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CASE NO. AVU-G-06-04

CUSTOMER NOTICE AND

PRESS RELEASE

Avista proposes 4.6% increase in natural gas prices effective Nov. 1

Important Notice for Idaho Natural Gas Customers

On Sept 14, Avista filed with the Idaho Public Utilities Commission (IPUC) two requests to increase natural gas rates by an average of 4.6% to be effective Nov. 1, 2006. The first request is a purchased gas cost adjustment (PGA) that is filed annually to reflect changes in the cost of gas purchased by Avista to serve customers. The PGA increase will result in an average increase of 3.2 % and generate additional annual revenue of approximately $2.7 million. Any increases or decreases resulting from these PGA filings directly result from the cost of gas purchased in the marketplace. The second request is to increase the rates charged to fund natural gas conservation programs. This request would result in an average increase of 1.4% and would generate an additional $1.1 million per year to fund these programs. Avista Utilities makes no additional profits from these rate changes.

The proposed increase of 3.2% for the PGA reflects a continued increase in the wholesale price of natural gas during the past year. The price for natural gas fluctuates daily based on supply and demand, similar to the price for crude oil. In fact, the price for natural gas has followed a similar upward trend as oil prices over the past few years. While the price of natural gas has fallen from the post-hurricane levels during late-2005, the average cost of gas purchased for this next year is higher than the average cost of gas purchased during this past year.

Regarding the request to increase the rates to fund conservation programs, Avista has had a natural gas rate surcharge in place since 2001 to fund these programs. The surcharge provides for partial financial reimbursement to customers who install certain conservation

[Continued on reverse.]

September/October 2006

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www.avistautilities.com

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measures and use less natural gas as a result. With the increase in the cost of natural gas over the past several years, there has been a substantial increase in the installation of conservation measures and the need for additional funding to support these programs.

If the proposed increases are approved by the IPUC, a residential or small commercial customer using an average of 65 therms per month can expect to see an average increase of $3.48 per month, or about 4.3 percent. The bill for 65 therms would increase from a present amount of $80.43 to $83.91. Larger commercial and industrial customers served under Schedules 111 and 121 can expect to see an average increase of 4.7% and 5.0% respectively. The higher increase percentages for larger commercial and industrial customers are due to lower base rates.

These requests are subject to review by the public and the IPUC. A final decision on the requests will be issued by the IPUC on or before Nov. 1. A copy of these requests are available for review in Avista's local offices and at the office of the IPUC.

Ways to save on your energy bill

Take time to check to ensure that your home is properly sealed and insulated. Check the caulking around your windows and door frames. Also check the insulation in your attic. A well-insulated residence will keep the heat from escaping and can save in heating costs. Avista has partial rebate programs for the cost of additional insulation and other weatherization measures.

If you are not already on Comfort Level Billing, consider applying for this service. Comfort Level Billing averages your annual bill into equal monthly payments.

For information on conservation tips and rebates, energy assistance programs, and bill payment plans, visit our Web site at www.avistautilities.com or call us at 1-800-227-9187.

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AVISTA

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

Avista Requests Natural Gas and Electric Price Adjustments in Idaho

SPOKANE, Wash. – Sept. 14, 2006, 1:30 p.m. PDT: Avista (**NYSE:AVA**) today filed two requests with the Idaho Public Utilities Commission (IPUC) to increase natural gas rates and two requests to adjust electric rates. Avista requested a Nov. 1, 2006, effective date for all rate changes.

In its natural gas filings, Avista requested an annual purchased gas cost adjustment (PGA) increase of 3.2 percent, or $2.7 million in annual revenues. Also filed was a request to increase the rate charged to fund natural gas conservation programs, resulting in an average increase of 1.4 percent and generating an additional $1.1 million per year to fund these important programs. Avista Utilities would make no additional profits from either of these requested rate changes.

PGAs are filed each year to reflect changes in the cost of natural gas purchased by the company to serve its customers. Avista's requested PGA reflects a continued increase in the wholesale price of natural gas during the past year. While the price of natural gas has fallen from the post-hurricane levels during late-2005, the average cost of gas for this next year is higher than the average cost of gas during the past year. As a gas distribution company, Avista passes through directly, without markup, changes in natural gas commodity prices to consumers.

The second requested natural gas rate adjustment is to provide additional funding for Avista's conservation programs to serve increasing customer participation. The program, in place since 2001, provides for partial financial reimbursement to customers who install certain conservation measures and use less natural gas as a result. To date, the program has saved 4.5 million annual therms of natural gas, that's enough natural gas to supply 5,300 homes for a year.

If both requests are approved by the IPUC, a residential or small commercial natural gas customer using an average of 65 therms per month can expect to see an average increase of $3.48 per month, or about 4.3 percent, for a total monthly bill of $83.91. Larger commercial and industrial customers can expect to see an average increase of 4.7 percent and 5.0 percent respectively. The higher increase percentages for larger commercial and industrial customers are due to lower base rates.

In its electric filings, Avista has requested the IPUC to increase the credit used to pass through benefits from the Bonneville Power Administration (BPA) Residential Exchange Program. The BPA program provides residential and small farm customers in the Northwest a share of the benefits associated with federal hydroelectric projects. The result to customers is a proposed 0.75 percent decrease in electric rates or a monthly reduction of $0.47 for a residential customer using 1,000 kilowatt-hours.

Avista has also filed a request to sunset the 1.45 percent or $0.91 per month credit that residential customers have been receiving from the company's May 2000 sale of the Centralia Power Plant located near Centralia, Wash. The customer portion of the gain is expected to be fully refunded to customers by Nov. 1, 2006. The total benefit to customers over the last six years has been $15.1 million.

If both electric requests are approved by the IPUC, a residential electric customer in Idaho using 1,000 kilowatt-hours per month can expect to see a $0.44 or 0.70 percent increase per month for a total monthly bill of $63.35.

"Avista continues to offer a number of programs to assist both our electric and natural gas customers in managing their energy bills," said Scott Morris, Avista Corp president and chief operating officer and president of Avista Utilities. "I encourage our customers to visit www.avistautilities.com or call us at (800) 227-9187 for information on Avista's energy assistance programs, conservation tips and bill payment plans."

Avista is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides service to 339,000 electric and 298,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Avista Advantage and Avista Energy. Avista Corp.'s 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, including statements regarding expected rates and costs for electricity and natural gas. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control, and many of which could have a significant impact on the company's operations, results of operations and financial condition, and could cause actual results to differ materially from those anticipated.

For a further discussion of these factors and other important factors, please refer to the company's Annual Report on Form 10-K for the year ended Dec. 31, 2005 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. The forward-looking statements contained in this news release speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

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Avista Utilities
State of Idaho
Proposed DSM Rate Increase - Schedule 191
Effective November 1, 2006

	101	111/112	121/122	131/132	Total
Base Revenue(1)	$ 63,862,495	$ 15,743,530	$ 2,173,868	$ 455,580	$ 82,235,473
Base Therm Sales(1)	54,162,813	15,081,111	2,187,213	523,543	71,954,680
DSM Revenue @ 1.75%	$ 1,117,594	$ 275,512	$ 38,043	$ 7,973	**$ 1,439,121**
Proposed Rate/Therm	$ 0.02063	$ 0.01827	$ 0.01739	$ 0.01523	
Less: Pres. Rate/Therm(3)	$ 0.00426	$ 0.00373	$ 0.00354	$ 0.00294	
Increase Rate/Therm	$ 0.01637	$ 0.01454	$ 0.01385	$ 0.01229	
Present DSM Revenue	$ 230,734	$ 56,253	$ 7,743	$ 1,539	$ 296,268
Increase in Revenue	$ 886,860	$ 219,259	$ 30,300	$ 6,433	$ 1,142,853
Incr. as a % of Base Rev.	1.39%	1.39%	1.39%	1.41%	1.39%
Recovery of Projected '06 Deficiency Balance - Years(2)					1.7

(1) 2005 normalized bill determinants and revenue excluding temporary adjustments (Sch. 155 & 191)
(2) Annual revenue would cover est. annual expenditures of $702,020 & contribute to est. deficiency balance of $1,229,895