



News Release

Utilities Vow to Seek Restoration of Customers' Federal Power Benefits

Court's Rulings Cause Suspension of Bill Credits for Majority of Northwest Consumers

PORTLAND, Ore.--(BUSINESS WIRE)--May 21, 2007--The Pacific Northwest's seven shareholder-owned electric utilities, together serving 60 percent of the region's population, said they will fight to restore their customers' federal power benefits after being notified earlier today by the Bonneville Power Administration (BPA) that a recent federal court ruling is forcing suspension of those benefits.

BPA told the utilities this morning it is immediately suspending monthly payments to them of approximately \$25 million, or about \$300 million annually. The utilities -- Portland General Electric, Pacific Power, Rocky Mountain Power, Avista, Puget Sound Energy, Idaho Power, and NorthWestern Energy -- have for nearly 30 years directly passed through BPA's federal power benefits as credits on the electricity bills of their residential and small-farm customers. The payments, made under agreements between BPA and the seven utilities, represent the 3.35 million utility customers' share of power-cost benefits from the Northwest's federal hydropower system.

"We very much regret that it is necessary for us to suspend payments at this time, since we understand that this will rapidly result in large and, for some, severe rate consequences for your residential and small farm customers," said Mark O. Gendron, BPA vice president of Requirements Marketing, in a letter to the utilities.

"We believe the Court's decisions on the settlements are in error," Gendron said, "and we are exploring all potential viable avenues for rehearing, including by the full Court if possible."

A three-judge panel of the 9th U.S. Circuit Court of Appeals on May 3 ruled that certain actions BPA took in entering into settlement agreements with the affected utilities are inconsistent with the Northwest Power Act. That law requires BPA to give household and small-farm customers served by private utilities an equitable share of the Northwest's federal power benefits.

None of the BPA's credit payments goes to the utilities' shareholders; 100 percent of the benefits, under the law, are passed through to the utilities' customers.

The affected utilities today defended their agreements with BPA, saying the court's rulings are flawed. Even under the settlement agreements now in question, customers of the affected utilities, who make up 60 percent of the Northwest's population, receive less than 15 percent of the regionwide consumer savings provided by the Northwest's low-cost federal hydropower.

The 9th Circuit Court's decision and the BPA's subsequent suspension of its credit payments mean a majority of the Northwest's population, for the time being at least, will receive none of the power-cost benefits the region derives from its low-cost federal hydropower system. Those benefits currently are estimated at more than \$2 billion annually.

Because the payments that fund the BPA credit are no longer being made, the seven utilities each will soon file with state utility commissions requesting that the BPA credit be suspended on their customers' bills. (The effect of the credit's suspension on each utility's customers is listed below.)

The utilities said they will pursue all available options necessary -- judicial, administrative, or legislative -- to restore their customers' federal power benefits. Their initial move, they said, will be to seek a 9th Circuit Court of Appeals rehearing of the May 3 decisions. Discussions also are under way with members of the Northwest's congressional delegation to inform them of the credit suspension's impacts on customers and to begin exploring potential legislative action to address the sudden change.

Effect of the credit's suspension on the typical residential customer's monthly bill (based on average residential electricity usage, in parentheses):

- Avista Utilities (Idaho) 9.5 % / \$6.03 (@ 1,000 kwh / mo.)
- Avista Utilities (Washington) 11.3 % / \$6.69 (@ 1,000 kwh / mo.)
- Idaho Power (Idaho)..... 9.3 % / \$5.35 (@ 1,050 kwh / mo.)
- Idaho Power (Oregon)..... 6.2 % / \$6.54 (@ 1,230 kwh / mo.)
- NorthWestern Energy 1.5 % / \$1.13 (@ 750 kwh / mo.)
- Pacific Power (Oregon) 13.1 % / \$9.62 (@ 1,000 kwh / mo.)
- Pacific Power (Washington)..... 16.8 % / \$11.49 (@ 1,300 kwh / mo.)
- Portland General Electric 13.9 % / \$10.66 (@ 900 kwh / mo.)
- Puget Sound Energy..... 13.2 % / \$10.28 (@ 1,000 kwh / mo.)
- Rocky Mountain Power (Idaho) 25.3 % / \$16.76 (@ 1,000 kwh / mo.)

Utility leaders' quotes on suspension of the settlement payments:

- "Our customers have a right to a fair share of the benefits of the Northwest hydro system. The court's action has taken that away. We all need to come to the table immediately to preserve the value of the system for all Northwest residents." -- Peggy Fowler, CEO and president, Portland General Electric Company
- "It's a simple question of equity for all Northwest electric consumers. Until this can be resolved, we are in the obviously flawed situation in Oregon, for example, of having benefits from the federal power system flowing entirely to just the 25 percent of electric consumers who happen to be served by

municipal and consumer-owned entities in the state." -- Pat Reiten, president, Pacific Power

- "It is clearly against the intent of federal law to have our customers completely shut out of any benefits from the federal power system, when those benefits were intended to be shared throughout the Northwest. We will be aggressively working with others in the region to resolve this and restore benefits to our Idaho customers as quickly as possible." -- Rich Walje, president, Rocky Mountain Power
- "This decision is patently unfair to our customers. The federal hydro system belongs to every citizen in our region, and Congress decreed that everyone would share in its benefits. We will fight to have our customers' benefits restored, whether it's through a challenge of the court's decision, working closely with the Bonneville Power Administration, or ultimately, by a legislative change in the Northwest Power Act." -- Scott Morris, president and chief operating officer, Avista Corp.
- "Lawyers can argue over the Northwest Power Act's finer points, but at the end of the day, this is a simple question of fairness. All Northwest citizens share ownership of our federal hydro system. It makes no more sense to deny a majority of them a fair share of the region's federal power benefits than it would to deny them the benefits of our public roads or schools." -- Steve Reynolds, chairman, president and CEO, Puget SoundEnergy
- "We are very disappointed in the decision by the court and will work to restore our customer's previous share of benefits that were being passed through from BPA. We believe that residential and small farm customers served by the Northwest's Investor Owned Utilities are entitled to a fair share of the benefits of the Federal Columbia Power System and hope that we will be able to work with BPA and other customer groups to achieve this." -- LaMont Keen, president and chief executive officer, Idaho Power Company

About Avista Corp.

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 a company operating division that provides service to 346,000 electric and 306,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Advantage IQ and Avista Energy. Avista Corp.'s 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, 2006, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

About PacifiCorp (Pacific Power and Rocky Mountain Power)

PacifiCorp is one of the lowest-cost electricity producers in the U.S., providing approximately 1.7 million customers with reliable, efficient energy. The company works to meet growing energy demand while protecting and enhancing the environment. PacifiCorp operates as Pacific Power in Oregon, Washington and California, and as Rocky Mountain Power in Utah, Wyoming and Idaho. Visit our Web site at pacificpower.net or rockymtnpower.net.

About Portland General Electric Company

Portland General Electric, headquartered in Portland, Ore., is a fully integrated electric utility that serves approximately 796,000 residential, commercial and industrial customers in Oregon. Visit our Web site at www.PortlandGeneral.com.

About Puget Sound Energy

Washington state's oldest and largest energy utility, with a 6,000-square-mile service area stretching across 11 counties, Puget Sound Energy (PSE) serves more than 1 million electric customers and 718,000 natural gas customers, primarily in Western Washington. PSE meets the energy needs of its growing customer base through incremental, cost-effective energy efficiency, low-cost procurement of sustainable energy resources, and far-sighted investment in the energy-delivery infrastructure. For more information visit pse.com.

CONTACT: Avista

Hugh Imhof, 509-495-4264

or

Idaho Power

Dennis Lopez, 208-388-2464

or

NorthWestern Energy

Claudia Rapkoch, 866-622-8081

or

Pacific Power

Jan Mitchell, 503-813-7281

or

Portland General Electric

Steve Corson, 503-464-8444

or

Puget Sound Energy

Martha Monfried, 888-831-7250

or

Rocky Mountain Power

David Eskelsen, 800-775-7950

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