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## **Avista Requests Increase in Electric and Natural Gas Prices in Idaho**

*Increases necessary to meet growing energy demand and to upgrade system capacity and reliability*

**SPOKANE, Wash. April 3, 2008, 1:15 p.m. PDT:** Avista (NYSE: AVA) has filed a request with the Idaho Public Utilities Commission (IPUC) that, if approved, would increase residential electric bills by 15.9 percent and natural gas bills by 6.5 percent. An average residential customer using 977 kilowatt hours of electricity per month would see a \$10.70 per month increase for a revised monthly bill of \$78.08. The average natural gas customer who uses 65 therms per month would see a \$4.91 increase, for a revised monthly bill of \$80.05. The IPUC generally has up to nine months to review a general rate case filing.

The requested electric rate increase is driven primarily by significant increases in fuel and purchased power costs to meet growing customer demand and by investments made to upgrade aging infrastructure to increase its capacity and reliability.

Significant investments in generation and delivery systems have been made since Idaho base rates were last adjusted in fall 2004. The investments include upgrades to the Noxon Rapids and Cabinet Gorge hydroelectric projects and Colstrip thermal projects to improve efficiency, reliability and generating output. In the past five-years Avista has invested over \$130 million to upgrade and reinforce the electric transmission system in northern Idaho and eastern Washington. Upgrades to many transmission and distribution substations, power lines and related equipment are ongoing.

Also since fall 2004, overall system power supply expenses have increased by \$94.3 million due to growing customer demand and increased costs for generating, purchasing and delivering electricity to customers.

Costs incurred in the seven-year public process to relicense Avista's hydroelectric projects on the Spokane River are also included in the request. The projects annually generate a combined 105 average megawatts of renewable energy or enough energy to power about 68,000 homes for a year. To date, Avista has invested \$21 million in the Spokane River relicensing process.

Scott Morris, Avista's chairman of the board, president and chief executive officer, said the capital projects are part of the company's multi-year plan to increase the efficiency, reliability and capacity of its aging infrastructure, to meet growing customer demand with responsible energy resources, and to meet new environmental standards.

"Our priority is to cost effectively and safely deliver reliable energy to our customers. To do that, we are focused on managing our costs by gaining more energy from our existing facilities and by implementing efficiencies throughout our operations to benefit customers," said Morris.

"Avista, and the utility industry as a whole, is facing significant increases in the cost of doing business due in part to major increases in the cost of steel, copper, aluminum and cement. These materials, which are key components in utility equipment, have a major impact on our construction and maintenance costs."

Driving the natural gas rate request is Avista's investment in upgrading the Jackson Prairie Natural Gas Storage Facility. The ability to purchase and store more natural gas during the summer months when prices are typically lower lessens the need to purchase natural gas during the winter months when prices, and customer demand, tend to be higher.

In addition to working diligently to gain efficiencies and control the cost of providing energy service, Avista continues to provide a number of energy assistance programs to aid customers who are most affected by rising energy costs. These include Project Share, CARES, energy efficiency programs and level payment plans.

Avista offers numerous residential, commercial and industrial energy efficiency programs with many specifically for qualifying low-income customers. In 2007, Avista provided \$9.4 million in incentives to customers making energy efficiency improvements to their home or business in an effort to reduce energy usage. Program information is available at [www.everylittlebit.com](http://www.everylittlebit.com).

The requested increases are designed to produce \$32.3 million in additional revenue for electric service and \$4.7 million in revenue for natural gas service. This request is based on a proposed rate of return on rate base of 8.74 percent, with a common equity ratio of 47.9 percent and a 10.8 percent return on equity.

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 [www.avistacorp.com](http://www.avistacorp.com). Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation. All other trademarks mentioned in this document are the property of their respective owners.

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.

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