

Customer/Financial - Renew faith and rebuild trust customers have in Avista/Improve the financial strength of Avista.

Holding Company Proposal	On February 15th, 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. In Washington, the Washington Utilities and Transportation Commission issued a final order on February 28, 2007, accepting the 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, a settlement conference was held January 11, 2007 and a revised procedural schedule was adopted in order to facilitate the on-going settlement discussions. The OPUC Staff and Party Intervener testimony is now scheduled for March 20, 2007, while Company Rebuttal testimony is due April 26, 2007.
Washington Natural Gas Decoupling	On February 1, 2007, the WUTC issued a Final Order granting Avista's request for approval of a natural gas decoupling mechanism pilot program. The Order accepted the joint settlement, subject to conditions limiting accumulation of interest and carry-over of benefits between periods. 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 would 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. On February 26, 2007, a prehearing conference was held to revise and expedite the procedural schedule following the filing of the joint stipulation. Opposition testimony is now due March 16, 2007 and Reply testimony is due March 28, 2007.

Key Indicator	2007 Target	YTD Results	YTD Target	Met	Variance
LL	\$ 938,516	\$ 156,584	\$ 158,544		Inadvertently budgeted Regulatory Fee Expenses Quarterly, not Monthly. The Actual Variance would be Unfavorable, (\$17,960)
EE	\$ 2,813,250	\$ 411,590	\$ -0-		
Total:	\$ 3,751,766	\$ 568,174	\$ 158,544		Unfavorable \$ 409,630

Employee - Sustain and encourage the continuing commitment of employees to the company.

Bench Strength/Backup	100%	100%	100%	Yes	
Employee Communication	12 Annually	4 YTD	2 YTD	Yes	
Employee Learning	24 Annually	0 YTD	4 YTD	No	
One-Leave (accrued vs. taken)	2916/hrs (projected ytd)	224 YTD ^(1,07)	213 YTD ^(1,07)	Yes	

Community - Show we care about our community by being involved.

Community Involvement	467/hrs. Annually	96/hrs. YTD	79/hrs. YTD	Yes	
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Special Thanks to...

- Heather Cummins, Dennis Howey, Dan Knutson, Randy Spacek, Warren Clark, Linda Gervais and James McDougall for their work in submitting comments to the WUTC in the proposed revisions to Interconnection Standards.
- Liz Andrews and David Meyer for their continued work in the Holding Company cases, including the Commission approval of the corporate reorganization in Washington.
- Brian Hirschhorn, Jason Thackston, and Kevin Christie for their on-going efforts and filing of the joint settlement stipulation in the Oregon Natural Gas Purchasing / Hedging Investigation.
- Jeannie Schmidt and Linda Gervais for filing the company's salvaged materials amount annual compliance filing.