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Avista Files for Lower than Anticipated Annual Natural Gas Adjustment in Washington

Lower natural gas prices allow for re-filing of annual adjustment in Idaho

SPOKANE, Wash. – Sept. 15, 2008: Avista (**NYSE:AVA**) today filed its annual purchased gas cost adjustment (PGA) with the Washington Utilities and Transportation Commission (WUTC) requesting an overall increase in natural gas rates of 0.7 percent or \$1.3 million in annual revenues. Also today, the company re-filed a request with the Idaho Public Utility Commission (IPUC) to lower the requested PGA for Idaho customers to 4.0 percent or \$3.3 million in annual revenues, down from the 14.2 percent filed in August 2008. Annual PGA filings pass through changes in the cost of natural gas Avista acquires to serve customers and do not increase company earnings.

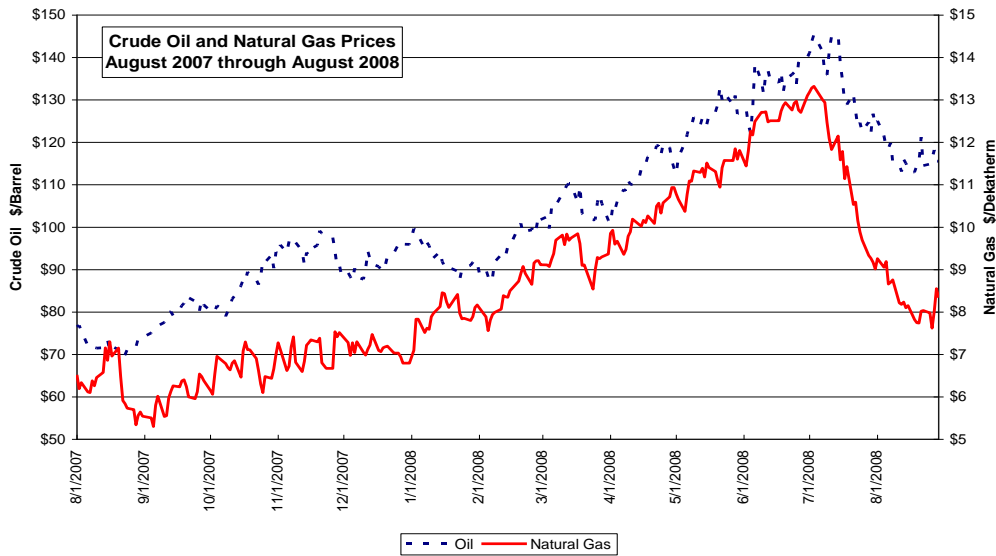
In a separate annual decoupling rate adjustment filing with the WUTC, Avista has requested a 0.3 percent increase in the company's natural gas rates for residential and small commercial customers, also effective Nov. 1. The decoupling mechanism allows Avista to recover a portion of its fixed costs not 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.

If both the PGA and decoupling filings are approved by the WUTC, a residential customer in Washington using an average of 70 therms of natural gas per month could expect to see a \$0.67 increase, for a revised total monthly bill of \$85.83 effective Nov. 1, 2008. The actual increase will vary based on customer usage. Avista serves approximately 144,000 natural gas customers in Washington.

If the amended PGA filing is approved by the IPUC, an Idaho natural gas customer using 65 therms of natural gas per month could expect to see an increase of \$2.96, for a revised monthly bill of \$78.10 effective Oct. 1, 2008. The actual increase will vary based on customer usage. Avista serves 72,000 natural gas customers in Idaho.

"The dramatic increase in prices this past spring and recent decrease shows the volatility in the natural gas market and its link to crude oil prices. Based on spring and summer prices, we were anticipating that both Washington and Idaho customers could see a significant increase in their monthly natural gas bills this winter. We're pleased this adjustment is far less than earlier projected especially as the heating season approaches," said Kevin Christie, Avista director of natural gas supply.

Natural gas prices per dekatherm over the past 12 months are reflected in the following chart.



About 75 percent of an average residential customer’s monthly bill is the cost of natural gas and pipeline transportation. The remaining 25 percent is Avista’s fixed costs to provide natural gas service over its distribution system.

Avista follows a structured natural gas purchasing plan that also allows for flexibility based on market prices and conditions. Currently, about two-thirds of estimated customer demand for the upcoming year is either pre-purchased or placed in storage. Storage is a valuable asset that allows Avista to purchase typically lower-cost gas during the spring and summer months and store it for use during the heating season when wholesale gas prices are typically highest.

Avista offers a number of billing options, 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.everylittlebit.com. In addition, 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.

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 351,000 electric and 310,000 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 June 30, 2008.

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