sponsored by Avista to provide one-time emergency energy assistance to families in need without regard to their heating source. In addition to over \$48,000 in donations from Oregon customers in 2006, Avista also contributed \$40,000 to the program.
- Customer Assistance Referral and Evaluation Services (CARES) in which specially-trained Avista customer service representatives provide referrals to area agencies and churches for help with housing, utilities, medical assistance, etc.

Avista also offers a number of programs to help customers manage their energy usage, as well as energy efficiency rebates and incentive programs for residential, commercial and industrial customers. As a result, Avista customers system-wide have saved over 1.1 million therms of natural gas so far in 2007. Information on these programs is available at <http://www.avistautilities.com/everylittlebit>.

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 346,000 electric and 306,000 natural gas customers in three western states. Avista's primary, non-regulated subsidiary is Advantage IQ (<http://www.advantageIQ.com>). Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit <http://www.avistacorp.com>. Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation.

This news release contains forward-looking statements, including statements regarding expected rates, costs and demand for electricity and natural gas. 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, 2006. 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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