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IDAHO PUBLIC
UTILITIES COMMISSION

CASE NO. AVU-E-06-08

CUSTOMER NOTICE AND

PRESS RELEASE

Filings will result in 0.70% increase for residential customers and 1.45% increase for other customers effective Nov. 1, 2006

All Electric Customers

On Sept. 14, 2006, Avista filed with the Idaho Public Utilities Commission (IPUC) to eliminate a temporary rate credit that has been used to pass through proceeds received from the sale of the Centralia Power Plant. In 2000, the IPUC determined the amount of proceeds from the sale that customers would receive. The rate credit has been in place since August 1, 2000 and the proceeds will be fully refunded to customers by Nov. 1, 2006. All electric customers will see approximately a 1.45% increase in their electric bill as a result of this change.

Important Notice for Idaho Electric Customers

Residential and Small Farm Customers Only

In a separate filing, Avista is proposing to increase the rate credit applicable to residential and small farm customers to pass through increased residential exchange benefits it will receive from the Bonneville Power Administration. The credit results from a residential exchange program aimed at providing those customers a share of benefits from federal hydroelectric projects located in the Northwest supplied by the Bonneville Power Administration (BPA). Avista uses the rate credit to pass on to its qualifying electric customers the residential exchange benefits it receives from BPA. The additional rate credit is a decrease of .047¢ per kilowatt-hour and would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48.

The net increase resulting from both rate adjustments for a residential customer using 1,000 kilowatt-hours per month is \$0.44 (44 cents) per month increase or a 0.70% bill increase. The present bill for 1,000 kilowatt-hours is \$62.91; with the rate adjustments the bill would increase to \$63.35.

These filings are proposals subject to review and a final decision by the IPUC. Copies of Avista's filings are available for public review at the offices of both the IPUC and Avista. Copies of the filings are also available on our website at www.avistautilities.com under "Energy Prices," "Rates and Tariffs."

If you would like information on energy conservation tips, energy assistance programs, and bill payment plans, visit our website at www.avistautilities.com, or call us at 1-800-227-9187.



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Avista Requests Natural Gas and Electric Price Adjustments in Idaho

SPOKANE, Wash. – Sept. 14, 2006, 1:30 p.m. PDT: Avista (NYSE:AVA) today filed two requests with the Idaho Public Utilities Commission (IPUC) to increase natural gas rates and two requests to adjust electric rates. Avista requested a Nov. 1, 2006, effective date for all rate changes.

In its natural gas filings, Avista requested an annual purchased gas cost adjustment (PGA) increase of 3.2 percent, or \$2.7 million in annual revenues. Also filed was a request to increase the rate charged to fund natural gas conservation programs, resulting in an average increase of 1.4 percent and generating an additional \$1.1 million per year to fund these important programs. Avista Utilities would make no additional profits from either of these requested rate changes.

PGAs are filed each year to reflect changes in the cost of natural gas purchased by the company to serve its customers. Avista's requested PGA reflects a continued increase in the wholesale price of natural gas during the past year. While the price of natural gas has fallen from the post-hurricane levels during late-2005, the average cost of gas for this next year is higher than the average cost of gas during the past year. As a gas distribution company, Avista passes through directly, without markup, changes in natural gas commodity prices to consumers.

The second requested natural gas rate adjustment is to provide additional funding for Avista's conservation programs to serve increasing customer participation. The program, in place since 2001, provides for partial financial reimbursement to customers who install certain conservation measures and use less natural gas as a result. To date, the program has saved 4.5 million annual therms of natural gas, that's enough natural gas to supply 5,300 homes for a year.

If both requests are approved by the IPUC, a residential or small commercial natural gas customer using an average of 65 therms per month can expect to see an average increase of \$3.48 per month, or about 4.3 percent, for a total monthly bill of \$83.91. Larger commercial and industrial customers can expect to see an average increase of 4.7 percent and 5.0 percent respectively. The higher increase percentages for larger commercial and industrial customers are due to lower base rates.

In its electric filings, Avista has requested the IPUC to increase the credit used to pass through benefits from the Bonneville Power Administration (BPA) Residential Exchange Program. The BPA program provides residential and small farm customers in the Northwest a share of the benefits associated with federal hydroelectric projects. The result to customers is a proposed 0.75 percent decrease in electric rates or a monthly reduction of \$0.47 for a residential customer using 1,000 kilowatt-hours.

Avista has also filed a request to sunset the 1.45 percent or \$0.91 per month credit that residential customers have been receiving from the company's May 2000 sale of the Centralia Power Plant located near Centralia, Wash. The customer portion of the gain is expected to be fully refunded to customers by Nov. 1, 2006. The total benefit to customers over the last six years has been \$15.1 million.

If both electric requests are approved by the IPUC, a residential electric customer in Idaho using 1,000 kilowatt-hours per month can expect to see a \$0.44 or 0.70 percent increase per month for a total monthly bill of \$63.35.

"Avista continues to offer a number of programs to assist both our electric and natural gas customers in managing their energy bills," said Scott Morris, Avista Corp president and chief operating officer and president of Avista Utilities. "I encourage our customers to visit www.avistautilities.com or call us at (800) 227-9187 for information on Avista's energy assistance programs, conservation tips and bill payment plans."

Avista 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 339,000 electric and 298,000 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 rates and costs 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, 2005 and Quarterly Report on Form 10-Q for the quarter ended June 30, 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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