

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 26, 2000

AVISTA CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Washington

1-3701

91-0462470

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(Commission  
File Number)

-----  
(I.R.S. Employer  
Identification No.)

1411 East Mission Avenue, Spokane, Washington

99202-2600

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(Address of principal executive offices)

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(Zip Code)

Registrant's telephone number, including area code:  
Web site: <http://www.avistacorp.com>

509-489-0500

(Former name or former address, if changed since last report)

## ITEM 5. OTHER INFORMATION

A copy of the press release reporting second quarter 2000 earnings is attached hereto as Exhibit 99 and is incorporated herein by reference. Neither the filing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to the Company's Internet address shall, under any circumstances, be deemed to incorporate the information available at such Internet address into this Current Report. The information available at the Company's Internet address is not part of this Current Report or any other report filed by the Company with the Securities and Exchange Commission.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVISTA CORPORATION

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(Registrant)

Date: July 31, 2000

/s/ Jon E. Eliassen  
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Jon E. Eliassen  
Senior Vice President and  
Chief Financial Officer  
(Principal Accounting and  
Financial Officer)

[AVISTA LOGO]

## NEWS RELEASE

CONTACT: Media: Laurine Jue (509) 495-2510 ljue@avistacorp.com  
 Investors: Dave Brukardt (509) 495-2833 dbrukardt@avistacorp.com

FOR IMMEDIATE RELEASE:  
 July 26, 2000  
 4:07 p.m. EDT

AVISTA CORP. REPORTS SECOND QUARTER EARNINGS  
 UTILITY SIGNS ADVISORY SERVICES AGREEMENT WITH WILLIAMS COMPANIES  
 NON-UTILITY BUSINESSES CONTINUE TO GROW

SPOKANE, WASH.: Avista Corp. (NYSE:AVA) today reported second quarter 2000 revenues of \$1.4 billion and a loss for the quarter of \$22.1 million or \$0.47 per share. The loss was greater than anticipated due to spikes in pricing at the end of June which drove average monthly prices up to \$182 per megawatt hour from the \$120 per megawatt hour that was anticipated in the company's June 21 estimate, plus a partial accrual of third-quarter losses previously announced.

The company's business segments reported the following results comprising the 47 cents per share loss:

Avista Utilities (loss).....	(\$1.33)
Avista Energy.....	\$1.00
Information & Technology (loss).....	(\$0.13)
Avista Ventures (loss).....	(\$0.01)

Avista Utilities' performance was impacted by higher purchased power costs for the second quarter, which led to gross margin being \$126 million lower than expected. This is greater than the estimated \$90 million previously reported. The additional costs were due to a number of factors including exposure to index prices and index prices that were much higher than originally estimated, unusually hot weather and major unexpected industry plant outages during the last week of June (25 cents per share), and an accrual of \$16 million (22 cents per share) of the previously announced \$50 million expected third-quarter costs. For the full-year, Avista Utilities now anticipates a total of \$160 million in excess purchased power costs, up from the \$140 million previously estimated.

T.M. "Tom" Matthews, Avista Corp. chairman, president and chief executive officer said, "We have taken the necessary steps to address the issues that led to this situation and with favorable rate relief we believe this problem will be limited to the year 2000. The fundamentals of power pricing in this region of the country have changed as a result of various factors including the restructuring of the electric utility business in California, shortage of generating capacity in the Northwest, and reductions in hydro generation. Therefore, we've changed our approach to the utility business."

Avista Corp. has hired Williams Energy Marketing & Trading Company to advise Avista Utilities on risk management, risk analysis and resource optimization issues for all system requirements. The advisory services agreement is effective Aug. 1, 2000 through June 30, 2002. Avista will also explore the possibility for Williams to provide additional services in the near-term.

Avista Utilities is eliminating its short-term utility wholesale commodity sales and trading activities that are not related to optimizing system resources used for retail sales. The utility is also assessing alternatives to meet

future energy requirements based on a mix of existing resources, new generating projects and contracts which lock in supply and price.

Avista completed its hearings before the Washington state regulators on rate case filings requesting higher base rates and a power cost adjustment mechanism and awaits a decision by Sept. 30. Avista has also filed for an accounting order that would permit Avista Utilities to defer, for later recovery, the excess purchased power costs after July 1, 2000, to the extent incurred to meet retail loads. A decision is expected in early- to mid-August.

Avista Energy earned \$47.8 million after taxes, or \$1.00 per share, during the second quarter. This in part reflects Avista Energy's business in California which helped offset some of the losses in the utility business in the Pacific Northwest.

"Despite the utility financial results of the second quarter, Avista Energy is performing well in their market and our growth businesses in telecom, Internet and technology continue to meet significant milestones. We remain committed to our overall strategy for growth in these dynamic growth sectors," Matthews said.

Avista Advantage has achieved the 50,000 committed sites milestone. Four patents were issued by the U.S. Patent and Trademark office which protect features of Avista Advantage's two critical e-commerce business systems. Avista Advantage has added four new members to its executive management team and consolidated its operations in a new state-of-the-art global operations center. Avista Advantage continues to work with Goldman Sachs to determine the market timing of strategic options.

Avista Labs is working with Merrill Lynch to evaluate strategic options as Avista Labs pioneers the development and commercialization of an integrated, modular Proton Exchange Membrane (PEM) fuel cell power system. Avista Labs expects to have its integrated Avista / UOP units in field tests before the end of the year along with their existing fuel cell units already in trials.

Avista Communications announced a four-year strategic agreement with Lucent Technologies for purchase of Lucent 5ESS(R) switches in existing and new markets, and is moving into its sixth cluster market. The \$25 million contract with Lucent enables Avista Communications to offer a broad array of voice and data service to its customers in Washington, Idaho, Montana and California.

Avista Corp. is an energy, information and technology company with utility and subsidiary operations located throughout North America. Avista Corp.'s portfolio of businesses is focused on delivering superior products and providing innovative solutions to business and residential customers throughout the United States and Canada.

Avista Corp. also operates Avista Capital, which owns all the company's non-regulated energy and non-energy businesses. Avista Capital companies include Avista Energy, Avista Energy Canada, Ltd., Avista Power, Avista Advantage, Avista Labs, Avista Fiber, Avista Communications, Avista Development and Pentzer Corporation. Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista Corp. and its affiliate businesses, visit the corporate website at [www.avistacorp.com](http://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. These statements are subject to a variety of risks and uncertainties that 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, 1999, and Form 10-Q for the quarter ended March 31, 2000.

(NOTE: Attached is a chart showing the Dow Jones Mid-Columbia daily index prices for the period January 1999 through July 2000. The graphic is located at <http://www.avistacorp.com/investor/charts/q2-2000earningschart.asp>)

AVISTA CORPORATION  
 CONSOLIDATED COMPARATIVE STATEMENTS OF INCOME (UNAUDITED)  
 (Dollars in Thousands except Per Share Amounts)

	2ND QUARTER		YEAR-TO-DATE JUNE	
	2000	1999	2000	1999
OPERATING REVENUES	\$1,353,414	\$1,411,736	\$2,735,387	\$2,647,931
OPERATING EXPENSES:				
Resource costs	1,271,295	1,297,210	2,529,956	2,385,263
Operations and maintenance	24,676	37,053	52,101	90,006
Administrative and general	35,040	28,936	59,747	59,448
Depreciation and amortization	18,832	19,223	37,982	38,297
Taxes other than income taxes	12,356	11,934	28,466	27,030
Accrued losses on wholesale sales	16,000	--	16,000	--
Exit costs - Avista Energy's Eastern energy business (Note 1)	2,958	--	7,865	--
Restructuring charges - Pentzer (Note 2)	--	--	1,940	--
Total operating expenses	1,381,157	1,394,356	2,734,057	2,600,044
INCOME FROM OPERATIONS	(27,743)	17,380	1,330	47,887
OTHER INCOME (EXPENSE):				
Interest expense	(15,230)	(15,006)	(29,966)	(31,758)
Net gain on subsidiary transactions	729	(884)	821	15,594
Other - net	15,381	7,504	18,650	8,960
Total other income (expense) - net	880	(8,386)	(10,495)	(7,204)
INCOME BEFORE INCOME TAXES	(26,863)	8,994	(9,165)	40,683
INCOME TAXES	(5,370)	485	1,803	12,786
NET INCOME	(21,493)	8,509	(10,968)	27,897
DEDUCT - Preferred stock dividend requirements (Note 3)	608	5,384	22,518	10,767
INCOME AVAILABLE FOR COMMON STOCK	\$ (22,101)	\$ 3,125	\$ (33,486)	\$ 17,130
Average common shares outstanding (thousands), Basic	47,113	40,185	44,205	40,319
EARNINGS PER COMMON SHARE, BASIC	\$(0.47)	\$0.08	\$(0.76)	\$0.42
EARNINGS PER COMMON SHARE, DILUTED (Note 3)	\$(0.47)	\$0.08	\$(0.76)	\$0.42
DIVIDENDS PER SHARE OF COMMON STOCK	\$0.12	\$0.12	\$0.24	\$0.24
SUPPLEMENTAL INFORMATION				
NET INCOME BY BUSINESS SEGMENT:				
Avista Utilities	\$(62,037)	\$21,284	\$(42,181)	\$40,733
Energy Trading and Marketing (Avista Energy, Avista Power)	\$47,300	\$(10,676)	\$43,762	\$(18,012)
Information & Technology (Avista Advantage, Avista Labs, Avista Communications)	\$(6,248)	\$(1,324)	\$(11,912)	\$(2,579)
Avista Ventures (Pentzer and others)	\$(508)	\$(775)	\$(637)	\$7,755

Note 1. Reflects charges related to Avista Energy's sale of the Eastern power book, the closing of its office in Houston, completed in the first quarter, and further downsizing at the Boston office, which was closed in the second quarter.

Note 2. Reflects charges related to restructuring of Pentzer Corporation's operations.

Note 3. In February 2000, the Company converted all remaining outstanding shares of Series L Preferred Stock back into common stock, which resulted in a one-time charge of \$21.3 million to preferred stock dividend requirements. Excluding the effects of this transaction, earnings per share would have been \$(0.28) for the six months ended June 30, 2000.

AVISTA CORPORATION  
FINANCIAL AND OPERATING HIGHLIGHTS  
(Dollars in Thousands)

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2000	1999	2000	1999
<b>AVISTA UTILITIES</b>				
Retail electric revenues	\$ 91,110	\$ 86,128	\$ 199,390	\$ 190,528
Retail KWh sales (in millions)	1,860,779	1,866,142	4,078,492	4,056,972
Retail electric customers at end of period	308,362	304,997	308,362	304,997
Wholesale electric revenues	\$ 190,892	\$ 91,898	\$ 300,557	\$ 183,075
Wholesale KWh sales (in millions)	5,220,848	4,530,440	9,464,437	8,745,628
Other electric revenues	\$ 5,396	\$ 4,345	\$ 11,189	\$ 8,713
Total natural gas revenues	\$ 31,385	\$ 38,720	\$ 106,189	\$ 105,561
Total therm sales (in thousands)	107,352	148,982	314,221	366,705
Total natural gas customers at end of period	271,876	264,656	271,876	264,656
<b>ENERGY TRADING AND MARKETING (AVISTA ENERGY, AVISTA POWER)</b>				
Revenues	\$ 1,043,467	\$ 1,160,326	\$ 2,149,655	\$ 2,079,390
Electric sales (thousands of MWhs)	22,604	23,193	52,338	41,110
Natural gas sales (thousands of dekatherms)	51,333	252,113	124,590	467,418
Coal sales (tons)	748,810	351,676	1,860,095	612,535
<b>INFORMATION AND TECHNOLOGY</b>				
<b>Avista Advantage</b>				
Revenues	\$ 1,049	\$ 295	\$ 1,964	\$ 631
Operating Income (pre-tax)	\$ (3,562)	\$ (897)	\$ (6,362)	\$ (1,804)
Net Income	\$ (2,437)	\$ (625)	\$ (4,323)	\$ (1,294)
<b>Avista Labs</b>				
Revenues	\$ 187	\$ 130	\$ 533	\$ 130
Operating Income (pre-tax)	\$ (2,109)	\$ (475)	\$ (4,377)	\$ (1,149)
Net Income	\$ (1,441)	\$ (300)	\$ (2,989)	\$ (738)
<b>Avista Communications</b>				
Revenues	\$ 992	\$ 464	\$ 2,021	\$ 823
Operating Income (pre-tax)	\$ (3,257)	\$ (702)	\$ (6,451)	\$ (892)
Net Income	\$ (2,370)	\$ (399)	\$ (4,600)	\$ (547)
<b>AVISTA VENTURES (PENTZER AND OTHERS)</b>				
Revenues	\$ 8,660	\$ 29,785	\$ 15,774	\$ 80,063

The revenues by business segment do not total to the amounts reported on the Consolidated Comparative Statements of Income due to intersegment eliminations.