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## Avista Seeks Recovery of Costs in Washington for Infrastructure Upgrades

**SPOKANE, Wash. – May 16, 2011, 1:05 p.m. PDT:** Costs for replacing aging electric infrastructure to ensure reliability is the major driver in Avista’s (NYSE: AVA) request filed today with the Washington Utilities and Transportation Commission (UTC) to increase electric and natural gas rates for customers. The UTC has up to 11 months to review the filings and issue a decision.

“We continue to make significant investments in replacing our aging infrastructure and upgrading our generation facilities to preserve reliability and gain efficiency,” said Avista Chairman, President and Chief Executive Officer Scott L. Morris. “Although we have taken measures to ensure that the costs we incur represent the most cost-effective and reliable way to continue to serve our customers, we continue to experience significant increases in costs.”

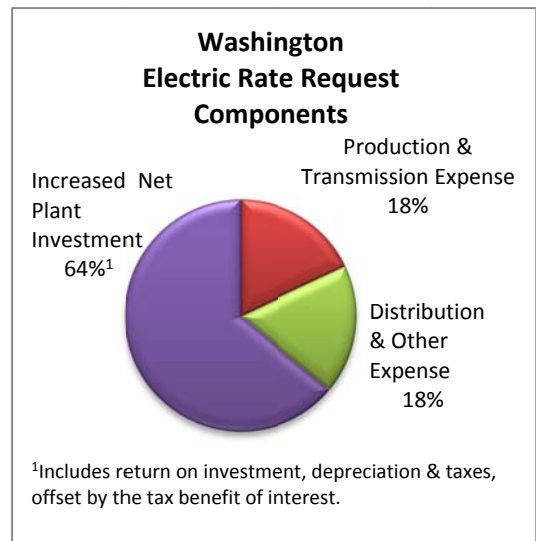
The requests would produce \$38.3 million, or 8.7 percent, in additional billed revenue for electric service and \$6.2 million, or 4.0 percent, in additional billed revenue for natural gas service. Both requests are based on a proposed rate of return on rate base of 8.23 percent, with a common equity ratio of 48.04 percent and a 10.9 percent return on equity.

If the requests are approved by the UTC, a residential customer using an average 977 kilowatt hours per month would see a \$7.13 per month increase, or 9.3 percent, for a revised monthly bill of \$84.14. A natural gas customer using an average of 67 therms per month would see a \$3.26 increase, or 5.1 percent, for a revised monthly bill of \$66.71.

### Electric

In 2011, Avista is investing approximately \$250 million in its infrastructure to ensure reliability and meet customer demand by systematically replacing aging equipment, including power lines, poles, substations, transformers and related equipment for its transmission and distribution systems, in addition to upgrading generation-related facilities. National compliance requirements also drive Avista’s need for continued investment in its transmission system.

The cost of upgrading equipment today is orders of magnitude more expensive than the equipment being replaced, some of which has been serving customers for 40 to 70 years. The significant difference between



the aging infrastructure and the replacement equipment is a major driver in the need for annual rate adjustments. Based on current expectations, Avista plans to invest approximately \$1.2 billion in its utility system for the five-year period ending Dec. 31, 2015.

Also included in infrastructure costs are upgrades to the remaining two 1950s-era turbines at Avista's Noxon Rapids hydroelectric project in Montana that will increase the amount of clean, renewable power available to serve customers. In Washington, the increased capacity resulting from upgrades will count as new renewable energy under the state's renewable portfolio standards law. Among other generation-related projects included in the filing are the \$4.7 million upgrade of the 82-year-old spill gates at Avista's Nine Mile project that will increase efficiency, as well as maintenance and upgrades at other hydro and thermal facilities.

To enhance service reliability, Avista is also requesting to recover increases in costs related to its vegetation management program that covers almost 11,000 circuit miles of power lines. Other additional cost increases relate to power supply and transmission-related expenses, as well as administrative and general expenses.

### **Natural Gas**

The major driver in the requested natural gas increase is to recover the cost of a portion of the gas stored in the Jackson Prairie Storage facility. The addition of the underground storage capacity in 2011 will allow Avista to purchase and store natural gas during the months when market prices are generally lower and use the natural gas to serve customers during winter months when market prices tend to be higher. Other drivers are upgrading sections of existing piping and equipment used to deliver natural gas to customers.

Avista serves more than 234,000 electric and nearly 147,000 natural gas customers in Washington.

Videos on the rate case process and components of Avista's rate request, along with additional rate request information are available at [www.avistautilities.com](http://www.avistautilities.com).

### **Customer Assistance**

"We are committed to offering energy efficiency programs for all customers and to supporting energy assistance services that help those residential customers who are most impacted by rising prices," Morris said.

A variety of efficiency programs and information is available for residential, limited income, commercial and industrial customers seeking ways to manage their energy use. In addition, the programs also help reduce the amount of future, more costly energy resources needed to meet customer demand. To learn more, visit [www.everylittlebit.com](http://www.everylittlebit.com).

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. To learn more, visit [www.avistautilities.com](http://www.avistautilities.com).

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 358,000 customers and natural gas to 319,000 customers. Our service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.5 million. 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).

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, 2010, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

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