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Avista Requests Increase in Electric Power Cost Adjustment Surcharge in Idaho

Annual adjustment reflects higher costs for power

SPOKANE, Wash. July 28, 2008: Avista (NYSE:AVA) today filed a request with the Idaho Public Utilities Commission (IPUC) to increase its existing electric power cost adjustment (PCA) surcharge by an overall average of about 5.9 percent, or \$12.2 million, to be effective Oct. 1, 2008. Avista makes no profit from surcharge revenues and is required to absorb the first 10 percent of additional power costs.

The annual PCA adjustment seeks to recover the difference between Avista's actual cost of generating and purchasing electric power to serve its 120,000 Idaho customers and the cost currently included in customer rates. The proposed surcharge is designed to recover additional power costs that the company incurred during the 12-month period ended June 30, 2008.

If approved by the IPUC, a residential customer using an average of 1,000 kilowatt-hours per month could expect an increase of \$3.43 per month, from \$63.44 to \$66.87, or about a 5.4 percent increase over current residential rates. The actual percentage increase will vary by customer class and will depend on how much energy a customer uses.

"The increased power costs reflect the higher cost of natural gas that we use to generate electricity, as well as a late spring run-off this year, which decreased the amount of energy from low-cost hydro power that we use to serve our customers," said Kelly Norwood, Avista vice president of rates and regulation. "We encourage customers to continue to partner with us in keeping energy costs as low as possible by taking additional measures to use energy more efficiently."

Avista offers a number of energy efficiency rebates and incentive programs, as well as billing options to help customers manage their energy bill. In 2007, as a result of these programs, Avista customers saved more than 71 million kilowatt hours of electricity (enough to power 6,000 homes) and over 1.5 million therms of natural gas (enough to provide space and water heating to approximately 1,800 homes). In addition, more than \$9.4 million was returned to customers in 2007 through Avista's energy rebates and incentives programs. Avista's Comfort Level billing option gives customers the opportunity to smooth seasonal energy bill highs and lows by averaging energy bills over 12 months.

For information on billing options, energy assistance programs, rebates and incentives visit www.avistautilities.com.

About Avista Corp.

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. 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, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

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