

Holding Company Proposal

On February 15, 2006, the Company filed applications with the Washington, Idaho, Oregon and Montana Commissions and the FERC to modify its current corporate structure through the establishment of a holding company. The FERC and Idaho Commissions issued orders approving the Company's application on April 18, 2006 and July 5, 2006, respectively. On February 28, 2007, the Washington Utilities and Transportation Commission issued a final order accepting a multiparty Settlement Stipulation as being consistent with the law and in the public interest, approving Avista's corporate reorganization to create a holding company. In Oregon, Commission Staff testimony was filed on March 20, 2007. Although we plan to continue to pursue settlement discussions in Oregon, there are two major issues that we have been unable to resolve ([CONFIDENTIAL] a Commission Staff proposed minimum equity layer at the utility to pay dividends, and a "ring fencing" provision related to bankruptcy of the holding company parent). Company Rebuttal testimony is due April 26, 2007.

Washington Natural Gas Decoupling

On February 1, 2007, the Washington Utilities and Transportation Commission issued a Final Order granting Avista's request for approval of a natural gas decoupling mechanism pilot program. The mechanism will provide Avista with the opportunity to recover the fixed costs of providing distribution service to gas customers following a decline in usage caused by conservation and price elasticity. The proposed mechanism does not track changes in margin related to variations in customer natural gas usage caused by weather. Rates will be adjusted annually at the same time as the PGA, and will be limited to no more than a 2% annual rate increase. The Mechanism is applicable to only residential service.

Oregon Purchased Gas Adjustments / Gas Hedging Investigation

The PGA increase in Oregon of 6.9% was approved with an effective date of November 1, 2006, subject to refund pending further review of our natural gas purchasing and hedging strategies. On January 4, 2007, a settlement conference was held and on February 9, 2007, a joint stipulation was filed for the purposes of resolving all issues related to the investigation of Avista's gas purchasing strategies. Parties included in the stipulation are Avista Utilities, the OPUC Staff, and the Northwest Industrial Gas Users, but does not include the Citizen's Utility Board (CUB). Opposing testimony was filed by CUB on March 16, 2007 and the Company's Reply testimony is due March 28, 2007.