

Avista Corp. Business Update

Presented by

Scott Morris, Chairman, President and CEO

Mark Thies, Sr. Vice President and CFO

EEI Financial Conference

November 2010



This presentation contains forward-looking statements, including statements regarding our current expectations for future financial performance and cash flows, capital expenditures, financing plans, our current plans or objectives for future operations and other factors, which may affect the company in the future. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond our control and many of which could have significant impact on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in such statements.

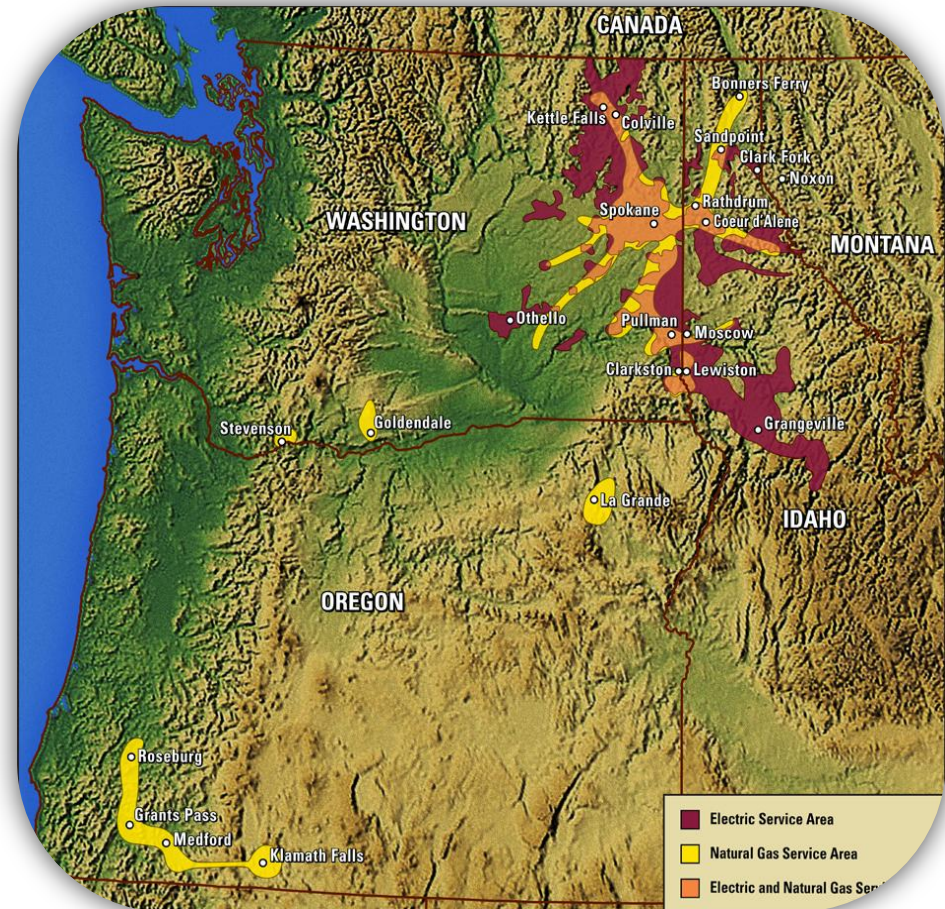
The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: weather conditions (temperatures and precipitation levels) and their effects on energy demand and electric generation, including the effect of precipitation and temperatures on the availability of hydroelectric resources, the effect of temperatures on customer demand, and similar impacts on supply and demand in the wholesale energy markets; the effect of state and federal regulatory decisions on our ability to recover costs and earn a reasonable return including, but not limited to, the disallowance of costs and investments, and delay in the recovery of capital investments and operating costs; changes in wholesale energy prices that can affect, among other things, the cash requirements to purchase electricity and natural gas, the value received for sales in the wholesale energy market, the necessity to request changes in rates that are subject to regulatory approval, collateral required of us by counterparties on wholesale energy transactions and credit risk to us from such transactions, and the market value of derivative assets and liabilities; the exposure to volatility in power supply costs for 2010 due to our agreement to not defer any costs under the ERM in the Washington general rate case settlement; global financial and economic conditions (including the impact on capital markets) and their effect on our ability to obtain funding at a reasonable cost; our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rates and other capital market conditions; economic conditions in our service areas, including the effect on the demand for, and customers' payment for, our utility services; the potential effects of legislation or administrative rulemaking, including the possible adoption of national or state laws requiring resources to meet certain standards and placing restrictions on greenhouse gas emissions to mitigate concerns over global climate changes; changes in actuarial assumptions, interest rates and the actual return on plan assets for our pension plan, which can affect future funding obligations, pension expense and pension plan liabilities; volatility and illiquidity in wholesale energy markets, including the availability of willing buyers and sellers, and prices of purchased energy and demand for energy sales; unplanned outages at any of our generating facilities or the inability of facilities to operate as intended; the outcome of pending regulatory and legal proceedings arising out of the "western energy crisis" of 2000 and 2001, and including possible refunds; the outcome of legal proceedings and other contingencies; changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs; wholesale and retail competition including, but not limited to, alternative energy sources, suppliers and delivery arrangements; the ability to comply with the terms of the licenses for our hydroelectric generating facilities at cost-effective levels; natural disasters that can disrupt energy generation, transmission and distribution, as well as the availability and costs of materials, equipment, supplies and support services; explosions, fires, accidents, or mechanical breakdowns that may occur while operating and maintaining our generation, transmission and distribution systems; blackouts or disruptions of interconnected transmission systems; disruption to information systems, automated controls and other technologies that we rely on for operations, communications and customer service; the potential for terrorist attacks or other malicious acts, that cause damage to our utility assets, as well as the national economy in general; including the impact of acts of terrorism or vandalism that damage or disrupt information technology systems; delays or changes in construction costs, and our ability to obtain required permits and materials for present or prospective facilities; changes in the long-term climate of the Pacific Northwest, which can affect, among other things, customer demand patterns and the volume and timing of streamflows to our hydroelectric resources; changes in industrial, commercial and residential growth and demographic patterns in our service territory or the loss of significant customers; the loss of key suppliers for materials or services; default or nonperformance on the part of any parties from which we purchase and/or sell capacity or energy; deterioration in the creditworthiness of our customers and counterparties; the effect of any potential decline in our credit ratings, including impeded access to capital markets, higher interest costs, and certain covenants with ratings triggers in our financing arrangements and wholesale energy contracts; increasing health care costs and the resulting effect on health insurance provided to our employees and retirees; increasing costs of insurance, more restricted coverage terms and our ability to obtain insurance; work force issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, availability of workers in a variety of skill areas, and our ability to recruit and retain employees; the potential effects of negative publicity regarding business practices, whether true or not, which could result in, among other things, costly litigation and a decline in our common stock price; changes in technologies, possibly making some of the current technology obsolete; changes in tax rates and/or policies; and changes in our strategic business plans, which may be affected by any or all of the foregoing, including the entry into new businesses and/or the exit from existing businesses.

For a further discussion of these factors and other important factors, please refer to our Annual Report on Form 10-K for the year ended Dec. 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2010. The forward-looking statements contained in this news release speak only as of the date hereof. We undertake 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 our 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.



Utility Service Territory

- Core business is the regulated utility
 - 357,000 electric customers
 - 316,000 natural gas customers
- Strong balance sheet and Investment-grade financial profile
- 4.7% dividend yield
- Growing non-regulated subsidiary Advantage IQ





Avista's Strategic Plan

Corporate Strategy

- Strengthen competitiveness of **equity value** relative to peers
- Strengthen investment-grade **credit rating**
- Sustain **profitable growth** of the enterprise at 5% to 7% per year

Utility Strategy

- Invest in **renewable generation** and **energy efficiency** in support of legislative requirements
- **Invest in core utility** with an emphasis on our strategic priorities
- Develop smart **operational technology** solutions
- Drive **effective regulatory** outcomes

Portfolio Strategy

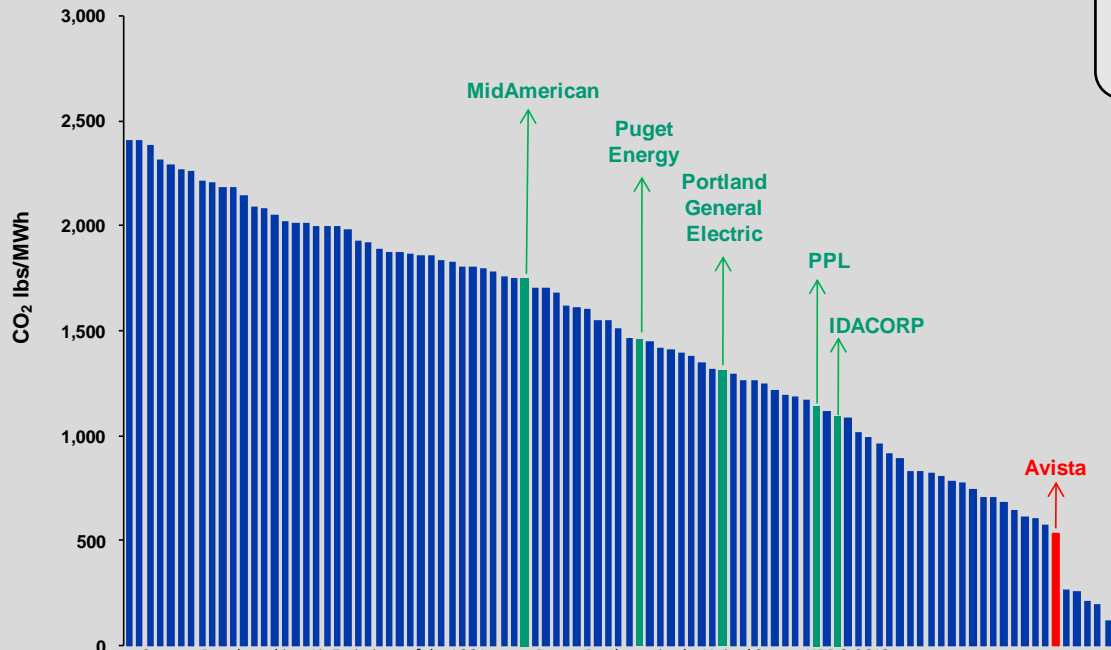
- Accelerate profitable growth at **Advantage IQ** by selling **core services** to more customers and **selective diversification**
- Maintain active involvement in **portfolio investments** to facilitate future growth opportunities and strengthen return potential



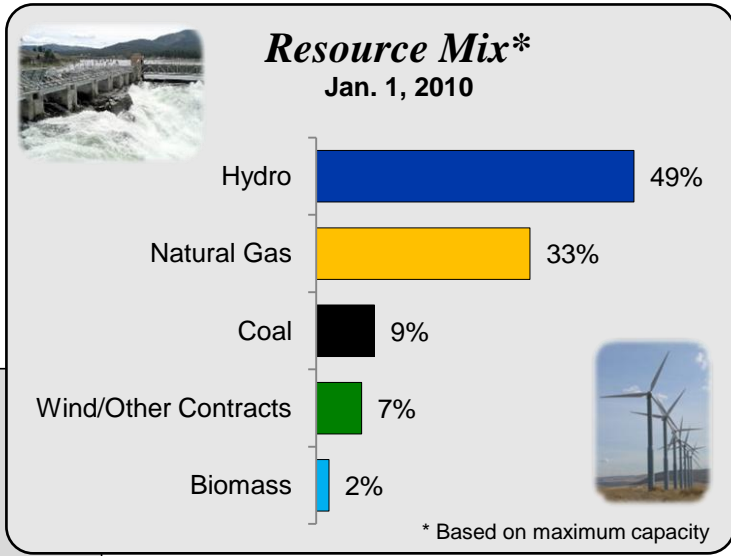


Well positioned with a strong base of sustainable resources

Rate of CO₂ Emissions of Company-Owned Generation
100 Largest U.S. Electric Power Producers



Source: Benchmarking Air Emissions of the 100 Largest Power Producers in the United States, NRDC, 2010

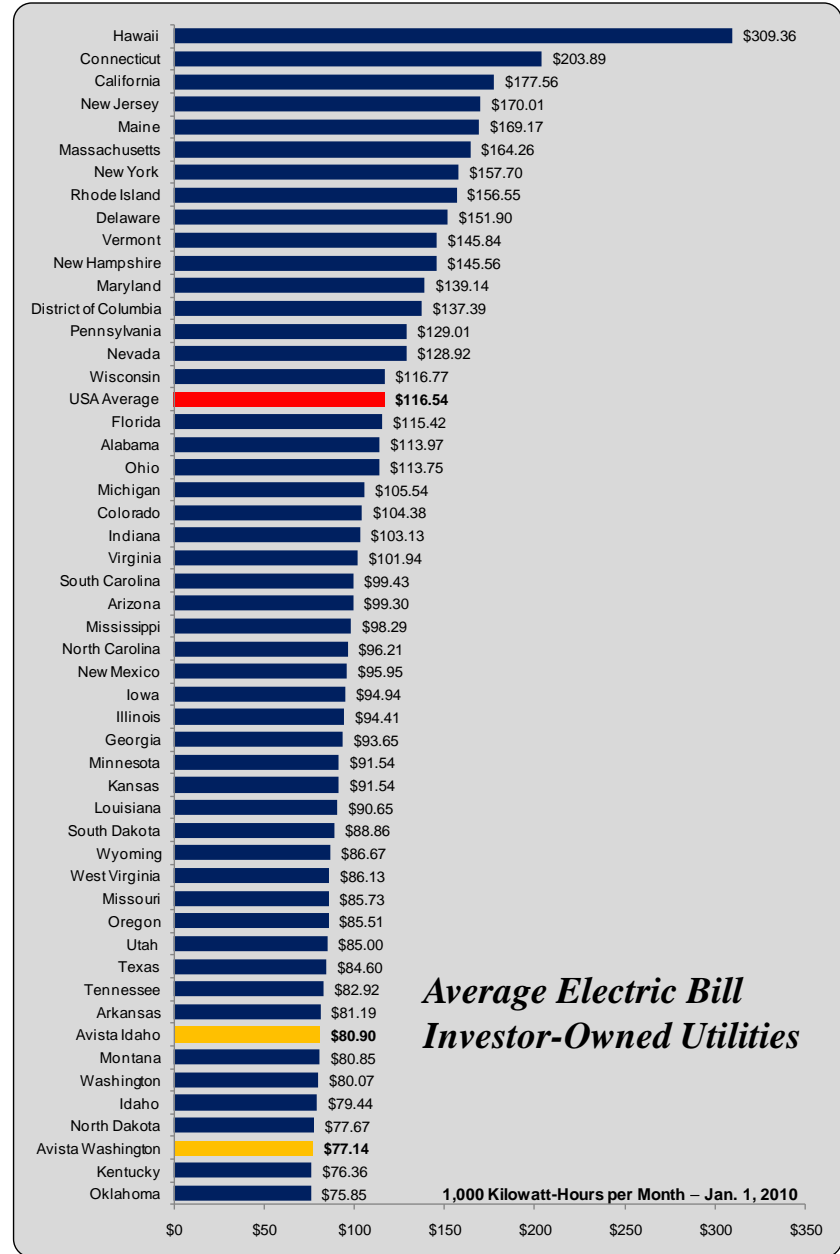


Avista has one of the smallest carbon footprints in the United States

Avista works hard to manage costs to keep rates as low as possible

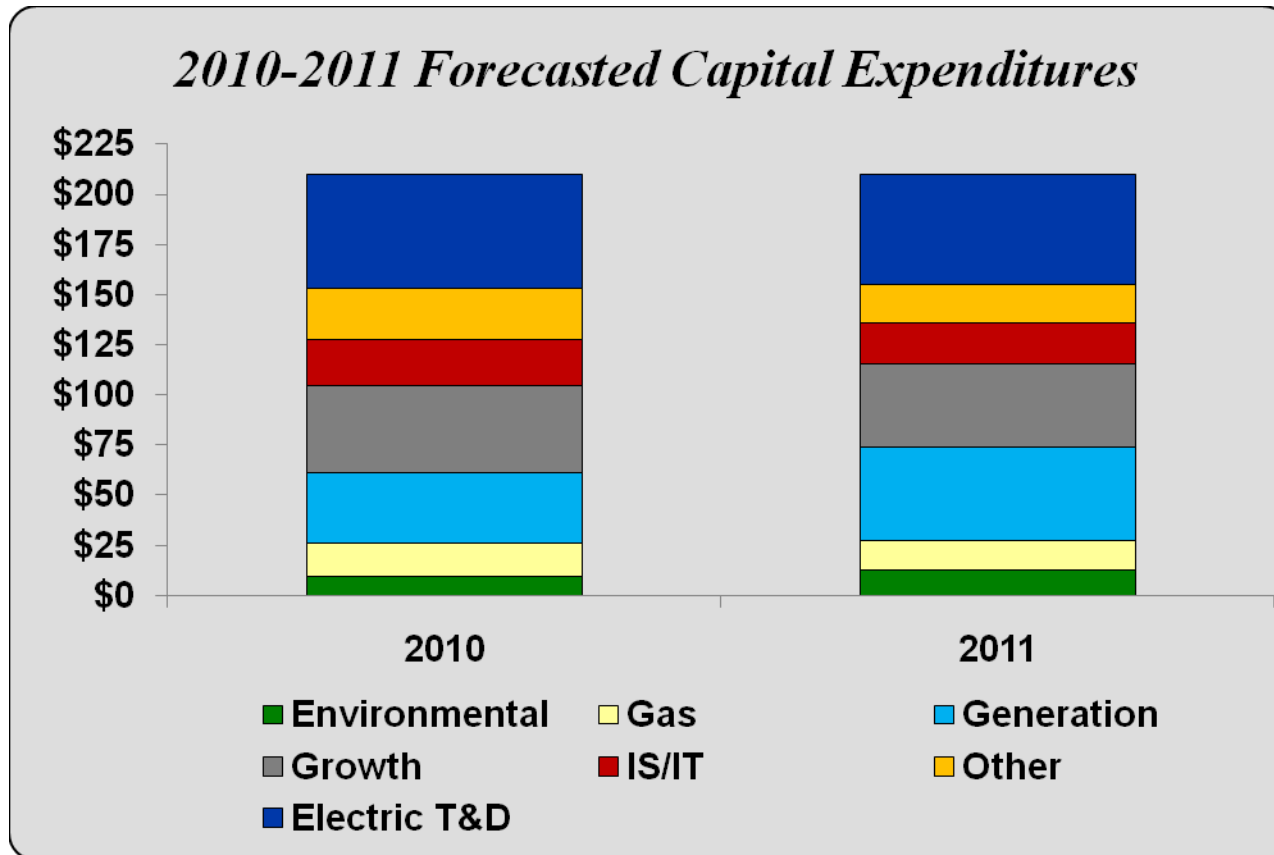
“Highest in Customer Satisfaction With Residential Natural Gas Service in the Western U.S. among Midsize Utilities in a Tie.”

– For J.D. Power and Associates award information, go to jdpower.com





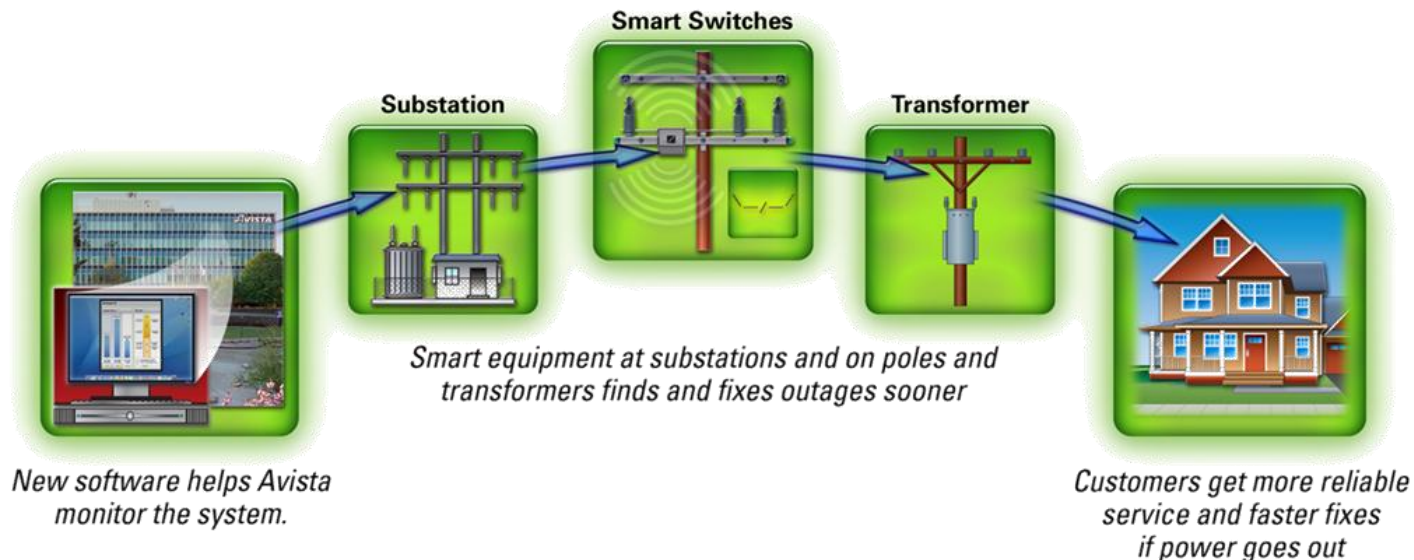
*Target growing our rate base
5%-7% annually by investing
in our infrastructure*



*We plan to invest about \$210 million into the utility in 2010 and 2011
excluding projects associated with stimulus funding*

Stimulus Funds – Smart Circuits

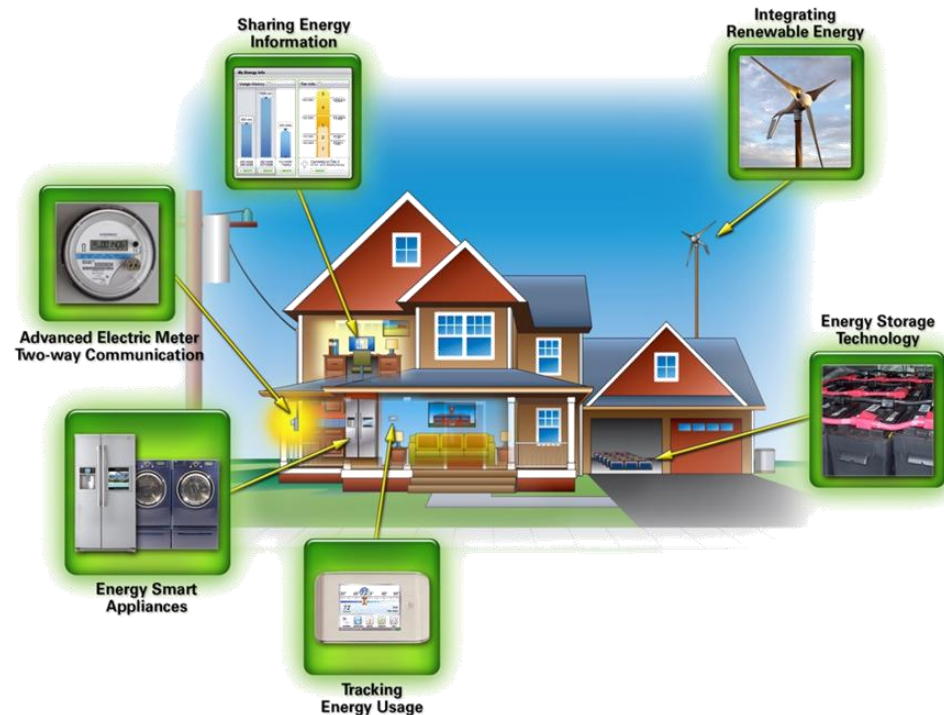
- Focus on proven technologies, upgrade the electric delivery system
- Total investment \$42 million over three years
 - Stimulus \$20 million
 - Avista will spend \$22 million





Stimulus Funds – Smart Grid Regional Demonstration Project

- Partnership with WSU, Schweitzer Engineering Labs, Itron, Battelle and others to engage customers in their energy use
- \$38 million over five years
 - 50% from stimulus funds
50% shared among partners
 - Avista's share \$12.9 million



Regulatory Update



Recent Rate Decisions

Idaho

New electric and natural gas rates went into effect in Idaho Oct. 1, 2010

- Electric rate increase of \$21.2 million
- Natural gas increase of \$1.8 million

Washington

Reached an All parties settlement in electric and natural gas rate case

- Subject to final approval by the Washington Utilities Transportation Commission
- New rates would be effective Dec. 1, 2010
- Designed to increase electric revenues by \$29.5 million and designed to increase natural gas revenues by \$4.6 million
- Based on 46.5% equity ratio and 10.2% return on equity



Recent Rate Filings

Oregon

Filed natural gas rate case in Oregon on Sept. 30, 2010

- Designed to increase natural gas revenues by \$5.45 million
- Based on 50.8% equity ratio and 10.9% return on equity
- The Public Utility Commission of Oregon has up to 10 months to review the request



<i>Rate Base by Jurisdiction</i>				
Washington*		Idaho**		Oregon***
Electric	Gas	Electric	Gas	Gas
\$1,056 million	\$185 million	\$608 million	\$101 million	\$148 million

Jurisdiction and Service	Authorized		
	Rate of Return	Return on Equity	Common Equity Level
Washington Electric and Natural Gas	8.25%	10.2%	46.5%
Idaho Electric and Natural Gas	N/A**	N/A**	N/A**
Oregon Natural Gas	8.19%	10.1%	50.0%

* Washington rate base is based on the settlement that's pending WUTC approval.

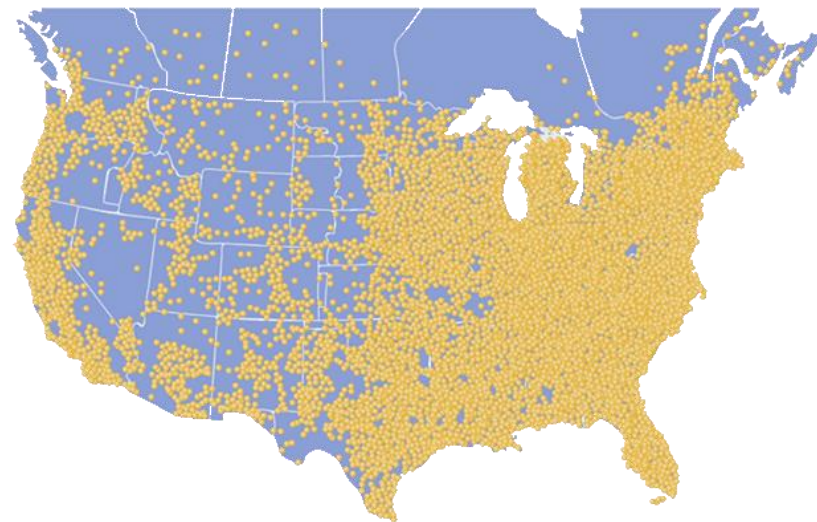
** The Idaho electric and natural gas general rate case implemented on Oct. 1, 2010 did not have a specific authorized rate of return, return on equity, equity level or rate base. Rate base is based on the initial filing.

*** Oregon rate base is based on the Sept. 30, 2010 natural gas rate case filing.

Advantage IQ



- Provides invoice processing, auditing, payment services and comprehensive reporting to multi-site companies throughout North America
- Management services include electricity, natural gas, water/sewer, waste and telecom expenses
- Processes and pays over 1 million bills per month, supporting 422,000 sites nationwide
- Managed bills totaling \$13.2 billion in the first nine months of 2010

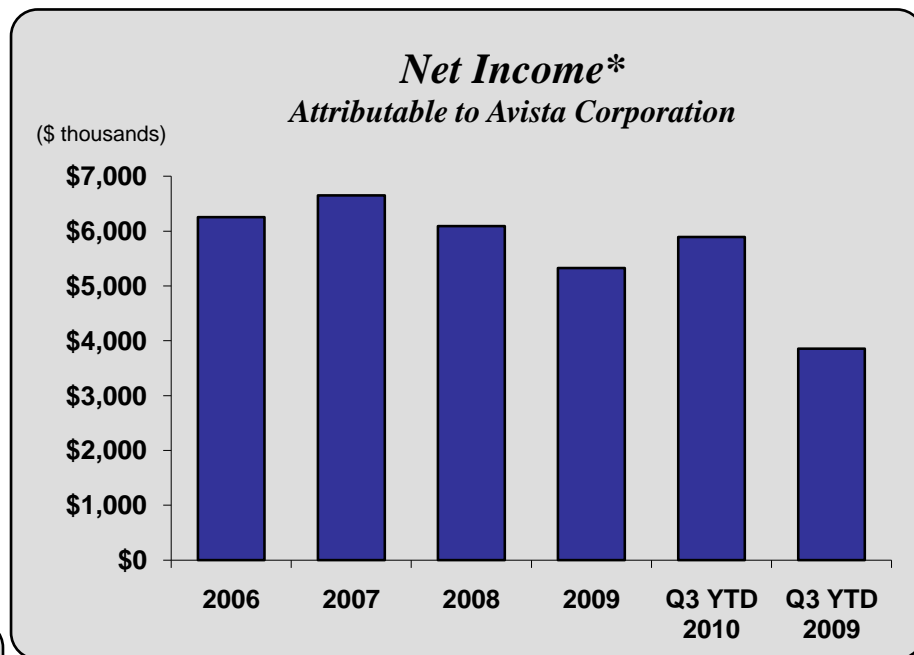


- Industry pioneer, founded in 1995
- Headquartered in Spokane, Wash.
 - 790 employees (557 in Spokane)
 - Offices in Washington, Oregon, Ohio, Colorado and California
- 500+ clients

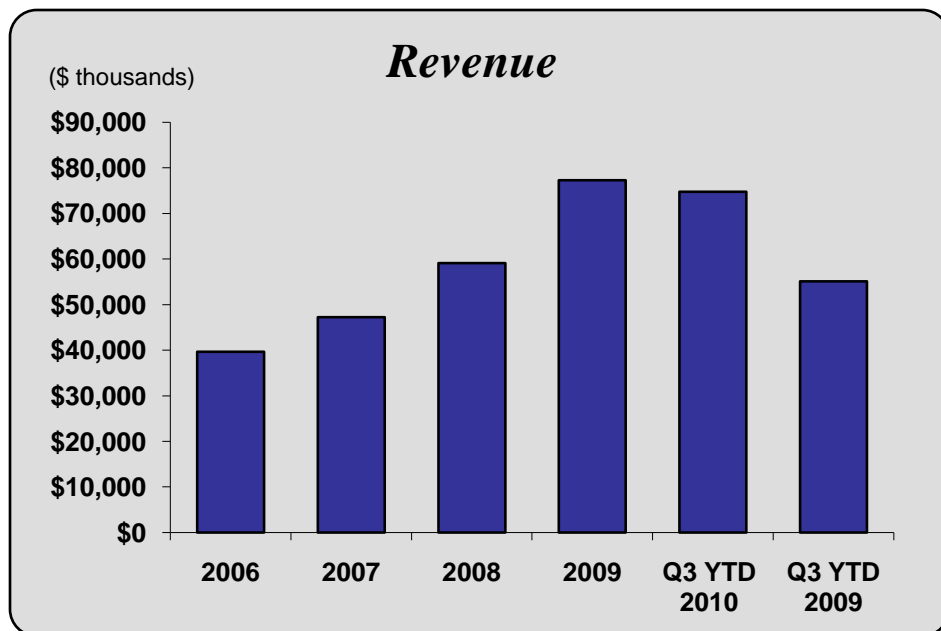


Accelerate profitable growth at Advantage IQ through selective diversification

- Ecos Consulting Inc. acquired August 2009
 - Ecos helps clients design and implement methods to reduce energy and water use, manage carbon emissions and improve environmental sustainability, all with a positive return on investment.
 - Based primarily in Portland, Ore. with 130+ employees
 - 50+ clients, primarily utilities
- Cadence Network acquired July 2008
 - Shareholders of Cadence Network received a 25 percent minority stake in Advantage IQ
 - Minority owners of Advantage IQ have redemption rights that can be exercised in July 2011 or July 2012



*Starting July 2, 2008, Net Income reflects approximately 75% ownership in AIQ



Financial



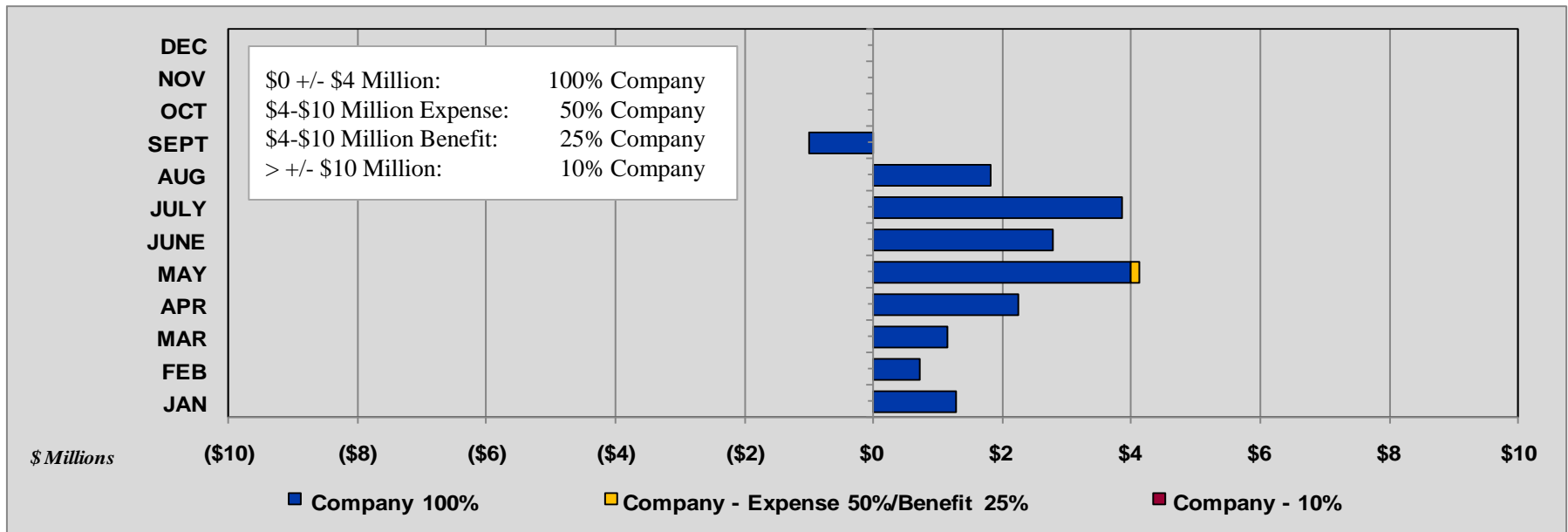
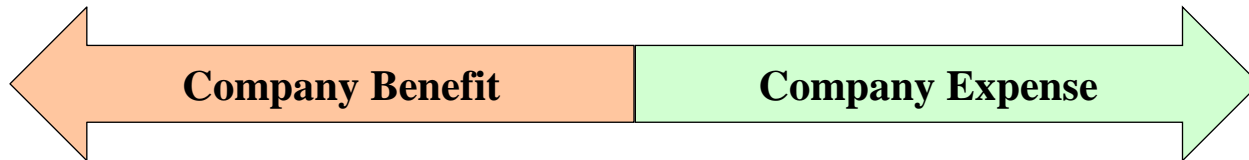
Earnings per Share

Total Earnings per Diluted Share Attributable to Avista Corporation

Business Segments	Q3 2010	Q3 2009	Q3 YTD 2010	Q3 YTD 2009
Avista Utilities	\$0.16	\$0.13	\$1.10	\$1.15
Advantage IQ	\$0.05	\$0.03	\$0.10	\$0.07
Other	\$0.01	\$(0.01)	\$0.00	\$(0.04)
TOTAL – Diluted EPS	\$0.22	\$0.15	\$1.20	\$1.18



*2010 ERM Benefit/Expense Cumulative YTD

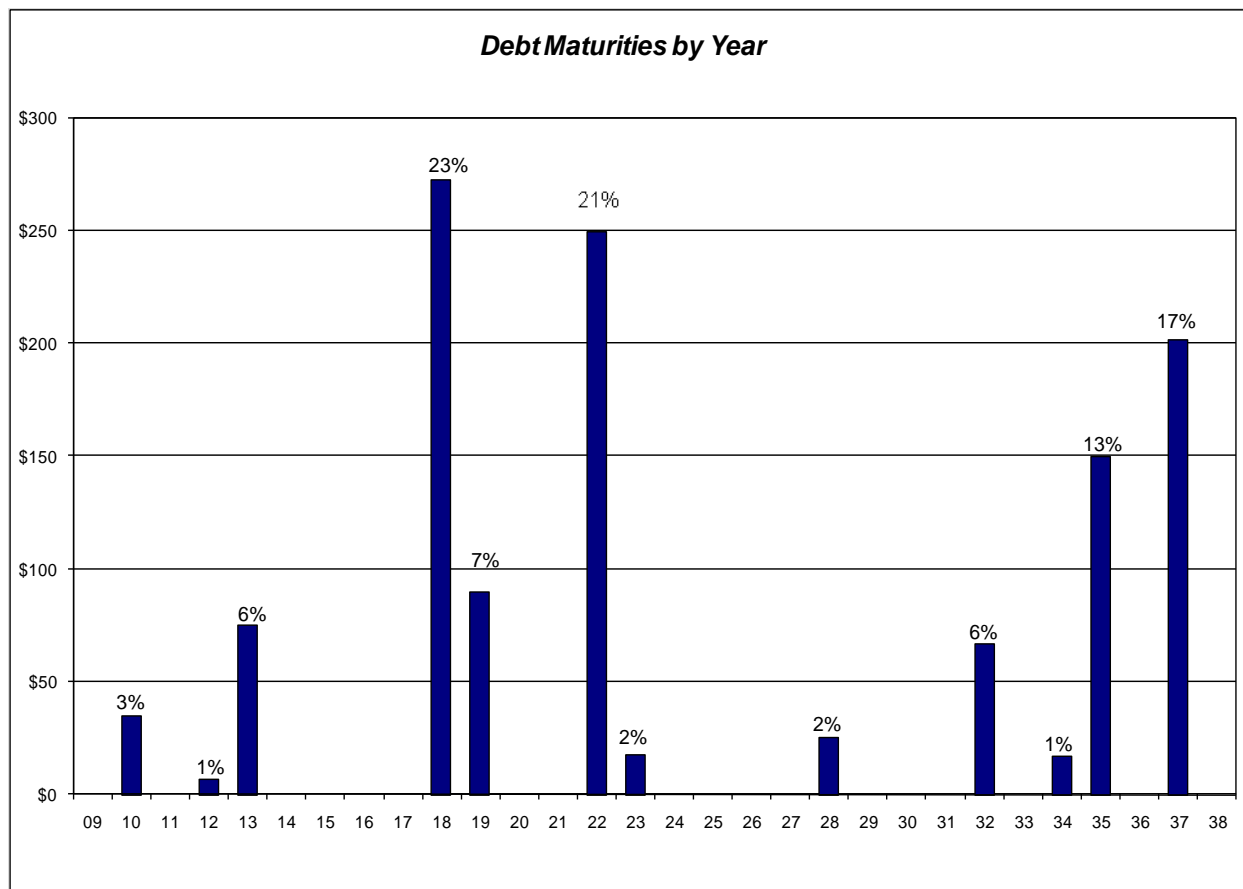


* As part of the Washington general rate case settlement, the parties have agreed that there would be no deferrals under the ERM for 2010 in either the surcharge or rebate direction. For 2010, we would either absorb all the cost or receive all of the benefit from the amount or power supply costs in excess of or below the level in retail rates. Deferrals under the ERM would resume in 2011.



The Company had \$335 million of available liquidity as of Sept. 30, 2010

- In Q4 2010, we are planning to remarket or refund with a new issue, \$83.7 million of our Pollution Control bonds
- In August 2010, we amended our sales agency agreement to issue up to 3,087,500 shares of common stock
- Issued 1.6 million shares of common stock for \$33.3 million under our sales agency agreement through Q3 2010
- We expect to issue up to \$45 million of equity in 2010 and up to \$25 million in 2011





Investment Grade Credit Rating

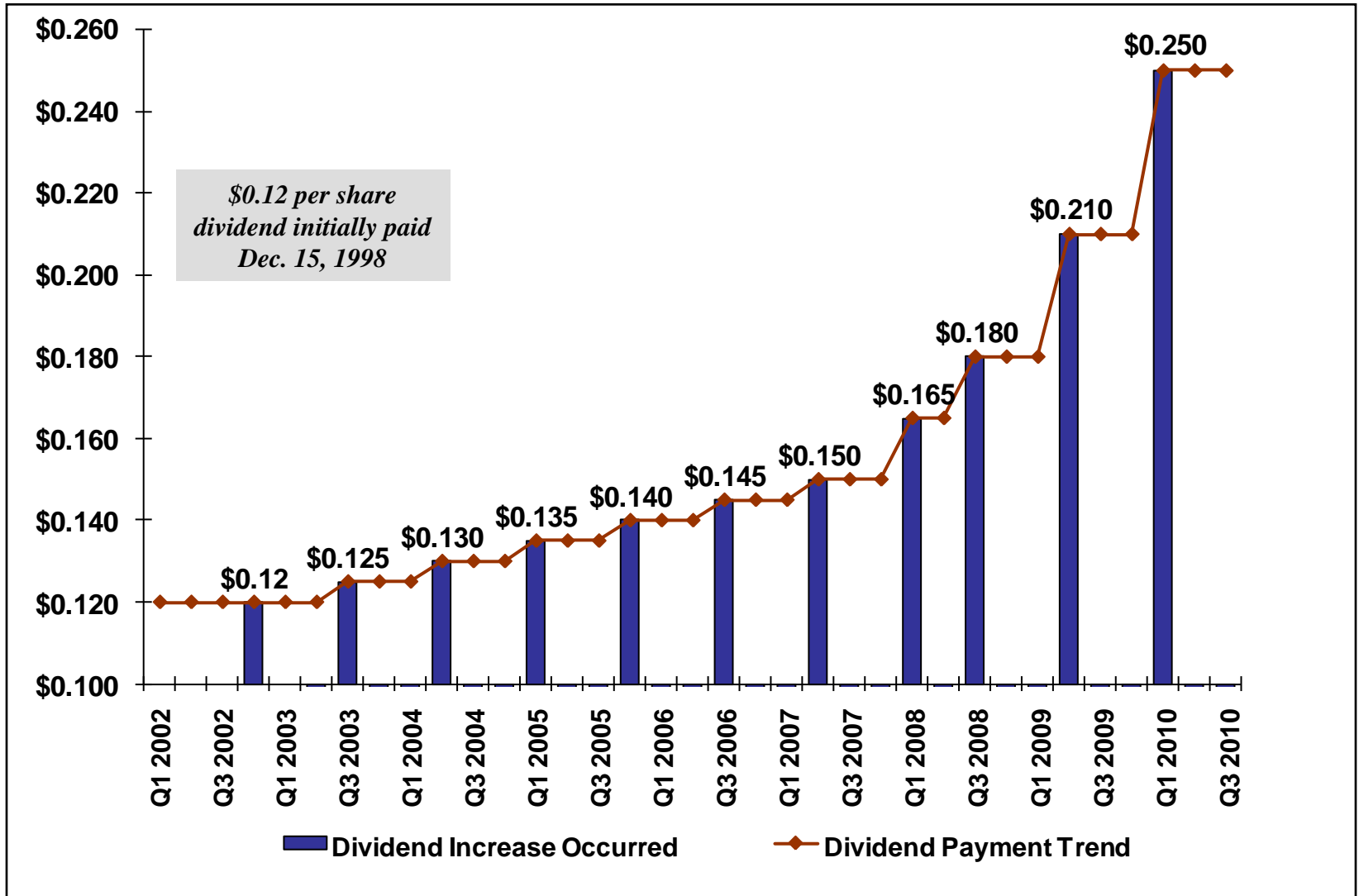
	<i>Standard & Poor's⁽¹⁾</i>	<i>Moody's</i>	<i>Fitch, Inc.⁽²⁾</i>
Corporate/Issuer Rating	BBB-	Baa3	BBB-
Senior Secured Debt	BBB+	Baa1	BBB+
Senior Unsecured Debt	N/A	Baa3	BBB
Outlook	Positive	Positive	Stable

(1) Ratings and outlook were affirmed in July 2010

(2) Ratings and outlook were affirmed in August 2010



Targeting 60%-70% Payout Ratio





	2010	2011
Consolidated	\$1.55-\$1.75	\$1.60-\$1.80
Avista Utilities	\$1.45-\$1.60	\$1.47-\$1.62
Advantage IQ	\$0.10-\$0.13	\$0.13-\$0.16
Other	\$0.00-\$0.02	\$0.00-\$0.02

Guidance Assumptions

- Our outlook for Avista Utilities assumes, among other variables, normal precipitation, temperatures and hydroelectric generation, as well as implementation of the Washington general rate case settlement on Dec. 1, 2010.
- Our 2011 guidance range for Avista Utilities encompasses expected variability in power supply costs and the application of the ERM to that power supply cost variability. The midpoint of our utility guidance range does not include any benefit or expense under the ERM.
- We are expecting a benefit under the ERM in 2011 within the 90 percent customer/10 percent company sharing band. It is important to note that the forecast of our position in the ERM can vary significantly due to a variety of factors including the level of hydroelectric generation and retail loads, as well as changes in purchased power and natural gas fuel prices.

Questions?