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Avista Files Request to Increase Electric and Natural Gas Rates in Washington

Company Seeks Recovery of Costs Associated With Capital Investments, Delivering Energy to Customers

SPOKANE, WA--(Marketwire - Apr 2, 2012) - Avista (NYSE: AVA) filed its general rate request today with the Washington Utilities and Transportation Commission (UTC or Commission), seeking recovery of costs associated with capital investments and operations and maintenance expenses. The UTC has up to 11 months to review the filings and issue a decision.

"Meeting our customers' energy needs reliably and responsibly is job one, and the rising costs of doing business continue to drive the need for rate increases," said Avista Chairman, President and Chief Executive Officer Scott L. Morris. "We aggressively manage our costs so we can continue to provide our customers energy at some of the lowest prices in the Northwest."

If the Commission approves the requests, an electric residential customer in Washington using an average of 989 kilowatt hours per month would see an increase of 6.3 percent or \$4.94 per month, inclusive of the proposed Energy Recovery Mechanism (ERM) rebate, or about 16 cents a day, for a revised bill of \$83.91. Natural gas customers in Washington using an average of 68 therms per month would see an increase of 6.9 percent or \$4.23, or about 14 cents a day, for a revised monthly bill of \$65.78.

Avista proposed an overall net electric rate increase of 5.9 percent, which is composed of a billed rate increase of 8.8 percent to produce \$41 million in additional electric revenue, offset by a proposed one-year Energy Recovery Mechanism bill decrease (rebate to customers) of 2.9 percent, or \$13.6 million.

The Energy Recovery Mechanism is designed to recover, or rebate to customers, changes in certain power supply costs that are above or below the amount included in Washington base customer rates. The major portion of an Avista electric customer's bill, about 60 percent, is the cost of generating or purchasing electricity to meet customer needs. These costs may fluctuate up or down, and the ERM is designed to track the variability in these costs. Power supply costs were lower in 2011, due to factors such as declining natural gas prices and favorable hydroelectric conditions. The remaining 40 percent of a customer's bill covers the cost of delivering the electricity -- the equipment and people needed to provide safe, reliable service.

Avista has also requested a \$10.1 million increase in natural gas revenues, or a 6.8 percent overall increase. The electric and natural gas filings reflect a proposed rate of return on rate base of 8.25 percent with a common equity ratio of 48.4 percent and a 10.9 percent return on equity.

### Costs continue to rise

Avista is charged with maintaining and updating its generation, transmission and delivery system in order to provide safe, reliable energy to customers. Capital investments required to assure the ongoing delivery of reliable energy, along with rising operations and maintenance costs, continue to drive the need for additional revenue. In 2011, utility capital expenditures were \$240 million and the company expects to invest approximately \$260 million in 2012.

"We need to invest approximately \$250 million each year for the next three to five years to continue updating and maintaining our system to serve our customers' energy needs," said Morris. "When we replace or update old equipment with new equipment and technology, it costs many times more than when it was installed. This was the primary reason for the proposed increase in our last request and it is expected to continue to cause a need for increased rates in the future."

"We realize in these difficult economic times it can be a struggle for people to meet their basic needs, and we continually strive to reduce costs and improve efficiency and productivity," said Morris. "Unregulated businesses have the opportunity to shut down aging facilities or under-producing retail outlets and eliminate product lines. Avista has an obligation to serve every customer who requests it with safe, reliable service while still complying with state and federal requirements, even when it costs more to do so."

### Assisting customers most in need

Included in the filings is a proposal to help ease the burden of the increase on low-income customers with increased funding for Avista's energy assistance programs.

"We recognize that our proposed rate increases will result in energy bills that will be more difficult for some of our customers to pay,"

said Morris. "We are proposing to increase low-income energy assistance funding for electric and natural gas service by the same amount of the rate increase that the Commission approves."

Avista 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).

#### **Timing of cost recovery and executive salaries**

As part of the requests, Avista has asked the Commission to address the delay between the time costs are incurred and when customers' rates are reviewed and approved by the Commission.

The Commission is charged with setting rates that are fair, just, and reasonable for customers, while allowing Avista the reasonable opportunity to earn a fair return for shareholders in order to continue delivering safe, reliable energy. In recent years the company has consistently earned below the rate of return determined to be reasonable and fair by the Commission. As costs continue to rise each year, the money collected from customers is not sufficient to cover both the true cost of providing service to customers and a reasonable opportunity to earn a fair return.

Avista has also proposed that the amount of executive salaries and incentives included in rates remain at their 2011 levels. Approximately 25% of total officer salary and incentives is included in Washington retail rates, which makes up less than 1/2 a penny of every dollar customers pay in rates. The remaining portion of officer salaries and incentives are not charged to Washington customers through rates.

Additional information about the rate request as well as links to video and photos are available at [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 360,000 customers and natural gas to 321,000 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 Ecova, an energy and sustainability management company with more than 500 multi-site commercial and utility customers, representing more than 450,000 sites. 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, 2011.

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