



Avista Disappointed in BPA Decision That Will Increase Customer Bills

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Decision will impact Avista's residential and small-farm customers in Washington and Idaho

SPOKANE, Wash., Sept. 30 /PRNewswire-FirstCall/ -- Avista (NYSE: AVA) residential and small-farm customers in Washington and Idaho will likely see an increase in monthly electric bills because of a significant loss in benefits to the company under the Bonneville Power Administration's (BPA) Residential Exchange Program. Avista passes the benefit to its qualifying customers as a rate credit on monthly electric bills.

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

The Residential Exchange Program, under the Northwest Power Act, provides a share of the benefits of the federal Columbia River power system to residential and small-farm customers of the six investor utilities of the Pacific Northwest including Avista.

BPA recently announced its rate decision that reduces the 2009 Residential Exchange Program benefit offered Avista to \$3 million, significantly lower than the \$23 million forecast by BPA earlier this year. Benefits received under the program do not impact Avista's earnings.

Because of the substantial benefit loss, Avista has had to file requests with the public utility commissions in Washington and Idaho to modify the existing rate credit effective Nov. 1. If approved, residential and small-farm customers in Washington can expect to see an increase of about 3 percent, or \$2.03, for 1,000 kilowatts per month. In Idaho, the increase would be 6.4 percent, or \$4.81 per month. The variance is due to lower benefit amounts passed through to customers under Avista's 2008 contracts with BPA.

Scott Morris, chairman of the board, president and chief executive officer for Avista, said the company is extremely disappointed with the level of benefits being provided Avista for 2009.

"BPA has failed to provide benefits the regions' public and private utilities agreed would settle our long-standing disputes over how the Residential Exchange Program has been conducted. It is unacceptable to Avista that our customers are being negatively impacted because BPA did not implement this agreement," said Morris. "We are looking at all options, including legal action, to restore to our customers their fair share of benefits from the federal Columbia River Power system."

Avista's benefit amount is much lower than expected because of new methodology used by BPA to calculate payments. This method does not allow BPA to deliver benefits to customers consistent with the agreement of the region's public and private utilities, including Avista. Customers are also impacted because of a long-standing dispute Avista has with BPA over the calculation methodology in the company's original Resident Exchange Program contracts. Avista is in continuing discussions with BPA in an effort to settle this dispute, which if successfully resolved, could significantly increase the level of benefits for the company's customers.

"Avista has played a leadership role in working to resolve these issues," Morris said. "And, we will continue to work toward a more comprehensive settlement of the issues with the region's public utilities that could be successfully implemented by BPA. If these issues are successfully resolved, Avista customers would receive a substantial increase in the level of benefits from BPA and the federal hydropower system."

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 service to 352,000 electric and 311,000 natural gas customers in three Western states. 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 <http://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, 2007, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

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