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Press Release

August 15, 2008

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# Avista Files for Annual Adjustment to Natural Gas Rates for Customers in Idaho

**SPOKANE, Wash. – Aug. 18, 2008**: Avista (**NYSE:AVA**) has filed a purchased gas cost adjustment (PGA) with the Idaho Public Utilities Commission (IPUC) requesting an overall increase in natural gas rates of 14.2 percent or $11.6 million in annual revenues. The annual PGA filing passes through changes in the cost of natural gas the company acquires to serve customers, and it does not increase company profits.

If the filing is approved by the IPUC, a residential customer using an average of 65 therms per month could expect to see a $10.44 increase for a revised total monthly bill of $85.58 effective Oct. 1, 2008. The actual increase will vary based on customer usage. About 75 percent of an average residential customer's monthly bill is the cost of natural gas and pipeline transportation, with the remaining 25 percent made up of Avista's fixed costs to provide natural gas service over its distribution system.

Avista serves approximately 72,000 gas customers in Idaho.

"Many factors have contributed to the volatility of natural gas prices, making this an especially challenging year for Avista as we purchase the commodity to serve our customers during the 2008-2009 heating season," said Kevin Christie, director of natural gas supply for Avista. "This spring and summer natural gas prices soared to levels not seen since Hurricanes Rita and Katrina. Although natural gas prices decreased about 30 percent in August, prices remain above levels at this time a year ago."

Christie also noted that an unusually long, cold spring depleted storage reserves across the country, natural gas imports from Canada to the U.S. are declining, and international demand has lured liquefied natural gas (LNG) away from the U.S., putting pressure on natural gas prices. Higher crude oil prices have also put upward pressure on natural gas prices. Pricing for both of those energy commodities tend to be correlated.

Avista follows a structured natural gas purchasing plan that allows for flexibility based on market prices and conditions. Currently, about 67 percent of estimated customer demand for the upcoming year is either pre-purchased or placed in storage. This year Avista has increased its underground Jackson Prairie storage capacity from 11 percent to 21 percent of expected annual demand requirements. Storage is a valuable asset that allows Avista to purchase lower-cost gas during the spring and summer months and store it for use during the heating season when wholesale gas prices are typically highest. However, prices for natural gas during this year's spring and summer time period are higher than in prior years.

Avista offers a number of billing options, energy efficiency programs, incentives and rebates to help customers proactively manage their natural gas consumption. Information on Avista's energy efficiency offerings and no-cost conservation information is available at www.everylittlebit.com. In addition, Avista's Comfort Level Billing option gives customers the opportunity to smooth seasonal energy bill highs and lows by averaging energy bills over 12 months.

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 service to 352,000 electric and 311,000 natural gas customers in three Western states. 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. Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation. All other trademarks mentioned in this document are the property of their respective owners.

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, 2007, and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

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