



Avista Corp. Reports Q4 2002, Year-End Earnings

January 30, 2003

SPOKANE, Wash., Jan. 30 /PRNewswire-FirstCall/ -- Avista Corp. (NYSE: AVA) today reported fourth-quarter 2002 consolidated revenues of \$265.3 million and net income available for common stock of \$10.9 million, or earnings of \$0.23 per diluted share. For the equivalent quarter last year, Avista reported revenues of \$318.2 million and a net loss of \$8.3 million, or a loss of \$0.17 per share.

(Photo: <http://www.newscom.com/cgi-bin/prnh/19990629/AVALOGO>)

For the year 2002, consolidated revenues were \$980.4 million and Avista's net income available for common stock was \$28.9 million, or \$0.60 per diluted share. This compares with 2001 revenues of \$1.4 billion and net income of \$9.7 million, or \$0.20 per diluted share. In accordance with generally accepted accounting principles, revenues for Avista Energy are presented on a net basis instead of gross revenues and resource expense. This change in accounting results in reduced operating revenues and resource costs, but has no impact on Avista's net income or financial condition. All historical financial information has been restated for comparability, as required by the Financial Accounting Standards Board.

The company's business segments reported the following fourth-quarter and full-year performance:

Business Segments:	Q4 2002	FY 2002
Avista Utilities	\$0.23	\$0.71
Energy Trading & Marketing	\$0.06	\$0.47
Information & Technology	(\$0.04)	(\$0.25)
Other	(\$0.04)	(\$0.26)
SUBTOTAL (continuing operations)	\$0.21	\$0.67
Avista Communications (discontinued operations)	\$0.02	\$0.02
SUBTOTAL (before cumulative effect of accounting change)	\$0.23	\$0.69
Cumulative effect of accounting change*	----	(\$0.09)
TOTAL -- diluted EPS	\$0.23	\$0.60

- With the adoption of a new accounting standard related to goodwill, Avista took a \$4.1 million after-tax impairment in Q1 2002 related to an Avista Ventures subsidiary, resulting in a charge of \$0.09 per share.

"Avista recorded substantial progress this past year in its strategy to restore the company's focus on the basics," said Gary G. Ely, Avista Corp. chairman, president and chief executive officer. "Our two principal energy businesses operated profitably, generating solid cash flows. We took advantage of those cash flows to repurchase \$204 million of debt -- reducing future interest expense -- achieving a debt-to-equity ratio of approximately 55 percent, better than the average for the nation's utilities, and receiving an upgrade in our credit outlook to stable from Standard & Poor's. With the resolution of an important rate case in the state of Washington, we put in place a mechanism that will enhance the predictability of future earnings. Finally, we made significant progress in resolving the Federal Energy Regulatory Commission investigation of Avista's trading practices.

"We enter 2003 with a commitment to a continued, disciplined focus on getting Avista back to basics," Ely continued. "We intend to concentrate on delivering reliable, low-cost energy, generating enhanced cash flows and continuing our cost-containment measures. We do so mindful of the challenges presented by an uncertain economy and equally uncertain weather conditions."

Regulatory Update

During the fourth quarter, as previously reported, the Federal Energy Regulatory Commission (FERC) staff and Avista filed a joint motion to suspend the procedural schedule and announced that the company and FERC staff had reached an agreement in principle to resolve FERC's investigation into Avista. The FERC trial staff's investigation found no evidence that Avista knowingly engaged in or facilitated any improper energy trading strategy, nor engaged in any efforts to manipulate the western energy markets during 2000 and 2001. The FERC staff found that Avista did not withhold relevant information in the prior inquiries and that Avista cooperated with FERC's investigation.

Chief Administrative Law Judge Curtis Wagner approved the motion to suspend the procedural schedule. Avista and the FERC staff soon expect to file a formal agreement in resolution with Judge Wagner which, if approved by the FERC, would resolve all issues in the investigation. The parties will request that Judge Wagner certify the agreement to the FERC for approval, following a 30-day comment period.

Avista Utilities

Avista Utilities' earnings increased in 2002 compared with 2001. Gross margin for Avista Utilities improved during the fourth-quarter and full-year 2002 compared with the same periods last year. This was a result of increased electric rates that were partially offset by an increase in other operating expenses. Full-year and fourth-quarter 2001 gross margin was reduced due to a one-time \$22 million write-off of deferred power costs. Interest expense was reduced during fourth-quarter 2002 due to the repurchase of high-cost debt throughout 2002.

Warmer-than-normal temperatures in the fourth quarter reduced electric loads by 3 percent compared to normal loads. Warm temperatures during the month of December resulted in 7 percent below-normal electric loads.

The most recent measurements show snowpack for the Clark Fork River basin is approximately 60 percent of normal, with projected runoff at 60 percent of normal for 2003. Approximately 80 percent of company-owned hydro generation is on the Clark Fork River. The Spokane River snowpack is 65 percent of normal and projected runoff is 68 percent of normal for 2003. These forecasts assume a trend toward normal precipitation through April 1, when the current snow accumulation season ends.

While Avista anticipates below-normal hydroelectric conditions as it enters 2003, due to drier- and warmer-than-normal weather, the company currently believes it has sufficient generating capacity to cover its load requirements and will choose the most appropriate cost-effective resources to meet its customer needs. Most of the higher costs that are incurred will be covered under the energy recovery mechanism in Washington and a similar power cost adjustment mechanism in Idaho which allow Avista to defer for later recovery 90 percent of the increased costs associated with these below-normal hydroelectric conditions.

The start-up date for the Coyote Springs 2 combined-cycle gas turbine plant located near Boardman, Ore., has been delayed until mid-2003. The transformer that was ordered to replace the original transformer that failed last May was damaged during shipment and has been returned to the manufacturer for repair. Avista has purchased replacement power and does not expect a material financial impact related to the delay.

Energy Trading & Marketing

During the fourth-quarter 2002, the company's unregulated energy trading and marketing business, Avista Energy, delivered its eleventh consecutive quarter of positive earnings.

Avista Energy's earnings in the quarter continued to be affected by several factors, including less volatility in the western wholesale energy markets and fewer creditworthy counter-parties now participating in the electric and natural gas wholesale trading markets.

"Avista Energy's profitable performance can be attributed to our asset-backed optimization of combustion turbines and hydro assets, long-term electric supply contracts, natural gas storage, and electric and natural gas transmission and transportation arrangements. What differentiates Avista Energy from most others in the industry is our team's experience and knowledge of western markets and the assets we optimize," said Ely.

Outlook and Earnings Guidance

Avista reaffirmed its 2003 consolidated corporate earnings outlook of between \$0.80 to \$1.00 per diluted share. This guidance is prior to any adjustments related to cumulative changes in accounting principles and includes a range of \$0.60 to \$0.80 for Avista Utilities, \$0.20 to \$0.30 for the Energy Trading & Marketing segment and a loss of between \$0.10 and \$0.15 for the Information & Technology businesses.

"There are several factors which could impact our ability to achieve these targets," said Chief Financial Officer and Senior Vice President Malyn K. Malquist. "We continue to see uncertainty and weakness in the wholesale energy markets. At Avista Utilities, we are concerned about the warm weather and lack of snowpack we've experienced so far this year. Like many companies, we also continue to address increasing pension and insurance expenses. We are focused on controlling costs and improving revenues to mitigate these potential negatives, and believe we are on course to meet our 2003 earnings target."

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 electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Energy and Avista Labs. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com.

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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, and 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, 2001, and the Quarterly Report on Form 10-Q for the quarters ended March 31, June 30, and Sept. 30, 2002.

NOTE: Avista Corp. will host an investor conference call on Jan. 30, 2003, at 10:30 a.m. EST (New York Time). To participate, call 712-257-0400 approximately five minutes in advance to ensure you are connected. The passcode is "Avista."

A replay of the conference call will be available beginning Jan. 30, at 3 p.m. EST through Sat., Feb. 1, at 11:30 a.m. EST. Call 402-998-1460 to listen to the replay.

A Webcast of this investor conference call will occur simultaneously. To register for the Webcast, please go to www.avistacorp.com

A Webcast replay will be available through 8 p.m. EST on Feb. 6, at www.avistacorp.com

The attached income statement and financial and operating highlights are an integral part of this earnings release.

(Dollars in Thousands except Per Share Amounts)

	Fourth Quarter		Year Ended	
	2002	2001	December 31,	2001
	2002	2001	2002	2001
OPERATING REVENUES (Note 1)	\$265,275	\$318,210	\$980,446	\$1,395,313
OPERATING EXPENSES:				
Resource costs (Note 1)	128,509	215,399	453,525	849,996
Operations and maintenance	31,506	30,806	122,920	125,656
Administrative and general	30,076	25,374	118,766	119,216
Depreciation and amortization	19,337	17,873	73,275	71,981
Taxes other than income taxes	15,780	15,083	67,273	59,172
Total operating expenses	225,208	304,535	835,759	1,226,021
INCOME FROM OPERATIONS	40,067	13,675	144,687	169,292
OTHER INCOME (EXPENSE):				
Interest expense	(24,661)	(29,791)	(105,336)	(106,480)
Capitalized interest	--	3,160	7,486	10,498
Net interest expense	(24,661)	(26,631)	(97,850)	(95,982)
Other income - net	2,786	1,915	17,467	20,681
Total other income (expense) - net	(21,875)	(24,716)	(80,383)	(75,301)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	18,192	(11,041)	64,304	93,991
INCOME TAXES	7,651	(6,434)	29,994	34,386
INCOME (LOSS) FROM CONTINUING OPERATIONS	10,541	(4,607)	34,310	59,605
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 2)	936	(3,055)	1,145	(47,449)
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	11,477	(7,662)	35,455	12,156
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (net of tax) (Note 3)	--	--	(4,148)	--
NET INCOME (LOSS)	11,477	(7,662)	31,307	12,156
DEDUCT - Preferred stock dividend requirements	578	608	2,402	2,432
INCOME (LOSS) AVAILABLE FOR COMMON STOCK	\$10,899	\$(8,270)	\$28,905	\$9,724
Average common shares outstanding (thousands), Basic	47,978	47,569	47,823	47,417
EARNINGS (LOSS) PER COMMON SHARE, DILUTED:				
Earnings (loss) per common				

share from continuing operations	\$0.21	\$(0.11)	\$0.67	\$1.20
Earnings (loss) per common share from discontinued operations (Note 2)	0.02	(0.06)	0.02	(1.00)
Earnings (loss) per common share before cumulative effect of accounting change	0.23	(0.17)	0.69	0.20
Loss per common share from cumulative effect of accounting change (Note 3)	--	--	(0.09)	--
Total earnings (loss) per common share, diluted	\$0.23	\$(0.17)	\$0.60	\$0.20
Dividends paid per common share	\$0.12	\$0.12	\$0.48	\$0.48

SUPPLEMENTAL INFORMATION

INCOME (LOSS) FROM CONTINUING OPERATIONS BY BUSINESS SEGMENT:

Avista Utilities	\$11,595	\$(2,496)	\$36,382	\$24,164
Energy Trading and Marketing	\$3,007	\$6,632	\$22,425	\$63,246
Information and Technology	\$(2,204)	\$(3,765)	\$(12,117)	\$(19,384)
Other	\$(1,857)	\$(4,978)	\$(12,380)	\$(8,421)

Note 1. In June 2002, the Emerging Issues Task Force reached a partial

consensus on Issue 02-3 regarding the accounting for contracts involved in energy trading and risk management activities. The partial consensus requires that all gains and losses arising from energy trading contracts be presented on a net basis in the income statement beginning in the quarter ended September 30, 2002. Historical comparable periods have been restated. The Company historically presented gains and losses on energy trading contracts on a gross basis. This change in accounting results in reduced operating revenues and resource costs with no impact on the Company's net income or financial condition.

Note 2. In September 2001, the Company decided to dispose of

substantially all of the assets of Avista Communications. The divestiture of operating assets was substantially completed by the end of 2002. Certain liabilities of the operations will not be settled until 2003.

Note 3. Represents the transitional adjustment related to the Company's

adoption of an accounting standard for goodwill. The Company determined that \$6.4 million of goodwill related to a subsidiary of Avista Ventures was impaired in accordance with this accounting standard. The Company recorded this impairment (net of tax) as a cumulative effect of accounting change.

	Fourth Quarter		Year Ended	
	2002	2001	December 31, 2002	2001
Avista Utilities				
Retail electric revenues	\$123,400	\$114,700	\$463,667	\$398,441
Retail kWh sales (in millions)	2,002	2,074	7,584	8,018
Retail electric customers at end of period	320,210	316,694	320,210	316,694
Wholesale electric revenues	\$12,612	\$56,987	\$64,082	\$480,903
Wholesale kWh sales (in millions)	347	794	2,216	6,262
Other electric revenues	\$18,954	\$17,922	\$56,392	\$42,860
Total natural gas revenues	\$90,840	\$110,283	\$309,823	\$308,643
Total therm sales (in thousands)	159,169	162,366	516,491	541,984
Retail natural gas customers at end of period	290,188	284,340	290,188	284,340
Income from operations (pre-tax)	\$40,589	\$19,649	\$149,180	\$114,927
Energy Trading and Marketing				
Revenues (Note 1)	\$10,093	\$11,101	\$54,207	\$134,266
Income from operations (pre-tax)	\$3,911	\$3,676	\$29,211	\$94,669
Electric sales (millions of kWhs)	9,800	11,369	40,426	47,927
Natural gas sales (thousands of dekatherms)	56,276	68,180	225,983	248,193
Information and Technology				
Avista Advantage				
Revenues	\$4,729	\$3,594	\$16,911	\$13,151
Loss from operations (pre-tax)	\$(902)	\$(3,270)	\$(6,363)	\$(15,098)
Net loss	\$(702)	\$(2,698)	\$(4,253)	\$(10,748)
Avista Labs				
Revenues	\$367	\$136	\$719	\$664
Loss from operations (pre-tax)	\$(2,108)	\$(3,371)	\$(12,455)	\$(14,774)
Net loss	\$(1,502)	\$(1,067)	\$(7,864)	\$(8,636)
Other				
Revenues	\$4,280	\$3,487	\$14,645	\$16,385
Loss from operations (pre-tax)	\$(1,423)	\$(3,009)	\$(14,886)	\$(10,432)

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SOURCE Avista Corp.

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