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Avista Files for Reduction in Natural Gas Rates for Customers in Washington and Idaho

SPOKANE, Wash. – Sept. 17, 2007: Avista (**NYSE:AVA**) has filed purchased gas cost adjustments (PGA) with both the Washington Utilities and Transportation Commission (WUTC) and Idaho Public Utilities Commission (IPUC) requesting decreases in natural gas rates for residential customers of 6.0 percent and 4.6 percent respectively. The annual PGA filings pass through changes in the cost of natural gas acquired to serve customers and do not affect company profits.

If the filing is approved by the WUTC, a Washington residential customer using an average of 70 therms per month could expect to see a \$5.32 decrease for a revised total monthly bill of \$83.49 effective Nov. 1. The actual decrease will vary based on customer usage. The requested decrease reflects a \$12.7 million reduction in Washington annual revenues for Avista.

In Idaho, a residential customer using an average of 65 therms per month could expect to see a \$3.65 decrease for a revised total monthly bill of \$75.14 effective Nov. 1, if the filing is approved by the IPUC. The actual decrease will vary based on customer usage. The requested decrease reflects a \$4 million reduction in Idaho annual revenues for Avista.

Avista serves about 141,000 natural gas customers in Washington and approximately 70,000 gas customers in Idaho.

“While we’ve seen an increased level of price stability this past year, overall the wholesale natural gas market remains volatile,” said Kevin Christie, director of gas supply for Avista. “Nationally, increased natural gas supplies and replenished underground storage capacity combined with no supply interruptions thus far in the hurricane season are producing lower future prices for the 2007-2008 heating season. This is a welcomed change for all of our customers, but especially for our vulnerable customers who have been challenged by rapidly increasing natural gas prices.”

To provide greater price stability for customers, Avista follows a structured natural gas purchasing plan that allows for flexibility based on market prices and conditions. Currently, about 70 percent of estimated customer load requirements are pre-purchased for the upcoming heating season. Also, Avista has increased its underground Jackson Prairie storage capacity from 9 percent to 11 percent of annual load requirements. This storage capacity allows Avista to purchase lower-cost gas during the non-winter months and store it for use during the heating season when wholesale gas prices are typically highest.

About 80 percent of an average residential customer's monthly bill is the cost of natural gas and pipeline transportation, with the remaining 20 percent made up of Avista's fixed costs to provide natural gas service over its distribution system.

In a separate decoupling rate adjustment filing with the WUTC, Avista has requested a 0.2 percent, or \$0.19 per month, increase in the company's natural gas rates for residential and small commercial customers, also effective Nov. 1. The decoupling mechanism allows Avista to recover a portion of its fixed costs not recovered because of reduced energy usage by customers. The recovery of fixed costs allows Avista to increase focus on energy efficiency programs and services for customers.

Avista offers a number of energy efficiency programs, incentives and rebates to help customers proactively manage their natural gas consumption. Information on Avista's energy efficiency offerings and no-cost conservation information is available at www.avistautilities.com. Through these program offerings Avista's Washington and Idaho customers have saved over 1 million therms of natural gas so far in 2007.

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 a company operating division that provides service to 346,000 electric and 306,000 natural gas customers in three western states. Avista's primary, non-regulated subsidiary is Advantage IQ (www.advantagelq.com). Avista Corp.'s 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.

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, 2006, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

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