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2010 JUL 27 AM 10: 26

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IDAHO PUBLIC UTILITIES COMMISSION

## **Avista Reaches Settlement in Idaho Electric and Natural Gas Rate Requests**

*Temporary \$17.5 million credit would reduce bill impact to customers; annual power cost adjustment surcharge also filed*

**SPOKANE, Wash. – July 26, 2010, 1:05 p.m. PDT:** Avista (NYSE: AVA) and other parties involved in the company's electric and natural gas rate filing have reached a settlement agreement that, if approved by the Idaho Public Utilities Commission (IPUC), would result in an overall electric increase of 9.3 percent and a 2.6 percent natural gas increase, effective Oct. 1, 2010. Partially offsetting the increases, and lowering the bill impact to customers, will be a \$17.5 million credit to customers to return the balance of deferred Idaho state income taxes from prior years.

"We're pleased that this settlement agreement recognizes the need to recover costs to serve our customers and that our customers will benefit from the return of state income taxes, which is an important element in reducing the rate impact on them," said Dennis Vermillion, Avista Corp. senior vice president and president of Avista Utilities. "We believe the settlement agreement represents a fair and reasonable outcome for our customers and shareholders."

Under the terms of the settlement agreement, electric revenues would increase by \$21.25 million, or an overall 9.3 percent, and a revised level of power supply costs to be used in future Power Cost Adjustment (PCA) calculations would be set. The revised power supply costs reflect a reduction of approximately \$7 million from the costs included in the company's original revenue increase filing of \$32.1 million. The agreement is the result of concessions made by the parties on a number of issues to arrive at an outcome that is supported by the parties.

The \$17 million credit would offset electric prices for customers for two years, reducing the impact of the electric rate increase effective Oct. 1, 2010, from an overall 9.3 percent to 3.59 percent. With the offsetting credit, a residential customer using an average of 1,000 kilowatt-hours a month would see a \$3.50 per month increase, or 4.3 percent, for a revised monthly bill of \$84.40.

Under the terms of the settlement agreement, electric rates would then increase 3.92 percent on Oct. 1, 2011, and 1.74 percent on Oct. 1, 2012, after which the temporary credit would expire. The return of deferred state income taxes to Avista's 122,000 electric and 74,000 natural gas customers in Idaho would not affect net income for the company.

Natural gas revenues under terms of the settlement agreement would increase by \$1.85 million, or 2.6 percent. A credit of \$500,000 would reduce for one year the natural gas rate increase to 1.9 percent, or \$1.71, for a revised monthly bill of \$59.40 for a customer using an average of 65 therms a month. The rate change would also be effective Oct. 1, 2010.

To help customers better manage their energy bills, annual funding for the low-income weatherization program would be increased to \$700,000, up from the current \$465,000. Support for low-income energy efficiency outreach and education would also increase from \$25,000 to

\$40,000. Community Action Program (CAP) agencies manage both the low-income weatherization and energy efficiency and education programs.

### **Power Cost Adjustment**

Separately, Avista today filed its annual Power Cost Adjustment (PCA) which captures the difference between Avista's actual cost of generating and purchasing power over the prior 12 months and the cost currently included in customer rates. The filing requests an overall 2.6 percent increase in electric rates with an Oct. 1, 2010, effective date.

The increased costs are driven primarily by below-normal hydroelectric generation for the first half of 2010, due to snow pack levels that were well below normal, and the costs associated with the addition of the Lancaster generating project beginning on January 1, 2010. The Lancaster power supply costs were approved for recovery in the PCA until they are reflected in base retail rates.

The approval by the IPUC of both the settlement agreement, including the deferred state income tax credit, and the PCA surcharge true-up would adjust the monthly electric bill for a residential customer using an average 1,000 kilowatt-hours a month to \$86.27, for a combined increase of \$5.37, or 6.6 percent.

### **Customer Assistance**

Avista offers a variety of energy efficiency programs for residential, limited income, commercial and industrial customers. In addition to helping customers manage their energy use, the programs also help reduce the amount of future, more costly energy resources needed to meet customer demand. For over 30 years, Avista has offered programs which have provided a cumulative savings of over 147 average megawatts (aMW) – a significant savings when compared with Avista's current load of approximately 1,100 aMW.

In addition to support for energy assistance programs, Avista also offers services for customers such as comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES), which provide assistance to special-needs customers through referrals to area agencies and churches for help with housing, utilities, medical assistance and other needs.

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 electric service to 356,000 homes and businesses and natural gas to 316,000 homes and businesses in three Western states, serving more than 485,000 customers. 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).

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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, 2009, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

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