

**Important Notice for Washington Electric
Residential and Small Farm Customers
September – October 2011**

On September 15, 2011, Avista filed a request with the Washington Utilities and Transportation Commission (Commission) to decrease electric rates to qualifying residential and small farm customers to be effective November 1, 2011. The decrease results from a residential exchange program rate credit aimed at giving electric customers a share of benefits from federal hydroelectric projects located in the Northwest supplied by the Bonneville Power Administration (BPA).

The proposed rate credit of 0.364¢ per kilowatt-hour is more than the existing credit of 0.156¢ per kilowatt-hour, which the new rate credit will replace. The proposed credit of 0.364¢ is designed to pass through a higher level of benefits to be received from BPA. The proposed rate credit would result in a decrease to Washington electric revenue of approximately \$5.2 million, since a greater amount of benefits will be passed through to customers, and will have no effect on Avista's net income.

The proposed rate credit of 0.364¢ per kilowatt-hour would apply to residential and small farm customers served under Schedules 1, 12, 22, 32, and 48. For a residential customer using 977 kilowatt-hours per month, the new credit would result in a decrease of \$2.03 per month, or about 2.64%.

The Company's request is a proposal, subject to public review and a Commission decision. You may contact the UTC at the following address: WUTC, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250; or by e-mail at: comments@utc.wa.gov. A copy of the application is available for public review at the offices of the Commission and the Company, as well as on our website at www.avistautilities.com under "Energy Prices," "Rates and Tariffs."

(see over)



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Contact:

Media: Debbie Simock (509) 495-8031, debbie.simock@avistacorp.com

Investors: Jason Lang (509) 495-2930, jason.lang@avistacorp.com

Avista 24/7 Media Access (509) 495-4174

Avista Requests Two Annual Price Adjustments in Washington

Pass-through tariffs could decrease electric prices and slightly increase natural gas prices

SPOKANE, Wash. – Sept. 15, 2011, X:XX p.m. PDT: Avista's (**NYSE: AVA**) Washington customers could receive a decrease in their electric prices and a slight increase in natural gas prices if the Washington Utilities and Transportation Commission (UTC) approves two annual price adjustment requests filed today by the company – Residential Exchange Credit and Purchased Gas Cost Adjustment. New prices could take effect Nov. 1.

Electric

Residential and small-farm customers using an average of 977 kilowatt-hours per month could receive a \$2.03, or 2.64 percent, decrease in their monthly electric bill due to an increase in benefits to be received from the Bonneville Power Administration's (BPA) Residential Exchange Credit program. The Residential Exchange Credit is paid in its entirety to Avista's approximately 211,000 residential and small-farm electric customers in Washington and has no impact on company earnings.

The increase in benefits is the result of a recent settlement agreement signed by BPA that resolves a long-standing dispute over how the benefits of low-cost hydroelectric power from the federal Columbia River power system are shared by the region's electric customers. All six investor-owned and nearly all consumer-owned utilities, representing over 95 percent of the region's electric customers, are parties to the settlement.

Under the settlement agreement, Avista residential and small-farm customers in Washington will receive approximately \$9.2 million in benefits, up from the \$3.9 million customers are currently receiving.

Natural Gas

Avista also made its annual Purchased Gas Cost Adjustment (PGA) filing today with the UTC, requesting an overall 0.96 percent increase in natural gas prices. The annual filing is a true-up that balances the cost of wholesale natural gas purchased by Avista to serve customers with the amount already included in customer rates.

The requested increase is the result of a reduction in the refund still being provided to customers from Avista's 2009 PGA filings, which decreased customer rates by about 25 percent for the year. Abundant supplies of natural gas and softening demand for the commodity have continued to keep wholesale natural gas prices at lower levels over the past year. However, the elimination of a portion of that refund results in a slight net increase in overall rates.

If the request is approved by the UTC, a residential customer using an average 67 therms a month would see a \$0.72, or 1.16 percent, increase in their monthly rate for a revised monthly bill of \$63.05.

New rates could become effective Nov. 1, with annual natural gas revenues increasing by approximately \$1.5 million. Avista does not mark up the cost of natural gas purchased to meet customer needs, so there is no impact on company earnings. Avista serves over 148,000 natural gas customers in Washington.

The direct cost of wholesale natural gas makes up about 65 percent of an Avista customer's bill, and these costs fluctuate up and down based on market prices. The remaining 35 percent covers the cost of delivering the natural gas – the equipment and people needed to provide safe and reliable delivery of service.

To help customers proactively manage their energy use, Avista offers a number of energy efficiency programs, including rebates and incentives. Visit www.everylittlebit.com for information on the programs that helped Avista's Idaho and Washington customers save enough energy in 2010 to power over 5,700 homes for a year and to serve over 2,500 homes with natural gas for a year.

Information on energy assistance programs and payment options offered by Avista to help qualifying customers is available at 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 357,000 customers and natural gas to 317,000 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.

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 June 30, 2011.

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