As filed with the Securities and Exchange Commission on February 11, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AVISTA CORPORATION
(Exact name of registrant as specified in its charter)

WASHINGTON	4931	91-0462470
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99202
(509) 489-0500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David J. Meyer, Esq.	J. Anthony Terrell, Esq.
Avista Corporation	Thelen Reid & Priest LLP
1411 East Mission Avenue	40 West 57th Street
Spokane, Washington 99202	New York, New York 10019
(509) 489-4316	(212) 603-2108

(Names and addresses, including zip codes, and telephone numbers, including area codes, of agents for service)

Approximate date of commencement of proposed sale of the securities to the public:
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
First Mortgage Bonds, 7.75% Series due 2007	$150,000,000	100%	$150,000,000	$35,850

(1) Determined solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) promulgated under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION

STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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Subject to completion, dated , 2002

PROSPECTUS

AVISTA CORPORATION

EXCHANGE OFFER

AVISTA CORP. IS OFFERING TO ISSUE ITS

7.75% FIRST MORTGAGE BONDS DUE 2007
(REGISTERED)

IN EXCHANGE FOR ITS

7.75% FIRST MORTGAGE BONDS DUE 2007
(UNREGISTERED)

THIS EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.
NEW YORK CITY TIME, , 2002 UNLESS EXTENDED

- The new bonds will:
  - bear interest at 7.75% per annum, and
  - mature on January 1, 2007.

  These terms are the same as the terms of the old bonds. The new bonds will not be subject to any restrictions on transfer, except in certain circumstances relating to broker-dealers described in this prospectus.
- Avista Corp. will accept all bonds that bondholders properly tender and do not withdraw before the expiration of the exchange offer.
- You will not recognize any income, gain or loss for U.S. federal income tax purposes as a result of the exchange.
- Like the old bonds, the new bonds will be secured by a lien on Avista Corp.'s facilities for the generation, transmission and distribution of electric energy and for the storage and distribution of natural gas.
- The exchange offer is not conditioned on the tender of any minimum principal amount of old bonds.
- There will likely be no public market for the new bonds.

SEE "RISK FACTORS" BEGINNING ON PAGE 10 TO READ ABOUT CERTAIN FACTORS YOU SHOULD CONSIDER BEFORE MAKING ANY DECISION CONCERNING THIS EXCHANGE OFFER.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2002

The information provided in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to exchange these securities and it is not soliciting an offer to exchange these securities in any jurisdiction in which the offer or exchange is not permitted.

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THIS PROSPECTUS INCORPORATES BY REFERENCE IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT AVISTA CORP. THAT IS NOT INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS. SEE "WHERE YOU CAN FIND MORE INFORMATION". YOU MAY OBTAIN COPIES OF DOCUMENTS CONTAINING SUCH INFORMATION FROM US, WITHOUT CHARGE, BY EITHER CALLING OR WRITING TO US AT:

AVISTA CORPORATION
1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99202-2600
ATTENTION: TREASURER
TELEPHONE: (509) 489-0500

IN ORDER TO OBTAIN TIMELY DELIVERY, YOU MUST REQUEST DOCUMENTS FROM US NO LATER THAN , 2002, WHICH IS FIVE BUSINESS DAYS BEFORE THE EXPIRATION DATE OF THE EXCHANGE OFFER ON , 2002.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR IN THE LETTER OF TRANSMITTAL IN CONNECTION WITH THE EXCHANGE OFFER.

WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OTHER THAN THIS PROSPECTUS. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED OR INCORPORATED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE AFTER THE DATE OF THIS PROSPECTUS. THIS PROSPECTUS IS NOT AN OFFER TO EXCHANGE THE NEW BONDS AND IT IS NOT SOLICITING AN OFFER TO EXCHANGE THE NEW BONDS IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER IS NOT PERMITTED.

SUMMARY

This summary, which is presented solely to furnish limited introductory information regarding Avista Corporation (Avista Corp. or the Company), the exchange offer and the new bonds, has been selected from the detailed information contained elsewhere in this prospectus (including the documents incorporated by reference). This summary does not contain all of the information that you should consider before making a decision to participate in the exchange offer. The terms "we", "us" and "our" refer to Avista Corp. and, when applicable, its subsidiaries. You should read the entire prospectus carefully, including the detailed financial and other information incorporated by reference in this prospectus and the information contained in the section entitled RISK FACTORS.

AVISTA CORPORATION

GENERAL

Avista Corp., which was incorporated in the State of Washington in 1889, is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities, which is an operating division of Avista Corp. and not a separate entity, provides electric and natural gas service to customers in four western states and is subject to state and federal regulation. We also have subsidiaries involved in energy trading and marketing and information and technology businesses. Our corporate headquarters are in Spokane, Washington, which serves as the Inland Northwest's center for manufacturing, transportation, health care, education, communication, agricultural and service businesses.

Avista Utilities provides electricity distribution and transmission services to a total of approximately 317,000 retail customers in eastern Washington and northern Idaho, and natural gas distribution service to approximately 284,000 retail customers in parts of Washington, Idaho, Oregon and California. Avista Utilities anticipates residential and commercial electric load growth to average approximately 3.0% annually for the next five years and natural gas load growth, including transportation volumes, to average for the next five years approximately 1.6% annually in the Washington and Idaho service area and approximately 2.5% annually in the Oregon and South Lake Tahoe service areas. In addition to providing electric transmission and distribution services, Avista Utilities generates electricity. It owns and operates eight hydroelectric projects, a wood-waste fueled generating station and two natural gas-fired combustion turbine generating units. Avista Utilities also owns a 15% share in a two-unit coal-fired generating facility and leases and operates two additional natural gas-fired combustion turbine generating units. These facilities have a maximum capacity of approximately 1,470 megawatts ("MW"), of which 65% is hydroelectric and 35% is thermal. We also have a 50 percent interest in the 280 MW Coyote Springs 2 project under construction near Boardman, Oregon. See "--Recent Developments -- Asset Sales". Avista Utilities also engages in wholesale sales and purchases of electric capacity and energy.

Avista Corp.'s Energy Trading and Marketing line of business excludes Avista Utilities' regulated utility operations, and is comprised of Avista Energy, Inc. ("Avista Energy") and Avista Power, LLC ("Avista Power"). Avista Energy is an electricity and natural gas trading and marketing business. Avista Power has a 49% ownership interest in a 270 MW natural gas combustion turbine facility in Rathdrum, Idaho, which commenced commercial operation in September 2001.

RECENT DEVELOPMENTS

RECOVERY OF PURCHASED POWER COSTS

Beginning in the second quarter of 2000, the price of power in western wholesale markets rose to unprecedented levels and became much more volatile. In the fourth quarter of 2000 and continuing through the third quarter of 2001, we were required to purchase above-normal amounts of electric energy in the wholesale market to meet our retail demand. This was primarily due to reduced availability of hydroelectric resources due to low streamflow levels. The combination of high prices and increased amounts purchased caused our purchased power costs to be far in excess of the levels recovered from retail customers under current rates.

In August 2000 the Washington Utilities and Transportation Commission ("WUTC") issued an order permitting us to record as an expense on our income statement only that portion of our purchased power costs which was being recovered from retail customers under existing rates. Under the WUTC order, we were permitted to "defer" the recognition on our income statement of the portion of our purchased power costs which was in excess of the level then being

recovered from retail customers. Instead, we were allowed to record these excess costs as a "regulatory asset" on our balance sheet for possible recovery in the future. We already had similar authority in Idaho under a previously established power cost adjustment mechanism.

Our deferral balances have reached levels that made it necessary for the Company to file for rate increases with the WUTC and the Idaho Public Utility Commission ("IPUC") as described below.

As of December 31, 2001, the total amount of cash expended for excess purchased power costs which has been deferred on our balance sheet was $235 million, of which $162 million was attributable to Washington customers and $73 million was attributable to Idaho customers.

REQUESTED ELECTRIC RATE INCREASES

September WUTC Order. In September 2001, the WUTC issued an order approving a 25% temporary electric surcharge, subject to refund, for all classes of Washington customers, for a period of 15 months commencing October 2001. The order also terminated the previously approved deferred accounting mechanism, as of January 1, 2002. We had requested a 36.9% surcharge over a period of 27 months. The authorized surcharge will not be adequate to offset the entire Washington portion of our deferred cost balances. The surcharge will allow us to reduce the deferred cost balance by $125 million. Of this amount, $71 million will be additional cash revenue and $54 million was a non-cash credit taken on October 1, 2001 against the deferred cost balance. The amount so credited, which was previously being amortized to revenue over a period of years, resulted from an unrelated matter. The surcharge will have no material impact on net income since the deferred costs are amortized to offset the increase in revenues. The WUTC ordered us to file a general rate case in December 2001 to determine the prudency of our purchased power costs as well as to address other matters.

October IPUC Order. In October 2001, the IPUC issued an order approving a 14.7% power cost adjustment ("PCA") surcharge, and extending an existing 4.7% PCA surcharge, for all classes of Idaho customers for 12 months commencing immediately. The surcharge will allow us to reduce the deferred cost balance by approximately $58 million. Of this amount, approximately $24 million will be additional cash revenue and approximately $35 million will be an unrelated non-cash credit for costs being amortized through the end of 2002. The IPUC indicated that it could, upon further review, authorize extensions of the surcharges. As in the case of the Washington surcharge, the Idaho PCA surcharge will have no material impact on net income.

November WUTC Deferred Cost Filing. In November 2001, prior to filing our general rate case (which generally can take up to 11 months to be resolved), we filed a request with the WUTC for an expedited procedural schedule to determine the prudency and recoverability of the Washington portion of our deferred purchased power costs accrued through September 30, 2001. A procedural schedule has been set and final legal briefs in this prudence case are due March 22, 2002. This order would not result in any immediate rate changes, but will determine the definitive amount of deferred power costs that will ultimately be recovered from retail customers. Any such rate changes would be addressed in the general rate case.

December WUTC General Rate Filing. On December 3, 2001, we filed a general rate case with the WUTC requesting, among other things:

- an interim rate increase, subject to refund, of 10% above current electric prices (including the September 2001 surcharge) to offset increased costs that are in excess of those being recovered through existing rates;
- the issuance of an order implementing a temporary deferred accounting mechanism to run from January 1, 2002 until the conclusion of the general rate case, to reflect cash spent to cover power supply-related costs to serve retail customer needs but not yet reflected in rates;
- recovery of costs associated with the addition of the new Coyote Springs 2 power project and other electric generation projects built to serve retail customer needs;
- establishment of a PCA mechanism to adjust electric rates up or down with changes in the market and in hydroelectric conditions, similar to the existing Idaho PCA mechanism that has been in place since 1989; and

- a 12.75% rate of return on common equity.

The net effect of the requested increases, if granted, would be:

- a permanent 22.5% increase over existing rates (excluding the September 2001 surcharge) which would have a positive impact on net income; plus

- a temporary 14.9% increase over existing rates (excluding the September 2001 surcharge), designed to recover the remaining balance of deferred purchased power costs over a period of 5 years from the end of the general rate case, which would, like the surcharges currently in effect, have substantially no impact on net income.

December WUTC Order Granting Accounting Petition. Effective December 28, 2001, the WUTC issued an order authorizing the Company to defer 90% of its excess power supply-related costs until the conclusion of the general rate case. Both the prudence of these costs and the ratemaking treatment are subjects of the general rate case and are subject to final review and approval by the WUTC.

RECENT GAS COST ADJUSTMENTS

On July 6, 2001, we filed requests for purchased gas cost adjustments ("PGA") with the WUTC and the IPUC. A PGA increase of 12.2% was authorized by the WUTC, effective on August 9, 2001. A PGA increase of 11.5% was authorized by the IPUC, effective on September 1, 2001. Total deferred purchased gas costs were approximately $53 million as of December 31, 2001. We estimate that the PGA rate changes will increase revenues by approximately $25 million per year. Based on current PGAs in place and current natural gas prices, we expect that the deferred natural gas cost balance will be fully recovered by December 2002. However, there will be no material impact on net income as natural gas costs are amortized to offset the increase in revenues.

ASSET SALES

Coyote Springs 2. On December 12, 2001, we sold 50% of our interest in the Coyote Springs 2 project, representing 140 MW of a 280 MW combined-cycle natural gas-fired plant currently under construction near Boardman, Oregon to Mirant Americas Development, Inc. ("Mirant"). National Energy Production Corporation ("NEPCO"), a wholly-owned subsidiary of Enron Corporation, is the contractor responsible for the engineering, procurement and construction of the Coyote Springs 2 project. The project is planned to begin commercial operation in the third quarter of 2002. Avista Corp. and Mirant will share equally in the costs of construction, operation and output from the plant. As of December 12, 2001, we had invested approximately $92.7 million in the project, which has a total expected cost of $185.4 million.

Combustion Turbines. In November 2001, our subsidiary, Avista Power, announced its intention to sell three combustion turbine units being manufactured by General Electric Company. The expected proceeds will be approximately $46 million in cash over a period commencing November 2001 and continuing through July 2002. We recorded an $8.2 million pre-tax impairment charge related to these assets in September 2001.

Avista Communications. In September 2001, we announced our intention to dispose of our interest in Avista Communications, our telecommunications affiliate, and thereby exit from the telecommunication service provider business. To date we have announced dispositions of assets and operations in Idaho, Montana, Washington and Wyoming. Complete divestiture is expected to be finalized in mid-2002. As a result of such divestitures, we recorded a $58.4 million pre-tax impairment charge related to these assets in September 2001.

RATINGS DOWNGRADE

On December 11, 2001, Fitch, Inc. downgraded our credit ratings. Among those ratings downgraded was our senior secured debt, which was downgraded from BBB with a negative outlook to BBB- with a stable outlook. In October 2001, Moody's Investor Service and Standard & Poor's downgraded our credit ratings. Among those ratings downgraded was our senior secured debt, which was downgraded from Baa1 to Baa3 with a negative outlook by Moody's Investor Service and from BBB to BBB- with a negative outlook by Standard & Poor's. Also downgraded was our overall corporate credit rating, which is now rated Ba1 with a negative outlook by Moody's Investor Service and BB+ with a negative outlook by Standard & Poor's.

ENRON EXPOSURE

Both Avista Energy and Avista Corp. (through the Avista Utilities division) engage in physical and financial transactions for the purchase and sale of electric energy and capacity and natural gas. Both companies have done considerable business with several affiliates of Enron Corporation ("Enron"). We have both short-term and long-term contracts with the Enron affiliates. Avista Corp.'s long-term contracts with Enron affiliates have remaining terms ranging from 1 to 3 years. Avista Energy's long-term contracts with Enron affiliates have remaining terms ranging from 1 to 9 years. On December 2, 2001, Enron Corporation and certain of its affiliates (including certain entities with which we have outstanding transactions) filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy filing constitutes a default under Avista Corp.'s and Avista Energy's existing contracts with Enron affiliates, and Avista Corp. and Avista Energy have terminated substantially all the contracts and have suspended all trading activities with Enron and its affiliates.

As of December 31, 2001, Avista Corp. and Avista Energy had accounts receivable from Enron and its affiliates of $3.1 million and $14.1 million, respectively.

Our contracts with each Enron affiliate provide that, upon termination, the net settlement of accounts receivable and accounts payable with such entity will be netted against the mark-to-market value of the terminated forward contracts with such entity. We currently estimate that, for each of Avista Corp. and Avista Energy, our net mark-to-market liability to Enron entities in respect of terminated forward contracts substantially exceeds the total net receivables from these entities. We further estimate that the net mark-to-market liability to Enron entities in respect of terminated forward contracts of Avista Corp. and Avista Energy, taken together, exceeds total net receivables from these entities by less than $30 million. Any claims by the Enron entities for amounts which we might owe in respect of the terminated forward contracts would be subject to any defenses and counterclaims which we may have.

Our estimates of the mark-to-market values of terminated forward contracts are based on data currently available and on assumptions as to future market prices and other information. While we believe that our assumptions are reasonable, they are subject to change and ultimately could be challenged by the Enron entities or their bankruptcy trustees.

NEPCO, the contractor for the Coyote Springs 2 project, was not included in the initial bankruptcy filings made by Enron and its affiliates. However, NEPCO's obligations were guaranteed by Enron, and the bankruptcy filing by Enron is an event of default under the Coyote Springs 2 construction contract. NEPCO and Coyote Springs 2, LLC have amended the construction contract to, among other things, authorize Coyote Springs 2, LLC to make immediate draws under a letter of credit posted to secure NEPCO's performance and to permit Coyote Springs 2, LLC to pay third-party subcontractors of NEPCO directly. Coyote Springs 2, LLC is continuing to assess the ability of NEPCO to perform its obligations under the construction contract and may need to exercise additional remedies in the event the impact of the Enron bankruptcy prevents NEPCO from performing its obligations under the construction contract.

Avista Corp. is party to power exchange arrangements with a remaining life of 15 years whereby Enron Power Marketing Inc. ("EPMI") (one of the Enron affiliates which filed for bankruptcy protection) purchases and sells capacity and energy from and/or to Avista Utilities and Portland General Electric Company. We cannot predict either (1) what effect, if any, the bankruptcy proceedings will have upon EPMI's performance of its obligations under these arrangements or (2) the effect, if any, of nonperformance on our business or financial condition.

THE EXCHANGE OFFER

GENERAL	Avista Corp. is offering to exchange $1,000 in principal amount of new bonds for each $1,000 in principal amount of old bonds that bondholders properly tender and do not withdraw before the expiration date. Avista Corp. will issue the new bonds on or promptly after the expiration date. There is $150,000,000 in aggregate principal amount of old bonds outstanding. See THE EXCHANGE OFFER.
EXPIRATION DATE	The exchange offer will expire at 5:00 p.m., New York City time, on , 2002 unless extended. If extended, the term "expiration date" will mean the latest date and time to which the exchange offer is extended. Avista Corp. will accept for exchange any and all old bonds which are properly tendered in the exchange offer and not withdrawn before 5:00 p.m., New York City time, on the expiration date.

RESALE OF NEW BONDS	Based on interpretive letters written by the staff of the Securities and Exchange Commission to companies other than Avista Corp., Avista Corp. believes that, subject to certain exceptions, the new bonds may generally be offered for resale, resold and otherwise transferred by any holder thereof, without compliance with the registration and prospectus delivery provisions of the Securities Act of 1933. However, any holder who is an "affiliate" of Avista Corp. within the meaning of Rule 405 under the Securities Act would have to comply with these provisions unless an exemption was available. If Avista Corp.'s belief is inaccurate, holders of new bonds who offer, resell or otherwise transfer new bonds in violation of the Securities Act may incur liability under that Act. Avista Corp. will not assume or indemnify holders against this liability.
CONDITIONS TO THE EXCHANGE OFFER	Avista Corp. may terminate the exchange offer before the expiration date if it determines that its ability to proceed with the exchange offer could be materially impaired due to o any legal or governmental action, o any new law, statute, rule or regulation, or o any interpretation by the staff of the SEC of any existing law, statute, rule or regulation.
TENDER PROCEDURES - BENEFICIAL OWNERS	If you wish to tender old bonds that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. IF YOU ARE A BENEFICIAL HOLDER, YOU SHOULD FOLLOW THE INSTRUCTIONS RECEIVED FROM YOUR BROKER OR NOMINEE WITH RESPECT TO TENDERING PROCEDURES AND CONTACT YOUR BROKER OR NOMINEE DIRECTLY.
TENDER PROCEDURES - REGISTERED HOLDERS AND DTC PARTICIPANTS	If you are a registered holder of old bonds and you wish to participate in the exchange offer, you must complete, sign and date the letter of transmittal delivered with this prospectus, or a facsimile thereof. If you are a participant in The Depository Trust Company and you wish to participate in the exchange offer, you must instruct DTC to transmit to the exchange agent a message indicating that you agree to be bound by the terms of the letter of transmittal. You should mail or otherwise transmit the letter of transmittal or facsimile (or DTC message), together with your old bonds (in book-entry form if you are a participant in DTC) and any other required documentation to Citibank, N.A., as exchange agent.
GUARANTEED DELIVERY PROCEDURES	If you are a registered holder of old bonds and you wish to tender them, but they are not immediately available or you cannot deliver them or the letter of transmittal to the exchange agent prior to the expiration date, you must tender your old bonds according to special guaranteed delivery procedures. See THE EXCHANGE OFFER - "Procedures for Tendering - Registered Holders and DTC Participants - Registered Holders" on page 22.
WITHDRAWAL RIGHTS	You may withdraw tenders of old bonds at any time before 5:00 p.m., New York City time, on the expiration date.
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS	The exchange of new bonds for old bonds will not be a taxable event for U.S. federal income tax purposes. As a result, you will not recognize any income, gain or loss with respect to the exchange.

EFFECT ON HOLDERS OF OLD BONDS	If you are a holder of old bonds and do not tender your old bonds in the exchange offer, you will continue to hold the old bonds and you will be entitled to all the rights and limitations applicable to the old bonds in the mortgage, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.
CONSEQUENCES OF FAILURE TO EXCHANGE	All untendered old bonds will continue to be subject to the restrictions on transfer provided for in the old bonds. In general, the old bonds may not be offered or sold unless registered under the Securities Act of 1933, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act of 1933 and applicable state securities laws. Other than the new bonds being registered in connection with the exchange offer, we do not currently anticipate that we will register the old bonds under the Securities Act of 1933.
EXCHANGE AGENT	Citibank, N.A. is the exchange agent. Its telephone number is 1-800-422-2066. Its address is 111 Wall Street, 14th Floor/Zone 3, New York, New York 10043.

THE NEW BONDS

OFFERED SECURITIES	$150,000,000 principal amount of 7.75% First Mortgage Bonds due 2007
MATURITY DATE	January 1, 2007
INTEREST PAYMENT DATES	January 1 and July 1 of each year, beginning July 1, 2002
SECURITY; RANKING	The new bonds will be issued under Avista Corp.'s Mortgage and Deed of Trust, dated as of June 1, 1939, as supplemented (the "mortgage") and will be secured by a lien on Avista Corp.'s facilities for the generation, transmission and distribution of electric energy and for the storage and distribution of natural gas. The new bonds will rank equally in right of payment with all of Avista Corp.'s current and future first mortgage bonds and senior in right of payment to all current and future unsecured senior indebtedness and subordinated indebtedness, which as of December 31, 2001 was $967.2 million. As of December 31, 2001, Avista Corp. had outstanding $533.5 million of first mortgage bonds.
ISSUANCE OF ADDITIONAL BONDS	Additional bonds may be issued under the mortgage on the basis of 70% of the cost or fair value to Avista Corp. (whichever is less) of property additions or on the basis of retired bonds or cash deposited with the trustee.
USE OF PROCEEDS	The net proceeds from the issuance and sale of the old bonds are being used to retire maturing medium-term notes and other short-term indebtedness. We will not receive any proceeds from the issuance of the new bonds in the exchange offer.

RISK FACTORS

You should read the RISK FACTORS section, beginning on page 10 of this prospectus, so that you understand the risks associated with an investment in securities of Avista Corp.

SUMMARY CONSOLIDATED FINANCIAL DATA

We have selected the historical financial data shown below from the consolidated financial statements of Avista Corp. You should read this information along with the consolidated financial statements of Avista Corp. and the notes to those financial statements which are incorporated by reference into this prospectus.

	Years Ended December 31,				
	1996	1997	1998	1999	2000
	(Thousands of Dollars except Ratios)				
Income Statement Data:					
Operating Revenues:					
Avista Utilities................	$798,994	$891,665	$1,049,212	$1,115,647	$1,512,101
Energy Trading and Marketing....	--	247,028	2,408,734	6,695,671	6,531,551
Information and Technology......	813	792	1,318	2,266	5,732
Other...........................	145,150	163,598	231,483	122,303	32,937
Intersegment eliminations.......	--	(1,149)	(7,440)	(33,488)	(176,744)
Total...........................	$944,957	$1,301,934	$3,683,307	$7,902,399	$7,905,577
Income (Loss) from Operations (pre-tax):					
Avista Utilities................	$173,658	$178,289	$143,153	$142,567	$3,177
Energy Trading and Marketing....	(649)	6,577	22,826	(97,785)	250,196
Information and Technology......	(1,443)	(5,391)	(4,979)	(8,966)	(26,424)
Other...........................	15,355	9,962	12,033	(423)	(9,861)
Total...........................	$186,921	$189,437	$173,033	$35,393	$217,088
Interest Expense	$63,255	$66,275	$69,017	$64,747	$68,255
Income from Continuing Operations Before Income Taxes..............	132,962	175,826	121,746	45,559	178,053
Income from Continuing Operations...	83,453	114,767	78,316	28,662	101,055
Income (Loss) from Discontinued Operations...........	--	30	(177)	(2,631)	(9,376)
Net Income..........................	83,453	114,767	78,316	28,622	101,055
Preferred Stock Dividend Requirements.....................	$7,978	$5,392	$8,399(1)	$21,392(1)	$23,735(1)
Common Stock Dividend..............	$69,390	$69,390	$56,898	$18,301	$22,616
Balance Sheet Data:					
Utility Plant in Service--Net.......	$1,397,876	$1,433,123	$1,470,942	$1,500,837	$1,518,312
Total Assets:					
Avista Utilities................	$1,921,429	$1,926,739	$2,004,935	$1,976,716	$2,129,614
Energy Trading and Marketing....	320	212,868	955,615	1,595,470	10,271,834
Information and Technology......	1,517	2,221	2,492	6,312	13,599
Other...........................	254,032	268,703	285,625	114,929	98,212
Discontinued Operations--Avista Communications...............	--	1,254	4,969	20,067	50,665
Total...........................	$2,177,298	$2,411,785	$3,253,636	$3,713,494	$12,563,924
Total Debt..........................	$764,526	$762,185	$730,022	$714,904	$931,966
Company-Obligated Mandatorily Redeemable Preferred Trust Securities.................	--	110,000	110,000	110,000	100,000
Preferred Stock Subject to Mandatory Redemption.......................	65,000	45,000	35,000	35,000	35,000
Convertible Preferred Stock.........	--	--	269,227(1)	263,309	--
Common Equity.......................	710,736	748,812	488,034	393,499	724,224
Other Financial Data:					
Earnings Before Interest, Taxes, Depreciation and Amortization.....	$268,314	$311,952	$261,087	$185,615	$318,737
Depreciation and Amortization.......	$72,097	$69,851	$70,324	$75,309	$73,429
Capital Expenditures...............	$99,182	$91,160	$106,270	$115,609	$201,433
Ratio of Earnings Before Interest, Taxes, Depreciation and Amortization to Fixed Charges (2)	4.24	4.71	3.78	2.87	4.67
Ratio of Consolidated Earnings to Fixed Charges (3)................	2.97	3.49	2.66	1.66	3.45

Year to Date September 30,	
2000	2001

	(Thousands of Dollars except Ratios)	
Income Statement Data:		
Operating Revenues:		
Avista Utilities	$1,014,987	$930,955
Energy Trading and Marketing	4,630,646	4,235,536
Information and Technology	3,903	10,085
Other	25,046	12,898
Intersegment eliminations	(78,406)	(197,905)
Total	$5,596,176	$4,991,569
Income (Loss) from Operations (pre-tax):		
Avista Utilities	$(30,817)	$95,277
Energy Trading and Marketing	132,647	90,995
Information and Technology	(18,023)	(23,232)
Other	(4,797)	(7,423)
Total	$79,010	$155,617
Interest Expense	$49,570	$76,689
Income from Continuing Operations Before Income Taxes	56,995	105,032
Income from Continuing Operations	30,052	64,212
Income (Loss) from Discontinued Operations	(6,479)	(44,394)
Net Income	23,573	19,818
Preferred Stock Dividend Requirements	23,127(1)	1,824
Common Stock Dividend	16,956	17,057
Balance Sheet Data:		
Utility Plant in Service--Net	$1,500,752	$1,563,543
Total Assets:		
Avista Utilities	$1,978,135	$2,430,034
Energy Trading and Marketing	4,117,257	2,091,752
Information and Technology	32,281	34,427
Other	117,479	85,765
Discontinued Operations--Avista Communications	39,534	25,550
Total	$6,284,686	$4,667,528
Total Debt	$861,247	$1,266,922
Company-Obligated Mandatorily Redeemable Preferred Trust Securities	110,000	100,000
Preferred Stock Subject to Mandatory Redemption	35,000	35,000
Convertible Preferred Stock	--	--
Common Equity	661,197	734,147
Other Financial Data:		
Earnings Before Interest, Taxes, Depreciation and Amortization	$161,739	$235,778
Depreciation and Amortization	$55,174	$54,057
Capital Expenditures	$113,899	$238,303
Ratio of Earnings Before Interest, Taxes, Depreciation and Amortization to Fixed Charges (2)	3.26	3.07
Ratio of Consolidated Earnings to Fixed Charges (3)	2.07	2.30

(1) In December 1998, we converted shares of common stock for Convertible Preferred Stock, which was responsible for a number of changes in the data in 2000, 1999 and 1998 from 1997. (See Note 15 of Notes to Financial Statements in the Form 10-K.)

(2) "Earnings Before Interest, Taxes, Depreciation and Amortization", or EBITDA, represents income from continuing operations before interest expense (including related amortization), taxes based on income from continuing operations, depreciation and amortization. EBITDA is commonly used to analyze companies on the basis of operating performance, leverage and liquidity. While EBITDA should not be construed as a substitute for operating income or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, we have presented EBITDA to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements. EBITDA is not a measure determined under generally accepted accounting principles. Also, as calculated above, EBITDA may not be comparable to similarly titled measures reported by other companies. "Fixed Charges" include interest (whether or not capitalized) and related amortization.

(3) "Earnings," as defined by Regulation S-K, represent the aggregate of (1) income from continuing operations before the cumulative effect of an accounting change, (2) taxes based on income from continuing operations,

(3) investment tax credit adjustments--net and (4) fixed charges. "Fixed Charges" include interest (whether expensed or capitalized), related amortization and estimated interest applicable to rentals.

RISK FACTORS

You should carefully consider the following factors in addition to the other information contained or incorporated by reference in this prospectus. The risks described in this section are those that we consider to be most significant to this exchange offer. If any of the following events occur, our business, financial condition or results of operation could be materially harmed.

WE HAVE SIGNIFICANT CASH REQUIREMENTS, SIGNIFICANT INDEBTEDNESS AND LIMITED CASH AVAILABLE.

Since the fourth quarter of 2000, our cash requirements for purchased power have been greater than the related amounts paid to us by our retail customers. In addition to purchased power and operating expenses, we have continuing commitments for capital expenditures for construction, improvement and maintenance of facilities. We have incurred substantial levels of indebtedness, both short and long term, to finance these requirements and to otherwise maintain adequate levels of working capital. Debt service is another significant cash requirement. In addition, we have also made significant cash investments to finance the development of companies in our Information and Technology line of business. These cash outflows have substantially reduced cash available for our ordinary operating expenses.

WE NEED TO MAINTAIN ADEQUATE CREDIT WITH BANKS.

We also need to maintain access to adequate levels of credit with our banks. Cash held by Avista Energy, one of our subsidiaries, is restricted by that company's credit agreement and is not generally available to Avista Corp.

THE EXTENT TO WHICH THE CURRENT SURCHARGES AND THE PROPOSED WASHINGTON RATE INCREASE WILL OFFSET OUR DEFERRED ENERGY COST BALANCES WILL DEPEND ON A NUMBER OF FACTORS BEYOND OUR CONTROL.

The temporary electric rate surcharge approved by the WUTC in September 2001 will allow us to reduce our deferred energy cost balances by an estimated $125 million through December 31, 2002, and the PCA surcharge approved by the IPUC will allow us to reduce our deferred energy cost balances by an estimated additional $58 million through October 11, 2002. For reference, the total deferred electric energy cost balance at December 31, 2001 was approximately $235 million. Revenues collected under the Washington surcharge are subject to refund based on, among other things, whether or not the WUTC determines that the costs were "prudently" incurred and whether or not Avista Utilities' overall retail rates, as to be modified, are "just, fair, reasonable and sufficient." If we are not permitted to recover substantially all our deferred energy costs, our financial condition will be seriously impaired. The extent to which the amounts recovered under the surcharges and the proposed rate increase in Washington will be sufficient to offset the deferred cost balances will depend on a number of factors beyond our control, including, but not limited to, the availability of hydroelectric resources, outages of generation units, energy demand, energy prices in wholesale markets, possible additional rate relief of the type currently being sought.

WE ARE SUBJECT TO THE RISKS INHERENT IN THE UTILITY BUSINESS AND OUR CASH FLOW AND EARNINGS COULD CONTINUE TO BE ADVERSELY AFFECTED, BEYOND THE TERM OF ANY RATE INCREASES, DUE TO POTENTIAL HIGH PRICES AND VOLATILE MARKETS FOR PURCHASED POWER, INCREASED CUSTOMER DEMAND FOR ENERGY, CONTINUED LOW AVAILABILITY OF OUR HYDROELECTRIC RESOURCES, OUTAGES OF OUR GENERATING FACILITIES OR A FAILURE TO DELIVER ON THE PART OF OUR SUPPLIERS.

The utility business involves many operating risks. If Avista Utilities' operating expenses, including the cost of purchased power, significantly exceed the levels recovered from retail customers for an extended period of time, its cash flow and earnings would be negatively affected. Factors which could cause purchased power costs to be higher than currently anticipated include, but are not limited to, a return to high prices in Western wholesale markets and/or high volumes of energy purchased in wholesale markets due to:

- increases in demand due, for example, either to weather or customer growth;

- continued diminished availability of our hydroelectric resources due to low streamflow conditions;

- outages of any of our thermal or other generating facilities; and

- failure to perform on the part of any party from which we purchase capacity or energy.

WE ARE SUBJECT TO THE COMMODITY PRICE RISK, CREDIT RISK AND OTHER RISKS ASSOCIATED WITH ENERGY MARKETS.

In connection with matching loads and resources, Avista Utilities engages in wholesale sales and purchases of electric capacity and energy, and, accordingly, is also subject to commodity price risk, credit risk and other risks associated with these activities. Avista Utilities may also be exposed to refunds for wholesale power sales depending on the outcome of the FERC's retroactive price cap proceeding for the Pacific Northwest but would also have the opportunity to establish offsetting claims.

Our subsidiary, Avista Energy, trades and markets electricity and natural gas, along with derivative commodity instruments, including futures, options, swaps and other contractual arrangements. As a result of these trading and marketing activities, we are subject to various risks, including commodity price risk and credit risk, as well as possible new risks resulting from the imposition of market controls by federal and state agencies. The FERC is conducting separate proceedings related to market controls within California and within the Pacific Northwest that include proposals by certain parties to retroactively impose price caps. The retroactive application of price caps could result in liabilities for refunding revenues recognized in prior periods. Avista Energy and other parties are vigorously opposing these proposals. If retroactive price caps were imposed, Avista Energy could develop offsetting claims.

Credit risk includes the risk that counterparties that owe us money or energy will breach their obligations. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative arrangements. In that event, our financial results could be adversely affected and we could incur losses. Although our models take into account the expected probability of default by counterparties, our actual exposure to a default by a particular counterparty could be greater than the models predict.

THE BANKRUPTCY OF ENRON CORPORATION AND MANY OF ITS AFFILIATES COULD ADVERSELY AFFECT, IN GENERAL, THE WHOLESALE MARKETS FOR POWER AND NATURAL GAS AND, IN PARTICULAR, VARIOUS ASPECTS OF OUR BUSINESS.

The bankruptcy filings by Enron and many of its affiliates could have an adverse effect generally on wholesale electricity and natural gas markets, in terms of the disruptive effect of temporary illiquidity and/or volatility, and could ultimately lead to regulatory changes. We cannot predict the nature or extent of any such changes or the effect, if any, they may have on us. The filing could also directly affect the Avista entities, in terms of the matters discussed under SUMMARY - "Recent Developments - Enron Exposure." As a result of the filing, Avista entities have been required to find, and enter into contracts with, new counterparties in the place of the terminated contracts.

GENERAL

Avista Corp., which was incorporated in the State of Washington in 1889, is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. We also have subsidiaries involved in information and technology businesses. Our corporate headquarters are in Spokane, Washington, which serves as the Inland Northwest's center for manufacturing, transportation, health care, education, communication, agricultural and service businesses.

Our operations are organized into four lines of business:

- Avista Utilities;
- Energy Trading and Marketing;
- Information and Technology; and
- Other.

Avista Utilities, which is an operating division of Avista Corp. and not a separate legal entity, provides electric and natural gas service to customers in four western states and is subject to state and federal price regulation. Avista Capital, one of our wholly owned subsidiaries, owns all of the subsidiary companies engaged in the other lines of business.

BUSINESS STRATEGY

Our strategy is to:

- improve cashflow and continue rebuilding our financial strength by:
- pursuing a general rate increase in Washington to recover increased costs and the portion of our deferred power costs not being recovered by the surcharge in Washington.
- disposing of assets and operations, such as the Avista Communications line of business, not directly related to our energy operations.
- being positioned to issue equity securities during 2002, subject to market and other conditions.
- reducing our ratio of total debt to total capitalization.
- maintain a strong, low-cost, efficient electric and natural gas utility business in the Northwest.
- position the utility to be "long" production capacity by owning or controlling generation and natural gas resources exceeding 100% of retail load.
- continue to position Avista Energy as a focused, asset-enabled energy marketing and trading business.
- find strategic partners for Avista Labs and Avista Advantage.

ENERGY BUSINESSES

Avista Utilities

Avista Utilities provides electricity and natural gas distribution and transmission services in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 830,000. It also provides natural gas distribution service in a 4,000 square mile area in northeast and southwest Oregon and in the South Lake Tahoe region of California, with the population in these areas of approximately 525,000. At the end of 2001, retail electric service was supplied to approximately 317,000 customers in eastern Washington and northern Idaho; retail natural gas service was supplied to approximately 284,000 customers in parts of Washington, Idaho, Oregon and California.

Our retail customers include residential, commercial and industrial classifications, with the residential classification accounting for the most energy consumed and the greatest contribution to revenues. Avista Utilities also engages in wholesale sales and purchases of electric capacity and energy.

Avista Utilities anticipates residential and commercial electric load growth to average approximately 3.0% annually for the next five years primarily due to expected increases in both population and the number of businesses in its service territory. Avista Utilities expects natural gas load growth, including transportation volumes, to average for the next five years approximately 1.6% annually in the Washington and Idaho service area and approximately 2.5% annually in the Oregon and South Lake Tahoe service areas, in each case due to expected conversions from electric space and water heating to natural gas, and increases in both population and the number of businesses in these areas. These projections are based on purchased economic forecasts, publicly available studies, and internal analysis of company-specific data, such as energy consumption patterns and internal business plans.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity. Avista Utilities owns and operates eight hydroelectric projects, a wood-waste fueled generating station and two natural gas-fired combustion turbine generating units. It also owns a 15% share in a two-unit coal-fired generating facility and leases and operates two additional natural gas-fired combustion turbine generating units. These facilities have a maximum capacity of approximately 1,470 megawatts, of which 65% is hydroelectric and 35% is thermal. In addition, Avista Utilities has a number of long-term power purchase and exchange contracts that increase its available resources.

Historically, Avista Utilities' electric rates to retail customers have been among the lowest of all investor-owned utilities in the United States, due primarily to the large proportion of hydroelectric resources. Retail electric rates will remain low, on a relative basis, even after the temporary surcharges which were recently approved in Washington and Idaho, described under CERTAIN REGULATORY MATTERS.

In February 2000 Avista Utilities received a new 45-year operating license from the FERC for the Cabinet Gorge and Noxon Rapids Hydroelectric Generating Stations, which have a combined maximum generating capacity of 794 MW. Of Avista Utilities' remaining 191 MW of hydroelectric resources, 155 MW represents the maximum capacity of six other plants operated under a FERC license. This license will have to be renewed in 2007.

On December 12, 2001, we sold 50% of our interest in the Coyote Springs 2 project, representing 140 MW, of a 280 MW combined-cycle natural gas-fired plant currently under construction near Boardman, Oregon to Mirant. NEPCO, a wholly-owned subsidiary of Enron Corporation, is the contractor responsible for the engineering, procurement and construction of the Coyote Springs 2 project. The project is planned to begin commercial operation in the third quarter of 2002. Avista Corp. and Mirant will share equally in the costs of construction, operation and output from the plant. As of December 12, 2001, we had invested approximately $92.7 million in the Coyote Springs 2 project, which has a total expected cost of $185.4 million.

Dramatic increases in the price of energy in Western wholesale markets during 2000 and the first part of 2001, compounded by the deterioration of the availability of hydroelectric resources in 2001 to the lowest level in at least 73 years, have had an adverse effect on Avista Corp.'s financial condition and results of operations. See RISK FACTORS and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Avista Corp.'s

Annual Report on Form 10-K for the year ended December 31, 2000 and in Avista Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001.

Energy Trading and Marketing

Energy Trading and Marketing is comprised of Avista Energy and Avista Power. Avista Energy is an electricity and natural gas trading and marketing business. Avista Energy operates in the Western Systems Coordinating Council, which is comprised of the eleven Western states and parts of Western Canada and Baja California.

Avista Energy is in the business of buying and selling electricity and natural gas. Avista Energy's customers include commercial and industrial end-users, electric utilities, natural gas distribution companies and other trading companies. Avista Energy also trades electricity and natural gas derivative commodity instruments.

Avista Power has a 49% ownership interest in a 270 megawatt natural gas combustion turbine facility in Rathdrum, Idaho, which commenced commercial operation in September 2001. All of the output is contracted to Avista Energy for 25 years. Due to changing market conditions and as part of the Avista Corp's overall business strategy, Avista Corp. has decided that Avista Power will not develop any additional non-regulated generating projects.

OTHER BUSINESSES

Information and Technology is comprised of Avista Laboratories, Inc. ("Avista Labs") and Avista Advantage, Inc. ("Avista Advantage").

- Avista Labs is developing both modular Proton Exchange Membrane fuel cells for power generation at the site of the consumer or industrial user and fuel cell components including fuel processors and hydrogen sensors. Avista Labs has recently initiated commercial sales of its hydrogen-only fuel cell systems for various applications, primarily back-up power for the commercial market.

- Avista Advantage is an e-commerce provider of facilities management billing and information services to commercial customers throughout the U.S. and Canada. Its primary product lines include consolidated billing, resource accounting, energy analysis, load profiling and maintenance and repair billing services.

Avista Corp. reached a decision in September 2001 that it would divest substantially all of the assets of Avista Communications, which provides various telecommunications services to communities in the Northwest. In October 2001, the Company announced that minority shareholders of Avista Communications will acquire ownership of its Montana and Wyoming operations as well as its dial-up internet access operations in Spokane, Washington and Coeur d'Alene, Idaho. In November 2001 the Company announced that Avista Communications has agreed to sell the assets and customer accounts of its Yakima and Bellingham, Washington operations to Advanced Telcom Group, Inc. In December 2001, Avista Communications entered into an agreement to transfer its voice and integrated services facilities in Spokane, Washington and Coeur d' Alene, Idaho to certain subsidiaries of XO Communications, Inc. The Company is continuing to pursue divestiture of the remaining portion of the business.

The Other line of business includes several other minor subsidiaries. This line of business was formed to invest in business opportunities that would have potential strategic value in Avista Corp.'s other existing lines of business. Avista Corp. is in the process of phasing out of this line of business.

USE OF PROCEEDS

The net proceeds from the issuance and sale of the old bonds were used to retire $114 million of medium-term notes maturing between December 2001 and July 2002, and other short-term indebtedness bearing interest at a weighted average rate of 7.26% per annum. We will not receive any proceeds from the issuance of the new bonds in the exchange offer.

CERTAIN REGULATORY MATTERS

ELECTRIC

On August 9, 2000, the WUTC approved Avista Utilities' request for deferred accounting treatment for certain power costs related to increases in wholesale electric prices beginning July 1, 2000 through June 30, 2001. The specific power costs deferred include the changes in power costs to Avista Utilities from the costs included in base retail rates, resulting from changes in short-term wholesale market prices, changes in the level of hydroelectric generation and changes in the level of thermal generation (including changes in fuel prices). The deferrals each month are calculated as the difference between the actual costs to Avista Utilities associated with these three power cost components, and the level of costs included in Avista Utilities' base retail rates. The power costs deferred relate solely to the operation of Avista Utilities' system resources to serve its system retail and wholesale load obligations.

On January 24, 2001, the WUTC approved a modification to the deferral mechanism to recover power supply costs associated with meeting increased retail and wholesale system load requirements, effective December 1, 2000. The approval of the modification was conditioned on Avista Utilities filing by March 20, 2001 a proposal addressing the prudence of the incurred power costs, the optimization of Company-owned resources to the benefit of retail customers and the appropriateness of recovery of power costs through a deferral mechanism. This proposal was also to address cost of capital offsets to recognize the shift in risk from shareholders to ratepayers and Avista Utilities' plan to mitigate the deferred power costs.

On May 23, 2001, the WUTC approved a settlement agreement reached among Avista Corp., the staff of the WUTC and other parties with respect to deferred power costs. The agreement, among other things, provided for the extension of Avista Corp.'s deferral accounting mechanism through February 2003. Due to the planned addition of generating resources as well as the expiration of certain long-term power sale agreements, Avista Utilities, at the time of the settlement agreement, expected to be in a power surplus position by the middle of 2002. The agreement was based, in part, on the expectation that Avista Utilities' profits from surplus power sales would offset the power cost deferral balance, reducing the balance to zero by February 2003 without any price increase to retail customers. These expectations were based on assumptions as to a number of variables including, but not limited to, streamflow conditions, thermal plant performance, level of retail loads, wholesale market prices and the amount of additional generating resources. Avista Utilities reserved the right to alter, amend, or terminate the settlement agreement as well as the right to seek interim rate relief. Since the issuance of the FERC price mitigation plan on June 18, 2001, wholesale market prices in the West have decreased. The wholesale market price decrease negatively affected Avista Utilities' plan for recovery of deferred power costs through future surplus power sales.

During June and the first part of July 2001, Avista Utilities evaluated the effect of the recent decline in wholesale market prices and the FERC price mitigation plan on its ability to recover deferred power cost balances under the settlement agreement approved by the WUTC on May 23, 2001 and the continuing PCA mechanism for Idaho customers approved by the IPUC. The combination of low hydroelectric availability, the cost of energy and capacity under forward contracts entered during a period of high wholesale prices to meet customer demand for 2001, the decline in forward wholesale prices and the FERC price mitigation plan increased current and estimated future deferred costs to levels significantly higher than originally anticipated and significantly reduced the expected value from future surplus sales of energy. As such, Avista Utilities determined that the plan for recovery of deferred cost balances, as contemplated in the May 23, 2001 settlement agreement with the WUTC and the existing PCA with the IPUC, was not feasible.

Accordingly, on July 18, 2001 Avista Utilities filed requests with the WUTC and IPUC for the approval of an electric energy surcharge of 36.9% in Washington and a PCA surcharge of 14.7% in Idaho for a 27-month period beginning in September 2001. As of December 31, 2001, Avista Utilities had deferred $235 million in power costs that have not been recovered in rates.

On September 24, 2001 the WUTC issued an order approving a 25% temporary electric rate surcharge for the 15-month period from October 1, 2001 to December 31, 2002 that will be applied uniformly across all Washington electric customer classes. Revenues collected under the surcharge are subject to refund depending on the determination made in the general rate case referred to below. It is estimated the order will allow Avista Utilities to reduce the deferred power cost balance by $125 million. This will include the receipt of $71 million in additional revenue from the surcharge and the accelerated amortization of $54 million of a deferred non-cash credit on the Company's balance sheet. The deferred non-cash credit relates to funds received in December 1998 for the monetization of a contract in which the Company assigned and transferred certain rights under a long-term power sales contract with Portland General Electric to a funding trust. The deferred balance was scheduled to be amortized into revenues over the 16-year period of the long-term sales contract. There will be no direct impact on net income from either the surcharge or accelerated amortization of the deferred non-cash credit; however, the surcharge revenue will increase cash flows. Total deferred power costs for Washington customers were $162 million as of December 31, 2001.

As part of the surcharge order, the WUTC ordered Avista Utilities to file a general rate case by December 2001 as discussed below. The order by the WUTC also provided for the termination of the accounting mechanism for the deferral of power costs effective December 31, 2001. The WUTC has subsequently approved the implementation of a temporary accounting mechanism for deferred power supply-related costs for the period from January 1, 2002 through the conclusion of the general rate case. As requested by Avista Utilities, the deferred accounting mechanism has been modified to reflect the deferral of 90 percent of the difference between actual power supply-related costs and the amount of power supply-related costs allowed to be recovered in current rates.

On November 13, 2001, Avista Utilities filed a request with the WUTC for an expedited procedural schedule to address the prudency of the $199.7 million of deferred power costs for Washington customers incurred as of September 30, 2001. This procedure will determine the definitive amount of deferred power costs that will ultimately be recovered from retail customers. The Company made this request due to the fact that uncertainty involving the recovery of deferred power costs will present financing challenges for the Company during the first half of 2002. The Company's $220 million committed line of credit as well as a $125 million (subsequently reduced to $90 million) accounts receivable financing facility expire in May 2002. It will be difficult for the Company to renew financing facilities or issue equity securities without certainty of the recoverability of deferred power costs. Avista Utilities anticipates receiving a WUTC order by April 2002 with regards to the prudence and recoverability of deferred power costs incurred prior to September 30, 2001. This request does not provide for an adjustment to rates or the period over which deferred power costs will be recovered. These issues, among other things, were addressed in the general rate case that was filed on December 3, 2001 discussed below.

On December 3, 2001, Avista Utilities filed its rate case and requested the recovery of additional deferred power costs and sought to demonstrate the prudence of all power costs which it has incurred. The general rate case addresses various power supply issues previously raised by the WUTC, a long-term power cost adjustment mechanism, increased capital costs as well as other issues customarily addressed in general rate cases, including whether or not the total rates are just, fair, reasonable and sufficient. General rate cases before the WUTC have historically taken from ten to twelve months to be resolved. See SUMMARY -"Recent Developments." Effective December 28, 2001, the WUTC issued a temporary deferred accounting mechanism to run from January 1, 2002 until the conclusion of the general rate case.

On October 12, 2001 the IPUC issued an order approving a 14.7% PCA surcharge for Idaho electric customers. The IPUC also granted an extension of a 4.7% PCA surcharge implemented earlier in 2001 that was set to expire January 31, 2002. Both PCA surcharges will remain in effect until October 11, 2002. The IPUC directed Avista Utilities to file a status report 60 days before the PCA surcharge expires. If review of the status report and the actual balance of deferred power costs support continuation of the PCA surcharge, the IPUC has indicated that it anticipates the PCA surcharge will be extended for an additional period. It is currently estimated the IPUC order will allow Avista Utilities to reduce the deferred power cost balance by approximately $58.2 million. This will include the receipt of $23.6 million in additional revenue

from the PCA surcharges and the accelerated amortization of $34.6 million of a deferred non-cash credit on the Company's balance sheet for the monetization of the Portland General Electric sale agreement (see description above). There will be no direct impact on net income from either the PCA surcharges or accelerated amortization of the deferred non-cash credit; however, the PCA surcharges will increase cash flows. The current PCA mechanism allows for the deferral of 90% of the difference between actual net power supply expenses and the authorized level of net power supply expense approved in the last Idaho general rate case. Total deferred power costs for Idaho customers were $73 million as of December 31, 2001.

The extent to which the amounts recovered through the electric surcharge in Washington (as originally authorized or as it may be modified) and the PCA surcharge in Idaho will be sufficient to offset the deferred power cost balances will depend not only on the magnitude and duration of the rate increases granted but also on the ongoing changes in the amount of the balances throughout the term of the rate increases. The balances will accrue a carrying charge and will continue to be affected by a variety of market factors beyond our control including, but not limited to, the availability of hydroelectric resources, energy demand and energy prices in wholesale markets.

GAS

On July 6, 2001, Avista Utilities filed requests for purchased gas cost adjustments ("PGA") with the WUTC and the IPUC. The Washington PGA increase of 12.2% approved by the WUTC became effective on August 9, 2001. The Idaho PGA increase of 11.5% approved by the IPUC became effective on August 28, 2001. Total deferred purchased gas costs were $53 million as of December 31, 2001. Avista Utilities estimates the PGA rate changes will increase revenues by $24.6 million per year. Based on current PGAs in place and current natural gas prices, Avista Utilities expects that the deferred natural gas cost balance will be fully recovered by December 2002. However, there will be no impact on net income as deferred natural gas costs are amortized to offset the increase in revenues.

THE EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

Avista Corp. is offering to issue its 7.75% First Mortgage Bonds due 2007, which have been registered under the Securities Act (the "New Bonds"), in exchange for its 7.75% First Mortgage Bonds due 2007, which have not been so registered (the "Old Bonds"), as described herein (the "Exchange Offer").

The Old Bonds were sold by Goldman, Sachs & Co., BNY Capital Markets, Inc., Fleet Securities, Inc. and TD Securities (USA) Inc. (the "Initial Purchasers") on December 19, 2001 to a limited number of institutional investors (the "Purchasers"). In connection with the sale of the Old Bonds, Avista Corp. and the Initial Purchasers entered into an Exchange and Registration Rights Agreement, dated December 19, 2001 (the "Registration Rights Agreement"), which requires, among other things, Avista Corp.

(a) to file with the Securities and Exchange Commission (the "SEC") a registration statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to New Bonds identical in all material respects to the Old Bonds, to use commercially reasonable efforts to cause such registration statement to be declared effective under the Securities Act and to make an exchange offer for the Old Bonds as discussed below, or

(b) to register the Old Bonds under the Securities Act.

Avista Corp. is obligated, upon the effectiveness of the exchange offer registration statement referred to in (a) above, to offer the holders of the Old Bonds the opportunity to exchange their Old Bonds for a like principal amount of New Bonds which will be issued without a restrictive legend and may be reoffered and resold by the holder without restrictions or limitations under the Securities Act. A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this prospectus is a part. The Exchange Offer is being made pursuant to the Registration Rights Agreement to satisfy Avista Corp.'s obligations under that agreement. The term "Holder" with

respect to the Exchange Offer means any person in whose name Old Bonds are registered on Avista Corp.'s books, any other person who has obtained a properly completed assignment from the registered holder or any DTC participant whose Old Bonds are held of record by DTC. At the date of this prospectus, the sole Holder of Old Bonds is DTC.

In participating in the Exchange Offer, a Holder is deemed to represent to Avista Corp., among other things, that

(a) the New Bonds acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such New Bonds, whether or not such person is the Holder,

(b) neither the Holder nor any such other person receiving such New Bonds is engaging in or intends to engage in a distribution of such New Bonds,

(c) neither the Holder nor any such other person receiving such New Bonds has an arrangement or understanding with any person to participate in the distribution of such New Bonds, and

(d) neither the Holder nor any such other person receiving such New Bonds is an "affiliate," as defined in Rule 405 under the Securities Act, of Avista Corp.

Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third-parties, Avista Corp. believes that the New Bonds issued pursuant to the Exchange Offer may be offered for resale and resold or otherwise transferred by any Holder of such New Bonds (other than any such Holder which is an "affiliate" of Avista Corp. within the meaning of Rule 405 under the Securities Act and except as otherwise discussed below with respect to Holders which are broker-dealers) without compliance with the registration and prospectus delivery requirements of the Securities Act, so long as such New Bonds are acquired in the ordinary course of such Holder's business and such Holder has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of such New Bonds. Any Holder who tenders in the Exchange Offer for the purpose of participating in a distribution of the New Bonds cannot rely on such interpretation by the staff of the SEC and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Under no circumstances may this prospectus be used for any offer to resell or any resale or other transfer in connection with a distribution of the New Bonds. In the event that Avista Corp.'s belief is not correct, Holders of the New Bonds who transfer New Bonds in violation of the prospectus delivery provisions of the Securities Act and without an exemption from registration thereunder may incur liability thereunder. Avista Corp. does not assume or indemnify Holders against such liability.

Each broker-dealer that receives New Bonds for its own account in exchange for Old Bonds which were acquired by such broker-dealer as a result of market-making activities or other trading activities must, and must agree to, deliver a prospectus in connection with any resale of such New Bonds. This prospectus may be used for such purpose. Any such broker-dealer may be deemed to be an "underwriter" within the meaning of the Securities Act. The foregoing interpretation of the staff of the SEC does not apply to, and this prospectus may not be used in connection with, the resale by any broker-dealer of any New Bonds received in exchange for an unsold allotment of Old Bonds purchased directly from Avista Corp.

Avista Corp. has not entered into any arrangement or understanding with any person to distribute the New Bonds to be received in the Exchange Offer.

The Exchange Offer is not being made to, nor will Avista Corp. accept tenders for exchange from, Holders of Old Bonds in any jurisdiction in which the Exchange Offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

See PLAN OF DISTRIBUTION.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, Avista Corp. will accept any and all Old Bonds properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date. Avista Corp. will issue $1,000 in principal amount of New Bonds in exchange for each $1,000 in principal amount of outstanding Old Bonds surrendered in the Exchange Offer. However, Old Bonds may be tendered only in integral multiples of $1,000.

The form and terms of the New Bonds will be the same as the form and terms of the Old Bonds. The New Bonds will evidence the same debt as the Old Bonds. The New Bonds will be issued under and entitled to the benefits of the mortgage pursuant to which the Old Bonds were issued. The New Bonds will be registered under the Securities Act while the Old Bonds were not.

As of the date of this prospectus, $150,000,000 in aggregate principal amount of the Old Bonds is outstanding. This prospectus, together with the letter of transmittal, is being sent to all registered Holders of the Old Bonds.

Avista Corp. will be deemed to have accepted validly tendered Old Bonds when, as and if Avista Corp. shall have given oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering Holders for the purpose of receiving the New Bonds from Avista Corp.

Old Bonds that are not tendered for exchange in the Exchange Offer will remain outstanding and will be entitled to the rights and benefits such Holders have under the mortgage. If any tendered Old Bonds are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Bonds will be returned, without expense, to the tendering Holder thereof as promptly as practicable after the Expiration Date.

Holders who tender Old Bonds in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange pursuant to the Exchange Offer. Avista Corp. will pay all charges and expenses, other than certain applicable taxes described below, in connection with the Exchange Offer.

EXPIRATION DATE; EXTENSIONS; AMENDMENTS TO THE EXCHANGE OFFER

The term "Expiration Date," shall mean 5:00 p.m., New York City time on , 2002, unless Avista Corp., in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended.

In order to extend the Exchange Offer, Avista Corp. will notify the Exchange Agent of any extension by oral (promptly confirmed in writing) or written notice and will mail to the registered Holders an announcement thereof, prior to 9:00 a.m., New York City time, on the next business day after the then Expiration Date.

Avista Corp. reserves the right, in its sole discretion,

(a) to delay accepting any Old Bonds, to extend the Exchange Offer or to terminate the Exchange Offer if any of the conditions set forth below under "--Conditions to the Exchange Offer" shall not have been satisfied by giving oral (promptly confirmed in writing) or written notice of such delay, extension or termination to the Exchange Agent or

(b) to amend the terms of the Exchange Offer in any manner.

Any such delay in acceptances, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered Holders. If the Exchange Offer is amended in a manner determined by Avista Corp. to constitute a material change, Avista Corp. will promptly disclose such amendment by means of a prospectus supplement that will be

distributed to the registered Holders of the Old Bonds, and Avista Corp. will extend the Exchange Offer for a period of five to ten business days, depending upon the significance of the amendment and the manner of disclosure to the registered Holders, if the Exchange Offer would otherwise expire during such five to ten business day period.

Without limiting the manner in which Avista Corp. may choose to make a public announcement of any delay, extension, amendment or termination of the Exchange Offer, Avista Corp. will have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to an appropriate news agency.

Upon satisfaction or waiver of all the conditions to the Exchange Offer, Avista Corp. will accept, promptly after the Expiration Date, all Old Bonds properly tendered and will issue the New Bonds promptly after acceptance of the Old Bonds. See "--Conditions to the Exchange Offer." For purposes of the Exchange Offer, Avista Corp. will be deemed to have accepted properly tendered Old Bonds for exchange when, as and if Avista Corp. shall have given oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent.

In all cases, issuance of the New Bonds for Old Bonds that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of a properly completed and duly executed letter of transmittal (or facsimile thereof or an Agent's message in lieu thereof) and all other required documents; provided, however, that Avista Corp. reserves the absolute right to waive any defects or irregularities in the tender or conditions of the Exchange Offer. If any tendered Old Bonds are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Bonds are submitted for a greater principal amount or a greater principal amount, respectively, than the Holder desires to exchange, then such unaccepted or non-exchanged Old Bonds evidencing the unaccepted portion, as appropriate, will be returned without expense to the tendering Holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.

CONDITIONS TO THE EXCHANGE OFFER

Notwithstanding any other term of the Exchange Offer, Avista Corp. will not be required to exchange any New Bonds for any Old Bonds and may terminate the Exchange Offer before the acceptance of any Old Bonds for exchange, if:

(a) any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the Exchange Offer which, in Avista Corp.'s reasonable judgment, might materially impair the ability of Avista Corp. to proceed with the Exchange Offer; or

(b) any law, statute, rule or regulation is proposed, adopted or enacted, or any existing law, statute, rule or regulation is interpreted by the staff of the SEC, which, in Avista Corp.'s reasonable judgment, might materially impair the ability of Avista Corp. to proceed with the Exchange Offer.

If Avista Corp. determines in its sole discretion that any of these conditions are not satisfied, Avista Corp. may

(c) refuse to accept any Old Bonds and return all tendered Old Bonds to the tendering Holders,

(d) extend the Exchange Offer and retain all Old Bonds tendered prior to the expiration of the Exchange Offer, subject, however, to the rights of Holders who tendered such Old Bonds to withdraw their tendered Old Bonds, or

(e) waive such unsatisfied conditions with respect to the Exchange Offer and accept all properly tendered Old Bonds which have not been withdrawn. If such waiver constitutes a material change to the Exchange Offer, Avista Corp. will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the registered Holders, and Avista Corp. will extend the Exchange Offer for a period of five to ten business days, depending upon the

significance of the waiver and the manner of disclosure to the registered Holders, if the Exchange Offer would otherwise expire during such five to ten business day period.

PROCEDURES FOR TENDERING--REGISTERED HOLDERS AND DTC PARTICIPANTS

REGISTERED HOLDERS OF OLD BONDS, AS WELL AS BENEFICIAL OWNERS WHO ARE DIRECT PARTICIPANTS IN DTC, WHO DESIRE TO PARTICIPATE IN THE EXCHANGE OFFER SHOULD FOLLOW THE DIRECTIONS SET FORTH BELOW AND IN THE LETTER OF TRANSMITTAL.

ALL OTHER BENEFICIAL OWNERS SHOULD FOLLOW THE INSTRUCTIONS RECEIVED FROM THEIR BROKER OR NOMINEE AND SHOULD CONTACT THEIR BROKER OR NOMINEE DIRECTLY. THE INSTRUCTIONS SET FORTH BELOW AND IN THE LETTER OF TRANSMITTAL DO NOT APPLY TO SUCH BENEFICIAL OWNERS.

Registered Holders

To tender in the Exchange Offer, a Holder must complete, sign and date the letter of transmittal, or facsimile thereof, have the signatures thereon guaranteed if required by the letter of transmittal, and mail or otherwise deliver such letter of transmittal or such facsimile to the Exchange Agent prior to the Expiration Date. In addition, either

(a) certificates for such Old Bonds must be received by the Exchange Agent along with the letter of transmittal, or

(b) the Holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the letter of transmittal and other required documents must be received by the Exchange Agent at the address set forth below under "--Exchange Agent" prior to the Expiration Date.

The tender by a Holder which is not withdrawn prior to the Expiration Date will constitute an agreement between such Holder and Avista Corp. in accordance with the terms and subject to the conditions set forth herein and in the letter of transmittal.

THE METHOD OF DELIVERY OF OLD BONDS, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER, BUT THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD BONDS SHOULD BE SENT TO AVISTA CORP. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution (as defined below) unless the Old Bonds tendered pursuant thereto is tendered

(a) by a registered Holder who has not completed the box entitled "Special Payment Instructions" or "Special Delivery Instructions" on the letter of transmittal or

(b) for the account of an Eligible Institution (as defined below).

In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantor must be a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (an "Eligible Institution").

If the letter of transmittal is signed by a person other than the registered Holder of any Old Bonds listed therein, such Old Bonds must be endorsed or accompanied by a properly completed bond power signed by such registered Holder as such registered Holder's name appears on such Old Bonds.

If the letter of transmittal or any Old Bonds or bond or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by Avista Corp., evidence satisfactory to Avista Corp. of their authority to so act must be submitted with the letter of transmittal.

Holders who wish to tender their Old Bonds and

(a) whose Old Bonds are not immediately available,

(b) who cannot deliver their Old Bonds, the letter of transmittal or any other required documents to the Exchange Agent prior to Ethe xpiration Date, or

(c) who cannot complete the procedures for book-entry tender on a timely basis

may effect a tender if:

(1) the tender is made through an Eligible Institution;

(2) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder, the certificate number(s) of such Old Bonds (unless tender is to be made by book-entry transfer) and the principal amount of Old Bonds tendered, stating that the tender is being made thereby and guaranteeing that, within five New York Stock Exchange trading days after the date of delivery of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Bonds, in proper form for transfer, or Book-Entry Confirmation (as defined in the letter of transmittal), as the case may be, together with a properly completed and duly executed letter of transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and all other documents required by the letter of transmittal, will be deposited by the Eligible Institution with the Exchange Agent; and

(3) the certificates and/or other documents referred to in clause (2) above must be received by the Exchange Agent within the time specified above.

Upon request to the Exchange Agent a Notice of Guaranteed Delivery will be sent to Holders who wish to tender their Old Bonds according to the guaranteed delivery procedures set forth above.

DTC Participants

Any financial institution that is a participant in DTC's systems may make book-entry delivery of Old Bonds by causing DTC to transfer such Old Bonds into the Exchange Agent's account at DTC in accordance with DTC's procedures for transfer. Such delivery must be accompanied by either

(a) the letter of transmittal or facsimile thereof, with any required signature guarantees or

(b) an Agent's Message (as hereinafter defined),

and any other required documents, and must, in any case, be transmitted to and received by the Exchange Agent at the address set forth below under "--Exchange Agent" prior to the Expiration Date or the guaranteed delivery procedures

described above must be complied with. The Exchange Agent will make a request to establish an account with respect to the Old Bonds at DTC for purposes of the Exchange Offer within two business days after the date of this prospectus.

The term "Agent's Message" means a message, electronically transmitted by DTC to and received by the Exchange Agent, and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgement from a Holder of Old Bonds stating that such Holder has received and agrees to be bound by, and makes each of the representations and warranties contained in, the Letter of Transmittal and, further, that such Holder agrees that the Company may enforce the Letter of Transmittal against such Holder.

Miscellaneous

All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Old Bonds and withdrawal of tendered Old Bonds will be determined by Avista Corp. in its sole discretion, which determination will be final and binding. Avista Corp. reserves the absolute right to reject any and all Old Bonds not properly tendered or any Old Bonds Avista Corp.'s acceptance of which would, in the opinion of counsel for Avista Corp., be unlawful. Avista Corp. also reserves the right to waive any defects, irregularities or conditions of tender as to particular Old Bonds. Avista Corp.'s interpretation of the terms and conditions of the Exchange Offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Bonds must be cured within such time as Avista Corp. shall determine. Although Avista Corp. intends to notify Holders of defects or irregularities with respect to tenders of Old Bonds, none of Avista Corp., the Exchange Agent, or any other person shall incur any liability for failure to give such notification. Tenders of Old Bonds will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Bonds received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the Expiration Date.

By tendering, each Holder or the Person receiving the New Bonds, as the case may be will be deemed to represent to Avista Corp. that, among other things,

- the New Bonds acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the Person receiving such New Bonds, whether or not such person is the Holder,

- neither the Holder nor any such other person is engaged or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution of such New Bonds, and

- neither the Holder nor any such other Person is an "affiliate," as defined in Rule 405 of the Securities Act, of Avista Corp.

In all cases, issuance of New Bonds pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for the Old Bonds tendered for exchange or a timely Book-Entry Confirmation of such Old Bonds into the Exchange Agent's account at DTC, a properly completed and duly executed letter of transmittal (or facsimile thereof or Agent's Message in lieu thereof) and all other required documents. If any tendered Old Bonds are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Bonds are submitted for a greater principal amount than the Holder desires to exchange, such unaccepted or non-exchanged Old Bonds will be returned without expense to the tendering Holder thereof (or, in the case of Old Bonds tendered by book-entry transfer into the Exchange Agent's account at DTC pursuant to the book-entry transfer procedures described below, such non-exchanged Old Bonds will be credited to an account maintained with DTC) as promptly as practicable after the expiration or termination of the Exchange Offer.

Avista Corp. reserves the right in its sole discretion to purchase or make offers for any Old Bonds that remain outstanding subsequent to the Expiration Date or, as set forth above under "--Conditions to the Exchange Offer," to terminate the Exchange Offer and, to the extent permitted by applicable law, purchase Old Bonds in the open market, in privately negotiated

transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

WITHDRAWAL OF TENDERS OF OLD BONDS

Except as otherwise provided herein, tenders of Old Bonds may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To withdraw a tender of Old Bonds in the Exchange Offer, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must

(a) specify the name of the person having deposited the Old Bonds to be withdrawn (the "Depositor"),

(b) identify the Old Bonds to be withdrawn (including the certificate number (unless tendered by book-entry transfer),

(c) be signed by the Holder in the same manner as the original signature on the letter of transmittal by which such Old Bonds were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Old Bonds register the transfer of such Old Bonds in the name of the person withdrawing the tender, and

(d) specify the name in which any such Old Bonds are to be registered, if different from that of the Depositor. If Old Bonds have been tendered pursuant to book-entry transfer, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Old Bonds, in which case a notice of withdrawal will be effective if delivered to the Exchange Agent by any method of delivery described in this paragraph.

All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by Avista Corp., whose determination shall be final and binding on all parties. Any Old Bonds so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal; and no New Bonds will be issued with respect thereto unless the Old Bonds so withdrawn are validly retendered. Properly withdrawn Old Bonds may be retendered by following one of the procedures described above under "-- Procedures for Tendering" at any time prior to the Expiration Date.

EXCHANGE AGENT

Citibank, N.A. has been appointed as Exchange Agent of the Exchange Offer. Requests for additional copies of this prospectus or of the letter of transmittal and requests for Notice of Guaranteed Delivery with respect to the exchange of the Old Bonds should be directed to the Exchange Agent addressed as follows:

Citibank, N.A.
111 Wall Street
14th Floor/Zone 3
New York, New York 10043

Attention: Global Agency & Trust Services

By Telephone: 1-800-422-2066

By Facsimile: (212) 825-3483

FEES AND EXPENSES

The expenses of soliciting tenders will be paid by Avista Corp. The principal solicitation is being made by mail; however, additional solicitation may be made by telecopier, telephone or in person by officers and regular employees of Avista Corp. and its affiliates.

Avista Corp. has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers-dealers or others soliciting acceptances of the Exchange Offer. Avista Corp., however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith.

The cash expenses to be incurred in connection with the Exchange Offer will be paid by Avista Corp. and are estimated in the aggregate to be approximately $125,000. Such expenses include registration fees, fees and expenses of the Exchange Agent, accounting and legal fees and printing costs, among others.

Avista Corp. will pay all transfer taxes, if any, applicable to the exchange of the Old Bonds pursuant to the Exchange Offer. If, however, certificates representing New Bonds for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered Holder of Old Bonds tendered, or if tendered Old Bonds are registered in the name of, any person other than the person signing the letter of transmittal, or if a transfer tax is imposed for any reason other than the exchange of the Old Bonds pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering Holder.

DESCRIPTION OF THE NEW BONDS

In this description, the words "Avista Corp." refer only to Avista Corporation and not to any of its subsidiaries, except for purposes of financial data determined on a consolidated basis. The Old Bonds and the New Bonds are sometimes collectively called the "bonds".

GENERAL

Avista Corp. issued the Old Bonds under its Mortgage and Deed of Trust, dated as of June 1, 1939, as supplemented, under which Citibank, N.A., is trustee. The Old Bonds were issued in a private transaction that was not subject to the registration requirements of the Securities Act. The bonds, together with all other bonds outstanding under the mortgage, are hereinafter called, collectively, the first mortgage bonds. The statements herein concerning the bonds and the mortgage are merely a summary and do not purport to be complete. Such statements make use of terms defined in the mortgage and are qualified in their entirety by express reference to the cited sections and articles of the mortgage. Sections 125 to 150 of the mortgage appear in the first supplemental mortgage. The terms of the bonds include those stated in the mortgage and those made part of the mortgage by reference to the Trust Indenture Act.

The following description is a summary of the material provisions of the mortgage relating to the Old Bonds. It does not restate the mortgage in its entirety. We urge you to read the mortgage because it, and not this description, defines your rights as holders of the Old Bonds. Some defined terms used in this description have the meanings assigned to them in the mortgage.

The registered holder of a bond will be treated as the owner of it for all purposes. Only registered holders will have rights under the mortgage.

PRINCIPAL, MATURITY AND INTEREST

Avista Corp. will issue bonds in denominations of $1,000 and integral multiples of $1,000. The bonds will mature on January 1, 2007. Interest on the bonds will accrue at the rate of 7.75% per annum and will be payable semi-annually in arrears on January 1 and July 1, commencing on July 1, 2002. Avista Corp. will make each interest payment to the holders of record on the immediately preceding December 15 and June 15.

Interest on the bonds will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Avista Corp. may not redeem the bonds in whole or in part prior to maturity, and there is no sinking fund for the bonds.

METHODS OF RECEIVING PAYMENTS ON THE BONDS

Interest on each bond payable on each interest payment date will be paid by check mailed to the registered holder of such bond on the record date relating to such interest payment date; provided, however, that if such holder is a securities depositary, such payment may be made by such other means in lieu of check as shall be agreed upon by Avista Corp., the trustee and such holder; and provided, further, that interest payable at maturity (whether at stated maturity, upon redemption or otherwise, hereinafter "Maturity") will be paid to the person to whom principal is paid.

Principal of and premium, if any, and interest on the bonds due at Maturity will be payable upon presentation of the bonds at the principal office of the trustee which has been designated by Avista Corp. as its office or agency for such payment. Avista Corp. may change such office or agency, and may designate any additional office or agency, in its discretion.

TRANSFER AND EXCHANGE

The transfer of bonds may be registered, and bonds may be exchanged for other bonds, upon surrender thereof at the principal office of the trustee which has been designated by Avista Corp. as its office or agency for such purposes. Avista Corp. may change such office or agency, and may designate an additional office or agency, in its discretion. No service charge will be made for any registration of transfer or exchange of bonds, but Avista Corp. may require payment of a sum sufficient to cover any tax or other governmental charge incident thereto. Avista Corp. will not be required to make any transfer or exchange of any bonds for a period of 10 days next preceding any selection of bonds for redemption, nor will it be required to make transfers or exchanges of any bonds which have been selected for redemption in whole or in part or as to which Avista Corp. shall have received a notice for the redemption thereof in whole or in part at the option of the owner.

SECURITY

The bonds, together with all other first mortgage bonds now or hereafter issued under the mortgage, will be secured by the mortgage, which constitutes a first mortgage lien on Avista Corp.'s facilities for the generation, transmission and distribution of electric energy and the storage and distribution of natural gas and substantially all of Avista Corp.'s assets (except as stated below), subject to

- leases of minor portions of the Company's property to others for uses that do not interfere with the Company's business;
- leases of certain property of the Company not used in its utility business;
- excepted encumbrances, as defined in the mortgage; and

- encumbrances, defects and irregularities deemed immaterial by the Company in the operation of the Company's business.

There are excepted from the lien all cash and securities (including without limitation securities issued by Avista Corp.'s subsidiaries); merchandise, equipment, materials or supplies held for sale or consumption in the Company's operations; receivables, contracts, leases and operating agreements; electric energy, and other material or products (including gas) generated, manufactured, produced or purchased by the Company, for sale, distribution or use in the ordinary course of its business. (Mortgage, Granting Clauses.)

The mortgage contains provisions for subjecting to the lien thereof all property (other than property of the kinds excepted from such lien) acquired by the Company after the execution and delivery thereof, subject to purchase money liens and liens existing thereon at the time of acquisition, and, subject to limitations in the case of consolidation, merger or sale of substantially all of the Company's assets. (Mortgage, Granting Clauses and Art. XV.)

The mortgage provides that the trustee shall have a lien upon the mortgaged property, prior to the bonds, for the payment of its reasonable compensation and expenses and for indemnity. (Mortgage, Secs. 92 and 97; First Supplemental, Art. XXV.)

Although its utility operations are conducted directly by Avista Corp., all of the other operations of Avista Corp. are conducted through its subsidiaries. The lien of the mortgage does not cover the assets of the subsidiaries or the securities of the subsidiaries held by Avista Corp. In addition, the bonds will be effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Avista Corp.'s subsidiaries. Any right of Avista Corp. to receive assets of any of its subsidiaries upon the subsidiary's liquidation or reorganization (and the consequent right of the holders of the bonds to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors, except to the extent that Avista Corp. is itself recognized as a creditor of the subsidiary, in which case the claims of Avista Corp. would still be subordinate in right of payment to any security in the assets of the subsidiary and any indebtedness of the subsidiary senior to that held by Avista Corp. In addition, Avista Corp.'s ability to access the cash flow of its subsidiaries is subject to substantial restrictions. See BANK CREDIT AGREEMENTS. As of December 31, 2001, Avista Corp.'s subsidiaries had approximately $22.9 million of indebtedness, $440.4 million of payables and other liabilities, and $673.8 million of energy commodity liabilities (energy commodity liabilities are held in a portfolio containing $860.5 million of energy commodity assets) outstanding.

As of the date of this prospectus, $533.5 million of first mortgage bonds are outstanding. This amount includes $220 million of non-transferable first mortgage bonds which were issued in September 2001 to the agent bank under Avista Corp.'s primary credit facility in order to provide the benefit of the lien of the mortgage to secure Avista Corp.'s obligations. The indebtedness under the credit facility (including the collateral bonds) are included in Avista Corp.'s short-term debt. See BANK CREDIT AGREEMENTS.

MAINTENANCE AND REPLACEMENT FUND

Annual Maintenance and Replacement Fund payments are required to be made to the trustee in an amount equal to the excess, if any, of the amount which, in the opinion of an engineer expressed in a certificate delivered to the trustee, should have been expended during the preceding calendar year for repairs, maintenance, renewals or replacements of, or substitutions for, the mortgaged property over the amount actually expended for such purposes. Any annual requirement may be satisfied (a) in cash or (b) by credit for the amount of first mortgage bonds that would otherwise be issuable on the basis of either property additions or of first mortgage bonds or prior lien bonds theretofore retired; provided, however, that the Company is not permitted to satisfy any Maintenance and Replacement Fund requirement by the deposit of cash if, at the time such requirement is to be satisfied, it has unfunded property additions having a cost or fair value (whichever is less) equal to or greater than 110% of such requirement. Cash deposited with the trustee pursuant to the Maintenance and Replacement Fund may, among other things, be applied to the purchase of first mortgage bonds or to the redemption of first mortgage bonds which are, by their terms, redeemable before maturity.

In every year since the execution and delivery of the mortgage, the Company has made all necessary expenditures for the aforesaid purposes and an engineer has so certified, with the result that the Company has never been required to make any payment to the trustee under the Maintenance and Replacement Fund.

In addition, the mortgage contains a covenant pursuant to which the Company is required for each calendar year to expend or accrue for maintenance or to appropriate for property retirement or for property amortization 13 1/2% of the gross operating revenues of the Company, as defined therein; provided, however, that the Company may so expend, accrue or appropriate a lesser amount if a regulatory authority determines that such lesser amount is adequate. Excess amounts expended, accrued or appropriated in any year may be credited against the five succeeding years' requirements. This covenant does not require the deposit of cash with the trustee.

The Company amended the mortgage, effective as of the Modification Effective Date referred to below, to eliminate the provisions for property maintenance and retirement described above. No consent of the holders of the bonds is required in order for this amendment to become effective. See "--Modification."

(Mortgage, Sec. 38; First Supplemental, Article XXV; Second Supplemental, Sec. 9; Eighteenth Supplemental, Sec. 4; Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II.)

SPECIAL PROVISIONS FOR RETIREMENT OF BONDS

If, during any 12-month period, any of the mortgaged property is taken by eminent domain and/or sold to any governmental, authority and/or sold pursuant to an order of a governmental authority, with the result that the Company receives $15,000,000 or more in cash or in principal amount of purchase money obligations, the Company is required to apply such cash and the proceeds of such obligations (subject to certain conditions and deductions, and to the extent not otherwise applied) to the redemption of first mortgage bonds which are, by their, terms, redeemable before maturity by the application of such cash and proceeds. (Mortgage, Sec. 64; Tenth Supplemental, Sec. 4.)

ISSUANCE OF ADDITIONAL BONDS

The present maximum principal amount of first mortgage bonds which may be outstanding under the mortgage is $10,000,000,000. However, the Company has reserved the right to amend the mortgage (without any consent of or other action of holders of any bonds now or hereafter outstanding) to remove this limitation.

First mortgage bonds of any series may be issued from time to time on the basis of:

(1) 60% of cost or fair value of property additions (whichever is less) after adjustments to offset retirements;

(2) retirement of first mortgage bonds; and

(3) deposit of cash.

The Old Bonds were issued upon the basis of unfunded property additions and retired first mortgage bonds and New Bonds will only be issued in exchange for a like principal amount of Old Bonds tendered in the Exchange Offer.

The Company has amended the mortgage, effective as of the Modification Effective Date referred to below, to (x) change 60% in the preceding sentence to 70% and (y) make correlative changes in provisions relating to, among other things, the release of property from the lien of the mortgage and the withdrawal of cash held by the trustee. No consent of the holders of the bonds is required in order for this amendment to become effective.
See "--Modification."

No first mortgage bonds may be issued as described in clause (1) or (3) in the preceding paragraph unless net earnings for 12 consecutive months out of the preceding 15 calendar months (before income taxes, depreciation and amortization of property, property losses and interest on any indebtedness and amortization of debt discount and expense) are at least twice the annual

interest requirements on all first mortgage bonds at the time outstanding, including the additional issue, and on all indebtedness of prior rank. Such net earnings test generally need not be satisfied prior to the issuance of first mortgage bonds as described in clause (2) in the preceding paragraph unless (x) the annual requirements on the retired first mortgage bonds on the basis of which the bonds are to be issued have been excluded from a net earnings certificate delivered to the trustee since the retirement of such first mortgage bonds or (y)(i) the retired first mortgage bonds on the basis of which the bonds are to be issued mature by their terms at a date more than two years after the date for authentication and delivery of such bonds and (ii) the bonds bear interest at a higher rate than such retired first mortgage bonds.

The Company has amended the mortgage, effective as of the Modification Effective Date referred to below:

- to modify the net earnings test described in the preceding paragraph to, among other things:
  - provide that the period over which net earnings is computed shall be 12 out of the preceding 18 months;
  - specifically permit the inclusion in net earnings of revenues collected or accrued subject to possible refund; specifically permit the inclusion in net earnings of any portion of the allowance for funds used during construction, and any portion of the allowance for funds used to conserve energy (or any analogous amount), which is not included in "other income" (or any analogous item) in the Company's books of account;
  - provide that, in calculating net earnings, no deduction from revenues or other income shall be made for (1) expenses or provisions for any non-recurring charge to income of whatever kind or nature (including without limitation the recognition of expense due to the non-recoverability of investment) or (2) provisions for any refund of revenues previously collected or accrued subject to possible refund, and
  - provide that, in calculating annual interest requirements, (1) if any first mortgage bonds or prior ranking indebtedness bears interest at a variable rate, the annual interest requirements thereon shall be determined by reference to the rate or rates in effect on the date next preceding the date of the new issue of first mortgage bonds and (2) if the new issue of first mortgage bonds is to bear interest at a variable rate or rates, the annual interest requirements thereon shall be determined by reference to the rate or rates to be in effect at the time of the initial issuance thereof.

No consent of the holders of the bonds is required in order for this amendment to become effective. See "--Modification."

Property additions generally include electric, natural gas, steam or water property acquired after May 31, 1939, but may not include property used principally for the production or gathering of natural gas. Any such property additions may be used if their ownership and operation is within the corporate purposes of the Company regardless of whether or not the Company has all necessary permission it may need at any time from governmental authorities to operate such property additions.

The holders of the bonds will be deemed to have consented to an amendment to the provision of the mortgage which requires that Avista Corp. deliver an opinion of counsel as to the status of the lien of the mortgage on Property Additions being certified to the Trustee. The amendment permits us to deliver to the Trustee, in lieu of such opinion, title insurance with respect to such Property Additions in an amount not less than 35% of the cost or fair value to Avista Corp. (whichever is less) of such Property Additions. Such amendment could not be made without the requisite consent of the holders of outstanding bonds as described under "--Modification."

No first mortgage bonds may be issued on the basis of property additions subject to prior liens, unless the prior lien bonds secured thereby have been qualified by being deducted from the first mortgage bonds otherwise

issuable and do not exceed 50% of such property additions, and unless the first mortgage bonds then to be outstanding which have been issued against property subject to continuing prior liens and certain other items would not exceed 15% of the first mortgage bonds outstanding. The Company has amended the mortgage, effective as of the Modification Effective Date referred to below, to change 50% in the foregoing sentence to 70%. No consent of the holders of the bonds is required in order for this amendment to become effective. See "--Modification."

The amount of prior liens on mortgaged property acquired after the date of delivery of the mortgage may be increased subsequent to the acquisition of such property provided that, if any property subject to such prior lien shall have been made the basis of any application under the mortgage, all the additional obligation are deposited with the trustee or other holder of a prior lien.

(Mortgage, Secs. 4 to 8, 20 to 30 and 46; First Supplemental, Sec. 2; Eleventh Supplemental, Sec. 5; Twelfth Supplemental, Sec. 1; Fourteenth Supplemental, Sec. 4; Seventeenth Supplemental, Sec. 3; Eighteenth Supplemental, Secs. 1, 2 and 6; Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II.)

RELEASE AND SUBSTITUTION OF PROPERTY

Property may be released from the lien of the mortgage upon the basis of (1) deposit of cash or, to a limited amount, purchase money mortgages, (2) property additions and (3) waiver of the right to issue first mortgage bonds. Cash may be withdrawn upon the bases stated in clauses (2) and (3) above. When property released has not been made the basis of any application under the mortgage, the property additions used to effect the release may again, in certain cases, become available as credits under the mortgage, and the waiver of the right to issue first mortgage bonds, to effect the release made in certain cases, cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The mortgage contains special provisions with respect to prior lien bonds pledged, and disposition of moneys received on pledged bonds secured by prior lien. (Mortgage, Secs. 5; 31, 32, 46 to 50, 59, 60, 61, 118 and 134.)

MODIFICATION

In general, the mortgage, the rights and obligations of the Company and the rights of the bondholders may be modified with the consent of 75% in principal amount of the first mortgage bonds outstanding, and, if less than all series of first mortgage bonds are affected, the consent also of 75% in principal amount of the first mortgage bonds of each series affected. However, no modification of the terms of payment of principal or interest, and no modification affecting the lien or reducing the percentage required for modification, is effective against any bondholder without his consent. The Company has the right to make certain specific amendments and amendments necessary from time to time to qualify the mortgage under the Trust Indenture Act of 1939 as in force on the date of such amendments without the consent of bondholders. (Mortgage, Art. XVIII, Secs. 120 and 149; First Supplemental, Sec. 10.)

The Company has amended the mortgage, effective as of the Modification Effective Date referred to below, so as to provide that the mortgage, the rights and obligations of the Company and the rights of the bondholders may be modified with the consent of 60% in principal amount of the first mortgage bonds outstanding or, if less than all series of first mortgage bonds are affected, then the consent only, of 60% in principal amount of the first mortgage bonds outstanding of the series so affected, considered as one class. (Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II.) No consent of the holders of the bonds is required in order for these amendments to become effective.

In addition to all other amendments to the mortgage described above which will become effective as of the Modification Effective Date referred to below, the Company has amended the mortgage, effective as of the Modification Effective Date referred to below, in the following respects:

- to specifically provide that no reduction in the book value of property recorded in the plant account of the Company shall constitute a property retirement, otherwise than in connection with physical retirements of property abandoned, destroyed or disposed of, and otherwise than in connection with the removal of such property in its entirety from the plant account;

- to provide that the lien of the mortgage shall not automatically attach to the properties of another corporation which shall have consolidated or merged with the Company in a transaction in which the Company shall be the surviving or resulting corporation;

- to provide that if the Company shall have appointed a successor trustee, meeting the requirements therefor set forth in the mortgage, which shall have accepted such appointment, the trustee shall be deemed to have resigned; and

- to specifically provide that the mortgage may be amended without the consent of the holders of the first mortgage bonds:

    - to evidence the succession of a successor trustee;

    - to add additional covenants of the Company and additional defaults, which may be applicable only to the first mortgage bonds of specified series;

    - to correct the description of property subject to the lien of the mortgage or to subject additional property to such lien;

    - to change or eliminate any provision of the mortgage or to add any new provision to the mortgage; provided, that no such change, elimination or addition shall adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;

    - to establish the form or terms of first mortgage bonds of any series;

    - to provide for procedures to utilize a non-certificated system of registration for all or any series of first mortgage bonds;

    - to change any place or places for payment, registration of transfer or exchange, or notices to and demands upon the Company, with respect to all or any series of first mortgage bonds;

    - to increase or decrease the maximum principal amount of bonds issuable under the mortgage; to make any other changes which do not adversely affect the interests of the holders of first mortgage bonds of any series in any material respect;

    - or to evidence any change required or permitted under the Trust Indenture Act of 1939, as amended.

(Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II)

No consent of the holders of the bonds is required in order for these amendments to become effective.

As used herein, the term "Modification Effective Date" means the first time at which certain first mortgage bonds which mature May 29, 2002 are no longer outstanding (unless the holders of such first mortgage bonds consent to the foregoing amendments).

COMPLETED DEFAULTS; REMEDIES

Completed Defaults include default in payment of principal; default for 60 days in payment of interest; default in payment of interest or principal of qualified prior lien bonds continued beyond any grace period; certain events in bankruptcy, insolvency or reorganization; and default in complying with other covenants for 90 days after notice. The trustee may withhold notice of default (except in payment of principal, interest or funds for retirement of first

mortgage bonds) if it determines that it is in the interest of the bondholders. (Mortgage, Secs. 44, 65 and 135.)

The mortgage provides that, upon the occurrence of a Completed Default, the trustee may, and upon written request of the holders of a majority in principal amount of first mortgage bonds then outstanding shall, declare the principal of and accrued interest on all outstanding bonds immediately due and payable; provided, however, that if, before any sale of the mortgaged property, all defaults have been cured, the holders of a majority in principal amount of outstanding first mortgage bonds may annul such declaration. (Mortgage, Sec. 65.)

No holder of first mortgage bonds may enforce the lien of the mortgage unless such holder shall have given the trustee written notice of a default and unless the holders of 25% in principal amount of the first mortgage bonds have requested the trustee in writing to act and have offered the trustee adequate security and indemnity and a reasonable opportunity to act. Holders of a majority in principal amount of the first mortgage bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustee, or exercising any trust or power conferred upon the trustee, or may direct the trustee to take certain action. (Mortgage, Secs. 65, 68, 69, 79, 92 and 138(d) and Art. XXV.)

Notwithstanding any other provision of the mortgage, the right of any holder of any bond to receive payment of the principal of and interest on such bond, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such holder. (Mortgage, Sec. 148).

The laws of the various states in which the property subject to the lien of the mortgage is located may limit or deny the ability of the trustee and/or the bondholders to enforce certain rights and remedies provided in the mortgage in accordance with their terms.

CONCERNING THE TRUSTEE

The Trustee has, and is subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act of 1939, as amended. Subject to such provisions, the Trustee is not under any obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts created by the mortgage, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by the holders of a majority in principal amount of the bonds then outstanding. Anything in the mortgage to the contrary notwithstanding, the Trustee is under no obligation or duty to perform any act thereunder (other than the delivery of notices) or to institute or defend any suit in respect hereof, unless properly indemnified to its satisfaction. (Mortgage, Sec. 92).

The Trustee may at any time resign and be discharged of the trusts created by the mortgage by giving written notice to the Company and thereafter publishing notice thereof, specifying a date when such resignation shall take effect, as provided in the mortgage, and such resignation shall take effect upon the day specified in such notice unless previously a successor trustee shall have been appointed by the bondholders or the Company. The Trustee may be removed at any time by the holders of a majority in principal amount of the bonds then outstanding. (Mortgage, Secs. 100 and 101).

EVIDENCE OF COMPLIANCE WITH MORTGAGE PROVISIONS

Compliance with mortgage provisions is evidenced by written statements of the Company's officers or persons selected or paid by the Company. In certain major matters the accountant or engineer must be independent. Various certificates and other papers are required to be filed annually and upon the happening of certain events, including an annual certificate with reference to compliance with the terms of the mortgage and absence of Defaults.

REPORTS

Whether or not required by the rules and regulations of the SEC, so long as any bonds are outstanding, Avista Corp. will furnish to the holders of bonds, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by Avista Corp.'s certified independent accountants; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K.

In addition, whether or not required by the rules and regulations of the SEC, Avista Corp. will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. Avista Corp. has also agreed that, for so long as any bonds remain outstanding, it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

BOOK-ENTRY, DELIVERY AND FORM

The New Bonds initially will be represented by one or more bonds in registered, global form without interest coupons (collectively, the "Global Bonds"). Upon issuance, the Global Bonds will be deposited with the trustee as custodian for The Depository Trust Company ("DTC"), in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Bonds may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Bonds may not be exchanged for bonds in certificated form except in the limited circumstances described below. See "--Exchange of Global Bonds for Certificated Bonds." Except in the limited circumstances described below, owners of beneficial interests in the Global Bonds will not be entitled to receive physical delivery of bonds in certificated form. In addition, transfers of beneficial interests in the Global Bonds will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

DEPOSITORY PROCEDURES

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Avista Corp. takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised Avista Corp. that DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants").

Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised Avista Corp. that, pursuant to procedures established by it:

(1) upon deposit of the Global Bonds representing the Old Bonds, DTC credited the accounts of Participants designated by the initial purchasers of the Old Bonds with portions of the principal amount of the Global Bonds; and

(2) ownership of these interests in the Global Bonds are, and ownership of interests in New Bonds will be, shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Bonds).

Investors in the Global Bonds who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Global Bonds who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Euroclear and Clearstream will hold interests in the Global Bonds on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank, S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Bond, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Bond to such Persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a Person having beneficial interests in a Global Bond to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

EXCEPT AS DESCRIBED BELOW, OWNERS OF INTERESTS IN THE GLOBAL BONDS WILL NOT HAVE BONDS REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF BONDS IN CERTIFICATED FORM AND WILL NOT BE CONSIDERED THE REGISTERED OWNERS OR "HOLDERS" THEREOF UNDER THE MORTGAGE OR THE BONDS FOR ANY PURPOSE.

Payments in respect of the principal of, and interest and premium, if any, on a Global Bond registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the mortgage. Under the terms of the mortgage, Avista Corp. and the trustee will treat the Persons in whose names the bonds, including the Global Bonds, are registered as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither Avista Corp., the trustee nor any agent of Avista Corp. or the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Bonds or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Bonds; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised Avista Corp. that its current practice, upon receipt of any payment in respect of securities such as the bonds (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of bonds

will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or Avista Corp. Neither Avista Corp. nor the trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the bonds, and Avista Corp. and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

DTC has advised Avista Corp. that transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer and exchange restrictions described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Bond in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised Avista Corp. that it will take any action permitted to be taken by a Holder of bonds only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Bonds and only in respect of such portion of the aggregate principal amount of the bonds as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the bonds, DTC reserves the right to exchange the Global Bonds for legended bonds in certificated form, and to distribute such bonds to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Bonds among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither Avista Corp. nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

EXCHANGE OF GLOBAL BONDS FOR CERTIFICATED BONDS

A Global Bond is exchangeable for definitive bonds in registered certificated form ("Certificated Bonds") if:

(1) DTC (a) notifies Avista Corp. that it is unwilling or unable to continue as depositary for the Global Bonds and Avista Corp. fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act and Avista Corp. fails to appoint a successor depositary; or

(2) Avista Corp., at its option, notifies the trustee in writing that it elects to cause the issuance of the Certificated Bonds.

Certificated Bonds delivered in exchange for any Global Bond or beneficial interests in Global Bonds will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures). Any such exchange will be effected through the DTC Deposit/Withdraw at Custodian system and an appropriate adjustment will be made to reflect a decrease in the principal amount of the relevant Global Bond.

SAME DAY SETTLEMENT AND PAYMENT

Avista Corp. will make payments in respect of the bonds represented by the Global Bonds (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by the Global Bond Holder. Avista Corp. or its paying agent will make all payments of principal, interest and premium with respect to Certificated Bonds by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder's registered address. The bonds represented by the Global Bonds are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such bonds will, therefore, be required by DTC to be settled in immediately available funds. Avista Corp. expects that secondary trading in any Certificated Bonds will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Bond from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised Avista Corp. that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Bond by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

BANK CREDIT AGREEMENTS

AVISTA CORP.

Avista Corp. has a $220 million line of credit with various banks under a credit agreement that expires May 29, 2002. We have pledged our shares of common stock of Avista Capital as security for our indebtedness under this agreement. As of December 31, 2001, $55 million was outstanding under this line of credit. This agreement contains customary covenants and default provisions, including covenants not to permit (1) the ratio of "consolidated total debt" (as defined in the Avista Corp. credit agreement) to "consolidated total capitalization" (as defined in the Avista Corp. credit agreement) of Avista Corp. to be, at the end of any fiscal quarter, greater than certain specified ratios; and (2) the ratio of "consolidated cash flow" (as defined in the Avista Corp. credit agreement) to "consolidated fixed charges" (as defined in the Avista Corp. credit agreement) of Avista Corp. or Avista Utilities for any four-fiscal-quarter period ending on any date set forth below to be less than certain specified ratios.

In August 2001 we determined that we would not comply with the fixed charge coverage covenant with respect to Avista Corp. described above for the four-fiscal-quarter period ending September 30, 2001 or for any subsequent period through the expiration date of the agreement. Accordingly, Avista Corp. requested, and obtained, a waiver of this covenant. The failure to comply with the covenant for these periods will not constitute an event of default under the agreement. In connection with this waiver, on September 21, 2001 Avista Corp. issued to the agent bank $220 million in principal amount of non-transferable first mortgage bonds under the mortgage in order to provide the benefit of the lien of the mortgage to secure Avista Corp.'s obligations under the credit agreement.

AVISTA ENERGY

Avista Energy and its subsidiary, Avista Energy Canada, Ltd., as co-borrowers, have a credit agreement with various banks in the aggregate amount of $135 million expiring June 28, 2002. The credit agreement may be terminated by the banks at any time and all extensions of credit under the agreement are payable upon demand, in either case at the lenders' sole discretion. The agreement also provides, on an uncommitted basis, for the issuance of letters of credit to secure contractual obligations to counterparties. The facility is guaranteed by Avista Capital and is secured by substantially all of Avista Energy's assets. The maximum amount of credit extended by the lenders for cash advances is $30 million. At December 31, 2001, there were no cash advances (demand notes payable) outstanding, and letters of credit outstanding totaled approximately $40 million.

The Avista Energy agreement contains customary covenants and default provisions, including covenants to maintain "minimum net working capital" and "minimum net worth" (as defined in the Avista Energy credit agreement) and a covenant limiting the amount of indebtedness which the co-borrowers may incur. In addition, the agreement contains certain restricted payment provisions generally prohibiting distributions.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

This section describes the material United States federal income tax consequences of exchanging the Old Bonds for New Bonds and of owning and disposing of bonds. This section reflects the opinion of Thelen Reid & Priest LLP, counsel to Avista Corp. This section applies to you only if you acquired the Old Bonds in the offering at the offering price and you hold your bonds as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns bonds that are a hedge or that are hedged against interest rate risks,
- a person that owns bonds as part of a straddle or conversion transaction for tax purposes, or
- a person whose functional currency for tax purposes is not the U.S. dollar.

If you purchase bonds at a price other than the offering price, the amortizable bond premium or market discount rules may also apply to you. You should consult your tax advisor regarding this possibility.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed Treasury regulations, published rulings and court decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis. This section does not discuss all aspects of taxation that may be relevant to you. Accordingly, you should consult your tax advisor as to the application and effect of state and local taxes, foreign taxes and other tax laws.

UNITED STATES HOLDERS

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a bond and you are:

- a citizen or resident of the United States,
- a domestic corporation or partnership,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to "--United States Alien Holders" below.

Exchange of Old Bonds for New Bonds

An exchange of Old Bonds for New Bonds will not be a taxable event for federal income tax purposes. Rather, the New Bonds will be treated as a continuation of the Old Bonds in the hands of a United States holder. As a result, you will not recognize any income, gain or loss for federal income tax purposes upon an exchange of Old Bonds for New Bonds, and you will have the same tax basis and holding period in the New Bonds as you had in the Old Bonds.

Payments of Interest

You will be taxed on interest on your bonds as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

Purchase, Sale and Retirement of the Bonds

Your tax basis in your Old Bonds generally will be their cost, and your tax basis in any New Bonds acquired in the Exchange Offer will be equal to your tax basis in the Old Bonds surrendered. You will generally recognize capital gain or loss on the sale or retirement of bonds equal to the difference between the amount you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest, and your tax basis in your bonds. Capital gain of a noncorporate United States holder is generally taxed at a maximum rate of 20% where the property is held more than one year.

UNITED STATES ALIEN HOLDERS

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a bond and are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation,
- a foreign partnership,
- an estate unless its income is subject to United States federal income tax regardless of its source, or
- a trust unless a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are a United States holder, this section does not apply to you.

An exchange of Old Bonds for New Bonds will not constitute a taxable event for federal income tax purposes. Rather, the New Bonds will be treated as a continuation of the Old Bonds in the hands of a United States alien holder. As a result, you will not recognize any income, gain or loss for federal income tax purposes upon an exchange of Old Bonds for New Bonds, and you will have the same tax basis and holding period in the New Bonds as you had in the Old Bonds.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a bond:

- we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest to you if, in the case of payments of interest:

(1) you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Avista Corp. entitled to vote,

(2) you are not a controlled foreign corporation that is related to Avista Corp. through stock ownership, and

(3) either (1) you furnish the U.S. payor an Internal Revenue Service Form W-8BEN certifying under penalties of perjury that you are not a United States person, or (2) the payor can otherwise be satisfied that you are not a United States person by relying on account documentation or other evidence as prescribed in Treasury regulations. You should consult your tax advisor regarding this requirement. However, this requirement will not be considered satisfied if the payor has actual knowledge or reason to know that you are a United States person notwithstanding the certificate or other documentation.

- no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your bond, including the exchange of Old Bonds for New Bonds.

If you are engaged in a trade or business within the United States and the interest on the bond is effectively connected with your United States business, the interest and any gain on the bond will not be subject to withholding if you have provided the payor an Internal Revenue Service Form W-8 as prescribed in the Treasury regulations. However, interest on a bond that is effectively connected with your United States business will be subject to United States taxation in the same manner as applies to United States holders. In addition, many tax treaties with the United States provide that interest and gain from United States sources are not taxable in the United States, unless such amounts are attributable to a permanent establishment in the United States. If you are entitled to the benefits of a treaty with the United States that provides these benefits, then interest and gain from the bond will generally not be taxable, even if effectively connected with a United States trade or business, unless you also have a permanent establishment in the United States to which the interest or gain is attributable. In order to claim benefits under a tax treaty with the United States, you must furnish an Internal Revenue Service Form W-8BEN to the payor.

Further, a bond held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States federal estate tax purposes if:

- the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Avista Corp. entitled to vote at the time of death, and

- the income on the bond would not have been effectively connected with a United States trade or business of the decedent at the same time.

BACKUP WITHHOLDING AND INFORMATION REPORTING

We and other payors, including brokers, may be required to report to you and to the Internal Revenue Service any payments of principal, premium and interest on your bond and the amount of any proceeds from the sale or exchange of your bond. As described more fully below, we and other payors may also be required to make "backup withholding" from payments of principal, premium, interest and sales proceeds if you fail to provide an accurate taxpayer identification number or otherwise establish an exemption from backup withholding.

Backup withholding is not an additional tax. If you are subject to backup withholding, you may obtain a credit or refund of the amount withheld by filing the required information with the Internal Revenue Service.

UNITED STATES HOLDERS

In general, if you are a noncorporate United States holder, we and other payors are required to report to the Internal Revenue Service all payments of principal, any premium and interest on your bond. In addition, we and other

payors are required to report to the Internal Revenue Service any payment of proceeds of the sale of your bond before maturity within the United States. Additionally, backup withholding at a rate of 30% (subject to phase-in rate reductions until the rate equals 28% for payments after 2005) will apply to any payments if you fail to provide an accurate taxpayer identification number, or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

UNITED STATES ALIEN HOLDERS

In general, payments of principal, premium or interest made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under "--United States Alien Holders" are satisfied or you otherwise establish an exemption.

We and other payors are required to report payments of interest on your bonds on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements.

In general, proceeds of your sale of a bond will not be subject to backup withholding or information reporting if:

- you furnish your broker an Internal Revenue Service Form W-8BEN certifying under penalties of perjury that you are not a United States person, or
- your broker possesses other documentation concerning your account on which the broker is permitted to rely under Treasury regulations to establish that you are a non-United States person, or
- you otherwise establish an exemption.

If you are not exempted from backup withholding and information reporting under the preceding paragraph:

- Backup withholding and information reporting will apply to the proceeds of any sale that you make through the United States office of any broker, foreign or domestic.
- Information reporting will also apply to the proceeds of sales that are made through a foreign office of a broker if the proceeds are paid into a United States account, or such proceeds or the confirmation of the sale are mailed to you at a United States address, or if you have opened an account with a United States office of your broker, or regularly communicated with the broker from the United States concerning the sale in question and other sales, or negotiated the sale in question through the broker's United States office. Backup withholding will also apply unless the proceeds of such a sale are paid to an account maintained at a bank or other financial institution located outside the United States.
- Information reporting, but not backup withholding, will apply to sales made through a foreign office of a broker that is (1) a United States person as defined in the Internal Revenue Code, (2) a foreign person that derived 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (3) a controlled foreign corporation as defined in the Internal Revenue Code, or (4) a foreign partnership with certain U.S. connections.

Notwithstanding any withholding certificate or documentary evidence in a broker's possession, a broker who has actual knowledge or reason to know that you are a United States person will be required to make backup withholdings and file information reports with the Internal Revenue Service if the broker is a U.S. person or is a foreign person that has a U.S. connection of the type discussed in the last bullet point of the preceding paragraph.

PLAN OF DISTRIBUTION

As discussed under THE EXCHANGE OFFER, based on an interpretation of the staff of the SEC, New Bonds issued pursuant to the Exchange Offer may be offered for resale and resold or otherwise transferred by any Holder of such New Bonds (other than any such Holder which is an "affiliate" of Avista Corp. within the meaning of Rule 405 under the Securities Act and except as otherwise discussed below with respect to Holders which are broker-dealers) without compliance with the registration and prospectus delivery requirements of the Securities Act so long as such New Bonds are acquired in the ordinary course of

such Holder's business and such Holder has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of such New Bonds.

Each broker-dealer that receives New Bonds for its own account in exchange for Old Bonds which were acquired by such broker-dealer as a result of market-making activities or other trading activities must, and must agree to, deliver a prospectus in connection with any resale of such New Bonds. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Bonds received in exchange for Old Bonds where such Old Bonds were acquired as a result of market-making activities or other trading activities. Avista Corp. will for a period of 180 days after the Expiration Date make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

New Bonds received by broker-dealers for their own account in the Exchange Offer as described above may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Bonds or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Bonds. Any broker-dealer that resells New Bonds that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Bonds may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of New Bonds and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The interpretation of the staff of the SEC referred to in the first paragraph of this section does not apply to, and this prospectus may not be used in connection with, the resale by any broker-dealer of any New Bonds received in exchange for an unsold allotment of Old Bonds purchased directly from Avista Corp.

Avista Corp. will not receive any proceeds from the issuance of the New Bonds pursuant to the Exchange Offer or from any subsequent sale of the New Bonds. Avista Corp. has agreed to pay all expenses incident to the Exchange Offer other than commissions or concessions of any brokers or dealers and expenses of counsel for the holders of the New Bonds and will indemnify the holders of the New Bonds (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

WHERE YOU CAN FIND MORE INFORMATION

Avista Corp. files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document Avista Corp. files at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Avista Corp. SEC filings are also available to the public from the SEC's website at http://www.sec.gov. However, information on this website does not constitute a part of this prospectus.

During 2001, Avista Corp. has filed the following documents with the SEC pursuant to the Exchange Act:

- Annual Report on Form 10-K for the year ended December 31, 2000, as amended by Form 10-K/A (the "Form 10-K").
- Quarterly Report on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2001.
- Current Reports on Form 8-K filed May 2, July 23, September 27, October 22, October 31 and December 11, 2001.

These documents, as well as any other documents subsequently filed with the SEC before the termination of the offering of the New Bonds, are incorporated herein by reference and are considered to be part of this prospectus. Later information contained in this prospectus updates and supersedes the information set forth in the Form 10-K and any other incorporated documents.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

We are including the following cautionary statements in this prospectus to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, Avista Corp. Forward-looking statements include statements concerning plans, objectives, goals, strategies, projections of future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and are all statements which are not statements of historical fact. Forward-looking statements include statements that are identified by the use of the words such as, but not limited to, "will," "anticipates," "seeks to," "estimates," "expects," "intends," "plans," "predicts," and similar expressions. From time to time, we may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of Avista Corp., are also expressly qualified by these cautionary statements.

Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. Our expectations, beliefs and projections are expressed in good faith and are believed by us to have a reasonable basis, including without limitation management's examination of historical operating trends, data contained in our records and other data available from third parties, but there can be no assurance that our expectations, beliefs or projections will be achieved or accomplished. Furthermore, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement or statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based 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 Avista Corp.'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. In addition to other factors and matters discussed elsewhere in this offering circular, the following are some important factors that could cause actual results or outcomes from our operations to differ materially from the forward-looking statements.

AVISTA UTILITIES' OPERATIONS

Important factors relating to Avista Utilities' operations include continuing legislative developments, governmental policies and regulatory actions with respect to allowed rates of return, financings, or industry and rate structures (including the outcome of the general rate case filed in the state of Washington to address, among other things, the prudence and recovery of significant deferred power costs); weather conditions and future streamflow conditions and their impact on the availability of hydroelectric resources; outages of any of our thermal or other generating facilities; changes in demand for energy due to weather conditions, customer growth and other factors; wholesale and retail competition (including but not limited to electric retail wheeling and transmission cost); availability of economic supplies of purchased power and natural gas; competition in present or future natural gas distribution or transmission (including but not limited to prices of alternative fuels and system deliverability costs); the availability and costs of electric capacity and energy and natural gas in wholesale markets as well as volatility and illiquidity in these markets and the ability to recover purchased power and purchased gas costs; the ability to make profitable sales of any surplus electric capacity or energy in wholesale markets; present or prospective generation, operations and construction of plant facilities; and acquisition and disposal of assets or facilities.

ENERGY TRADING AND MARKETING OPERATIONS

Energy Trading and Marketing includes the operations of Avista Energy and Avista Power. Important factors relating to our Energy Trading and Marketing operations include further industry restructuring evolving from federal and/or state legislation; federal and state regulatory and legislative actions; governmental controls on market operations and prices (including FERC price controls and possible retroactive price caps and resulting refunds); demand for

and availability of energy throughout the country; wholesale competition; availability of economic supplies of natural gas; margins on purchased power; changes in market factors; the formation of additional alliances or entities; the availability of economically feasible generating projects; and the availability of funding for new generating assets.

INFORMATION AND TECHNOLOGY, AND OTHER OPERATIONS

Important factors relating to the remaining Avista Corp. subsidiaries' operations include competition from other companies and other technologies; obsolescence of technologies; the inability to reduce costs of the technologies down to economic levels; the inability to obtain new customers and loss of significant customers or suppliers; reliability of customer orders; business acquisitions; disposal of assets; the availability of funding from other sources; research and development findings; and the availability of economic expansion or development opportunities.

FACTORS COMMON TO ALL OPERATIONS

The business and profitability of Avista Corp. are also influenced by, among other things, economic risks; changes in and compliance with environmental and safety laws and policies; weather conditions; population growth rates and demographic patterns; market demand for energy from plants or facilities; changes in tax rates or policies; unanticipated project delays or changes in project costs; unanticipated changes in operating expenses or capital expenditures; labor negotiations or disputes; changes in credit ratings or capital market conditions; inflation rates; inability of the various counterparties to meet their obligations with respect to financial instruments; failure to deliver on the part of any parties from which Avista Corp. purchases capacity or energy; Avista Corp.'s ability to obtain debt or equity financing; changes in accounting principles and/or the application of such principles to Avista Corp.; changes in technology; changes in economic, business or political conditions, including the continuing impact on the economy of the September 11, 2001 terrorist attacks; and legal proceedings.

LEGAL MATTERS

The validity of the New Bonds will be passed upon for Avista Corp. by Thelen Reid & Priest LLP and Heller Ehrman White & McAuliffe LLP. In addition, matters of federal income tax law and federal securities law will be passed upon by Thelen Reid & Priest LLP. In giving their opinion, Thelen Reid & Priest LLP may rely as to matters of Washington, California, Idaho, Montana and Oregon law upon the opinion of Heller Ehrman White & McAuliffe LLP.

EXPERTS

The financial statements incorporated in this prospectus by reference from Avista Corp.'s Annual Report on Form 10-K for the year ended December 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Seventh of the Registrant's Restated Articles of Incorporation ("Articles") provides, in part, as follows:

"The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with any such proceeding. The Corporation shall pay any reasonable expenses incurred by a director in connection with any such proceeding in advance of the final determination thereof upon receipt from such director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person. "

The Registrant has entered into indemnification agreements with each director as contemplated in Article Seventh of the Articles.

Reference is made to Revised Code of Washington 23B.08.510, which sets forth the extent to which indemnification is permitted under the laws of the State of Washington.

Article IX of the Registrant's Bylaws contains an indemnification provision similar to that contained in the Articles and, in addition, provides in part as follows:

"SECTION 2. LIABILITY INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington."

Insurance is maintained on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Registrant out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

ITEM 21. EXHIBITS.

Reference is made to the Exhibit Index on p. II-5 hereof.

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

1. That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable,

each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

2. To respond to requests for information that is incorporated by reference into the prospectus pursuant to item 4,10(b), 11 or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of this registration statement through the date of responding to the request.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, such Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

POWER OF ATTORNEY

The Registrant hereby appoints Jon E. Eliassen and each Agent for Service named in this registration statement, and each of them severally, as its attorney-in-fact to sign in its name and behalf, and to file with the Securities and Exchange Commission any and all amendments, including post-effective amendments, to this registration statement, and each director and/or officer of the Registrant whose signature appears below hereby appoints Jon E. Eliassen and each such Agent for Service, and each of them severally, as his or her attorney-in-fact with like authority to sign in his or her name and behalf, in any and all capacities stated below, and to file with the Securities and Exchange Commission, any and all such amendments.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Spokane and State of Washington on the 11th day of February, 2002.

AVISTA CORPORATION

/s/ Jon E. Eliassen

Jon E. Eliassen
Senior Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATES
/s/ Gary G. Ely --- Gary G. Ely (Director, President and Chief Executive Officer)	Director and Principal Executive Officer	February 11, 2002
/s/ Jon E. Eliassen --- Jon E. Eliassen (Senior Vice President and Chief Financial Officer)	Principal Financial and Accounting Officer	February 11, 2002
/s/ Erik. J. Anderson --- Erik. J. Anderson	Director	February 11, 2002

/s/ Kristianne Blake
- ---------------------------------

Kristianne Blake	Director	February 11, 2002

/s/ David A. Clack
- ---------------------------------

David A. Clack	Director	February 11, 2002

/s/ Sarah M. R. (Sally) Jewell
- ---------------------------------

Sarah M. R. (Sally) Jewell	Director	February 11, 2002

/s/ John F. Kelly
- ---------------------------------

John F. Kelly	Director	February 11, 2002

/s/ Jessie J. Knight, Jr.
- ---------------------------------

Jessie J. Knight, Jr.	Director	February 11, 2002

/s/ Eugene W. Meyer
- ---------------------------------

Eugene W. Meyer	Director	February 11, 2002

/s/ Bobby Schmidt
- ---------------------------------

Bobby Schmidt	Director	February 11, 2002

/s/ R. John Taylor
- ---------------------------------

R. John Taylor	Director	February 11, 2002

/s/ Daniel J. Zaloudek
- ---------------------------------

Daniel J. Zaloudek	Director	February 11, 2002

EXHIBIT INDEX

Exhibit No.		Description of Exhibit
4(a)	-	Mortgage and Deed of Trust dated as of June 1, 1939, by and among Avista Corporation and Citibank, N.A., as Trustee (filed with registration number 2-4077 B-3).
4(b)	-	Twenty-ninth Supplemental Indenture to the Mortgage, dated as of December 1, 2001.
4(c)	-	Exchange and Registration Rights Agreement among Avista Corporation and the Initial Purchasers.
4(d)	-	Form of Letter of Transmittal.
4(e)	-	Form of New Bond.
5(a)	-	Opinion of Heller Ehrman White & McAuliffe LLP.
5(b)	-	Opinion of Thelen Reid & Priest LLP.
8	-	Opinion as to tax matters of Thelen Reid & Priest LLP (contained in their opinion filed as Exhibit 5(b) and 8).
23(a)	-	Consents of Heller Ehrman White & McAuliffe LLP and Thelen Reid & Priest LLP are contained in their opinions filed as Exhibits 5(a) and 5(b) and 8, respectively.
23(b)	-	Consent of Deloitte & Touche LLP.
24	-	Power of Attorney (contained on page II-3).
25	-	Statement of Eligibility of Trustee on Form T-1 of Citibank, N.A.

AVISTA CORPORATION

TO

CITIBANK, N.A.

As Successor Trustee under

Mortgage and Deed of Trust,

dated as of June 1, 1939

TWENTY-NINTH SUPPLEMENTAL INDENTURE

Providing among other things for a series of bonds designated
"First Mortgage Bonds, 7.75% Series due 2007"

Due January 1, 2007, and for certain amendments to

such Mortgage and Deed of Trust

Dated as of December 1, 2001

TWENTY-NINTH SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of the 1st day of December 2001, between AVISTA CORPORATION (formerly known as The Washington Water Power Company), a corporation of the State of Washington, whose post office address is 1411 East Mission Avenue, Spokane, Washington 99202 (the "Company"), and CITIBANK, N.A., formerly First National City Bank (successor by merger to First National City Trust Company, formerly City Bank Farmers Trust Company), a national banking association incorporated and existing under the laws of the United States of America, whose post office address is 111 Wall Street, New York, New York 10043 (the "Trustee"), as Trustee under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Original Mortgage"), executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, this indenture (the "Twenty-ninth Supplemental Indenture") being supplemental to the Original Mortgage, as heretofore supplemented and amended.

WHEREAS pursuant to a written request of the Company made in accordance with Section 103 of the Original Mortgage, Francis M. Pitt (then Individual Trustee under the Mortgage, as supplemented) ceased to be a trustee thereunder on July 23, 1969, and all of his powers as Individual Trustee have devolved upon the Trustee and its successors alone; and

WHEREAS by the Original Mortgage the Company covenanted that it would execute and deliver such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Original Mortgage and to make subject to the lien of the Original Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS the Company has heretofore executed and delivered, in addition to the Original Mortgage, the indentures supplemental thereto, and has issued the series of bonds, set forth in Exhibit A hereto (the Mortgage, as supplemented and amended by the First through Twenty-eighth Supplemental Indentures being herein sometimes called collectively, the "Mortgage"); and

WHEREAS the Original Mortgage and the First through Twenty-seventh Supplemental Indentures have been appropriately filed or recorded in various official records in the States of Washington, California, Idaho, Montana and Oregon, as set forth in the First through Twenty-eighth Supplemental Indentures; and

WHEREAS the Twenty-eighth Supplemental Indenture, dated as of September

1, 2001, has been appropriately filed or recorded in the various official records in the States of Washington, California, Idaho, Montana and Oregon set forth in Exhibit B hereto; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered a Short Form Mortgage and Security Agreement, in multiple counterparts dated as of various dates in 1992, and such instrument has been appropriately filed or recorded in the various official records in the States of California, Montana and Oregon; and

WHEREAS in addition to the property described in the Mortgage the Company has acquired certain other property, rights and interests in property; and

WHEREAS the Company now desires to create a new series of bonds; and

WHEREAS Section 8 of the Original Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company; that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof; and that such series may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS Section 120 of the Original Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, in Article III, Section 3, and Article IV, Section 5, of the Fourteenth Supplemental Indenture, dated as of April 1, 1990, the Company reserved the right to make specified amendments to the Mortgage without any consent or other action by the holders of the bonds of the Twelfth Series or any subsequently created series; and

WHEREAS, in Article II, Section 2, of the Twenty-sixth Supplemental Indenture, dated as of April 1, 1993, the Company reserved the right to make specified amendments to the Mortgage without any consent or other action by the holders of the bonds of the Twenty-fourth Series; in Article II, Section 2 of the Twenty-seventh Supplemental Indenture, dated as of January 1, 1994, the Company reserved the right to make such amendments to the Mortgage without any consent or other action by the holders of the bonds of the Twenty-fifth Series; and in Section 1 of Article II, of the Twenty-eighth Supplemental Indenture, dated as of September 1, 2001, the Company reserved the right to make such amendments to the Mortgage without any consent or other action by the holders of the bonds of the Twenty-sixth Series (so long as such amendments do not become effective while any bonds of such Series remain Outstanding); and

WHEREAS, as shown on Exhibit A hereto, only bonds of the Twenty-fourth, Twenty-fifth and Twenty-sixth Series are now Outstanding under the Mortgage; and the Company now desires to make all the foregoing amendments to the Mortgage, as evidenced by the adoption by the Board of Directors of Resolutions approving such amendments and authorizing the execution and delivery by the Company of

this Twenty-ninth Supplemental Indenture in order, among other things, to evidence the same; and

WHEREAS the execution and delivery by the Company of this Twenty-ninth Supplemental Indenture, the terms of the bonds of the Twenty-seventh Series referred to below and the amendments to the Mortgage referred to above have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors; and all things necessary to make this Twenty-ninth Supplemental Indenture a valid, binding and legal instrument have been performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That the Company, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, hereby confirms the estate, title and rights of the Trustee (including without limitation the lien of the Mortgage on the property of the Company subjected thereto, whether now owned or hereafter acquired) held as security for the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage according to their tenor and effect and the performance of all the provisions of the Mortgage and of such bonds, and, without limiting the generality of the foregoing, hereby confirms the grant, bargain, sale, release, conveyance, assignment, transfer, mortgage, pledge, setting over and confirmation unto the Trustee, contained in the Mortgage, of all the following described properties of the Company, whether now owned or hereafter acquired, namely:

All of the property, real, personal and mixed, of every character and wheresoever situated (except any hereinafter or in the Mortgage expressly excepted) which the Company now owns or, subject to the provisions of Section 87 of the Mortgage, may hereafter acquire prior to the satisfaction and discharge of the Mortgage, as fully and completely as if herein or in the Mortgage specifically described, and including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in Mortgage) all lands, real estate, easements, servitudes, rights of way and leasehold and other interests in real estate; all rights to the use or appropriation of water, flowage rights, water storage rights, flooding rights, and other rights in respect of or relating to water; all plants for the generation of electricity, power houses, dams, dam sites, reservoirs, flumes, raceways, diversion works, head works, waterways, water works, water systems, gas plants, steam heat plants, hot water plants, ice or refrigeration plants, stations, substations, offices, buildings and other works and structures and the equipment thereof and all improvements, extensions and additions thereto; all generators, machinery, engines, turbines, boilers, dynamos, transformers, motors, electric machines, switchboards, regulators, meters, electrical and mechanical appliances, conduits, cables, pipes and mains; all lines and systems for the transmission and distribution of electric current, gas, steam heat or water for any purpose; all towers, mains, pipes, poles, pole lines, conduits, cables, wires, switch racks, insulators, compressors, pumps, fittings, valves and connections; all motor vehicles and automobiles; all tools, implements, apparatus, furniture, stores, supplies and equipment; all franchises (except the Company's franchise to be a corporation), licenses, permits, rights, powers and privileges; and (except as hereinafter or in the Mortgage expressly

excepted) all the right, title and interest of the Company in and to all other property of any kind or nature.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Original Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

THE COMPANY HEREBY CONFIRMS that, subject to the provisions of Section 87 of the Original Mortgage, all the property, rights, and franchises acquired by the Company after the date thereof (except any hereinbefore or hereinafter or in the Mortgage expressly excepted) are and shall be as fully embraced within the lien of the Mortgage as if such property, rights and franchises had been owned by the Company at the date of the Original Mortgage and had been specifically described therein.

PROVIDED THAT the following were not and were not intended to be then or now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed under the Mortgage and were, are and shall be expressly excepted from the lien and operation namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property heretofore released pursuant to any provisions of the Mortgage and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Original Mortgage by reason of the occurrence of a Completed Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company in the Mortgage as aforesaid, or intended so to be, unto the Trustee, and its successors, heirs and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as set forth in the Mortgage, this Twenty-ninth Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY FURTHER CONFIRMED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property in the Mortgage described and conveyed, and to the estates, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors in the trust, in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Original Mortgage, and had been specifically and at length described in and conveyed to said Trustee by the Original Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successor or successors in such trust under the Mortgage, as follows:

TWENTY-SEVENTH SERIES OF BONDS

(I) There shall be a series of bonds designated "First Mortgage Bonds, 7.75% Series due 2007" (herein sometimes referred to as the "bonds of the Twenty-seventh Series" or the "Bonds"), and the form thereof, which has been established by Resolution of the Board of Directors of the Company, is set forth on Exhibit C hereto. The bonds of the Twenty-seventh Series shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, any amount in excess thereof (the exercise of such option to be evidenced by the execution and delivery thereof) and shall be dated as in Section 10 of the Mortgage provided.

(II) The Bonds of the Twenty-seventh Series shall mature, shall bear interest and shall be payable as set forth below:

the principal of bonds of the Twenty-seventh Series shall (unless theretofor paid) be payable on the Stated Maturity Date (as hereinafter defined);

the Bonds of the Twenty-seventh Series shall bear interest at the rate of seven and seventy-five one-hundredths per centum (7.75%) per annum; interest on such bonds shall accrue from and including the date of the initial authentication and delivery thereof, except as otherwise provided in the form of bond attached hereto as Exhibit C; interest on such bonds shall be payable on each Interest Payment Date and at Maturity (as each of such terms is hereafter defined); and interest on such bonds during any period for which payment is made shall be computed on the basis of a 360-day year consisting of twelve 30-days months;

the principal of and premium, if any, and interest on each bond of the Twenty-seventh Series payable at Maturity shall be payable upon presentation thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency as at the time of payment is legal tender for public and private debts. The interest on each bond of the Twenty-seventh Series (other than interest payable at Maturity) shall be payable by check, in similar coin or currency, mailed to the registered owner thereof as of the close of business on the Record Date next preceding each Interest Payment Date; provided, however, that if such registered owner shall be a securities depositary, such payment may be made by such other

means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner.

(III) The bonds of the Twenty-seventh Series shall not be subject to redemption prior to the Stated Maturity Date.

(IV) (a) At the option of the registered owner, any bonds of the Twenty-seventh Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

The bonds of the Twenty-seventh Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Notwithstanding the foregoing, if any bond to be transferred in whole or in part is a Restricted Definitive Bond, or is a Regulation S Definitive Bond and the transfer is to occur during the Restricted Period, then such transfer may be effect only if the Trustee and the Company shall have received from the transferor (1) a Restricted Securities Certificate, satisfactory to the Company and duly executed by the registered holder or his attorney duly authorized in writing, in which case the transferee shall take delivery in the form of a Restricted Bond or (2) a Regulation S Certificate, satisfactory to the Company and duly executed by the registered holder or his attorney duly authorized in writing, in which case the transferee shall take delivery in the form of a Regulation S Bond.

Terms used in this Article which have not been heretofore defined or are not defined in this Article are defined in Article III.

Upon any exchange or transfer of bonds of the Twenty-seventh Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto or any exchange or transfer of bonds of the Twenty-seventh Series; provided, however, that the Company shall not be required to make any transfer or exchange of any bonds of the Twenty-seventh Series for a period of 10 days next preceding any selection of such bonds for redemption, nor shall it be required to make transfers or exchange of any bonds of the Twenty-seventh Series which shall have been selected for redemption in whole or in part or as to which the Company shall have received a notice for the redemption thereof in whole or in part at the option of the registered owner.

(b) The bonds of the Twenty-seventh Series are initially to be issued in global form, registered in the name of Cede & Co., as nominee for The Depository Trust Company (the "Depositary"), as provided in Article III hereof. Notwithstanding the provisions of subdivision (a) above, such bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) such bonds may be transferred in whole, and appropriate registration of transfer effected, to the Depositary, or by the Depositary to another nominee thereof, or by any nominee of the

Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any successor securities depositary or any nominee thereof;

(ii) such bonds may be transferred in whole, and appropriate registration of transfer effected, to the beneficial holders thereof, and thereafter shall be transferable subject to subsection (c) below, if:

(A) The Depositary, or any successor securities depositary, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depositary with respect to such bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depositary with respect to such bonds; or

(B) the Company shall have delivered to the Trustee a written order to the effect that such bonds shall be so transferable on and after a date specified therein.

The bonds of the Twenty-seventh Series, when in global form, shall bear a legend as to such global form and the foregoing restrictions on transfer substantially as set forth below:

This global bond is held by Cede & Co., as nominee for The Depository Trust Company (the "Depositary") for the benefit of the beneficial owners hereof. This bond may not be transferred, nor may any purported transfer be registered, except that (i) this bond may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for the Depositary, to the Depositary, or by the Depositary to another nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any successor bonds depositary or any nominee thereof; and (ii) this bond may be transferred, and appropriate registration of transfer effected, to the beneficial holders hereof, and thereafter shall be transferable without restrictions (except as provided in the preceding paragraph) if: (A) the Depositary, or any successor securities depositary, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depositary with respect to the bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depositary with respect to the bonds; or (B) the Company shall have delivered to the Trustee a written order to the effect that the bonds shall be so transferable on and after a date specified therein.

Any certificated Bond issued in exchange for an interest in a Global Bond will bear the legend restricting transfers that is borne by such Global Bond.

(c) Unless and until the Company shall have delivered to the Trustee a written order to the contrary in accordance with this Twenty-ninth Supplemental Indenture, each global bond of the Twenty-seventh Series shall bear a legend to the effect of clause (b) above, and each bond of such series shall bear a further legend as follows:

(i) in the case of a bond offered and sold in reliance on Rule 144A,

"The bonds evidenced hereby have not been registered under the United States Securities Act of 1933 (the "Securities Act") and may not be offered, sold, pledged or otherwise transferred except (1) to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act or (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case, in accordance with all applicable securities laws of the states of the Untied States."

(ii) in the case of a bond offered and sold in reliance on Regulation S,

"The bonds evidenced hereby have not been registered under the United States Securities Act of 1933 (the "Securities Act") and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the bonds are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available."

(V) For all purposes of this Twenty-ninth Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms and with respect to the bonds of the Twenty-seventh Series listed below shall have the meanings specified:

"Interest Payment Date" means January 1 and July 1 in each year, commencing July 1, 2002.

"Maturity" means the date on which the principal of the bonds of the Twenty-seventh Series becomes due and payable, whether at the Stated Maturity Date, upon redemption or acceleration, or otherwise.

"Record Date", with respect to any Interest Payment Date, means the December 15 or June 15, as the case may be, next preceding such Interest Payment Date.

"Stated Maturity Date" means January 1, 2007.

(VI) The bonds of the Twenty-seventh Series shall have such further terms as are set forth in Exhibit C hereto. If there shall be a conflict

between the terms of the form of bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law.

(VII) Prior, and as a condition, to the authentication and delivery by the Trustee of the bonds of the Twenty-seventh Series, the Company shall have delivered to the Trustee a policy of title insurance on the Mortgaged and Pledged Property in the face amount of $150,000,000. The Trustee shall hold such policy, as part of the Mortgaged and Pledged Property, for the benefit of the holders from time to time of the bonds Outstanding under the Mortgage. The proceeds of such insurance shall be applied as provided in clause (3) or (4) of Section 61 of the Original Mortgage or, if all bonds shall have been declared immediately due and payable pursuant to Section 65 of the Original Mortgage following the occurrence of a Completed Default, as provided in clauses second and third of Section 75 of the Original Mortgage.

(VIII) Upon the delivery of this Twenty-ninth Supplemental Indenture, bonds of the Twenty-seventh Series in an aggregate principal amount initially not to exceed $150,000,000 are to be issued and will be Outstanding, in addition to $423,500,000 aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this Twenty-ninth Supplemental Indenture.

AMENDMENTS TO THE MORTGAGE

Article XVIII of the Original Mortgage is hereby amended to read as set forth in Article III, Section 3 of the Fourteenth Supplemental Indenture. Sections 108, 110, 112, 113 and 116 of the Original Mortgage are hereby further amended to read as set forth in the Twenty-sixth Supplemental Indenture. Article XVIII of the Original Mortgage, comprising Sections 107 through 116, as so amended, is set forth, for convenience of reference, in Exhibit F hereto.

As contemplated in Section 5, Article IV, of the Fourteenth Supplemental Indenture, Section 39 of the Original Mortgage is hereby eliminated and all references in the Mortgage to Section 39 are hereby eliminated. Upon the effectiveness of this amendment, Funded Property shall not include Property Additions that have at any time been made the basis of a credit under the provisions of Section 39 or substituted for other Property Additions that have so been made the basis of a credit under the provisions of Section 39.

(a) Section 5 of the Original Mortgage is hereby amended as set forth in paragraph (1) of Exhibit C to the Twenty-sixth Supplemental Indenture;

Section 7 of the Original Mortgage is hereby amended as set forth in paragraph (2) of Exhibit C to the Twenty-sixth Supplemental Indenture;

(i) Section 25 of the Original Mortgage is hereby amended as set forth in paragraph (3)(a) of Exhibit C to the Twenty-sixth Supplemental Indenture.

Section 26 of the Original Mortgage is hereby amended as set forth in paragraph (3)(b) of Exhibit C to the Twenty-sixth Supplemental Indenture.

Section 59 of the Original Mortgage is hereby amended as set forth in paragraph (3)(d) of Exhibit C to the Twenty-sixth Supplemental Indenture.

Section 61 of the Original Mortgage is hereby amended as set forth in paragraph (3)(e) of Exhibit C to the Twenty-sixth Supplemental Indenture.

i) Section 38 of the Original Mortgage is hereby amended as set forth in paragraph (4) of Exhibit C to the Twenty-sixth Supplemental Indenture. Upon the effectiveness of this amendment, among other things, Funded Property shall not include any Property Additions that have at any time been deemed to have been made the basis of a credit under the provisions of Section 38, as in effect prior to this amendment, or substituted for other Property Additions that have been so deemed to have been made the basis of such a credit.

ii) (i) Section 85 of the Original Mortgage is hereby amended as set forth in paragraph (5)(a) of Exhibit C to the Twenty-sixth Supplemental Indenture.

Section 87 of the Original Mortgage is hereby amended as set forth in paragraph (5)(b) of Exhibit C to the Twenty-sixth Supplemental Indenture.

iii) Section 102 of the Original Mortgage is hereby amended as set forth in paragraph (6) of Exhibit C to the Twenty-sixth Supplemental Indenture.

iv) Section 120 of the Original Mortgage is hereby amended as set forth in paragraph (8) of Exhibit C to the Twenty-sixth Supplemental Indenture.

v) The amendments made in this Section 3 are set forth, for convenience of reference, in Exhibit G hereto.

As contemplated in Section 3, Article III of the Twentieth Supplemental Indenture, Section 100 of the Original Mortgage is hereby amended as set forth in said Section 3, Article III of the Twentieth Supplemental Indenture. The amendments made in this Section 4 are set forth, for convenience of reference, in Exhibit H hereto.

As contemplated in Section 4, Article III of the Twentieth Supplemental Indenture, Section 102 of the Original Mortgage is hereby amended as set forth in said Section 4, Article III of the Twentieth Supplemental Indenture. The amendments made in this Section 4 are set forth, for convenience of reference, in Exhibit H hereto.

Anything herein to the contrary notwithstanding, (a) no amendment to the Mortgage contemplated in Section 1 or 3 of this Article II shall become effective while any bonds of the Twenty-sixth Series remain Outstanding unless registered owner thereof shall have consented to such amendment and (b) all such amendments shall become effective, without further act, at the first time at which no such bonds shall remain Outstanding.

The Trustee hereby assents to all of the foregoing amendments to the Original Mortgage (to the extent, if any, that such assent is necessary under the provisions of Section 114 of the Original Mortgage).

b) The owners of the bonds of the Twenty-seventh Series shall be deemed to have consented to the amendment of Section 28 of the Original Mortgage to add at the end thereof a new paragraph reading as follows:

> Notwithstanding the foregoing, any Opinion of Counsel delivered pursuant to subdivision (7) of this Section 28, or pursuant to any other provision of this Indenture by reference to this Section 28, may, at the election of the Company, omit any or all of the statements contained in clause (a) of subdivision (7) if there shall have been delivered to the Trustee a policy of title insurance issued by a nationally recognized title insurance company, in an amount not less than thirty-five percent (35%)1 of the cost or fair value to the Company (whichever is less) of the Property Additions made the basis of such application, insuring, in customary terms, against risk of loss sustained or incurred by the Trustee by reason of any circumstances or conditions by virtue of which the statements omitted from clause (a) of such Opinion of Counsel would not have been accurate if made.

GLOBAL BONDS; BENEFICIAL INTERESTS

(a) Global Bonds. Each Global Bond issued hereunder shall represent such of the outstanding Bonds as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Bonds from time to time endorsed thereon and that the aggregate principal amount of outstanding Bonds represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Bond to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Bonds represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the holder thereof as required by Section 2 of this Article III. The aggregate principal amount of the Global Bonds may from time to time be increased or decreased by adjustments made on the records of the Custodian and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(b) 144A Global Bonds. Bonds offered and sold to QIBs in reliance on Rule 144A shall be issued initially in the form of one or more Global Bonds in definitive fully registered form with the Global Bonds Legend and the Private Placement Legend endorsed thereon, which shall be registered in the name of Cede & Co., as nominee for the Depositary, as aforesaid, and deposited with the Custodian on behalf of the Depositary.

(c) Regulation S Global Bonds. Bonds offered and sold in reliance on Regulation S shall be issued initially in the form of one or more Global Bonds in definitive fully registered form with the Global Bonds Legend and the Regulation S Legend endorsed thereon, which shall be registered in the name of Cede & Co., as nominee for the Depositary, as aforesaid, and deposited with the Custodian on behalf of the Depositary.

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1 The owners of the bonds of the Twenty-seventh series shall be deemed to have consented to the amendment contained in this Section 8, either with the percentage shown above or with any higher percentage.

(d) Euroclear and Clearstream Accounts. The Company shall use commercially reasonable efforts to cause the Depositary to agree that beneficial interests in the Regulation S Global Bonds shall be credited to or through accounts maintained by designated agents holding on behalf of Euroclear or Clearstream through and including the 40th day after the later of the commencement of the offering of the Bonds and the closing of the offering of the Bonds (such period through and including such 40th day, the "Restricted Period"), and no person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account; provided that this clause shall not prohibit any transfer or exchange of such an interest in accordance with Section 2(b) below. Termination of the Restricted Period shall be evidenced to the Trustee by an Officer's Certificate, unless transferred to a person that takes delivery through a 144A Global Bond in accordance with the transfer and certification requirements set for in this Indenture.

(e) Euroclear and Clearstream Procedures. It is contemplated that transfers of beneficial interests in the Regulation S Global Bonds that are held by participants through Euroclear or Clearstream will be subject to the Applicable Procedures of such organizations, as in effect from time to time.

(a) 144A Global Bond to Regulation S Global Bond. If the owner of a beneficial interest in the 144A Global Bond wishes at any time to transfer such interest to a Person who wishes to acquire the same in the form of a beneficial interest in the Regulation S Global Bond, such transfer may be effected only in accordance with the provisions of this subsection (a) and subject to the Applicable Procedures. Upon receipt by the Custodian and the Company of (i) an order given by the Depositary or its authorized representative directing that a beneficial interest in such 144A Global Bond in a specified principal amount be debited from a specified Agent Member's account and that a beneficial interest in the corresponding Regulation S Global Bond in an equal principal amount be credited to another specified Agent Member's account and (ii) a Regulation S Certificate (in the form of Exhibit D hereto), satisfactory to the Company and duly executed by the owner of such beneficial interest in the 144A Global Bond or his attorney duly authorized in writing, then the Custodian shall reduce the principal amount of such 144A Global Bond and increase the principal amount of the corresponding Regulation S Global Bond by such specified principal amount.

(b) Regulation S Global Bond to 144A Global Bond. If the owner of a beneficial interest in the Regulation S Global Bond wishes at any time to transfer such interest to a Person who wishes to acquire the same in the form of a beneficial interest in the corresponding 144A Global Bond, such transfer may be effected only in accordance with this subsection (b) and subject to the Applicable Procedures. Upon receipt by the Custodian and the Company of (i) an order given by the Depositary or its authorized representative directing that a beneficial interest in such Regulation S Global Bond in a specified principal amount be debited from a specified Agent Member's account and that a beneficial interest in the corresponding 144A Global Bond in an equal principal amount be credited to another specified Agent Member's account and (ii) if such transfer is to occur during the Restricted Period, a Restricted Securities Certificate (in the form of Exhibit E hereto), satisfactory to the Company and duly executed by the owner of such beneficial interest in such Regulation S Global Bond or his attorney duly authorized in writing, then the Custodian shall reduce the principal amount of such Regulation S Global Bond and

increase the principal amount of the corresponding 144A Global Bond by such specified principal amount.

(c) Exchange Offer. Upon the consummation of the Exchange Offer, the Company shall execute and deliver, and the Trustee shall authenticate (i) one or more Global Bonds which bear neither the Private Placement Legend nor the Regulation S Legend in an aggregate principal amount equal to the principal amount of the beneficial interests in the 144A Global Bonds and the Regulation S Global Bonds validly tendered and accepted for exchange in accordance with the terms of the Exchange Offer or (ii) Definitive Bonds which bear neither the Private Placement Legend nor the Regulation S Legend in an aggregate principal amount equal to the principal amount of the Restricted Definitive Bonds and the Regulation S Definitive Bonds validly tendered and accepted for exchange in accordance with the terms of the Exchange Offer. Concurrently with the issuance of such Bonds, the Trustee shall cause the aggregate principal amount of the applicable 144A Global Bonds and the Regulation S Global Bonds to be reduced accordingly.

For all purposes of this Twenty-ninth Supplemental Indenture, the terms listed below shall have the meanings indicated, unless otherwise expressly provided or unless the context otherwise requires:

"144A Global Bond" means a global bond substantially in the form of Exhibit C hereto bearing the Global Bond Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Bonds initially sold in reliance on Rule 144A.

"Agent Member" means a member of, or a participant in, the Depositary.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Bond, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"Clearstream" means Clearstream Banking, societe anonyme.

"Custodian" means the Trustee, in its capacity as custodian for the Depositary with respect to the Bonds in global form, or any successor entity thereto.

"Definitive Bond" means a certificated Bond registered in the name of the registered holder thereof, substantially in the form of Exhibit C hereto except that such Bond shall not bear the Global Bond Legend and shall not have the "Schedule of Exchanges of Interests in the Global Bond" attached thereto.

"Euroclear" means Euroclear Bank S.A., N.V., as operator of the Euroclear system.

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement, dated December 19, 2001, between the Company and Goldman, Sachs & Co.

"Global Bonds" means, individually and collectively, each of the global bonds, substantially in the form of Exhibit C hereto.

"Global Bond Legend" means the legend as to the global nature of a bond as set forth in Section 1(IV)(b) of Article I, which is required to be placed on all Global Bonds issued under this Indenture.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government, governmental subdivision or other entity.

"Private Placement Legend" means the legend set forth in Section 1(IV)(c)(i) of Article I hereof to be placed on all Bonds offered and sold in reliance on Rule 144A except where otherwise permitted by the provisions of this Supplemental Indenture.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Bond" means a Definitive Bond bearing the Regulation S Legend or a Regulation S Global Bond.

"Regulation S Certificate" means a certificate substantially in the form set forth in Exhibit D.

"Regulation S Definitive Bond" means a Definitive Bond bearing the Regulation S Legend.

"Regulation S Global Bond" means a global Bond substantially in the form of Exhibit C hereto bearing the Global Bond Legend and the Regulation S Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Bonds sold in reliance on Regulation S.

"Regulation S Legend" means the legend set forth in Section 1(IV)(c)(ii) of Article I hereof to be placed on all Bonds offered and sold in reliance on Regulation S except where otherwise permitted by the provisions of this Supplemental Indenture.

"Restricted Bond" means a Definitive Bond bearing the Private Placement Legend or a 144A Global Bond.

"Restricted Definitive Bond" means a Definitive Bond bearing the Private Placement Legend.

"Restricted Period" has the meaning set forth in Section 1(d) of Article III.

"Restricted Securities Certificate" means a certificate substantially in the form set forth in Exhibit E.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended.

MISCELLANEOUS PROVISIONS

The terms defined in the Original Mortgage shall, for all purposes of this Twenty-ninth Supplemental Indenture, have the meanings specified in the Original Mortgage.

The Trustee hereby confirms its acceptance of the trusts in the Original Mortgage declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions in the Original Mortgage set forth, including the following:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Twenty-ninth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVI of the Original Mortgage, shall apply to and form part of this Twenty-ninth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Twenty-ninth Supplemental Indenture.

c) Whenever in this Twenty-ninth Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XV and XVI of the Original Mortgage be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Twenty-ninth Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

Nothing in this Twenty-ninth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Twenty-ninth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Twenty-ninth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

This Twenty-ninth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The titles of the several Articles of this Twenty-ninth Supplemental Indenture shall not be deemed to be any part thereof.

IN WITNESS WHEREOF, on the 13th day of December 2001, AVISTA CORPORATION has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Corporate Secretary or one of its Assistant Corporate Secretaries for and in its behalf, all in The City of Spokane, Washington, as of the day and year first above written; and on the 13th day of December 2001, CITIBANK, N.A., has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or one of its Senior Trust Officers or one of its Trust Officers and its corporate seal to be attested by one of its Vice Presidents or one of its Trust Officers, all in The City of New York, New York, as of the day and year first above written.

AVISTA CORPORATION

By /s/ Ronald R. Petersen

Vice President

Attest:

/s/ Terry. L. Syms

Corporate Secretary

Executed, sealed and delivered
by AVISTA CORPORATION
in the presence of:

/s/ Sue Miner

/s/ Diane C. Thoren

CITIBANK, N.A., AS TRUSTEE

By /s/ Wafaa Orfy

Wafaa Orfy, Assistant Vice President

Attest:

/s/ Cindy Tsang

Cindy Tsang, Assistant Vice President

Executed, sealed and delivered
by CITIBANK, N.A.,
as trustee. in the presence of:

/s/ Nancy Forte

/s/ John J. Byrnes

STATE OF WASHINGTON)
) ss.:
COUNTY OF SPOKANE)

On the 13th day of December 2001, before me personally appeared Ronald R. Peterson, to me known to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 13th day of December 2001, before me, a Notary Public in and for the State and County aforesaid, personally appeared Ronald R. Peterson, known to me to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Sue Miner

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 14th day of December 2001, before me personally appeared Wafaa Orfy, to me known to be an Assistant Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 14th day of December 2001, before me, a Notary Public in and for the State and County aforesaid, personally appeared Wafaa Orfy, known to me to be an Assistant Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Peter M. Pavlyshin

Notary Public

PETER M. PAVLYSHIN
Notary Public, State of New York
No. 41-4991297
Qualified in Queens County
Certificate Filed in New York County

Commission Expires January 27, 2002

EXHIBIT A

MORTGAGE, SUPPLEMENTAL INDENTURES
AND SERIES OF BONDS

MORTGAGE OR SUPPLEMENTAL INDENTURE	DATED AS OF	SERIES NO.	SERIES DESIGNATION	PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
Original	June 1, 1939	1	3-1/2% Series due 1964	$22,000,000	None
First	October 1, 1952	2	3-3/4% Series due 1982	30,000,000	None
Second	May 1, 1953	3	3-7/8% Series due 1983	10,000,000	None
Third	December 1, 1955		None		
Fourth	March 15, 1957		None		
Fifth	July 1, 1957	4	4-7/8% Series due 1987	30,000,000	None
Sixth	January 1, 1958	5	4-1/8% Series due 1988	20,000,000	None
Seventh	August 1, 1958	6	4-3/8% Series due 1988	15,000,000	None
Eighth	January 1, 1959	7	4-3/4% Series due 1989	15,000,000	None
Ninth	January 1, 1960	8	5-3/8% Series due 1990	10,000,000	None
Tenth	April 1, 1964	9	4-5/8% Series due 1994	30,000,000	None
Eleventh	March 1,1965	10	4-5/8% Series due 1995	10,000,000	None
Twelfth	May 1, 1966		None		
Thirteenth	August 1, 1966	11	6 % Series due 1996	20,000,000	None
Fourteenth	April 1, 1970	12	9-1/4% Series due 2000	20,000,000	None
Fifteenth	May 1, 1973	13	7-7/8% Series due 2003	20,000,000	None
Sixteenth	February 1, 1975	14	9-3/8% Series due 2005	25,000,000	None
Seventeenth	November 1, 1976	15	8-3/4% Series due 2006	30,000,000	None
Eighteenth	June 1, 1980		None		
Nineteenth	January 1, 1981	16	14-1/8% Series due 1991	40,000,000	None
Twentieth	August 1, 1982	17	15-3/4% Series due 1990-1992	60,000,000	None
Twenty-First	September 1, 1983	18	13-1/2% Series due 2013	60,000,000	None
Twenty-Second	March 1, 1984	19	13-1/4% Series due 1994	60,000,000	None
Twenty-Third	December 1, 1986	20	9-1/4% Series due 2016	80,000,000	None
Twenty-Fourth	January 1, 1988	21	10-3/8% Series due 2018	50,000,000	None
Twenty-Fifth	October 1, 1989	22	7-1/8% Series due 2013	66,700,000	None
		23	7-2/5% Series due 2016	17,000,000	None
Twenty-Sixth	April 1, 1993	24	Secured Medium-Term Notes, Series A ($250,000,000 authorized)	250,000,000	$129,500,000
Twenty-Seventh	January 1, 1994	25	Secured Medium-Term Notes, Series B ($250,000,000 authorized)	161,000,000	74,000,000
Twenty-Eighth	September 1, 2001	26	Collateral Series due 2002	220,000,000	220,000,000

EXHIBIT B

FILING AND RECORDING OF
TWENTY-EIGHTH SUPPLEMENTAL INDENTURE
FILING IN STATE OFFICES

STATE	OFFICE OF	DATE	FINANCING STATEMENT DOCUMENT NUMBER
Washington	Secretary of State	10/18/01	2001-306-6692-7
Idaho	Secretary of State	10/09/01	B2001-0909765-4
Montana	Secretary of State	10/16/01	435875
Oregon	Secretary of State	10/09/01	S67453
California	Secretary of State	10/10/01	0128560259

RECORDING IN COUNTY OFFICES

COUNTY	OFFICE OF	REAL ESTATE MORTGAGE RECORDS				FINANCING STATEMENT DOCUMENT NUMBER
		DATE	DOCUMENT NUMBER	BOOK	PAGE	
Washington						
Adams	Auditor	10/10/01	262400	N/A	N/A	N/A
Asotin	Auditor	10/10/01	255818	N/A	N/A	N/A
Benton	Auditor	10/17/01	2001-032378	N/A	N/A	N/A
Douglas	Auditor	10/11/01	3042520	N/A	N/A	N/A
Ferry	Auditor	10/10/01	250874	N/A	N/A	N/A
Franklin	Auditor	10/11/01	1596289	N/A	N/A	N/A
Garfield	Auditor	10/11/01	6781	N/A	N/A	N/A
Grant	Auditor	10/11/01	1090810	N/A	N/A	N/A
Grays Harbor	Auditor	10/11/01	2001-10110013	N/A	N/A	N/A
Klickitat	Auditor	10/12/01	1026261	N/A	N/A	N/A
Lewis	Auditor	10/11/01	3123293	N/A	N/A	N/A
Lincoln	Auditor	10/10/01	20010422840	77	2357	N/A
Pend Oreille	Auditor	10/10/01	20010260070	N/A	N/A	N/A
Skamania	Auditor	10/15/01	142596	215	715	N/A
Spokane	Auditor	10/19/01	4643814	N/A	N/A	N/A
Stevens	Auditor	10/30/01	20010010965	265	576	N/A
Thurston	Auditor	10/25/01	3387657	N/A	N/A	N/A
Whitman	Auditor	10/19/01	632046	N/A	N/A	N/A
California		10/22/01	2001-0067116-00	N/A	N/A	N/A
El Dorado	Recorder					
Idaho						
Benewah	Recorder	10/09/01	224569	N/A	N/A	N/A
Bonner	Recorder	10/10/01	589247	N/A	N/A	N/A
Boundary	Recorder	10/16/01	203667	N/A	N/A	N/A

RECORDING IN COUNTY OFFICES

COUNTY	OFFICE OF	REAL ESTATE MORTGAGE RECORDS				FINANCING STATEMENT DOCUMENT NUMBER
		DATE	DOCUMENT NUMBER	BOOK	PAGE	
Clearwater	Recorder	10/09/01	187844	N/A	N/A	N/A
Idaho	Recorder	10/09/01	419193	N/A	N/A	N/A
Kootenai	Recorder	10/10/01	1699539	N/A	N/A	N/A
Latah	Recorder	10/09/01	460435	N/A	N/A	N/A
Lewis	Recorder	10/09/01	125235	N/A	N/A	N/A
Nez Perce	Recorder	10/09/01	667966	N/A	N/A	N/A
Shoshone	Recorder	10/09/01	400399	N/A	N/A	N/A
Montana						
Big Horn	Clerk & Recorder	10/12/01	325775	61	133	N/A
Broadwater	Clerk & Recorder	10/12/01	142471	59	57	N/A
Golden Valley	Clerk & Recorder	10/15/01	75281	M	9438	N/A
Meagher	Clerk & Recorder	10/12/01	110967	F53	82	N/A
Mineral	Clerk & Recorder	10/12/01	90830	Drawer 3	Card 7379	N/A
Rosebud	Clerk & Recorder	10/15/01	90615	98MG	922	N/A
Sanders	Clerk & Recorder	10/12/01	35390	N/A	N/A	N/A
Stillwater	Clerk & Recorder	10/12/01	304963	N/A	N/A	N/A
Treasure	Clerk & Recorder	10/12/01	77482	15	767	N/A
Wheatland	Clerk & Recorder	10/12/01	100927	M	12802	N/A
Yellowstone	Clerk & Recorder	10/12/01	3148865	N/A	N/A	N/A
Oregon						
Douglas	Recorder	10/10/01	2001-23649	1803	794	N/A
Jackson	Recorder	10/11/01	01-48511	N/A	N/A	N/A
Josephine	Recorder	10/23/01	01-20503	N/A	N/A	N/A
Klamath	Recorder	10/10/01	N/A	M01	51586	N/A
Union	Recorder	10/09/01	2001-14548	N/A	N/A	N/A
Wallowa	Recorder	10/09/01	44096	N/A	N/A	N/A

EXHIBIT C

(FORM OF BOND)

THIS BOND IS SUBJECT TO RESTRICTIONS ON TRANSFER,
AS HEREINAFTER SET FORTH.

AVISTA CORPORATION

First Mortgage Bond,
7.75% Series due 2007

REGISTERED REGISTERED

NO. _____ $_____

AVISTA CORPORATION, a corporation of the State of Washington (hereinafter called the Company), for value received, hereby promises to pay to

or registered assigns, on January 1, 2007,

DOLLARS

or such other principal amount as is set forth in the Schedule of Exchanges of Interests in the Global Bond attached hereto, and to pay the registered owner hereof interest thereon from December 19, 2001 semi-annually in arrears on January 1 and July 1 in each year (each such date being hereinafter called an "Interest Payment Date"), commencing July 1, 2002, and at Maturity (as hereinafter defined), at the rate of seven and seventy-five one-hundredths per centum (7.75%) per annum, computed on the basis of a 360-day year consisting of twelve 30-day months, until the Company's obligation with respect to the payment of such principal shall have been discharged. The principal of and premium, if any, and interest on this bond payable at Maturity shall be paid upon presentation hereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The interest on this bond (other than interest payable at Maturity) shall be paid by check, in the similar coin or currency, mailed to the registered owner hereof as of the close of business on the December 15 or June 15, as the case may be, next preceding each Interest Payment Date (each such date being herein called a "Record Date"); provided, however, that if such registered owner shall be a securities depositary, such payment shall be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner. Interest payable at Maturity shall be paid to the person to whom principal shall be paid. As used herein, the term "Maturity" shall mean the date on which the principal of this bond becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, 7.75% Series due 2007, all bonds of all such issue of series being issued and issuable under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust, dated as of June 1, 1939, executed by the Company (formerly known as The Washington Water Power Company) to City Bank Farmers Trust Company and Ralph E. Morton, as Trustees (Citibank, N.A., successor Trustee to both said Trustees). Such mortgage and deed of trust has been amended and supplemented by various supplemental indentures, including the Twenty-ninth Supplemental Indenture, dated as of December 1, 2001 (the "Twenty-ninth Supplemental Indenture") and, as so amended and supplemented, is herein called the "Mortgage". Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. If there shall be a conflict between the terms of this bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law. The holder of this bond, by its acceptance hereof, shall be deemed to have consented and agreed to all terms and provisions of the Mortgage and, further, in the event that such holder shall not be the sole beneficial owner of this bond, shall be deemed to have agreed to use all commercially reasonable efforts to cause all direct and indirect beneficial owners of this bond to have knowledge of the terms and provisions of the Mortgage and of this bond and to comply therewith, including particularly, but without limitation, any provisions or restrictions in the Mortgage regarding the transfer or exchange of such beneficial interests and any legend set forth on this bond.

With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage may be modified or altered by affirmative vote of the holders of at least 75% in principal amount of the bonds then outstanding under the Mortgage and, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then also by affirmative vote of the holders of at least 75% in principal amount of the series of bonds so to be affected (excluding in any case bonds challenged and disqualified from voting by reason of the Company's interest therein as provided in the Mortgage). The Company has amended the Mortgage, effective as of the Modification Effective Date (as defined in the Twenty-ninth Supplemental Indenture), to provide that the Mortgage may be modified or altered by affirmative vote of the holders of at least 60% in principal amount of the bonds outstanding under the Mortgage, considered as one class, or, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then such modification or alteration may be effected with the affirmative vote only of 60% in principal amount of the bonds outstanding of the series so to be affected, considered as one class, and, furthermore, to provide that, for limited purposes, the Mortgage may be modified or altered without any consent or other action of holders of any series of bonds. No modification or alteration shall, however, permit an extension of the Maturity of the principal of, or interest on, this bond or a reduction in such principal or the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of a lien on the mortgaged and pledged property without the consent of the holder hereof.

The principal hereof may be declared or may become due prior to the stated maturity date on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

In the manner prescribed in the Mortgage, this bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer whenever required by the Company duly executed by the registered owner or by its duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

The bonds of this series are not subject to redemption prior to the stated maturity date thereof.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until Citibank, N.A., the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, AVISTA CORPORATION has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Corporate Secretary or one of its Assistant Corporate Secretaries by his signature or a facsimile thereof.

Dated: AVISTA CORPORATION

By:_____

ATTEST:_____

TRUSTEE'S CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

CITIBANK, N.A.
Trustee

By_____
Authorized Officer

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL BOND*

The following exchanges of a part of this Global Bond for an interest in another Global Bond or for a Definitive Bond, or exchanges of a part of another Global Bond or Definitive Bond for an interest in this Global Bond, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Bond	Amount of increase in Principal Amount of this Global Bond	Principal Amount of this Global Bond following such decrease or increase	Signature of authorized officer of Custodian

- ------------------------
*This schedule should be included only if the Bond is issued in global form.

[THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNTIED STATES.]

[THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THE BONDS ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.]

THIS GLOBAL BOND IS HELD BY CEDE & CO., AS NOMINEE FOR THE DEPOSITORY TRUST COMPANY (THE "DEPOSITARY") FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF. THIS BOND MAY NOT BE TRANSFERRED, NOR MAY ANY PURPORTED TRANSFER BE REGISTERED, EXCEPT THAT (I) THIS BOND MAY BE TRANSFERRED IN WHOLE, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, IF SUCH TRANSFER IS BY CEDE & CO., AS NOMINEE FOR THE DEPOSITARY, TO THE DEPOSITARY, OR BY THE DEPOSITARY TO ANOTHER NOMINEE THEREOF, OR BY ANY NOMINEE OF THE DEPOSITARY TO ANY OTHER NOMINEE THEREOF, OR BY THE DEPOSITARY OR ANY NOMINEE THEREOF TO ANY SUCCESSOR BONDS DEPOSITARY OR ANY NOMINEE THEREOF; AND (II) THIS BOND MAY BE TRANSFERRED, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, TO THE BENEFICIAL HOLDERS HEREOF, AND THEREAFTER SHALL BE TRANSFERABLE WITHOUT RESTRICTIONS (EXCEPT AS PROVIDED IN THE PRECEDING PARAGRAPH) IF: (A) THE DEPOSITARY, OR ANY SUCCESSOR SECURITIES DEPOSITARY, SHALL HAVE NOTIFIED THE COMPANY AND THE TRUSTEE THAT (I) IT IS UNWILLING OR UNABLE TO CONTINUE TO ACT AS SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS OR (II) IT IS NO LONGER A CLEARING AGENCY REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND, IN EITHER CASE, THE TRUSTEE SHALL NOT HAVE BEEN NOTIFIED BY THE COMPANY WITHIN ONE HUNDRED TWENTY (120) DAYS OF THE IDENTITY OF A SUCCESSOR SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS; OR (B) THE COMPANY SHALL HAVE DELIVERED TO THE TRUSTEE A WRITTEN ORDER TO THE EFFECT THAT THE BONDS SHALL BE SO TRANSFERABLE ON AND AFTER A DATE SPECIFIED THEREIN.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____

[please insert social security or other identifying number of assignee]

_____

[please print or typewrite name and address of assignee]

_____

the within bond of AVISTA CORPORATION and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said bond on the books of the within-mentioned Company, will full power of substitution in the premises.

Dated:_____

_____

Notice: The signature to this assignment must correspond with the name as written upon the face of the bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT D
Form of Regulation S Certificate

REGULATION S CERTIFICATE
(For transfers pursuant to Section 1(IV)(a) of Article I
and Section 2(a) of Article III
of the Twenty-ninth Supplemental Indenture)

Citibank, N.A.,
as Custodian
111 Wall Street, 5th Floor Zone 2
New York, New York 10043
Attention: Agency of Trust Services

Re: Avista Corporation
7.75% First Mortgage Bonds Due 2007 (the "Bonds")

Reference is made to the Mortgage and Deed of Trust, dated as of June 1, 1939, between Avista Corporation (the "Company") and Citibank, N.A., successor Trustee, as amended and supplemented (the "Mortgage"). Terms used herein and defined in the Mortgage or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used herein as so defined.

This certificate relates to U.S. $_____ principal amount of Bonds, which are evidenced by the following certificate(s) (the "Specified Bonds"):

CUSIP No(s). _____

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that either (i) it is the sole beneficial owner of the Specified Bonds or (ii) it is acting on behalf of all the beneficial owners of the Specified Bonds and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner." If the Specified Bonds are represented by a Global Bond, they are held through the Depositary or an Agent Member in the name of the Undersigned, as or on behalf of the Owner. If the Specified Bonds are not represented by a Global Bond, they are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Bonds be transferred to a person (the "Transferee") who will take delivery in the form of a Regulation S Bond. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 904 or Rule 144 under the Securities Act and with all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

(1) Rule 904 Transfers. If the transfer is being effected in accordance with Rule 904:

(A) the Owner is not a distributor of the Bonds, an affiliate of the Company or any such distributor or a person acting on behalf of any of the foregoing;

(B) the offer of the Specified Bonds was not made to a person in the United States;

(C) either: (i) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or (ii)the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the Association of International Bond Dealers, or another designated offshore securities market and neither the Owner nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States;

(D) no directed selling efforts have been made in the United States by or on behalf of the Owner or any affiliate thereof;

(E) if the Owner is a dealer in securities or has received a selling concession, fee or other remuneration in respect of the Specified Bonds, and the transfer is to occur during the Restricted Period, then the requirements of Rule 904(c)(1) have been satisfied; and

(F) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

(2) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(A) the transfer is occurring after a holding period of at least one year (computed in accordance with paragraph (d) of Rule 144) has elapsed since the Specified Bonds were last acquired from the Company or from an affiliate of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144; or

(B) the transfer is occurring after a holding period of at least two years has elapsed since the Specified Bonds were last acquired from the Company or from an affiliate of the Company, whichever is later, and the Owner is not, and during the preceding three months has not been, an affiliate of the Company.

Dated:

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By:_____
Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

EXHIBIT E
Form of Restricted Securities Certificate

RESTRICTED SECURITIES CERTIFICATE
(For transfers pursuant to Section 1(IV)(a) of Article I
and Section 2(a) of Article III
of the Twenty-ninth Supplemental Indenture)

Citibank, N.A.,
as Custodian
111 Wall Street, 5th Floor Zone 2
New York, New York 10043
Attention: Agency of Trust Services

Re: Avista Corporation
7.75% First Mortgage Bonds Due 2007 (the "Bonds")

Reference is made to the Mortgage and Deed of Trust, dated as of June 1, 1939, between Avista Corporation (the "Company") and Citibank, N.A., successor Trustee, as amended and supplemented (the "Mortgage"). Terms used herein and defined in the Mortgage or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used herein as so defined. This certificate relates to U.S. $_____ principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Bonds"):

CUSIP No(s). _____

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that either (i) it is the sole beneficial owner of the Specified Bonds or (ii) it is acting on behalf of all the beneficial owners of the Specified Bonds and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner." If the Specified Securities are represented by a Global Bond, they are held through the Depositary or an Agent Member in the name of the Undersigned, as or on behalf of the Owner. If the Specified Bonds are not represented by a Global Bond, they are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Bonds be transferred to a person (the "Transferee") who will take delivery in the form of a Restricted Bond. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 144A or Rule 144 under the Securities Act and all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

(1) Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(A) the Specified Bonds are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "qualified institutional buyer" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer.

(2) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(A) the transfer is occurring after a holding period of at least one year (computed in accordance with paragraph (d) of Rule 144) has elapsed since the Specified Bonds were last acquired from the Company or from an affiliate of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144; or

(B) the transfer is occurring after a holding period of at least two years has elapsed since the Specified Bonds were last acquired from the Company or from an affiliate of the Company, whichever is later, and the Owner is not, and during the preceding three months has not been, an affiliate of the Company.

Dated:

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By:_____
Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

EXHIBIT F

AMENDMENTS TO MORTGAGE

(1) The amendment of Article XVIII of the Original Mortgage to read as follows:

ARTICLE XVIII.

MEETINGS AND CONSENTS OF BONDHOLDERS.

SECTION 107. Modifications and alterations of this Indenture and/or of any indenture supplemental hereto and/or of the rights and obligations of the Company and/or of the rights of the holders of bonds and coupons issued hereunder may be made as provided in this Article XVIII.

SECTION 108. The Corporate Trustee may at any time call a meeting of the holders of bonds of one or more, or all, series and it shall call such a meeting on written request of the Company, given pursuant to a Resolution of its Board of Directors, or a resolution of the holders of a majority or more in principal amount of the bonds of such series Outstanding hereunder, considered as one class, at the time of such request. In the event of the Corporate Trustee's failing for ten (10) days to call a meeting after being thereunto requested by the Company or bondholders as above set forth, holders of Outstanding bonds in the amount above specified in this Section or the Company, pursuant to Resolution of its Board of Directors, may call such meeting. Every such meeting called by and at the instance of the Corporate Trustee shall be held in the Borough of Manhattan, The City of New York, or with the written approval of the Company, at any other place in the United States of America, and written notice thereof, stating the place and time thereof and in general terms the business to be submitted, shall be mailed by the Corporate Trustee not less than thirty (30) days before such meeting (a) to each registered holder of bonds of the series in respect of which such meeting is being called, then Outstanding hereunder addressed to him at his address appearing on the registry books, (b) to all other holders of bonds of such series then Outstanding hereunder the names and addresses of whom are preserved by the Corporate Trustee as required by the provisions of Section 132 hereof and (c) to the Company addressed to it at Spokane, Washington (or at such other address as may be designated by the Company from time to time), and, if any bonds of such series shall not be in fully registered form, shall be published by the Corporate Trustee at least once a week for four (4) successive calendar weeks immediately preceding the meeting, upon any secular day of each such calendar week, which need not be the same day of each week, in a Daily Newspaper, printed in the English language, and published and of general circulation in The City of New York; provided, however, that, if such notice by publication shall have been given, the mailing of such notice to any bondholders shall in no case be a condition precedent to the validity of any action taken at such meeting. Any meeting of holders of the bonds of one or more, or all, series shall be valid without notice if the holders of all bonds of such series then Outstanding hereunder are present in person or by proxy and if the Company and the Corporate Trustee are present by duly authorized representatives, or if notice is waived in writing before or

after the meeting by the Company, the holders of all bonds of such series Outstanding hereunder and by the Corporate Trustee, or by such of them as are not present in person or by proxy.

SECTION 109. Officers and nominees of the Corporate Trustee and of the Company may attend such meeting, but shall not as such be entitled to vote thereat. Attendance by bondholders may be in person or by proxy. In order that the holder of any bond payable to bearer and his proxy may attend and vote without producing his bond, the Corporate Trustee, with respect to any such meeting, may make and from time to time vary such regulations as it shall think fit for deposit of bonds with, (i) any bank or trust or insurance company, or (ii) any trustee, secretary, administrator or other proper officer of any pension, welfare, hospitalization, or similar fund or funds, or (iii) the United States of America, any Territory thereof, the District of Columbia, any State of the United States, any municipality in any State of the United States or any public instrumentality of the United States, or of any State or of any Territory, or (iv) any other person or corporation satisfactory to the Corporate Trustee, and for the issue to the persons depositing the same of certificates by such depositaries entitling the holders thereof to be present and vote at any such meeting and to appoint proxies to represent them and vote for them at any such meeting in the same way as if the persons so present and voting, either personally or by proxy, were the actual bearers of the bonds in respect of which such certificate shall have been issued and any regulations so made shall be binding and effective. A bondholder in any of the foregoing categories may sign such a certificate in his own behalf. In lieu of or in addition to providing for such deposit, the Corporate Trustee may, in its discretion, permit such institutions to issue certificates which shall entitle the holders thereof to vote at any meeting only if the bonds with respect to which they are issued are not produced at the meeting by any other person and are not at the time of the meeting registered in the name of any other person. Each such certificate shall state the date on which the bond or bonds in respect of which such certificate shall have been issued were deposited with or exhibited to such institution and the series, maturities and serial numbers of such bonds. A bondholder in any of the foregoing categories may sign such a certificate in his own behalf. In the event that two or more such certificates shall be issued with respect to any bond or bonds, the certificate bearing the latest date shall be recognized and be deemed to supersede any certificate or certificates previously issued with respect to such bond or bonds. If any such meeting shall have been called by bondholders or by the Company as aforesaid upon failure of the Corporate Trustee to call the same after having been so requested under the provisions of Section 108 hereof, regulations to like effect for such deposit of bonds and the issue of certificates by (i) any bank or trust or insurance company organized under the laws of the United States of America or of any state thereof, or (ii) any trustee, secretary, administrator or other proper officer of any pension, welfare, hospitalization, or similar fund or funds, or (iii) the United States of America, any Territory thereof, the District of Columbia, any State of the United States, any municipality in any State of the United States or any public instrumentality of the United States, or of any State or of any Territory, shall be similarly binding and effective for all purposes hereof if adopted or approved by the bondholders calling such meeting or by the Board of Directors of the Company, if such meeting shall have been called by the Company, provided that in either such case copies of such regulations shall be filed with the

Corporate Trustee. A bondholder in any of the foregoing categories may sign such a certificate in his own behalf.

SECTION 110. Subject to the restrictions specified in Sections 109 and 113 hereof, any registered holder of bonds Outstanding hereunder and any holder of a certificate provided for in Section 109 hereof relating to bonds Outstanding hereunder, in either case of the series in respect of which a meeting shall have been called, shall be entitled in person or by proxy to attend and vote at such meeting as a holder of the bonds registered or certified in the name of such holder without producing such bonds. All others seeking to attend or vote at such meeting in person or by proxy must, if required by any authorized representative of the Corporate Trustee or the Company or by any other bondholder, produce the bonds claimed to be owned or represented at such meeting and every one seeking to attend or vote shall, if required as aforesaid, produce such further proof of bond ownership or personal identity as shall be satisfactory to the authorized representative of the Corporate Trustee, or if none be present then to the Inspectors of Votes hereinafter provided for. Proxies shall be witnessed or in the alternative may (a) have the signature guaranteed by a bank or trust company or a registered dealer in securities, (b) be acknowledged before a Notary Public or other officer authorized to take acknowledgements, or (c) have their genuineness otherwise established to the satisfaction of the Inspector of Votes. All proxies and certificates presented at any meeting shall be delivered to said Inspectors of Votes and filed with the Corporate Trustee.

SECTION 111. Persons nominated by the Corporate Trustee if it is represented at the meeting shall act as temporary Chairman and Secretary, respectively, of the meeting, but if the Corporate Trustee shall not be represented or shall fail to nominate such persons or if any person so nominated shall not be present, the bondholders and proxies present shall by a majority vote, irrespective of the amount of their holdings, elect another person or other persons from those present to act as temporary Chairman and/or Secretary. A permanent Chairman and a permanent Secretary of such meeting shall be elected from those present by the bondholders and proxies present by a majority vote irrespective of the amount of their holdings. The Corporate Trustee, if represented at the meeting, shall appoint two Inspectors of Votes who shall decide as to the right of anyone to vote and shall count all votes cast at such meeting, except votes on the election of a Chairman and Secretary, both temporary and permanent, as aforesaid, and who shall make and file with the permanent Secretary of the meeting their verified written report in duplicate of all such votes so cast at said meeting. If the Corporate Trustee shall not be represented at the meeting or shall fail to nominate such Inspectors of Votes or if either Inspector of Votes fails to attend the meeting, the vacancy shall be filled by appointment by the permanent Chairman of the meeting.

SECTION 112. The holders of a majority in aggregate principal amount of the bonds Outstanding hereunder of the series with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of holders of bonds of such series; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the holders of not less than sixty per centum (60%) in principal amount of the bonds of such series Outstanding hereunder, considered as one class, the holders of such percentage in principal amount of

the bonds of such series Outstanding hereunder, considered as one class, shall constitute a quorum; and provided, further, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the holders of a specified percentage which is less than a majority in principal amount of the bonds of such series Outstanding hereunder, considered as one class, the holders of such specified percentage in principal amount of the bonds of such series Outstanding hereunder, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of holders of bonds of such series, be dissolved. In any other case the meeting may be adjourned for such period or periods as may be determined by the chairman of the meeting prior to the adjournment thereof.

SECTION 113. Any modification or alteration of this Indenture and/or of any indenture supplemental hereto and/or of the rights and obligations of the Company and/or the rights of the holders of bonds and/or coupons issued hereunder in any particular may be made at a meeting of bondholders duly convened and held in accordance with the provisions of this Article, but only by resolution duly adopted by the affirmative vote of the holders of sixty per centum (60%) or more in principal amount of the bonds Outstanding hereunder, considered as one class (or, if such modification or alteration shall directly affect the holders of bonds of one or more, but less than all, series then Outstanding hereunder, then the affirmative vote only of the holders of sixty per centum (60%) or more in aggregate principal amount of the bonds of the series so directly affected then Outstanding hereunder, considered as one class), when such meeting is held, and in every case approved by Resolution of the Board of Directors of the Company as hereinafter specified; provided, however, that no such modification or alteration shall, without the consent of the holder of any bond issued hereunder affected thereby, permit (1) the extension of the maturity of the principal of, or interest on, such bonds, or (2) the reduction in such principal or the rate of interest thereon or any other modification in the terms of payment of such principal or interest, or (3) the creation of any lien ranking prior to, or on a parity with, the Lien of this Indenture with respect to any of the Mortgaged and Pledged Property, or (4) the deprivation of any non-assenting bondholder of a lien upon the Mortgaged and Pledged Property for the security of his bonds (subject only to Excepted Encumbrances) or (5) the reduction of the percentage required by the provisions of this Section for the taking of any action under this Section with respect to any bond Outstanding hereunder. For all purposes of this Article, the Trustees shall be entitled to rely upon an Opinion of Counsel with respect to the extent, if any, as to which any action taken at such meeting affects the rights under this Indenture or under any indenture supplemental hereto of any holders of bonds then Outstanding hereunder.

Bonds owned and/or held by and/or for account of and/or for the benefit or interest of the Company, or any corporation of which the Company shall own twenty-five per centum (25 %) or more of the outstanding voting stock, shall not be deemed Outstanding for the purpose of any vote or of any calculation of bonds Outstanding in Article XVI hereof or in this Article XVIII or for the purpose of the quorum provided for in Section 112 of this Article; provided, however, that bonds so owned or held which have been pledged in good faith may be regarded as Outstanding for purposes of this paragraph if the pledgee establishes to the

satisfaction of the Corporate Trustee the pledgee's right to vote or give consents with respect to such bonds and that the pledgee is not the Company or a corporation of which the Company shall own twenty-five per centum (25 %) or more of the outstanding voting stock. For all purposes of this Indenture, the Corporate Trustee, the Chairman and Secretary of any meeting held pursuant to the provisions of this Article XVIII and the Inspectors of Votes at any such meeting shall (unless the fact is challenged at such meeting by any holder of bonds Outstanding hereunder entitled to vote at such meeting and a contrary fact is established) be entitled conclusively to rely upon a notification in writing by the Company, specifying the principal amount of bonds Outstanding hereunder owned by or held by or for the account of or for the benefit or interest of the Company or any corporation of which the Company shall own twenty-five per centum (25 %) or more of the outstanding voting stock, or stating that no such bonds are so owned or held. In case the meeting shall have been called otherwise than on the written request of the Company, the Corporate Trustee shall be entitled conclusively to assume that none of the bonds Outstanding hereunder is so owned or held unless a notification by the Company is furnished as in this paragraph provided or unless the fact is challenged at such meeting by any holder of bonds Outstanding hereunder and a contrary fact is established.

SECTION 114. A record in duplicate of the proceedings of each meeting of bondholders shall be prepared by the permanent Secretary of the meeting and shall have attached thereto the original reports of the Inspectors of Votes, and affidavits by one or more persons having knowledge of the facts showing a copy of the notice of the meeting, and showing that said notice was mailed and published as provided in Section 108 hereof. Such record shall be signed and verified by the affidavits of the permanent Chairman and the permanent Secretary of the meeting, and one duplicate thereof shall be delivered to the Company and the other to the Corporate Trustee for preservation by the Corporate Trustee. Any record so signed and verified shall be proof of the matters therein stated, and if such record shall also be signed and verified by the affidavit of a duly authorized representative of the Corporate Trustee, such meeting shall be deemed conclusively to have been duly convened and held and such record shall be conclusive, and any resolution or proceeding stated in such record to have been adopted or taken, shall be deemed conclusively to have been duly adopted or taken by such meeting. A true copy of any resolution adopted by such meeting shall be mailed by the Corporate Trustee to each registered holder of bonds Outstanding hereunder addressed to him at his address appearing on the registry books and to each holder of any such bond then Outstanding hereunder payable to bearer whose name and address appear upon the last list of bondholders furnished to the Corporate Trustee by the Company pursuant to the provisions of Section 43 hereof, addressed to him at such address, and proof of such mailing by the affidavit of some person having knowledge of the fact shall be filed with the Corporate Trustee, but failure to mail copies of such resolution as aforesaid shall not affect the validity thereof. No such resolution shall be binding until and unless such resolution is approved by Resolution of the Board of Directors of the Company, of which such Resolution of approval, if any, it shall be the duty of the Company to file a copy certified by the Secretary or an Assistant Secretary of the Company with the Corporate Trustee, but if such Resolution of the Board of Directors of the Company is adopted and a certified copy thereof is filed with the Corporate Trustee, the resolution so adopted by such meeting

shall be deemed conclusively to be binding upon the Company, the Corporate Trustee and the holders of all bonds and coupons issued hereunder, at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution, or annulling the action taken thereby in a legal action or equitable proceeding for such purposes commenced within such sixty (60) day period; provided, however, that no such resolution of the bondholders, or of the Company, shall in any manner be so construed as to change or modify any of the rights, immunities, or obligations of the Corporate Trustee without its written assent thereto.

SECTION 115. Bonds authenticated and delivered after the date of any bondholders' meeting may bear a notation in form approved by the Corporate Trustee as to the action taken at meetings of bondholders theretofore held, and upon demand of the holder of any bond Outstanding at the date of any such meeting and presentation of his bond for the purpose at the principal office of the Corporate Trustee, the Company shall cause suitable notation to be made on such bond by endorsement or otherwise as to any action taken at any meeting of bondholders theretofore held. If the Company or the Corporate Trustee shall so determine, new bonds so modified as in the opinion of the Corporate Trustee and the Board of Directors of the Company to conform to such bondholders' resolution shall be prepared, authenticated and delivered, and upon demand of the holder of any bond then Outstanding and affected thereby shall be exchanged without cost to such bondholder for bonds then Outstanding hereunder upon surrender of such bonds with all unmatured coupons, if any, appertaining thereto. The Company or the Corporate Trustee may require bonds Outstanding to be presented for notation or exchange as aforesaid if either shall see fit to do so. Instruments supplemental to this Indenture embodying any modification or alteration of this Indenture or of any indenture supplemental hereto made at any bondholders' meeting and approved by Resolution of the Board of Directors of the Company, as aforesaid, may be executed by the Corporate Trustee and the Company and upon demand of the Corporate Trustee, or if so specified in any resolution adopted by any such bondholders' meeting, shall be executed by the Company and the Corporate Trustee.

SECTION 116. (A) Anything in this Article XVIII contained to the contrary notwithstanding, the Corporate Trustee shall receive the written consent (in any number of instruments of similar tenor executed by bondholders or by their attorneys appointed in writing) of the holders of sixty per centum (60%) or more in principal amount of the bonds Outstanding hereunder, considered as one class (or, if any action proposed to be taken shall directly affect the holders of bonds of one or more, but less than all, series then Outstanding hereunder, then the consent only of the holders of sixty per centum (60%) or more in aggregate principal amount of bonds of the series so directly affected then Outstanding hereunder, considered as one class), at the time the last such needed consent is delivered to the Corporate Trustee, in lieu of the holding of a meeting pursuant to this Article XVIII and in lieu of all action at such a meeting and with the same force and effect as a resolution duly adopted in accordance with the provisions of Section 113 hereof.

(B) Instruments of consent shall be witnessed or in the alternative may (a) have the signature guaranteed by a bank or trust company or a registered dealer in securities, (b) be acknowledged before a Notary Public or other officer authorized to take acknowledgments, or (c) have their genuineness otherwise established to the satisfaction of the Corporate Trustee.

The amount of bonds payable to bearer, and the series and serial numbers thereof, held by a person executing an instrument of consent (or whose attorney has executed an instrument of consent in his behalf), and the date of his holding the same, may be proved by exhibiting the bonds to and obtaining a certificate executed by (i) any bank or trust or insurance company organized under the laws of the United States of America or of any State thereof, or (ii) any trustee, secretary, administrator or other proper officer of any pension, welfare, hospitalization or similar fund or funds, or (iii) the United States of America, any Territory thereof, the District of Columbia, any State of the United States, any municipality in any State of the United States or any public instrumentality of the United States, or of any State or of any Territory, or (iv) any other person or corporation satisfactory to the Corporate Trustee. A bondholder in any of the foregoing categories may sign a certificate in his own behalf.

Each such certificate shall be dated and shall state in effect that as of the date thereof a coupon bond or bonds bearing a specified serial number or numbers was exhibited to the signer of such certificate. The holding by the person named in any such certificate of any bonds specified therein shall be presumed to continue unless (1) any certificate bearing a later date issued in respect of the same bond shall be produced, (2) the bond specified in such certificate (or any bond or bonds issued in exchange or substitution for such bond) shall be produced, or (3) the bond specified in such certificate shall be registered as to principal in the name of another holder or shall have been surrendered in exchange or a fully registered bond registered in the name of another holder. The Corporate Trustee may nevertheless in its discretion require further proof in cases where it deems further proof desirable. The ownership of registered bonds shall be proved by the registry books.

(C) Until such time as the Corporate Trustee shall receive the written consent of the necessary per centum in principal amount of the bonds required by the provisions of subsection (A) above for action contemplated by such consent, any holder of a bond, the serial number of which is shown by the evidence to be included in the bonds the holders of which have consented to such action, may, by filing written notice with the Corporate Trustee at its principal office and upon proof of holding as provided in subsection (B) above, revoke such consent so far as it concerns such bond. Except as aforesaid, any such action taken by the holder of any bond shall be conclusive and binding upon such holder and upon all future holders of such bond (and any bond issued in lieu thereof or exchanged therefor), irrespective of whether or not any notation of such consent is made upon such bond, and in any event any action taken by the holders of the percentage in aggregate principal amount of the bonds specified in subsection (A) above in connection with such action shall be conclusively binding upon the Company, the Corporate Trustee and the holders of all the bonds.

EXHIBIT G

AMENDMENTS TO MORTGAGE

(1) The amendment of Section 5 of the Original Mortgage to delete the second paragraph thereof and to substitute therefor three paragraphs reading as follows:

In the event that in any certificate filed with the Trustee in connection with any of the transactions referred to in clauses (2),(3),(5),(6) or (7) of this Section, only a part of the Cost or fair value of the Property Additions described in such certificate shall be required for the purposes of such certificate, then such Property Additions shall be deemed to be Funded Property only to the extent so required for the purpose of such certificate.

All Funded Property that shall be abandoned, destroyed, released or otherwise disposed of free of the Lien of this Indenture shall for the purpose of Section 4 hereof be deemed Funded Property retired and for other purposes of this Indenture shall thereupon cease to be Funded Property but as in this Indenture provided may at any time thereafter again become Funded Property. Neither any reduction in the Cost or book value of property recorded in the plant account of the Company, nor the transfer of any amount appearing in such account to intangible and/or adjustment accounts, otherwise than in connection with actual retirements of physical property so abandoned, destroyed, released or disposed of, and otherwise than in connection with the removal of such property in its entirety from plant account, shall be deemed to constitute a retirement of Funded Property.

The Company may make allocations, on a pro-rata or other reasonable basis, for the purpose of determining the extent to which fungible properties, reflected in the same generic class of property in the Company's books of account and not otherwise specifically identified, constitute Funded Property or Funded Property retired.

(2) The deletion of Section 7 of the Original Mortgage in its entirety and the substitution therefor of a new Section 7 reading as follows:

SECTION 7. The term "Net Earning Certificate" shall mean a certificate signed and verified by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company, stating

(A) the Net Earnings of the Company for a period of twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of bonds then applied for is made, specifying;

(1) its operating revenues (which may include revenues subject when collected or accrued to possible refund at a future date), with the principal divisions thereof;

(2) its operating expenses, with the principal divisions thereof;

(3) the amount remaining after deducting such operating expenses from such operating revenues;

(4) its rental expenses for plants or systems not otherwise deducted from revenues or from other income in such certificate;

(5) the balance remaining after deducting such rental expenses from the amount required to be stated in such certificate by clause (3) of this Section;

(6) its rental revenues from plants or systems not otherwise included in revenues, or in other income (net) in such certificate;

(7) the sum of the amounts required to be stated in such certificate by clauses (5) and (6) of this Section;

(8) its other income (net), which may include any portion of the allowance for funds used during construction or any portion of the allowance for funds used for conservation expenditures (or any analogous amount), in either case, which is not included in "other income" (or any analogous item) in the Company's books of account;

(9) the sum of the amounts required to be stated in such certificate by clauses (7) and (8) of this Subdivision (A);

(10) the amount, if any, by which the aggregate of (a) such other income (net) and (b) that portion of the amount required to be stated in such certificate by clause (7) of this Section which, in the opinion of the signers, is directly derived from the operations of the property (other than paving, grading and other improvements to, under or upon public high-ways, bridges, parks or other public properties of analogous character) not subject to the Lien of this Indenture at the date of such certificate, exceeds twenty per centum (20%) of the sum required to be stated by clause (9) of this Section;

(11) the Net Earnings of the Company for such period of twelve (12) consecutive calendar months (being the amount remaining after deducting in such certificate the amount required to be stated by clause (10) of this Section from the sum required to be stated by clause (9) of this Section);

(B) the Annual Interest Requirements, being the interest requirements for twelve (12) months upon:

(i) all bonds Outstanding hereunder at the date of such certificate, except any for the refunding of which the bonds applied for are to be issued;

(ii) all bonds then applied for in pending applica-tions, including the application in connection with which such certificate is made;

(iii) all bonds deposited with or held in pledge by the Corporate Trustee under any of the provisions of this Indenture under conditions such that they may be issued or reissued;

(iv) all Prior Lien Bonds which will be Outstanding immediately after the authentication of the bonds then applied for in pending applications, including the application in connection with which such certificate is made; and

(v) the principal amount of all other indebtedness (except indebtedness for the purchase, payment or redemption of which moneys in the necessary amount shall have been deposited with or be held by the Corporate Trustee or the trustee or other holder of a lien prior hereto with irrevocable direction so to apply the same; provided that, in the case of redemption, the notice required therefor shall have been given or have been provided for to the satisfaction of the Corporate Trustee), outstanding in the hands of the public on the date of such certificate and secured by lien prior or equal to the Lien of this Indenture upon property of the Company subject to the Lien of this Indenture, if said indebtedness has been assumed by the Company or if the Company customarily pays the interest upon the principal thereof.

In calculating such Net Earnings, all the Company's expenses for taxes (other than income, profits and other taxes measured by, or dependent on, net income), assessments, rentals, insurance and expenses for current repairs and maintenance, shall be included in its operating expenses, or otherwise deducted from its revenues or other income; provided, however, that there shall not be required to be so included or deducted (A) any provision for renewal, replacement, depreciation, depletion or retirement of property, or for amortization, (B) expenses or provisions for interest on any of its indebtedness or for the amortization of debt discount, expense or loss on reacquired debt for any maintenance and replacement, improvement or sinking fund or other device for the retirement of any indebtedness, (C) expenses or provisions for any non-recurring charge to income of whatever kind or nature (including without limitation the recognition of expense due to the non-recoverability of investment), whether or not recorded as an extraordinary item in the Company's books of account or (D) provisions for any refund of revenues previously collected or accrued subject to possible refund.

In calculating such Annual Interest Requirements (A) if any bonds issued hereunder, Prior Lien Bonds and/or other indebtedness bears interest at a variable rate or rates, the Annual Interest Requirements thereon shall be determined by reference to the rate or rates in effect on the date next preceding the date of the initial authentication and delivery of the bonds then applied for in the application in connection with which the Net Earning Certificate is made, (B) if such bonds then applied for and/or any bonds applied for in any other pending application are to bear interest at a variable rate or rates, the Annual Interest Requirements thereon shall be determined by reference to the rate or rates to be in effect at the time of the initial authentication and delivery thereof, and (C) the Annual Interest Requirements on bonds issued or to be issued hereunder, Prior Lien Bonds and any other indebtedness shall be determined by reference to the rate or rates at which such obligations are stated by their terms to bear simple interest, without regard to the effective

interest cost to the Company of such obligations and without regard to the stated interest rate or rates upon, or the effective interest cost to the Company of, other obligations for which such obligations are or are to be pledged or otherwise delivered as security.

If any of the property of the Company owned by it at the time of the making of any Net Earning Certificate shall have been acquired during or after any period for which Net Earnings of the Company are to be computed, the Net Earnings of such property (computed in the manner in this Section provided for the computation of the Net Earnings of the Company) during such period or such part of such period as shall have preceded the acquisition thereof, to the extent that the same have not otherwise been included and unless such property shall have been acquired in exchange or substitution for property the earnings of which have been included, may, at the option of the Company, be included in the Net Earnings of the Company for all purposes of this Indenture.

Net Earnings, whether of the Company, or of a particular property, shall be determined in accordance with accepted principles of accounting.

(3) (a) The amendment of Section 25 of the Original Mortgage to delete the words "sixty per centum (60%)" from the first sentence thereof and to substitute therefor the words "seventy per centum (70%)";

(b) The amendment of Section 26 of the Original Mortgage,

(i) to delete the words "ten sixths (10/6)" from the first paragraph thereof and to substitute therefor the words "ten sevenths (10/7)";

(ii) to delete the words "sixty per centum (60%)" from each of clause (c) and clause (d) of the fourth paragraph thereof and to substitute therefor the words "seventy per centum (70%)";

(iii) to insert immediately following the words "fifteen per centum of after clause (d) in the fourth paragraph thereof the words "the sum of (1)" and to insert at the end of such paragraph the words "and (2) all Prior Lien Bonds to be Outstanding upon the granting of such application." and

(iv) to delete the words "fifty per centum (50%)" from the fourth paragraph thereof and to substitute therefor the words "seventy per centum (70%)".

(c) The amendment of Section 59 of the Original Mortgage,

(i) to insert the phrase "ten-sevenths (10/7) of" at the beginning of clause (c) of subdivision (4) of the first paragraph thereof;

(ii) to delete the words "sixty per centum (60%)" from the proviso to subdivision (4) of the first paragraph thereof and to substitute therefor the words "seventy per centum (70%)"; and

(iii) to delete the words "sixty per centum (60%)" from the second and third paragraphs thereof and to substitute therefor, in each case, the words "seventy per centum (70%)".

(d) The amendment of Section 61 of the Original Mortgage

(i) to insert the words "ten sevenths (10/7) of" immediately before the words "the principal amount ..." in subdivision (2) of the first paragraph thereof; and

(ii) to delete the words "sixty per centum (60%)" from the second and third paragraphs thereof and to substitute therefor, in each case, the words "seventy per centum (70%)";

(4) The amendment in its entirety of Section 38 of the Original Mortgage to read as set forth below, and the deletion of all references in the Mortgage to Section 38 to the extent such references are rendered nugatory by such amendment:

Section 38. The Company will cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged and Pledged Property, as an operating system or systems, to be maintained and kept in good repair, working order and condition and will cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals and replacements thereof as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged and Pledged Property, considered as an operating system or systems, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing or consenting to the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business.

After the effectiveness of such amendment, among other things, Funded Property shall not include any Property Additions that have at any time been deemed to have been made the basis of a credit under the provisions of Section 38, as in effect prior to such amendment, or substituted for other Property Additions that have so been deemed to have been made the basis of such a credit.

(5) (a) The amendment of Section 85 of the Mortgage, as amended, to add thereto a second paragraph reading as follows:

Nothing in this Indenture shall prevent any consolidation or merger after the consummation of which the Company would be the surviving or resulting corporation or any conveyance, transfer or lease of any part of the Mortgaged and Pledged Property which does not constitute the entirety, or substantially the entirety, thereof.

; and

(b) The amendment of Section 87 of the Original Mortgage to add thereto a second paragraph reading as follows:

In case the Company shall enter into any transaction contemplated in the second paragraph of Section 85 hereof, unless an indenture executed and delivered by the Company and the Trustee shall otherwise provide, this Indenture shall not become or be a lien upon any of the properties or franchises acquired by the Company in or as a result of such transaction or upon any improvements, extensions or additions thereto or any renewals or replacements thereof.

(6) The amendment of Section 102 of the Original Mortgage to insert immediately after the first paragraph thereof a new paragraph reading as follows:

(A) So long as no event which is, or after notice or lapse of time, or both, would become, a Completed Default (as defined in Section 65 hereof) shall have occurred and be continuing, if the Company shall have delivered to the Trustee (i) an instrument executed by order of its Board of Directors and duly acknowledged by proper officers of the Company appointing a successor Corporate Trustee, Individual Trustee or other trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor trustee, such trustee shall be deemed to have resigned as contemplated in Section 100, and such successor trustee shall be deemed to have been appointed pursuant to the first paragraph of this Section, all as of such date, and all other provisions of this Article shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this paragraph

(7) The amendment of Section 120 of the Original Mortgage to read as follows:

SECTION 120. Anything in this Indenture to the contrary notwithstanding, without the consent of any holders of bonds, the Company and the Trustees, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustees, for any of the following purposes:

(a) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the bonds, all as provided in Article XV hereof, or

(b) to add one or more covenants of the Company or other provisions for the benefit of all holders of the bonds or for the benefit of the holders of, or to remain in effect only so long as there shall be Outstanding, bonds of one or more specified series, and to make the occurrence of a default in the performance of any of such additional covenants an additional "Completed Default" under Section 65 permitting the enforcement of all or any of the several remedies provided in this Indenture, as herein set forth; provided, however, that in respect of any such additional covenant, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than those allowed in the case of other defaults) or may provide for an immediate enforcement upon such default, or may (subject to

the provisions of applicable law) limit the remedies available to the Trustees upon such default; or to provide that the occurrence of one or more specified events shall constitute additional "Completed Defaults" under Section 65 as if set forth therein, or to surrender any right or power herein conferred upon the Company, which additional "Completed Default" or surrender may be limited so as to remain in effect only so long as bonds of one or more specified series shall remain Outstanding; or

(c) to correct or amplify the description of any property at any time subject to the Lien of this Indenture, or better to assure, convey and confirm unto the Trustees any property subject or required to be subjected to the Lien of this Indenture, or to subject to the Lien of this Indenture additional property; or

(d) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that no such change, elimination or addition shall adversely affect the interests of the holders of bonds of any series in any material respect; or

(e) to establish the form or terms of bonds of any series as contemplated by Article II; or

(f) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all or any series of bonds; or

(g) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of bonds shall be payable, (2) all or any series of bonds may be surrendered for registration of transfer, (3) all or any series of bonds may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of bonds and this Indenture may be served; or

(h) to increase or decrease the amount set forth in Section 20 and Section 121; or

(i) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the holders of bonds of any series in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act of 1939, as in effect at any time and from time to time,

(x) shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or

otherwise, this Indenture shall be deemed to have been amended so as to conform to the Trust Indenture Act of 1939 as then in effect, and the Company and the Trustees may, without the consent of any holders of bonds, enter into an indenture supplemental hereto to evidence such amendment hereof; or

(y) shall permit one or more changes to, or the elimination of, any provisions hereof which shall theretofore have been required by the Trust Indenture Act of 1939 to be contained herein or are contained herein to reflect any provisions of the Trust Indenture Act of 1939, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustees may, without the consent of any holders of bonds, enter into an indenture supplemental hereto to evidence such amendment hereof.

EXHIBIT H

AMENDMENTS TO MORTGAGE

(1) The amendment of Section 100 of the Original Mortgage to read as follows:

> Section 100. The Trustees, or any successor or successors hereafter appointed, or any of them, may at any time resign and be discharged of the trusts hereby created by giving written notice to the Company and thereafter publishing notice thereof, specifying a date when such resignation shall take effect, once in a Daily Newspaper of general circulation in the Borough of Manhattan, The City of New York, upon any business day of the week, and such resignation shall take effect upon the day specified in such notice unless previously a successor trustee shall have been appointed by the bondholders or the Company as hereinafter provided, and in such event such resignation shall take effect immediately on the appointment of such successor trustee.

(2) The amendment of the present second sentence of the first paragraph of Section 102 of the Original Mortgage to read as follows:

> The Company shall publish notice of any such appointment made by it once in a Daily Newspaper of general circulation in the Borough of Manhattan, The City of New York, upon any business day of the week.

EXHIBIT 4(c)
Execution Copy

AVISTA CORPORATION

7.75% FIRST MORTGAGE BONDS DUE 2007

EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

December 19, 2001

Goldman, Sachs & Co.
BNY Capital Markets, Inc.
Fleet Securities, Inc.
TD Securities (USA) Inc.
c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004

Ladies and Gentlemen:

Avista Corporation, a Washington corporation (the "Company"), proposes to issue and sell to the Purchasers (as defined herein) upon the terms set forth in the Purchase Agreement (as defined herein) its 7.75% First Mortgage Bonds due 2007. As an inducement to the Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the obligations of the Purchasers thereunder, the Company agrees with the Purchasers for the benefit of holders (as defined herein) from time to time of the Registrable Securities (as defined herein) as follows:

1. Certain Definitions. For purposes of this Exchange and Registration Rights Agreement, the following terms shall have the following respective meanings:

"Base Interest" shall mean the interest that would otherwise accrue on the Securities under the terms thereof and the Mortgage, without giving effect to the provisions of this Agreement.

The term "broker-dealer" shall mean any broker or dealer registered with the Commission under the Exchange Act.

"Closing Date" shall mean the date on which the Securities are initially issued.

"Commission" shall mean the United States Securities and Exchange Commission, or any other federal agency at the time administering the Exchange Act or the Securities Act, whichever is the relevant statute for the particular purpose.

"Effective Time" in the case of (i) an Exchange Registration, shall mean the time and date as of which the Commission declares the Exchange Registration Statement effective or as of which the Exchange Registration Statement otherwise becomes effective and (ii) a Shelf Registration, shall mean the time and date as of which the Commission declares the Shelf Registration Statement effective or as of which the Shelf Registration Statement otherwise becomes effective.

"Electing Holder" shall mean any holder of Registrable Securities that has returned a completed and signed Notice and Questionnaire to the Company in accordance with Section 3(d)(ii) or 3(d)(iii) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same shall be amended from time to time.

"Exchange Offer" shall have the meaning assigned thereto in Section 2(a) hereof.

"Exchange Registration" shall have the meaning assigned thereto in Section 3(c) hereof.

"Exchange Registration Statement" shall have the meaning assigned thereto in Section 2(a) hereof.

"Exchange Securities" shall have the meaning assigned thereto in Section 2(a) hereof.

The term "holder" shall mean each of the Purchasers and other persons who acquire Registrable Securities from time to time (including any successors or assigns), in each case for so long as such person owns any Registrable Securities.

"Liquidated Damages" shall have the meaning assigned thereto in Section 2(c) hereof.

"Mortgage" shall mean the Company's Mortgage and Deed of Trust, dated as of June 1, 1939, to Citibank, N.A., as Trustee, as amended and supplemented and as it will be further supplemented by a supplemental indenture establishing the Securities.

"Notice and Questionnaire" means a Notice of Registration Statement and Selling Securityholder Questionnaire substantially in the form of Exhibit A hereto.

The term "person" shall mean a corporation, association, partnership, organization, business, individual, government or political subdivision thereof or governmental agency.

"Purchase Agreement" shall mean the Purchase Agreement, dated as of December 12, 2001, between the Purchasers and the Company relating to the Securities.

"Purchasers" shall mean the Purchasers named in Schedule I to the Purchase Agreement.

"Registrable Securities" shall mean the Securities; provided, however, that a Security shall cease to be a Registrable Security when (i) in the circumstances contemplated by Section 2(a) hereof, the Security has been exchanged for an Exchange Security in an Exchange Offer as contemplated in Section 2(a) hereof (provided that any Exchange Security that, pursuant to the next to last sentence of Section 2(a), is included in a prospectus for use in connection with resales by broker-dealers shall be deemed to be a Registrable Security with respect to Sections 5, 6 and 9 until resale of such Registrable Security has been effected within the 180-day period referred to in Section 2(a)); (ii) in the circumstances contemplated by Section 2(b) hereof, a Shelf Registration Statement registering such Security under the Securities Act has been declared or becomes effective and such

Security has been sold or otherwise transferred by the holder thereof pursuant to and in a manner contemplated by such effective Shelf Registration Statement; (iii) such Security is sold pursuant to Rule 144 under circumstances in which any legend borne by such Security relating to restrictions on transferability thereof, under the Securities Act or otherwise, is removed by the Company or pursuant to the Mortgage; (iv) such Security is eligible to be sold pursuant to paragraph (k) of Rule 144; or (v) such Security shall cease to be outstanding.

"Registration Default" shall have the meaning assigned thereto in Section 2(c) hereof.

"Registration Default Period" shall have the meaning assigned thereto in Section 2(c) hereof.

"Registration Expenses" shall have the meaning assigned thereto in Section 4 hereof.

"Resale Period" shall have the meaning assigned thereto in Section 2(a) hereof.

"Restricted Holder" shall mean (i) a holder that is an affiliate of the Company within the meaning of Rule 405, (ii) a holder who acquires Exchange Securities outside the ordinary course of such holder's business, (iii) a holder who has arrangements or understandings with any person to participate in the Exchange Offer for the purpose of distributing Exchange Securities and (iv) a holder that is a broker-dealer, but only with respect to Exchange Securities received by such broker-dealer pursuant to an Exchange Offer in exchange for Registrable Securities acquired by the broker-dealer directly from the Company.

"Rule 144," "Rule 405" and "Rule 415" shall mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

"Securities" shall mean, collectively, the First Mortgage Bonds, 7.75% Series due 2007 of the Company to be issued and sold to the Purchasers, and securities issued in exchange therefor or in lieu thereof pursuant to the Mortgage.

"Securities Act" shall mean the Securities Act of 1933, or any successor thereto, as the same shall be amended from time to time.

"Shelf Registration" shall have the meaning assigned thereto in Section 2(b) hereof.

"Shelf Registration Statement" shall have the meaning assigned thereto in Section 2(b) hereof.

"Trust Indenture Act" shall mean the Trust Indenture Act of 1939, or any successor thereto, and the rules, regulations and forms promulgated thereunder, all as the same shall be amended from time to time.

Unless the context otherwise requires, any reference herein to a "Section" or "clause" refers to a Section or clause, as the case may be, of this Exchange and Registration Rights Agreement, and the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Exchange and

Registration Rights Agreement as a whole and not to any particular Section or other subdivision.

2. Registration Under the Securities Act.

(a) Except as set forth in Section 2(b) below, the Company agrees to file under the Securities Act, as soon as practicable, but no later than 90 days after the Closing Date, a registration statement relating to an offer to exchange (such registration statement, the "Exchange Registration Statement", and such offer, the "Exchange Offer") any and all of the Securities for a like aggregate principal amount of debt securities issued by the Company, which debt securities are substantially identical to the Securities (and are entitled to the benefits of a trust indenture which is substantially identical to the Mortgage or is the Mortgage and which has been qualified under the Trust Indenture Act), except that they have been registered pursuant to an effective registration statement under the Securities Act and do not contain provisions for the liquidated damages contemplated in Section 2(c) below (such new debt securities hereinafter called "Exchange Securities"). The Company agrees to use all commercially reasonable efforts to cause the Exchange Registration Statement to become effective under the Securities Act as soon as practicable, but no later than 180 days after the Closing Date. The Exchange Offer will be registered under the Securities Act on the appropriate form and will comply with all applicable tender offer rules and regulations under the Exchange Act. The Company further agrees to use its best efforts to commence and complete the Exchange Offer promptly, but no later than 45 days after such registration statement has become effective, hold the Exchange Offer open for at least 30 days and exchange Exchange Securities for all Registrable Securities that have been properly tendered and not withdrawn on or prior to the expiration of the Exchange Offer. The Exchange Offer will be deemed to have been "completed" only if the debt securities received in the Exchange Offer by holders other than Restricted Holders are, upon receipt, transferable by each such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the blue sky or securities laws of a substantial majority of the states of the United States of America. The Exchange Offer shall be deemed to have been completed upon the earlier to occur of (i) the Company having exchanged the Exchange Securities for all outstanding Registrable Securities pursuant to the Exchange Offer and (ii) the Company having exchanged, pursuant to the Exchange Offer, Exchange Securities for all Registrable Securities that have been properly tendered and not withdrawn before the expiration of the Exchange Offer, which shall be on a date that is at least 30 days following the commencement of the Exchange Offer. The Company agrees (x) to include in the Exchange Registration Statement a prospectus for use in any resales by any holder of Exchange Securities that is a broker-dealer and (y) to keep such Exchange Registration Statement effective for a period (the "Resale Period") beginning when Exchange Securities are first issued in the Exchange Offer and ending upon the earlier of the expiration of the 180th day after the Exchange Offer has been completed or such time as such broker-dealers no longer own any Registrable Securities. With respect to such Exchange Registration Statement, such holders shall have the benefit of the rights of indemnification and contribution set forth in Sections 6(a), (c), (d) and (e) hereof.

(b) If (i) on or prior to the time the Exchange Offer is completed, existing Commission interpretations are changed such that the debt securities received by holders other than Restricted Holders in the Exchange Offer are not or would not be, upon receipt, transferable by each such holder without restriction under the Securities Act,(ii) the Exchange Offer has not been consummated within 225 days following the Closing Date or (iii) the Exchange Offer is not available to any holder of the

Securities, the Company shall, in lieu of (or, in the case of clause (iii), in addition to) conducting the Exchange Offer contemplated by Section 2(a), file under the Securities Act as soon as practicable, but no later than 30 days after the time such obligation to file arises, a "shelf" registration statement providing for the registration of, and the sale on a continuous or delayed basis by the holders of, all of the Registrable Securities, pursuant to Rule 415 or any similar rule that may be adopted by the Commission (such filing, the "Shelf Registration" and such registration statement, the "Shelf Registration Statement"). The Company agrees to use all commercially reasonable efforts (x) to cause the Shelf Registration Statement to become or be declared effective no later than 90 days after such Shelf Registration Statement is filed and to keep such Shelf Registration Statement continuously effective for a period ending on the earlier of the second anniversary of the Effective Time or such time as there are no longer any Registrable Securities outstanding, provided, however, that no holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement or to use the prospectus forming a part thereof for resales of Registrable Securities unless such holder is an Electing Holder, and (y) after the Effective Time of the Shelf Registration Statement, promptly upon the request of any holder of Registrable Securities that is not then an Electing Holder, to take any action reasonably necessary to enable such holder to use the prospectus forming a part thereof for resales of Registrable Securities, including, without limitation, any action necessary to identify such holder as a selling securityholder in the Shelf Registration Statement, provided, however, that nothing in this Clause (y) shall relieve any such holder of the obligation to return a completed and signed Notice and Questionnaire to the Company in accordance with Section 3(d)(iii) hereof. The Company further agrees to supplement or make amendments to the Shelf Registration Statement, as and when required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or rules and regulations thereunder for shelf registration, and the Company agrees to furnish to each Electing Holder copies of any such supplement or amendment prior to its being used or promptly following its filing with the Commission. Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that it is in the best interests of the Company not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company, the Company may allow the Shelf Registration Statement to fail to be effective and usable as a result of such nondisclosure for up to 60 days during the two year period of effectiveness required by Section 2 hereof, but in no event for any period in excess of 30 consecutive days.

(c) In the event that (i) the Company has not filed the Exchange Registration Statement or Shelf Registration Statement on or before the date on which such registration statement is required to be filed pursuant to Section 2(a) or 2(b), respectively, or (ii) such Exchange Registration Statement or Shelf Registration Statement has not become effective or been declared effective by the Commission on or before the date on which such registration statement is required to become or be declared effective pursuant to Section 2(a) or 2(b), respectively, or (iii) the Exchange Offer has not been completed within 45 days after the initial effective date of the Exchange Registration Statement relating to the Exchange Offer (if the Exchange Offer is then required to be made) or (iv) any Exchange Registration Statement or Shelf Registration Statement required by Section 2(a) or 2(b) hereof is filed and declared effective but shall thereafter either be withdrawn by the Company or shall become subject to an effective stop order issued pursuant to Section 8(d) of the Securities Act suspending the effectiveness of such registration statement (except as specifically permitted herein) without being succeeded immediately by an additional registration statement filed and declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default" and each

period during which a Registration Default has occurred and is continuing, a "Registration Default Period"), then, as liquidated damages for such Registration Default, subject to the provisions of Section 9(b), liquidated damages ("Liquidated Damages"), in addition to the Base Interest, will be (1) with respect to the first 90-day period immediately following the occurrence of the first Registration Default, an amount equal to $0.05 per week per $1,000 principal amount of Securities outstanding; and (2) an additional $0.05 per week per $1,000 principal amount of Securities with respect to each subsequent 90-day period, up to a maximum amount of Liquidated Damages for all Registration Defaults of $0.20 per week per $1,000 principal amount of Securities outstanding, to and including the first week in which all Registration Defaults have been cured, but only so long as any Securities are Registrable Securities.

(d) The Company shall take all actions necessary or advisable to be taken by it to ensure that the transactions contemplated herein are effected as so contemplated.

(e) Any reference herein to a registration statement as of any time shall be deemed to include any document incorporated, or deemed to be incorporated, therein by reference as of such time and any reference herein to any post-effective amendment to a registration statement as of any time shall be deemed to include any document incorporated, or deemed to be incorporated, therein by reference as of such time.

3. Registration Procedures.

If the Company files a registration statement pursuant to Section 2(a) or Section 2(b), the following provisions shall apply:

(a) At or before the Effective Time of the Exchange Registration Statement or the Shelf Registration Statement, as the case may be, the Company shall qualify the Mortgage under the Trust Indenture Act of 1939 or maintain such qualification, as applicable .

(b) In the event that such qualification would require the appointment of a new trustee under the Mortgage, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Mortgage.

(c) In connection with the Company's obligations with respect to the registration of Exchange Securities as contemplated by Section 2(a) (the "Exchange Registration"), if applicable, the Company shall, as soon as practicable (or as otherwise specified):

(i) prepare and file with the Commission, as soon as practicable but no later than 90 days after the Closing Date, an Exchange Registration Statement on any form which may be utilized by the Company and which shall permit the Exchange Offer and resales of Exchange Securities by broker-dealers during the Resale Period to be effected as contemplated by Section 2(a), and use commercially reasonable efforts to cause such Exchange Registration Statement to become effective as soon as practicable thereafter, but no later than 180 days after the Closing Date;

(ii) as soon as practicable prepare and file with the Commission such amendments and supplements to such Exchange Registration Statement and the prospectus included therein as may be necessary to effect and maintain the effectiveness of such Exchange Registration Statement for the periods and purposes contemplated in Section 2(a) hereof and as may be required by the applicable rules and regulations

of the Commission and the instructions applicable to the form of such Exchange Registration Statement, and promptly provide each broker-dealer holding Exchange Securities with such number of copies of the prospectus included therein (as then amended or supplemented), in conformity in all material respects with the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder, as such broker-dealer reasonably may request in writing to the Company prior to the expiration of the Resale Period, for use in connection with resales of Exchange Securities;

(iii) promptly notify each broker-dealer that has requested or received copies of the prospectus included in such registration statement, and confirm such advice in writing, (A) when such Exchange Registration Statement or the prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to such Exchange Registration Statement or any post-effective amendment, when the same has become effective, (B) of any comments by the Commission and by the blue sky or securities commissioner or regulator of any state with respect thereto or any request by the Commission for amendments or supplements to such Exchange Registration Statement or prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of such Exchange Registration Statement or the initiation or threatening of any proceedings for that purpose, (D) if at any time the representations and warranties of the Company contemplated by Section 5 or contained in any underwriting agreement or similar agreement relating to the offering cease to be true and correct in all material respects, (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Exchange Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, or (F) at any time during the Resale Period when a prospectus is required to be delivered under the Securities Act, that such Exchange Registration Statement, prospectus, prospectus amendment or supplement or post-effective amendment does not conform in all material respects to the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder or contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(iv) in the event that the Company would be required, pursuant to Section 3(c)(iii)(F) above, to notify any broker-dealers holding Exchange Securities, the Company shall without delay prepare and furnish to each such holder a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to purchasers of such Exchange Securities during the Resale Period, such prospectus shall conform in all material respects to the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(v) use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of such Exchange Registration Statement or any post-effective amendment thereto at the earliest practicable date;

(vi) use commercially reasonable efforts to (A) register or qualify the Exchange Securities under the securities laws or blue sky laws of such jurisdictions as are contemplated by Section 2(a) no later than the commencement of the Exchange Offer, (B) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers, sales and dealings therein in such jurisdictions until the expiration of the Resale Period and (C) take any and all other actions as may be reasonably necessary or advisable to enable each broker-dealer holding Exchange Securities to consummate the disposition thereof in such jurisdictions; provided, however, that the Company shall not be responsible for any filing obligations that such broker-dealer may incur as such under the laws of such jurisdiction; and provided further, that the Company shall not be required for any such purpose to (1) qualify as a foreign corporation in any jurisdiction wherein it would not otherwise be required to qualify but for the requirements of this Section 3(c)(vi), (2) consent to general service of process in any such jurisdiction or (3) make any changes to its certificate of incorporation or by-laws or any agreement between it and its stockholders;

(vii) use commercially reasonable efforts to obtain the consent or approval of each governmental agency or authority, whether federal, state or local, which may be required in order for the Company to effect the Exchange Registration, the Exchange Offer and the offering and sale of Exchange Securities by broker-dealers during the Resale Period;

(viii) provide a CUSIP number for all Exchange Securities, not later than the applicable Effective Time;

(ix) comply with all applicable rules and regulations of the Commission, and make generally available to its securityholders as soon as practicable but no later than 18 months after the effective date of such Exchange Registration Statement, an earning statement of the Company and its subsidiaries complying with Section 11(a) of the Securities Act (including, at the option of the Company, Rule 158 thereunder).

(d) In connection with the Company's obligations with respect to the Shelf Registration, if applicable, the Company shall, as soon as practicable (or as otherwise specified):

(i) prepare and file with the Commission, as soon as practicable but in any case within the time periods specified in Section 2(b), a Shelf Registration Statement on any form which may be utilized by the Company and which shall register all of the Registrable Securities for resale by the holders thereof in accordance with such method or methods of disposition as may be specified by such of the holders as, from time to time, may be Electing Holders and use its best efforts to cause such Shelf Registration Statement to become effective as soon as practicable but in any case within the time periods specified in Section 2(b);

(ii) not less than 30 calendar days prior to the Effective Time of the Shelf Registration Statement, mail the Notice and Questionnaire to the holders of Registrable Securities; no holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement as of the Effective Time, and no holder shall be entitled to use the prospectus forming a part thereof for resales of Registrable Securities at any time, unless such holder has returned a completed and signed Notice and Questionnaire to the Company by the deadline for response set forth therein; provided, however, holders of Registrable

Securities shall have at least 28 calendar days from the date on which the Notice and Questionnaire is first mailed to such holders to return a completed and signed Notice and Questionnaire to the Company;

(iii) after the Effective Time of the Shelf Registration Statement, upon the request of any holder of Registrable Securities that is not then an Electing Holder, promptly send a Notice and Questionnaire to such holder; provided that the Company shall not be required to take any action to name such holder as a selling securityholder in the Shelf Registration Statement or to enable such holder to use the prospectus forming a part thereof for resales of Registrable Securities until such holder has returned a completed and signed Notice and Questionnaire to the Company;

(iv) as soon as practicable prepare and file with the Commission such amendments and supplements to such Shelf Registration Statement and the prospectus included therein as may be necessary to effect and maintain the effectiveness of such Shelf Registration Statement for the period specified in Section 2(b) hereof and as may be required by the applicable rules and regulations of the Commission and the instructions applicable to the form of such Shelf Registration Statement, and furnish to the Electing Holders copies of any such supplement or amendment simultaneously with or prior to its being used or filed with the Commission;

(v) comply in all material respects with the provisions of the Securities Act with respect to the disposition of all of the Registrable Securities covered by such Shelf Registration Statement in accordance with the intended methods of disposition by the Electing Holders provided for in such Shelf Registration Statement;

(vi) provide (A) the Electing Holders, (B) the underwriters (which term, for purposes of this Exchange and Registration Rights Agreement, shall include a person deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act), if any, thereof, (C) any sales or placement agent therefor, (D) not more than one counsel for all such underwriters or agents and (E) not more than one counsel for all the Electing Holders the opportunity to participate in the preparation of such Shelf Registration Statement, each prospectus included therein or filed with the Commission and each amendment or supplement thereto;

(vii) for a reasonable period prior to the filing of such Shelf Registration Statement, and throughout the period specified in Section 2(b), make available at reasonable times at the Company's principal place of business or such other reasonable place for inspection by the persons referred to in Section 3(d)(vi) who shall certify to the Company that they have a current intention to sell the Registrable Securities pursuant to the Shelf Registration such financial and other information and books and records of the Company, and cause the officers, employees, counsel and independent certified public accountants of the Company to respond to such inquiries, as shall be reasonably necessary, in the judgment of the respective counsel referred to in such Section, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that each such party shall be required to maintain in confidence and not to disclose to any other person any information or records reasonably designated by the Company as being confidential, until such time as (A) such information becomes a matter of public record (whether by virtue of its inclusion in such registration statement or otherwise), or (B) such person shall be required so to disclose such information pursuant to a subpoena or order of any court or other governmental agency or body having jurisdiction over the

matter (subject to the requirements of such order, and only after such person shall have given the Company prompt prior written notice of such requirement), or (C) such information is required to be set forth in such Shelf Registration Statement or the prospectus included therein or in an amendment to such Shelf Registration Statement or an amendment or supplement to such prospectus in order that such Shelf Registration Statement, prospectus, amendment or supplement, as the case may be, complies with applicable requirements of the federal securities laws and the rules and regulations of the Commission and does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(viii) promptly notify each of the Electing Holders, any sales or placement agent therefor and any underwriter thereof (which notification may be made through any managing underwriter that is a representative of such underwriter for such purpose) and confirm such advice in writing, (A) when such Shelf Registration Statement or the prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and when such Shelf Registration Statement or any post-effective amendment has become effective, (B) of any comments by the Commission and by the blue sky or securities commissioner or regulator of any state with respect thereto or any request by the Commission for amendments or supplements to such Shelf Registration Statement or prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of such Shelf Registration Statement or the initiation or threatening of any proceedings for that purpose, (D) if at any time the representations and warranties of the Company contemplated by Section 3(d)(xvii) or Section 5 or contained in any underwriting agreement or similar agreement relating to the offering cease to be true and correct in all material respects, (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, or (F) if at any time when a prospectus is required to be delivered under the Securities Act, that such Shelf Registration Statement, prospectus, prospectus amendment or supplement or post-effective amendment does not conform in all material respects to the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder or contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(ix) use its best efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement or any post-effective amendment thereto at the earliest practicable date;

(x) if requested by any managing underwriter or underwriters, any placement or sales agent or any Electing Holder, promptly incorporate in a prospectus supplement or post-effective amendment such information as is required by the applicable rules and regulations of the Commission and as such managing underwriter or underwriters, such agent or such Electing Holder specifies should be included therein relating to the terms of the sale of such Registrable Securities, including information with respect to the principal amount of Registrable Securities being sold by such Electing Holder or agent or to any underwriters, the name and description of such Electing Holder, agent or underwriter, the offering price of such Registrable

Securities and any discount, commission or other compensation payable in respect thereof, the purchase price being paid therefor by such underwriters and with respect to any other terms of the offering of the Registrable Securities to be sold by such Electing Holder or agent or to such underwriters; and make all required filings of such prospectus supplement or post-effective amendment promptly after notification of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(xi) furnish to each Electing Holder, each placement or sales agent, if any, therefor, each underwriter, if any, thereof and the respective counsel referred to in Section 3(d)(vi) an executed copy (or, in the case of an Electing Holder, a conformed copy) of such Shelf Registration Statement, each such amendment and supplement thereto (in each case including all exhibits thereto (in the case of an Electing Holder of Registrable Securities, upon request) and documents incorporated by reference therein) and such number of copies of such Shelf Registration Statement (excluding exhibits thereto and documents incorporated by reference therein unless specifically so requested by such Electing Holder, agent or underwriter, as the case may be) and of the prospectus included in such Shelf Registration Statement (including each preliminary prospectus and any summary prospectus), in conformity in all material respects with the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder, and such other documents, as such Electing Holder, agent, if any, and underwriter, if any, may reasonably request in order to facilitate the offering and disposition of the Registrable Securities owned by such Electing Holder, offered or sold by such agent or underwritten by such underwriter and to permit such Electing Holder, agent and underwriter to satisfy the prospectus delivery requirements of the Securities Act; and the Company hereby consents to the use of such prospectus (including such preliminary and summary prospectus) and any amendment or supplement thereto by each such Electing Holder and by any such agent and underwriter, in each case in the form most recently provided to such person by the Company, in connection with the offering and sale of the Registrable Securities covered by the prospectus (including such preliminary and summary prospectus) or any supplement or amendment thereto;

(xii) use commercially reasonable efforts to (A) register or qualify the Registrable Securities to be included in such Shelf Registration Statement under such securities laws or blue sky laws of such jurisdictions as any Electing Holder and each placement or sales agent, if any, therefor and underwriter, if any, thereof shall reasonably request and, (B) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers, sales and dealings therein in such jurisdictions during the period the Shelf Registration is required to remain effective under Section 2(b) above and for so long as may be necessary to enable any such Electing Holder, agent or underwriter to complete its distribution of Securities pursuant to such Shelf Registration Statement and (C) take any and all other actions as may be reasonably necessary or advisable to enable each such Electing Holder, agent, if any, and underwriter, if any, to consummate the disposition in such jurisdictions of such Registrable Securities; provided, however, that the Company shall not be required for any such purpose to (1) qualify as a foreign corporation in any jurisdiction wherein it would not otherwise be required to qualify but for the requirements of this Section 3(d)(xii), (2) consent to general service of process in any such jurisdiction or (3) make any changes to its certificate of incorporation or by-laws or any agreement between it and its stockholders;

(xiii) use commercially reasonable efforts to obtain the consent or approval of each governmental agency or authority, whether federal, state or local, which may be required to effect the Shelf Registration or the offering or sale in connection therewith or to enable the selling holder or holders to offer, or to consummate the disposition of, their Registrable Securities;

(xiv) Unless any Registrable Securities shall be in book-entry only form, cooperate with the Electing Holders and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates, if so required by any securities exchange upon which any Registrable Securities are listed, shall be penned, Iithographed or engraved, or produced by any combination of such methods, on steel engraved borders, and which certificates shall not bear any restrictive legends; and, in the case of an underwritten offering, enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request at least two business days prior to any sale of the Registrable Securities;

(xv) provide a CUSIP number for all Registrable Securities, not later than the applicable Effective Time;

(xvi) enter into one or more underwriting agreements, engagement letters, agency agreements, "best efforts" underwriting agreements or similar agreements, as appropriate, including customary provisions relating to indemnification and contribution, and take such other actions in connection therewith as any Electing Holders aggregating at least 20% in aggregate principal amount of the Registrable Securities at the time outstanding shall request in order to expedite or facilitate the disposition of such Registrable Securities;

(xvii) whether or not an agreement of the type referred to in Section 3(d)(xvi) hereof is entered into and whether or not any portion of the offering contemplated by the Shelf Registration is an underwritten offering or is made through a placement or sales agent or any other entity, (A) make such representations and warranties to the Electing Holders and the placement or sales agent, if any, therefor and the underwriters, if any, thereof in form, substance and scope as are customarily made in connection with an offering of debt securities pursuant to any appropriate agreement or to a registration statement filed on the form applicable to the Shelf Registration; (B) obtain an opinion or opinions of counsel to the Company in customary form and covering such matters, of the type customarily covered by such an opinion, as the managing underwriters, if any, or as any Electing Holders of at least 20% in aggregate principal amount of the Registrable Securities at the time outstanding may reasonably request, addressed to such Electing Holder or Electing Holders and the placement or sales agent, if any, therefor and the underwriters, if any, thereof and dated the effective date of such Shelf Registration Statement (and if such Shelf Registration Statement contemplates an underwritten offering of a part or all of the Registrable Securities, dated the date of the closing under the underwriting agreement relating thereto) (it being agreed that the matters to be covered by such opinion shall include the due incorporation and good standing of the Company and its subsidiaries; the qualification of the Company and its subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 3(d)(xvi) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the Securities; the absence of material legal or governmental proceedings involving the Company; the absence of a breach by the Company or any of its subsidiaries of, or a default under, material agreements binding upon the Company or any subsidiary of the Company; the absence of governmental approvals required to be obtained in connection with the Shelf Registration, the offering and sale of the Registrable Securities, this Exchange and Registration Rights Agreement or any agreement of the type referred to in Section 3(d)(xvi) hereof, except such approvals as may be required under state securities or blue sky laws; the material compliance as to form of

such Shelf Registration Statement and any documents incorporated by reference therein and of the Mortgage with the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder, respectively; and, as of the date of the opinion and of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from the documents incorporated by reference therein (in each case other than the financial statements and other financial information contained therein) of an untrue statement of a material fact or the omission to state therein a material fact necessary to make the statements therein not misleading (in the case of such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act)); (C) obtain a "cold comfort" letter or letters from the independent certified public accountants of the Company addressed to the selling Electing Holders, the placement or sales agent, if any, therefor or the underwriters, if any, thereof, dated (i) the effective date of such Shelf Registration Statement and (ii) the effective date of any prospectus supplement to the prospectus included in such Shelf Registration Statement or post-effective amendment to such Shelf Registration Statement which includes unaudited or audited financial statements as of a date or for a period subsequent to that of the latest such statements included in such prospectus (and, if such Shelf Registration Statement contemplates an underwritten offering pursuant to any prospectus supplement to the prospectus included in such Shelf Registration Statement or post-effective amendment to such Shelf Registration Statement which includes unaudited or audited financial statements as of a date or for a period subsequent to that of the latest such statements included in such prospectus, dated the date of the closing under the underwriting agreement relating thereto), such letter or letters to be in customary form and covering such matters of the type customarily covered by letters of such type; (D) deliver such documents and certificates, including officers' certificates, as may be reasonably requested by any Electing Holders of at least 20% in aggregate principal amount of the Registrable Securities at the time outstanding or the placement or sales agent, if any, therefor and the managing underwriters, if any, thereof to evidence the accuracy of the representations and warranties made pursuant to clause (A) above or those contained in Section 5(a) hereof and the compliance with or satisfaction of any agreements or conditions contained in the underwriting agreement or other agreement entered into by the Company; and (E) undertake such obligations relating to expense reimbursement, indemnification and contribution as are provided in Section 6 hereof;

(xviii) notify in writing each holder of Registrable Securities of any proposal by the Company to amend or waive any provision of this Exchange and Registration Rights Agreement pursuant to Section 9(h) hereof and of any amendment or waiver effected pursuant thereto, each of which notices shall contain the text of the amendment or waiver proposed or effected, as the case may be; and

(xix) comply in all material respects with all applicable rules and regulations of the Commission, and make generally available to its securityholders as soon as practicable but in any event not later than 18 months after the effective date of such Shelf Registration Statement, an earning statement of the Company and its subsidiaries complying with Section 11(a) of the Securities Act (including, at the option of the Company, Rule 158 thereunder).

(e) In the event that the Company would be required, pursuant to Section 3(d)(viii)(F) above, to notify the Electing Holders, the placement or sales agent, if any, therefor and the managing underwriters, if any, thereof, the Company shall without delay prepare and furnish to each of the Electing Holders, to each placement or sales agent, if any, and to each such underwriter, if any, a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to purchasers of Registrable Securities, such prospectus shall conform in all material respects to the applicable requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. Each Electing Holder agrees that upon receipt of any notice from the Company pursuant to Section 3(d)(viii)(F) hereof, such Electing Holder shall forthwith discontinue the disposition of Registrable Securities pursuant to the Shelf Registration Statement applicable to such Registrable Securities until such Electing Holder shall have received copies of such amended or supplemented prospectus, and if so directed by the Company, such Electing Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Electing Holder's possession of the prospectus covering such Registrable Securities at the time of receipt of such notice.

(f) In the event of a Shelf Registration, in addition to the information required to be provided by each Electing Holder in its Notice Questionnaire, the Company may require such Electing Holder to furnish to the Company such additional information regarding such Electing Holder and such Electing Holder's intended method of distribution of Registrable Securities as may be required in order to comply with the Securities Act. Each such Electing Holder agrees to notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by such Electing Holder to the Company or of the occurrence of any event in either case as a result of which any prospectus relating to such Shelf Registration contains or would contain an untrue statement of a material fact regarding such Electing Holder or such Electing Holder's intended method of disposition of such Registrable Securities or omits to state any material fact regarding such Electing Holder or such Electing Holder's intended method of disposition of such Registrable Securities required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly to furnish to the Company any additional information required to correct and update any previously furnished information or required so that such prospectus shall not contain, with respect to such Electing Holder or the disposition of such Registrable Securities, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(g) Until the expiration of two years after the Closing Date, the Company will not, and will not permit any of its "affiliates" (as defined in Rule 144) to, resell any of the Securities that have been reacquired by any of them except pursuant to an effective registration statement under the Securities Act.

4. Registration Expenses.

The Company agrees to bear and to pay or cause to be paid promptly all expenses incident to the Company's performance of or compliance with this Exchange and Registration Rights Agreement, including (a) all Commission and any NASD registration, filing and review fees and expenses including fees and disbursements of counsel for the placement or sales agent or underwriters in connection with such registration, filing and review, (b) all fees and expenses in connection with the qualification of the Securities for offering and sale under the state securities and blue sky laws referred to in Section 3(d)(xii) hereof and determination of their eligibility for investment under the laws of such jurisdictions as any managing underwriters or the Electing Holders may designate, including any fees and disbursements of counsel for the Electing Holders or underwriters in connection with such qualification and determination, (c) all expenses relating to the preparation, printing, production, distribution and reproduction of each registration statement required to be filed hereunder, each prospectus included therein or prepared for distribution pursuant hereto, each amendment or supplement to the foregoing, the expenses of preparing the Securities for delivery and the expenses of printing or producing any underwriting agreements, agreements among underwriters, selling agreements and blue sky or legal investment memoranda and all other documents in connection with the offering, sale or delivery of Securities to be disposed of (including certificates representing the Securities), (d) messenger, telephone and delivery expenses relating to the offering, sale or delivery of Securities and the preparation of documents referred in clause (c) above, (e) fees and expenses of the Trustee under the Mortgage, any agent of the Trustee and any counsel for the Trustee and of any collateral agent or custodian, (f) internal expenses (including all salaries and expenses of the Company's officers and employees performing legal or accounting duties), (g) fees, disbursements and expenses of counsel and independent certified public accountants of the Company (including the expenses of any opinions or "cold comfort" letters required by or incident to such performance and compliance), (h) fees, disbursements and expenses of one counsel for the Electing Holders retained in connection with a Shelf Registration, as selected by the Electing Holders of a majority in aggregate principal amount of the Registrable Securities held by Electing Holders (which counsel shall be reasonably satisfactory to the Company), (i) any fees charged by securities rating services for rating the Securities, and (j) fees, expenses and disbursements of any other persons, including special experts, retained by the Company in connection with such registration (collectively, the "Registration Expenses"). To the extent that any Registration Expenses are incurred, assumed or paid by any holder of Registrable Securities or any placement or sales agent therefor or underwriter thereof, the Company shall reimburse such person for the full amount of the Registration Expenses so incurred, assumed or paid promptly after receipt of a request therefor. Notwithstanding the foregoing, the holders of the Registrable Securities being registered shall pay all agency fees and commissions and underwriting discounts and commissions attributable to the sale of such Registrable Securities and the fees and disbursements of any counsel or other advisors or experts retained by such holders (severally or jointly), other than the counsel and experts specifically referred to above.

5. Representations and Warranties.

The Company represents and warrants to, and agrees with, each Purchaser and each of the holders from time to time of Registrable Securities that:

(a) Each registration statement covering Registrable Securities and each prospectus (including any preliminary or summary prospectus) contained therein or furnished pursuant to Section 3(d) or Section 3(c) hereof and any further amendments or supplements to any such registration statement or prospectus, when it becomes effective or is filed with the Commission, as

the case may be, and, in the case of an underwritten offering of Registrable Securities, at the time of the closing under the underwriting agreement relating thereto, will conform in all material respects to the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at all times subsequent to the Effective Time when a prospectus would be required to be delivered under the Securities Act, other than from (i) such time as a notice has been given to holders of Registrable Securities pursuant to Section 3(d)(viii)(F) or Section 3(c)(iii)(F) hereof until (ii) such time as the Company furnishes an amended or supplemented prospectus pursuant to Section 3(e) or Section 3(c)(iv) hereof, each such registration statement, and each prospectus (including any summary prospectus) contained therein or furnished pursuant to Section 3(d) or Section 3(c) hereof, as then amended or supplemented, will conform in all material respects to the requirements of the Securities Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by a holder of Registrable Securities expressly for use therein.

(b) Any documents incorporated by reference in any prospectus referred to in Section 5(a) hereof, when they become or became effective or are or were filed with the Commission, as the case may be, will conform or conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and none of such documents will contain or contained an untrue statement of a material fact or will omit or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by a holder of Registrable Securities expressly for use therein.

(c) The compliance by the Company with all of the provisions of this Exchange and Registration Rights Agreement and the consummation by the Company of the transactions herein contemplated will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of any statute or the Restated Articles of Incorporation, as amended, or the Bylaws, as amended, of the Company or any order, rule or regulation of any court or other governmental agency or body having jurisdiction over the Company or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Exchange and Registration Rights Agreement, except for the registration under the Securities Act of the Securities and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the offering and distribution of the Securities.

(d) This Exchange and Registration Rights Agreement has been duly authorized, executed and delivered by the Company.

6. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each of the holders of Registrable Securities included in an Exchange Registration Statement, each of the Electing Holders of Registrable Securities included in a Shelf Registration Statement and each person who participates as a placement or sales agent or as an underwriter in any offering or sale of such Registrable Securities against any losses, claims, damages or liabilities, joint or several, to which such holder, agent or underwriter may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Exchange Registration Statement or Shelf Registration Statement, as the case may be, under which such Registrable Securities were registered under the Securities Act, or any preliminary, final or summary prospectus contained therein or furnished by the Company to any such holder, Electing Holder, agent or underwriter, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such holder, such Electing Holder, such agent and such underwriter for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such losses, claims, damages, liabilities or actions as such expenses are incurred; provided, however, that the Company shall not be liable to any such person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, or preliminary, final or summary prospectus, or amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Company by such person expressly for use therein; and provided, further, that the Company shall not be liable to any such person with respect to any preliminary prospectus to the extent that any such loss, claim, damage or liability of such person results from the fact that such person participated in a sale of Registrable Securities to a person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus as then amended or supplemented if the Company has previously furnished copies thereof in sufficient quantity to such person and sufficiently in advance of the time of delivery of such Registrable Securities to allow for distribution by such time of delivery and the loss, claim, damage or liability of such person results from an untrue statement or omission of a material fact contained in or omitted from the preliminary prospectus which was identified in writing at such time to person and corrected in the final prospectus as then amended or supplemented and each correction would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Indemnification by the Holders and any Agents and Underwriters. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2(b) hereof and to entering into any underwriting agreement with respect thereto, that the Company shall have received an undertaking reasonably satisfactory to it from the Electing Holder of such Registrable Securities and from each underwriter named in any such underwriting agreement, severally and not jointly, to (i) indemnify and hold harmless the Company, and all other holders of Registrable Securities, against any losses, claims, damages or liabilities to which the Company or such other holders of Registrable Securities may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such

registration statement, or any preliminary, final or summary prospectus contained therein or furnished by the Company to any such Electing Holder, agent or underwriter, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Electing Holder or underwriter expressly for use therein, and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such losses, claims, damages, liabilities or actions as such expenses are incurred; provided, however, that no such Electing Holder shall be required to undertake liability to any person under this Section 6(b) for any amounts in excess of the dollar amount of the proceeds to be received by such Electing Holder from the sale of such Electing Holder's Registrable Securities pursuant to such registration.

(c) Notices of Claims, Etc. Promptly after receipt by an indemnified party under subsection (a) or (b) above of written notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party pursuant to the indemnification provisions of or contemplated by this Section 6, notify such indemnifying party in writing of the commencement of such action; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under the indemnification provisions of or contemplated by Section 6(a) or 6(b) hereof. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Contribution. If for any reason the indemnification provisions contemplated by Section 6(a) or Section 6(b) are unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 6(d) were determined by pro rata allocation (even if the holders or any agents or underwriters or all of them were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, or

liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such losses, claims, damages, liabilities or actions. Notwithstanding the provisions of this Section 6(d), no holder shall be required to contribute any amount in excess of the amount by which the dollar amount of the proceeds received by such holder from the sale of any Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) exceeds the amount of any damages which such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The holders' and any underwriters' obligations in this Section 6(d) to contribute shall be several in proportion to the principal amount of Registrable Securities registered or underwritten, as the case may be, by them and not joint.

(e) The obligations of the Company under this Section 6 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and partner of each holder, agent and underwriter and each person, if any, who controls any holder, agent or underwriter within the meaning of the Securities Act; and the obligations of the holders and any agents or underwriters contemplated by this Section 6 shall be in addition to any liability which the respective holder, agent or underwriter may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his consent, is named in any registration statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Securities Act.

7. Underwritten Offerings.

(a) Selection of Underwriters. If any of the Registrable Securities covered by the Shelf Registration are to be sold pursuant to an underwritten offering, the managing underwriter or underwriters thereof shall be designated by Electing Holders holding a majority in aggregate principal amount of the Registrable Securities to be included in such offering, provided that such designated managing underwriter or underwriters is or are reasonably acceptable to the Company.

(b) Participation by Holders. Each holder of Registrable Securities hereby agrees with each other such holder that no such holder may participate in any underwritten offering hereunder unless such holder (i) agrees to sell such holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

8. Rule 144.

The Company covenants to the holders of Registrable Securities that to the extent it shall be required to do so under the Exchange Act, the Company shall timely file the reports required to be filed by it under the Exchange Act or the Securities Act (including the reports under Section 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 adopted by the Commission under the Securities Act) and the rules and regulations adopted by the Commission thereunder, and shall take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar or successor rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities in connection with that holder's sale pursuant to Rule 144, the Company shall deliver to such holder a written statement as to whether it has complied with such requirements.

9. Miscellaneous.

(a) No Inconsistent Agreements. The Company represents, warrants, covenants and agrees that it has not granted, and shall not grant, registration rights with respect to Registrable Securities or any other securities which would be inconsistent with the terms contained in this Exchange and Registration Rights Agreement.

(b) Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations hereunder and that the Purchasers and the holders from time to time of the Registrable Securities may be irreparably harmed by any such failure, and accordingly agree that the Purchasers and such holders, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of the Company under this Exchange and Registration Rights Agreement in accordance with the terms and conditions of this Exchange and Registration Rights Agreement, in any court of the United States or any State thereof having jurisdiction.

(c) Notices. All notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, if delivered personally or by courier, or three days after being deposited in the mail (registered or certified mail, postage prepaid, return receipt requested) as follows: if to the Company, to it at 1411 East Mission Avenue, Spokane, Washington 99202, and if to a holder, to the address of such holder set forth in the security register or other records of the Company, or to such other address as the Company or any such holder may have furnished to the other in

writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(d) Parties in Interest. All the terms and provisions of this Exchange and Registration Rights Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and the holders from time to time of the Registrable Securities and the respective successors and assigns of the parties hereto and such holders. In the event that any transferee of any holder of Registrable Securities shall acquire Registrable Securities, in any manner, whether by gift, bequest, purchase, operation of law or otherwise, such transferee shall, without any further writing or action of any kind, be deemed a beneficiary hereof for all purposes and such Registrable Securities shall be held subject to all of the terms of this Exchange and Registration Rights Agreement, and by taking and holding such Registrable Securities such transferee shall be entitled to receive the benefits of, and be conclusively deemed to have agreed to be bound by all of the applicable terms and provisions of this Exchange and Registration Rights Agreement. If the Company shall so request, any such successor, assign or transferee shall agree in writing to acquire and hold the Registrable Securities subject to all of the applicable terms hereof.

(e) Survival. The respective indemnities, agreements, representations, warranties and each other provision set forth in this Exchange and Registration Rights Agreement or made pursuant hereto shall remain in full force and effect regardless of any investigation (or statement as to the results thereof) made by or on behalf of any holder of Registrable Securities, any director, officer or partner of such holder, any agent or underwriter or any director, officer or partner thereof, or any controlling person of any of the foregoing, and shall survive delivery of and payment for the Registrable Securities pursuant to the Purchase Agreement and the transfer and registration of Registrable Securities by such holder and the consummation of an Exchange Offer.

(f) GOVERNING LAW. THIS EXCHANGE AND REGISTRATION RIGHTS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(g) Headings. The descriptive headings of the several Sections and paragraphs of this Exchange and Registration Rights Agreement are inserted for convenience only, do not constitute a part of this Exchange and Registration Rights Agreement and shall not affect in any way the meaning or interpretation of this Exchange and Registration Rights Agreement.

(h) Entire Agreement; Amendments. This Exchange and Registration Rights Agreement and the other writings referred to herein (including the Mortgage and the form of Securities) or delivered pursuant hereto which form a part hereof contain the entire understanding of the parties with respect to its subject matter. This Exchange and Registration Rights Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter. This Exchange and Registration Rights Agreement may be amended and the observance of any term of this Exchange and Registration Rights Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument duly executed by the Company and the holders of a majority in aggregate principal amount of the Registrable Securities at the time outstanding. Each holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any amendment or waiver effected pursuant to this Section 9(h), whether or not any notice, writing or marking indicating such amendment or waiver appears on such Registrable Securities or is delivered to such holder.

(i) Inspection. For so long as this Exchange and Registration Rights Agreement shall be in effect, this Exchange and Registration Rights Agreement and a complete list of the names and addresses of all the holders of Registrable Securities shall be made available for inspection and copying on any business day by any holder of Registrable Securities for proper purposes only (which shall include any purpose related to the rights of the holders of Registrable Securities under the Securities, the Mortgage and this Agreement) at the offices of the Company at the address thereof set forth in Section 9(c) above and at the office of the Trustee under the Mortgage.

(j) Counterparts. This agreement may be executed by the parties in counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us four counterparts hereof, and upon the acceptance hereof by you, this letter and such acceptance hereof shall constitute a binding agreement between you and the Company.

Very truly yours,

Avista Corporation

By: /s/ Christy Burmeister-Smith

Name: Christy Burmeister-Smith
Title: Vice President & Controller

Accepted as of the date hereof:

Goldman, Sachs & Co.
BNY Capital Markets, Inc.
Fleet Securities, Inc.
TD Securities (USA) Inc.

By: /s/ Goldman, Sachs & Co.

(Goldman, Sachs & Co.)
On behalf of each of the Purchasers

EXHIBIT A

AVISTA CORPORATION

INSTRUCTION TO DTC PARTICIPANTS

(Date of Mailing)

URGENT- IMMEDIATE ATTENTION REQUESTED

DEADLINE FOR RESPONSE: [DATE]*

The Depository Trust Company ("DTC") has identified you as a DTC Participant through which beneficial interests in Avista Corporation (the "Company") First Mortgage Bonds, 7.75% Series due 2007 (the "Securities") are held.

The Company is in the process of registering the Securities under the Securities Act of 1933 for resale by the beneficial owners thereof. In order to have their Securities included in the registration statement, beneficial owners must complete and return the enclosed Notice of Registration Statement and Selling Securityholder Questionnaire.

It is important that beneficial owners of the Securities receive a copy of the enclosed materials as soon as possible as their rights to have the Securities included in the registration statement depend upon their returning the Notice and Questionnaire by [DEADLINE FOR RESPONSE]. Please forward a copy of the enclosed documents to each beneficial owner that holds interests in the Securities through you. If you require more copies of the enclosed materials or have any questions pertaining to this matter, please contact Avista Corporation, 1411 East Mission Avenue, Spokane, Washington 99202, Attention:[_____], Telephone No.[_____].

* Not less than 28 calendar days from date of mailing.

AVISTA CORPORATION

Notice of Registration Statement
and
Selling Securityholder Questionnaire

(Date)

Reference is hereby made to the Exchange and Registration Rights Agreement (the "Exchange and Registration Rights Agreement") between Avista Corporation (the "Company") and the Purchasers named therein. Pursuant to the Exchange and Registration Rights Agreement, the Company has filed with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form [___] (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Company's First Mortgage Bonds, 7.75% Series due 2007 (the "Securities"). A copy of the Exchange and Registration Rights Agreement is attached hereto. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Exchange and Registration Rights Agreement.

Each beneficial owner of Registrable Securities (as defined in the Exchange and Registration Rights Agreement) is entitled to have the Registrable Securities beneficially owned by it included in the Shelf Registration Statement. In order to have Registrable Securities included in the Shelf Registration Statement, this Notice of Registration Statement and Selling Securityholder Questionnaire ("Notice and Questionnaire") must be completed, executed and delivered to the Company's counsel at the address set forth herein for receipt ON OR BEFORE [DEADLINE FOR RESPONSE]. Beneficial owners of Registrable Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling securityholders in the Shelf Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Registrable Securities.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and related Prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and related Prospectus.

ELECTION

The undersigned holder (the "Selling Securityholder") of Registrable Securities hereby elects to include in the Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Registrable Securities by the terms and conditions of this Notice and Questionnaire and the Exchange and Registration Rights Agreement, including, without limitation, Section 6 of the Exchange and Registration Rights Agreement, as if the undersigned Selling Securityholder were an original party thereto.

Upon any sale of Registrable Securities pursuant to the Shelf Registration Statement, the Selling Securityholder will be required to deliver to the Company and Trustee the Notice of Transfer set forth in Appendix A to the Prospectus and as Exhibit B to the Exchange and Registration Rights Agreement.

The Selling Securityholder hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

(1) (a) Full Legal Name of Selling Securityholder:

_____

(b) Full Legal Name of Registered Holder (if not the same as in (a) above) of Registrable Securities Listed in Item (3) below:

_____

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) Through Which Registrable Securities Listed in Item (3) below are Held:

_____

(2) Address for Notices to Selling Securityholder:

_____

_____

_____

Telephone: _____

Fax: _____

Contact Person: _____

(3) Beneficial Ownership of Securities:

Except as set forth below in this Item (3), the undersigned does not beneficially own any Securities.

(a) Principal amount of Registrable Securities beneficially owned:___
_____-
CUSIP No(s). of such Registrable Securities: _____

(b) Principal amount of Securities other than Registrable Securities beneficially owned:_____
CUSIP No(s). of such other Securities:_____

(c) Principal amount of Registrable Securities which the undersigned wishes to be included in the Shelf Registration Statement:_____
CUSIP No(s). of such Registrable Securities to be included in the Shelf Registration Statement:_____

(4) Beneficial Ownership of Other Securities of the Company:

Except as set forth below in this Item (4), the undersigned Selling Securityholder is not the beneficial or registered owner of any other securities of the Company, other than the Securities listed above in Item (3).

State any exceptions here:

(5) Relationships with the Company:

Except as set forth below, neither the Selling Securityholder nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

(6) Plan of Distribution:

Except as set forth below, the undersigned Selling Securityholder intends to distribute the Registrable Securities listed above in Item (3) only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned Selling Securityholder or, alternatively, through underwriters, broker-dealers or agents. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Registered Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Registrable Securities or otherwise, the Selling Securityholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities in the course of hedging the positions they assume. The Selling Securityholder may also sell Registrable Securities short and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Exchange Act and the rules and regulations thereunder, particularly Regulation M.

In the event that the Selling Securityholder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the Selling Securityholder agrees to

notify the transferee(s) at the time of the transfer of its rights and obligations under this Notice and Questionnaire and the Exchange and Registration Rights Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and related Prospectus. The Selling Securityholder understands that such information will be relied upon by the Company in connection with the preparation of the Shelf Registration Statement and related Prospectus.

In accordance with the Selling Securityholder's obligation under Section 3(d) of the Exchange and Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the Selling Securityholder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains in effect. All notices hereunder and pursuant to the Exchange and Registration Rights Agreement shall be made in writing, by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

(i) To the Company:

_____

_____

_____

_____

_____

(ii) With a copy to:

_____

_____

_____

_____

_____

Once this Notice and Questionnaire is executed by the Selling Securityholder and received by the Company's counsel, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the Selling Securityholder (with respect to the Registrable Securities beneficially owned by such Selling Securityholder and listed in Item (3) above. This Agreement shall be governed in all respects by the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated: _____

_____
Selling Securityholder
(Print/type full legal name of beneficial owner of Registrable Securities)

By: _____
Name:
Title:

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE FOR RECEIPT ON OR BEFORE[DEADLINE FOR RESPONSE] TO THE COMPANY'S COUNSEL AT:

_____

_____

_____

_____

_____

EXHIBIT B

NOTICE OF TRANSFER PURSUANT TO REGISTRATION STATEMENT

Citibank, N.A.
Avista Corporation
c/o Citibank, N.A.
[Address of Trustee]

Attention: Trust Officer

Re: Avista Corporation (the "Company")
First Mortgage Bonds, 7.75% Series due 2007 (the "Securities")

Dear Sirs:

Please be advised that _____ has transferred $_____ aggregate principal amount of the above-referenced Notes pursuant to an effective Registration Statement on Form [___] (File No. 333-___) filed by the Company.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933, as amended, have been satisfied and that the above-named beneficial owner of the Securities is named as a "Selling Holder" in the Prospectus dated [DATE] or in supplements thereto, and that the aggregate principal amount of the Securities transferred are the Securities listed in such Prospectus opposite such owner's name.

Dated:

Very truly yours,

_____
(Name)

By: _____
(Authorized Signature)

EXHIBIT 4(d)

AVISTA CORPORATION

LETTER OF TRANSMITTAL

Avista Corp. is offering to issue its

7.75% FIRST MORTGAGE BONDS DUE 2007
(REGISTERED UNDER THE SECURITIES ACT OF 1933)

in exchange for its

7.75% FIRST MORTGAGE BONDS DUE 2007
(UNREGISTERED UNDER THE SECURITIES ACT OF 1933)

PURSUANT TO THE PROSPECTUS, DATED , 2002

- ---
THIS EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON , 2002 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.
- ---

Delivery To:

CITIBANK, N.A.

By Registered or Certified Mail:	By Facsimile:	By Hand or Overnight Courier:
	(212) 825-3483	Citibank, N.A.
Citibank, N.A.		111 Wall Street
111 Wall Street	Confirm by Telephone:	14th Floor/Zone 3
14th Floor/Zone 3	1-800-422-2066	New York, New York 10043
New York, New York 10043		Attn: Sebastien Andrieszyn
		Telephone: (212) 657-9055

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET-FORTH ABOVE, OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY OF THIS LETTER OF TRANSMITTAL.

The undersigned acknowledges that he or she has received and reviewed a prospectus, dated , 2002 (the "Prospectus"), of Avista Corporation, a Washington corporation (the "Company"), and this letter of transmittal (the "Letter of Transmittal"), which together constitute the Company's offer (the "Exchange Offer") to issue an aggregate principal amount of up to $150,000,000 of its 7.75% First Mortgage Bonds due 2007 (the "New Bonds"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), in exchange for a like principal amount of issued and outstanding 7.75% First Mortgage Bonds due 2007 (the "Old Bonds" and, together with the New Bonds, the "Bonds"), which were not so registered. Capitalized terms used but not defined herein have the meanings given to them in the Prospectus.

In order for any Holder (as herein defined) of Old Bonds to tender all or any portion of such Old Bonds, the Exchange Agent must receive either this Letter of Transmittal completed by such Holder or an Agent's Message (as hereinafter defined) with respect to such Holder. Certificates for Old Bonds are to be forwarded herewith or, if a tender of Old Bonds is to be made by book-entry transfer, the tender should be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company ("DTC") pursuant to the procedures set forth in the Prospectus under "The Exchange Offer - -- Procedures for Tendering - Registered Holders and DTC Participants". Holders of Old Bonds whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Bonds into the Exchange Agent's account at DTC (a "Book-Entry Confirmation") and all other documents required by this Letter of Transmittal to the Exchange Agent on or prior to the Expiration Date, must tender their Old Bonds according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Procedures for Tendering - Registered Holders and DTC Participants" section of the Prospectus. See Instruction 1. DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD BONDS OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVER) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK

CITY TIME, ON THE EXPIRATION DATE.

By causing Old Bonds to be credited to the Exchange Agent's account at DTC in accordance with DTC's procedures for transfer, including the transmission by DTC of an Agent's Message to the Exchange Agent, the DTC participant will be deemed to confirm, on behalf of itself and the beneficial owners of such Old Bonds, all provisions of this Letter of Transmittal applicable to it and such beneficial owners as fully as if it had completed the information required herein and executed and delivered this Letter of Transmittal to the Exchange Agent. As used herein, the term "Agent's Message" means a message, electronically transmitted by DTC to and received by the Exchange Agent, and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgement from a Holder of Old Bonds stating that such Holder has received and agrees to be bound by, and makes each of the representations and warranties contained in, this Letter of Transmittal and, further, that such Holder agrees that the Company may enforce this Letter of Transmittal against such Holder.

The term "Holder", as used in this Letter of Transmittal, means any of (a) any person in whose name Old Bonds are registered on the books of the Company, (b) any other person who has obtained a properly completed bond power from the registered Holder, and (c) any DTC participant whose Old Bonds are held of record by DTC. Holders who wish to tender their Old Bonds must complete this Letter of Transmittal in its entirety or must cause an Agent's Message to be transmitted.

Any other beneficial owner whose Old Bonds are registered in the name of a broker or other nominee and who wishes to tender should contact such broker or nominee promptly and instruct such broker or nominee to tender on behalf of the beneficial owner. If the beneficial owner wishes to tender on its own behalf, such beneficial owner must, prior to completing and executing this Letter of Transmittal and delivering its Old Bonds, either make appropriate arrangements to register ownership of the Old Bonds in such beneficial owner's name or obtain a properly completed bond power from the registered Holder of the Old Bonds. The transfer of registered ownership may take considerable time.

Complete the appropriate boxes below to indicate the Old Bonds to which this Letter of Transmittal relates and the action the undersigned desires to take with respect to the Exchange Offer. If the space provided below is inadequate, the certificate numbers and principal amount of Old Bonds should be listed on a separate signed schedule affixed hereto.

THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER MAY BE DIRECTED TO THE EXCHANGE AGENT.

DESCRIPTION OF OLD BONDS	1	2	3
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S))	CERTIFICATE NUMBER(S)*	AGGREGATE PRINCIPAL AMOUNT OF OLD BOND(S) REPRESENTED BY CERTIFICATE	PRINCIPAL AMOUNT TENDERED**
	TOTAL		

* Need not be completed if Old Bonds are being tendered by book-entry transfer.

** Unless otherwise indicated in the column, a Holder will be deemed to have tendered ALL of the Old Bonds represented by the Old Bonds indicated in column 2. See Instruction 2. Old Bonds tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

[ ] CHECK HERE IF TENDERED OLD BONDS ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:
_____

Account Number:
_____

Transaction Code Number:
_____

By crediting Old Bonds to the Exchange Agent's Account at DTC in accordance with DTC's Automated Tender Offer Program ("ATOP") and by complying with applicable ATOP procedures with respect to the Exchange Offer, including transmitting an Agent's Message to the Exchange Agent in which the Holder of Old Bonds acknowledges and agrees to be bound by the terms of this Letter of Transmittal, the participant in ATOP confirms on behalf of itself and the beneficial owners of such Old Bonds all provisions of this Letter of Transmittal applicable to it and such beneficial owners as if it had completed the information required herein and executed and transmitted this Letter of Transmittal to the Exchange Agent.

[ ] CHECK HERE IF TENDERED OLD BONDS ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s):
_____

Window Ticket Number (if any):
_____

Date of Execution of Notice of Guaranteed Delivery:
_____

Name of Eligible Institution that guaranteed delivery:
_____

IF DELIVERY BY BOOK-ENTRY TRANSFER, COMPLETE THE FOLLOWING:

Account Number ---------- Transaction Code Number ----------

Name of Tendering Institution ----------

[ ] CHECK HERE IF TENDERED OLD BONDS ARE ENCLOSED HEREWITH.

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: ----------

Address: ----------

If the undersigned is not a broker-dealer, the undersigned represents that it is not participating in, and does not intend to participate in, a distribution of the New Bonds. If the undersigned is a broker-dealer that will receive New Bonds for its own account in exchange for Old Bonds, it represents that the Old Bonds to be exchanged for New Bonds were acquired by it as a result of market-making or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Bonds; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

TENDER OF OLD BONDS

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Bonds indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Bonds tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Bonds as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent its agent and attorney-in-fact with full power of substitution, for purposes of delivering this Letter of Transmittal and the Old Bonds to the Company. The Power of Attorney granted in this paragraph shall be deemed irrevocable from and after the Expiration Date and coupled with an interest. The undersigned hereby acknowledges its full understanding that the Exchange Agent also performs functions as agent of the Company.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Bonds tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents and warrants that (a) any New Bonds acquired in exchange for Old Bonds tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Bonds, whether or not such person is the undersigned, (b) neither the Holder of such Old Bonds nor any such other person is engaged or intends to engage in, or has an arrangement or understanding with any person to participate in, the distribution (within the meaning of the Securities Act) of such New Bonds, (c) neither the Holder of such Old Bonds nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act, of the Company, and (d) if such holder is a broker or dealer registered under the Exchange Act, it will receive the New Bonds for its own account in exchange for Old Bonds that were acquired as a result of market-making activities or other trading activities.

The undersigned also acknowledges that this Exchange Offer is being made by the Company in reliance on an interpretation by the staff of the Securities and Exchange Commission (the "SEC"), as set forth in no-action letters issued to third parties, that the New Bonds issued in exchange for the Old Bonds pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by Holders thereof (other than (i) any such Holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act, and (ii) any broker-dealer that purchases Old Bonds from the Issuer to resell pursuant to Rule 144A under the Securities Act ("Rule 144A") or any other available exemption), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Bonds are acquired in the ordinary course of such Holders' business and that such Holders have no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of such New Bonds. However, the Company does not intend to request the SEC to consider, and the SEC has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. The undersigned represents that it has no arrangement or understanding with any person to participate in a distribution (within the meaning of the Securities Act) of New Bonds, and if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution (within the meaning of the Securities Act) of New Bonds.

If the undersigned is a broker-dealer that will receive New Bonds for its own account in exchange for Old Bonds that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Bonds; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The undersigned acknowledges that in reliance on an interpretation by the staff of the SEC, a broker-dealer may fulfill its prospectus delivery requirements with respect to the New Bonds (other than a resale of New Bonds received in exchange for an unsold allotment of Old Bonds purchased directly from the Company) with the Prospectus which constitutes part of this Exchange Offer.

The undersigned also warrants that acceptance of any tendered Old Bonds by the Company and the issuance of New Bonds in exchange therefor shall constitute performance in full by the Company of certain of its obligations under the Registration Rights Agreement relating to the Old Bonds, which has been filed as an exhibit to the registration statement in connection with the Exchange Offer.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Bonds tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer -- Withdrawal of Tenders of Old Bonds" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please issue the New Bonds (and, if applicable, substitute certificates representing Old Bonds for any Old Bonds not tendered or exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Bonds, please credit the account indicated above maintained at DTC. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Bonds (and, if applicable, substitute certificates representing Old Bonds for any Old Bonds not exchanged) to the undersigned at the address shown below in the box entitled "Description of Old Bonds".

The Company will be deemed to have accepted validly tendered Old Bonds when, as and if the Company shall have given oral (promptly confirmed in writing) or written notice of acceptance to the Exchange Agent.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD BONDS" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD BONDS AS SET FORTH IN SUCH BOX ABOVE.

- ---

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Bonds not exchanged and/or New Bonds are to be issued in the name of someone other than the person or persons whose signature(s) appear(s) below on this Letter of Transmittal, or if Old Bonds delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at DTC other than the account indicated above.

Issue: New Bonds and/or Old Bonds to:

Name(s)

(PLEASE TYPE OR PRINT)

(PLEASE TYPE OR PRINT)

Address

(ZIP CODE)

(EMPLOYER IDENTIFICATION NUMBER
OR SOCIAL SECURITY NUMBER)

(COMPLETE SUBSTITUTE FORM W-9)

[ ] Credit unexchanged Old Bonds delivered by book-entry transfer to the DTC account set forth below.

- ---

(DTC ACCOUNT NUMBER,
IF APPLICABLE)

- ---

- ---

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Bonds not exchanged and/or New Bonds are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal below or to such person or persons at an address other than shown in the box entitled "Description of Old Bonds" on this Letter of Transmittal above.

Mail: New Bonds and/or Old Bonds to:

Name(s)

(PLEASE TYPE OR PRINT)

(PLEASE TYPE OR PRINT)

Address

(ZIP CODE)

- ---

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU THEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD BONDS

OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING ANY BOX ABOVE

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9)

Dated:

x _____ , 2002

x _____ , 2002

SIGNATURE(S) OF OWNER DATE

Area Code and Telephone Number _____

This Letter of Transmittal must be signed by the registered Holder(s) as the name(s) appear(s) on the certificate(s) for the Old Bonds hereby tendered or on a DTC security position listing or by any person(s) authorized to become a registered Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):

_____

_____

(PLEASE TYPE OR PRINT)

Capacity:

_____

Address:

_____

_____

(INCLUDING ZIP CODE)

SIGNATURE GUARANTEE
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by
an Eligible Institution:

_____
(AUTHORIZED SIGNATURE)

_____
(TITLE)

_____
(NAME AND FIRM)

Dated:

_____

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND OLD BONDS; GUARANTEED DELIVERY PROCEDURES.

In order for any Holder of Old Bonds to tender all or any portion of such Old Bonds, the Exchange Agent must receive either this Letter of Transmittal completed by such Holder or an Agent's Message (as hereinafter defined) with respect to such Holder. Certificates for all physically tendered Old Bonds, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or facsimile hereof or Agent's Message in lieu hereof) and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at the address set forth herein prior to the Expiration Date, or the tendering Holder must comply with the guaranteed delivery procedures set forth below. Old Bonds tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. As used herein, the term "Agent's Message" means a message, electronically transmitted by DTC to and received by the Exchange Agent, and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from a Holder of Old Bonds stating that such Holder has received and agrees to be bound by, and makes each of the representations and warranties contained in, this Letter of Transmittal and, further, that such Holder agrees that the Company may enforce this Letter of Transmittal against such Holder.

Holders whose certificates for Old Bonds are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent prior to the Expiration Date, or who cannot complete the procedures for book-entry tender on a timely basis, may tender their Old Bonds pursuant to the guaranteed delivery procedures set forth in the Prospectus under "The Exchange Offer -- Procedures of Tendering - Registered Holders and DTC Participants - Registered Holders." Pursuant to such procedures, (1) such tender must be made through an Eligible Institution, (2) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the Holder of Old Bonds, the certificate numbers of such Old Bonds (unless tender is to be made by book-entry transfer) and the principal amount of Old Bonds tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange ("NYSE") trading days after the date of delivery of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Bonds in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (3) the certificates for all physically tendered Old Bonds, in the proper form for transfer, or Book-Entry Confirmation, as the case may be, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof or Agent's Message in lieu thereof), with any required signature guarantees and all other documents required by this Letter of Transmittal, must be received by the Exchange Agent within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of Old Bonds, this Letter of Transmittal and all other required documents to the Exchange Agent is at the election and risk of the Holder, but the delivery will be deemed made only when actually received by the Exchange Agent. Instead of delivery by mail, it is recommended that Holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the Exchange Agent before the Expiration Date. No Old Bonds or Letters of Transmittal should be sent to Avista Corp. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for such Holders.

See the Prospectus under "The Exchange Offer".

2. PARTIAL TENDERS (NOT APPLICABLE TO HOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER).

If less than all of the Old Bonds evidenced by a submitted certificate are to be tendered, the tendering Holder(s) should fill in the aggregate principal amount of Old Bonds to be tendered in the box above entitled "Description of Old Bonds -- Principal Amount Tendered". A reissued certificate representing the balance of nontendered Old Bonds will be sent to such tendering Holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, promptly after the Expiration Date. ALL OF THE OLD BONDS DELIVERED TO THE EXCHANGE AGENT WILL BE DEEMED TO HAVE BEEN TENDERED UNLESS OTHERWISE INDICATED.

3. SIGNATURES ON THIS LETTER OF TRANSMITTAL; BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter of Transmittal is signed by the Holder of the Old Bonds tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates or on DTC's security position listing as the Holder of such Old Bonds without any change whatsoever.

If any tendered Old Bonds are owned of record by two or more joint owners, all of such owners must sign this Letter of Transmittal.

If any tendered Old Bonds are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered Holder or Holders of the Old Bonds specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Bonds are to be issued, or any untendered Old Bonds are to be reissued, to a person other than the registered Holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered Holder or Holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered Holder or Holders appear(s) on the certificate(s) and signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificates representing Old Bonds or any bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

EXCEPT AS PROVIDED BELOW, ENDORSEMENTS ON CERTIFICATES FOR OLD BONDS OR SIGNATURES ON BOND POWERS REQUIRED BY THIS INSTRUCTION 3 MUST BE GUARANTEED BY A FIRM WHICH IS A MEMBER OF A REGISTERED NATIONAL SECURITIES EXCHANGE OR A MEMBER OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. OR BY A COMMERCIAL BANK OR TRUST COMPANY HAVING AN OFFICE OR CORRESPONDENT IN THE UNITED STATES (AN "ELIGIBLE INSTITUTION").

SIGNATURES ON THIS LETTER OF TRANSMITTAL NEED NOT BE GUARANTEED BY AN ELIGIBLE INSTITUTION IF THE OLD BONDS ARE TENDERED: (1) BY A REGISTERED HOLDER OF OLD BONDS WHO HAS NOT COMPLETED THE BOX ENTITLED "SPECIAL ISSUANCE INSTRUCTIONS" OR "SPECIAL DELIVERY INSTRUCTIONS" OR (2) FOR THE ACCOUNT OF AN ELIGIBLE INSTITUTION.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTION.

Tendering Holders of Old Bonds should indicate in the applicable box the name and address to which New Bonds issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Bonds not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Old Bonds by book-entry transfer may request that

Old Bonds not exchanged be credited to such account maintained at DTC as such Holder may designate hereon. If no such instructions are given, such Old Bonds not exchanged will be returned to the name or address of the person signing this Letter of Transmittal.

5. TAXPAYER IDENTIFICATION NUMBER.

Federal income tax law generally requires that a tendering Holder whose Old Bonds are accepted for exchange must provide the Company (as payor) with such Holder's correct Taxpayer Identification Number ("TIN") on Substitute Form W-9 below, which in the case of a tendering Holder who is an individual, is his or her social security number. If the Company is not provided with the current TIN or an adequate basis for an exemption, such tendering Holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, delivery to such tendering Holder of New Bonds may be subject to backup withholding in an amount equal to 30% (subject to further adjustment under applicable law) of all reportable payments made after the exchange. If withholding results in an overpayment for taxes, a refund may be obtained.

Certain types of Holders of Old Bonds (generally including, among others, corporations and certain foreign entities) are not subject to these backup withholding and reporting requirements. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions.

To prevent backup withholding, each tendering Holder of Old Bonds must provide its correct TIN by completing the "Form W-9" set forth below, certifying that the Holder is a U.S. person (including a U.S. resident alien), that the TIN provided is correct (or that such Holder is awaiting a TIN) and that (1) the Holder is exempt from backup withholding, (2) the Holder has not been notified by the Internal Revenue Service that such Holder is subject to a backup withholding as a result of a failure to report all interest or dividends or (3) the Internal Revenue Service has notified the Holder that such Holder is no longer subject to backup withholding. If the tendering Holder of Old Bonds is a nonresident alien or foreign entity not subject to backup withholding, such Holder must give the Company a completed Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, or if applicable, Form W-8ECI, Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States. These forms may be obtained from the Exchange Agent. If the Old Bonds are in more than one name or are not in the name of the actual owner, such Holder should consult the W-9 Guidelines for information on which TIN to report. If such Holder does not have a TIN, such Holder should consult the W-9 Guidelines for instructions on applying for a TIN, check the box in Part 2 of the Form W-9 and write "applied for" in lieu of its TIN. Note: Checking this box and writing "applied for" on the Form means that such Holder has already applied for a TIN or that such Holder intends to apply for one in the near future. If such Holder does not provide its TIN to the Company within 60 days, backup withholding will begin and continue until such Holder furnishes its TIN to the Company.

6. TRANSFER TAXES.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Bonds to it or its order pursuant to the Exchange Offer. If, however, New Bonds and/or substitute Old Bonds not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered Holder of the Old Bonds tendered hereby, or if tendered Old Bonds are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer of Old Bonds to the Company or its order pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering Holder.

7. COMPANY DETERMINATION FINAL; WAIVER OF CONDITIONS.

All questions as to the validity, form eligibility (including time of receipt), acceptance of tendered Old Bonds and withdrawal of tendered Old Bonds will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Bonds not properly tendered or any Old Bonds the Company's acceptance of which would, in the opinion of counsel for the Company, be

unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender as to particular Old Bonds. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Bonds must be cured within such time as the Company shall determine. None of the Company, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Bonds, nor shall any of them incur any liability for failure to give such notification. Tenders of Old Bonds will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Bonds received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holders of the Old Bonds, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the Expiration Date.

8. NO CONDITIONAL TENDERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders of Old Bonds, by causing this Letter of Transmittal or an Agent's Message in lieu hereof to be delivered to the Exchange Agent, shall waive any right to receive notice of the acceptance of their Old Bonds for exchange.

None of the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Bonds nor shall any of them incur any liability for failure to give any such notice.

9. MUTILATED, LOST, STOLEN OR DESTROYED OLD BONDS.

Any Holder whose Old Bonds have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the addresses indicated above for further instructions.

10. REQUESTS FOR ADDITIONAL COPIES.

Requests for additional copies of the Prospectus and this Letter of Transmittal may be directed to the Exchange Agent, at the addresses and telephone numbers indicated above.

11. INCORPORATION OF LETTER OF TRANSMITTAL.

This Letter of Transmittal shall be deemed to be incorporated in and acknowledged and accepted by an tender through the DTC's ATOP procedures by any participant on behalf of itself and the beneficial owners of any Old Bonds so tendered.

12. WITHDRAWALS.

This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer -- Withdrawal of Tenders of Old Bonds" section of the Prospectus.

TO BE COMPLETED BY ALL TENDERING HOLDERS
(SEE INSTRUCTION 5)

SUBSTITUTE Form W-9	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW:	TIN: _____ (Social Security Number or Employer Identification Number)
	PART 2 -- TIN APPLIED FOR [ ]	
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN") AND CERTIFICATION CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT (1) the number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me). (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, (3) I am a U.S. person (including a U.S. resident alien), and (4) any other information provided on this form is true and correct. SIGNATURE: _____ DATE: _____	

You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because of underreporting of interest or dividends on your tax return and you have not been notified subsequently by the IRS that you are no longer subject to backup withholding.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administrative Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number by the time of the exchange, 30% (subject to further adjustment under applicable law) of all reportable payments made to me thereafter will be withheld until I provide a number.

SIGNATURE _____ DATE _____

EXHIBIT 4(e)

CUSIP [ ]

THIS BOND IS SUBJECT TO RESTRICTIONS ON TRANSFER,

AS HEREINAFTER SET FORTH.

AVISTA CORPORATION

First Mortgage Bond,

7.75% Series due 2007

REGISTERED REGISTERED

NO. R-1 $[ ],000,000

AVISTA CORPORATION, a corporation of the State of Washington (hereinafter called the Company), for value received, hereby promises to pay to CEDE & CO. or registered assigns, on January 1, 2007, [ ] DOLLARS, and to pay the registered owner hereof interest thereon from December 19, 2001 semi-annually in arrears on January 1 and July 1 in each year (each such date being hereinafter called an "Interest Payment Date"), commencing July 1, 2002, and at Maturity (as hereinafter defined), at the rate of seven and seventy-five one-hundredths per centum (7.75%) per annum, computed on the basis of a 360-day year consisting of twelve 30-day months, until the Company's obligation with respect to the payment of such principal shall have been discharged. The principal of and premium, if any, and interest on this bond payable at Maturity shall be paid upon presentation hereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The interest on this bond (other than interest payable at Maturity) shall be paid by check, in the similar coin or currency, mailed to the registered owner hereof as of the close of business on the December 15 or June 15, as the case may be, next preceding each Interest Payment Date (each such date being herein called a "Record Date"); provided, however, that if such registered owner shall be a securities depositary, such payment shall be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner. Interest payable at Maturity shall be paid to the person to whom principal shall be paid. As used herein, the term "Maturity" shall mean the date on which the principal of this bond becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, 7.75% Series due 2007, all bonds of all such issue of series being issued and issuable under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and

Deed of Trust, dated as of June 1, 1939, executed by the Company (formerly known as The Washington Water Power Company) to City Bank Farmers Trust Company and Ralph E. Morton, as Trustees (Citibank, N.A., successor Trustee to both said Trustees). Such mortgage and deed of trust has been amended and supplemented by various supplemental indentures, including the Twenty-ninth Supplemental Indenture, dated as of December 1, 2001 (the "Twenty-ninth Supplemental Indenture") and, as so amended and supplemented, is herein called the "Mortgage". Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. If there shall be a conflict between the terms of this bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law. The holder of this bond, by its acceptance hereof, shall be deemed to have consented and agreed to all terms and provisions of the Mortgage and, further, in the event that such holder shall not be the sole beneficial owner of this bond, shall be deemed to have agreed to use all commercially reasonable efforts to cause all direct and indirect beneficial owners of this bond to have knowledge of the terms and provisions of the Mortgage and of this bond and to comply therewith, including particularly, but without limitation, any provisions or restrictions in the Mortgage regarding the transfer or exchange of such beneficial interests and any legend set forth on this bond.

With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage may be modified or altered by affirmative vote of the holders of at least 75% in principal amount of the bonds then outstanding under

the Mortgage and, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then also by affirmative vote of the holders of at least 75% in principal amount of the series of bonds so to be affected (excluding in any case bonds challenged and disqualified from voting by reason of the Company's interest therein as provided in the Mortgage). The Company has amended the Mortgage, effective as of the Modification Effective Date (as defined in the Twenty-ninth Supplemental Indenture), to provide that the Mortgage may be modified or altered by affirmative vote of the holders of at least 60% in principal amount of the bonds outstanding under the Mortgage, considered as one class, or, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then such modification or alteration may be effected with the affirmative vote only of 60% in principal amount of the bonds outstanding of the series so to be affected, considered as one class, and, furthermore, to provide that, for limited purposes, the Mortgage may be modified or altered without any consent or other action of holders of any series of bonds. No modification or alteration shall, however, permit an extension of the Maturity of the principal of, or interest on, this bond or a reduction in such principal or the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of a lien on the mortgaged and pledged property without the consent of the holder hereof.

The principal hereof may be declared or may become due prior to the stated maturity date on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

In the manner prescribed in the Mortgage, this bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer whenever required by the Company duly executed by the registered owner or by its duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

The bonds of this series are not subject to redemption prior to the stated maturity date thereof.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until Citibank, N.A., the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, AVISTA CORPORATION has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Corporate Secretary or one of its Assistant Corporate Secretaries by his signature or a facsimile thereof.

Dated: AVISTA CORPORATION

By:

ATTEST:

TRUSTEE'S CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

CITIBANK, N.A.
Trustee

By

Authorized Officer

THIS GLOBAL BOND IS HELD BY CEDE & CO., AS NOMINEE FOR THE DEPOSITORY TRUST COMPANY (THE "DEPOSITARY") FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF. THIS BOND MAY NOT BE TRANSFERRED, NOR MAY ANY PURPORTED TRANSFER BE REGISTERED, EXCEPT THAT (I) THIS BOND MAY BE TRANSFERRED IN WHOLE, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, IF SUCH TRANSFER IS BY CEDE & CO., AS NOMINEE FOR THE DEPOSITARY, TO THE DEPOSITARY, OR BY THE DEPOSITARY TO ANOTHER NOMINEE THEREOF, OR BY ANY NOMINEE OF THE DEPOSITARY TO ANY OTHER NOMINEE THEREOF, OR BY THE DEPOSITARY OR ANY NOMINEE THEREOF TO ANY SUCCESSOR BONDS DEPOSITARY OR ANY NOMINEE THEREOF; AND (II) THIS BOND MAY BE TRANSFERRED, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, TO THE BENEFICIAL HOLDERS HEREOF, AND THEREAFTER SHALL BE TRANSFERABLE WITHOUT RESTRICTIONS (EXCEPT AS PROVIDED IN THE PRECEDING PARAGRAPH) IF: (A) THE DEPOSITARY, OR ANY SUCCESSOR SECURITIES DEPOSITARY, SHALL HAVE NOTIFIED THE COMPANY AND THE TRUSTEE THAT (I) IT IS UNWILLING OR UNABLE TO CONTINUE TO ACT AS SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS OR (II) IT IS NO LONGER A CLEARING AGENCY REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND, IN EITHER CASE, THE TRUSTEE SHALL NOT HAVE BEEN NOTIFIED BY THE COMPANY WITHIN ONE HUNDRED TWENTY (120) DAYS OF THE IDENTITY OF A SUCCESSOR SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS; OR (B) THE COMPANY SHALL HAVE DELIVERED TO THE TRUSTEE A WRITTEN ORDER TO THE EFFECT THAT THE BONDS SHALL BE SO TRANSFERABLE ON AND AFTER A DATE SPECIFIED THEREIN.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

- ---

[please insert social security or other identifying number of assignee]

- ---

[please print or typewrite name and address of assignee]

- ---

the within bond of AVISTA CORPORATION and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said bond on the books of the within-mentioned Company, will full power of substitution in the premises.

Dated:

Notice: The signature to this assignment must correspond with the name as written upon the face of the bond in every particular without alteration or enlargement or any change whatsoever.

[Heller Ehrman White & McAuliffe LLP Letterhead]

February 11, 2002

Avista Corporation
1411 East Mission Avenue
Spokane, WA 99202

RE: AVISTA CORPORATION - REGISTRATION STATEMENT ON FORM S-4
FIRST MORTGAGE BONDS, 7.75% SERIES DUE 2007, IN AN AGGREGATE
PRINCIPAL AMOUNT OF $150,000,000

Ladies and Gentlemen:

We have acted as counsel to Avista Corporation, a Washington corporation (the "COMPANY"), in connection with an offer by the Company to issue up to $150,000,000 in aggregate principal amount of First Mortgage Bonds, 7.75% Series due 2007 (registered) (the "SECURITIES"), in exchange for First Mortgage Bonds, 7.75% Series due 2007 (unregistered) of the Company, which are currently outstanding in the same aggregate principal amount, all as described in a Registration Statement on Form S-4 (the "REGISTRATION STATEMENT") of the Company to be filed under the Securities Act of 1933, as amended (the "SECURITIES ACT"), relating to such exchange offer.

I.

We have assumed the authenticity of all records, documents and instruments submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all records, documents and instruments submitted to us as copies. We have based our opinion upon our review of the following records, documents, instruments and certificates and such additional certificates relating to factual matters as we have deemed necessary or appropriate for our opinion:

(a) the Registration Statement;

(b) the Restated Articles of Incorporation, as amended, of the Company certified by the Washington Secretary of State as of February 7, 2002, and certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

(c) the Bylaws of the Company certified by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

(d) a Certificate of Existence/Authorization relating to the Company and issued by the Washington Secretary of State, dated February 7, 2002;

(e) records certified to us by an officer of the Company as constituting all records of proceedings and actions of the Company's board of directors relating to the transactions contemplated by the Registration Statement;

(f) Order No. UE-011476, entered November 29, 2001, in Docket No. UE-011476 of the Washington Utilities and Transportation Commission;

(g) Order No. 28898, entered November 27, 2001, in Case No. AVU-U-01-2 of the Idaho Public Utilities Commission;

(h) Order No. 01-1003. entered November 29, 2001, in Docket No. UF-4186 of the Public Utility Commission of Oregon, together with

the staff report appended thereto which constitute part of the order1;

(i) Decision No. 00-06-064, entered June 22, 2000, of the Public Utilities Commission of the State of California;

(j) Default Order No. 4535, entered July 2, 1979, in Docket No. 6690 of the Public Service Commission of the State of Montana2; and

(k) a Certificate of an officer of the Company as to certain factual matters;

Notwithstanding any provisions of the Securities or any other agreements or instruments examined for purposes of these opinions to the effect that such agreement or instrument reflects the entire understanding of the parties with respect to the matters described therein, the courts of the States of Washington may consider extrinsic evidence of the circumstances surrounding the entering into of such agreement to ascertain the intent of the parties in using the language employed in such agreement, regardless of whether or not the meaning of the language used in such agreement is plain and unambiguous on its face, and may determine that additional or supplementary terms can be incorporated into such agreement. We have not considered parol evidence in connection with the opinion set forth below.

- ----------

1 We have received and relied upon an officer's certificate certifying that the Company's senior secured debt ratings are within the permitted tolerances identified by the OPUC staff in Order No. 01-1003 at page 2 of the staff report appended thereto.

2 We have received and relied upon an officer's certificate certifying that at no time since the issuance of the MPSC's order have the Company's electric sales for ultimate use by Montana customers exceeded $5,000,000 or 5% of the Company's revenue in any year.

II.

We have also assumed the following, without making any inquiry into the reasonableness or validity thereof:

A. The applicable provisions of the Securities Act, the Trust Indenture Act of 1939, as amended, and the securities or blue sky laws of various states shall have been complied with.

B. The Securities will be duly executed, authenticated and delivered prior to their issuance as set forth in the Registration Statement and in accordance with the proceedings and actions of the Company's board of directors relating to the transactions contemplated by the Registration Statement.

C. There are no facts or circumstances specifically relating to any parties other than the Company (the "OTHER PARTIES") that might prevent the Other Parties from enforcing any of the rights to which our opinion relates.

III.

We express no opinion as to:

(a) The applicable choice of law rules that may affect the interpretation or enforcement of any of the Securities.

(b) Any securities, tax, anti-trust, land use, safety, environmental, hazardous materials, insurance company or banking laws, rules or regulations, or any laws, rules or regulations applicable to any of the Other Parties by virtue of their status as regulated entities, or whether governmental consents, approvals, authorizations, registrations, declarations or filings (other than those listed in Part I above) required in connection with the exchange of the Securities will be applied for, received or made.

(c) The enforceability of any provision of the Securities that relates to the choice of arbitration as a dispute resolution mechanism.

(d) The effect on the obligations of the Company, and the Other Parties' rights, under the Securities of laws relating to fraudulent transfers and fraudulent obligations set forth in Sections 544 and 548 of the federal Bankruptcy Code or applicable state law.

(e) The enforceability of any waiver of immunities contained in the Securities.

(f) The enforceability of any liquidated damages provisions contained in the Securities.

(g) The enforceability of any agreement or instrument (including the Company's Mortgage and Deed of Trust, dated as of June 1, 1939, as previously amended and supplemented), which is referred to in the Securities.

This opinion is limited to (i) the federal laws of the United States of America, (ii) the laws of the State of Washington, and (iii) the statutes (and regulations promulgated thereunder) of the States of California, Idaho, Montana and Oregon pertaining to the regulation of public utilities in those States. We disclaim any opinion as to the laws of any other jurisdiction. We further disclaim any opinion as to any statute, rule, regulation, ordinance, order or other promulgation of any regional or local governmental body or as to any related judicial or administrative opinion.

IV.

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for our opinion, and subject to the limitations and qualifications expressed herein, it is our opinion that the Securities, when issued and delivered as contemplated in the Registration Statement, will be legally issued and will be binding obligations of the Company, subject (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principals of equity, whether such enforceability is considered in a proceeding in equity or at law.

V.

We further advise you that:

A. As noted, the enforceability of the Securities is subject to the effect of general principles of equity. These principles include, without limitation, concepts of commercial reasonableness, materiality and good faith and fair dealing. As applied to the Securities, these principles will require the Other Parties to act reasonably, in good faith and in a manner that is not arbitrary or capricious in the administration and enforcement of the Securities and will preclude the Other Parties from invoking penalties for defaults that bear no reasonable relation to the damage suffered or that would otherwise work a forfeiture.

B. The enforceability of the Securities is subject to the effects of (i) Section 62A.1-102 of Revised Code of Washington (the "WA CODE"), which provides that obligations of good faith, diligence, reasonableness and care prescribed by the WA Code may not be disclaimed by agreement, although the parties may by agreement determine the standards by which the performance of such obligations is to be measured if those standards are not manifestly unreasonable, (ii) Section 62A.1-203 of the WA Code, which imposes an obligation of good faith in the performance or enforcement of a contract and (iii) legal principles under which a court may refuse to enforce, or may limit the enforcement of, a contract or any clause of a contract that a court finds as a matter of law to have been unconscionable at the time it was made.

VI.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to this firm, as counsel, in the Registration Statement and in the prospectus contained therein. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations promulgated thereunder.

VII.

The foregoing opinion is being delivered solely to you in connection with the filing of the Registration Statement and is solely for your benefit and the benefit of the holders of the Securities. This opinion may not be relied on by you for any other purpose or by any other person for any purpose without our written consent. We disclaim any obligation to advise you of any change of law that occurs, or any facts of which we become aware, after the date of this opinion.

Very truly yours,

Heller Ehrman White & McAuliffe LLP

THELEN REID & PRIEST LLP
NEW YORK
SAN FRANCISCO
WASHINGTON, D.C.
LOS ANGELES
SILICON VALLEY
MORRISTOWN, N.J.
ATTORNEYS AT LAW
40 WEST 57TH STREET
NEW YORK, N.Y. 10019-4097
TEL (212) 603-2000 FAX (212) 603-2001
www. thelenreid.com

New York, New York
February 11, 2002

Avista Corporation
1411 East Mission Avenue
Spokane, WA 99202

Ladies and Gentlemen:

We are acting as counsel to Avista Corporation, a Washington corporation (the "Company"), in connection with the filing by the Company of a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), relating to the registration of $150,000,000 in aggregate principal amount of First Mortgage Bonds, 7.75% Series due 2007 (the "New Bonds") of the Company, in connection with an offer by the Company to issue the New Bonds in exchange for First Mortgage Bonds, 7.75% Series due 2007 of the Company, which are currently outstanding in the same aggregate principal amount, all as described in the Registration Statement.

Subject to the qualifications hereinafter expressed, we are of the opinion that the New Bonds, when issued and delivered as contemplated in the Registration Statement, will be legally issued and will be binding obligations of the Company.

We are further of the opinion that the information contained in the Registration Statement under the caption "Certain U.S. Federal Income Tax Considerations" constitutes an accurate description, in general terms, of the indicated federal income tax consequences to holders of the New Bonds of the exchange offer contemplated in the Registration Statement.

To the extent that the opinions relate to or are dependent upon matters governed by the laws of other States, we have relied the opinion of Heller Ehrman White & McAuliffe LLP, which is being filed as Exhibit 5(a) to the Registration Statement.

We hereby consent to the filing of this opinion as Exhibit 5(b) to the Registration Statement and to the references to our firm, as counsel, in the Registration Statement and in the prospectus contained therein. In giving the foregoing consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ Thelen Reid & Priest LLP

THELEN REID & PRIEST LLP

EXHIBIT 23(b)

Independent Auditors' Consent

We consent to the incorporation by reference in this Registration Statement of Avista Corporation on Form S-4 of our report dated February 2, 2001 (February 26, 2001, as to Note 22), appearing in the Annual Report on Form 10-K of Avista Corporation for the year ended December 31, 2000, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Seattle, Washington
February 11, 2002

Exhibit 25

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an application to determine eligibility of a Trustee pursuant to Section 305 (b)(2) ____

CITIBANK, N.A.
(Exact name of trustee as specified in its charter)

13-5266470
(I.R.S. employer identification no.)

399 Park Avenue, New York, New York
(Address of principal executive office)

10043
(Zip Code)

AVISTA CORPORATION
(Exact name of obligor as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization)

91-0462470
(I.R.S. employer identification no.)

1411 East Mission
Spokane, Washington
(Address of principal executive offices)

99202-2600
(Zip Code)

First Mortgage Bonds, 7.75% Series due 2007 due January 1, 2007
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Comptroller of the Currency	Washington, D.C.
Federal Reserve Bank of New York 33 Liberty Street New York, NY	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

Item 16. List of Exhibits.

List below all exhibits filed as a part of this Statement of Eligibility.

Exhibits identified in parentheses below, on file with the

Commission, are incorporated herein by reference as exhibits hereto.

Exhibit 1 - Copy of Articles of Association of the Trustee, as now in effect. (Exhibit 1 to T-1 to Registration Statement No. 2-79983)

Exhibit 2 - Copy of certificate of authority of the Trustee to commence business. (Exhibit 2 to T-1 to Registration Statement No. 2-29577).

Exhibit 3 - Copy of authorization of the Trustee to exercise corporate trust powers. (Exhibit 3 to T-1 to Registration Statement No. 2-55519)

Exhibit 4 - Copy of existing By-Laws of the Trustee. (Exhibit 4 to T-1 to Registration Statement No. 33-34988)

Exhibit 5 - Not applicable.

Exhibit 6 - The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. (Exhibit 6 to T-1 to Registration Statement No. 33-19227.)

Exhibit 7 - Copy of the latest Report of Condition of Citibank, N.A. (as of September 30, 2001-attached)

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York and State of New York, on the 1st day of February, 2002.

CITIBANK, N.A.

By /s/ Wafaa Orfy

Wafaa Orfy
Assistant Vice President

EXHIBIT 7

Charter No. 1461
Comptroller of the Currency
Northeastern District
REPORT OF CONDITION
CONSOLIDATING
DOMESTIC AND FOREIGN
SUBSIDIARIES OF
Citibank, N.A. of New York in the State of New York, at the close of business on September 30, 2001, published in response to call made by Comptroller of the Currency, under Title 12, United States Code, Section 161. Charter Number 1461 Comptroller of the Currency Northeastern District.

ASSETS	THOUSANDS OF DOLLARS
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$12,723,000
Interest-bearing balances	15,986,000
Held-to-maturity securities	0
Available-for-sale securities	42,250,000
Federal funds sold and securities purchased under agreements to resell	28,213,000
Loans and leases held for sale	6,795,000
Loans and lease financing receivables:	
Loans and Leases, net of unearned income	251,317,000
LESS: Allowance for loan and lease losses	4,691,000
Loans and leases, net of unearned income, allowance, and reserve.	246,626,000
Trading assets	34,574,000
Premises and fixed assets (including capitalized leases)	3,927,000
Other real estate owned	232,000
Investments in unconsolidated subsidiaries and associated companies	813,000
Customers' liability to this bank on acceptances outstanding	944,000
Intangible assets: Goodwill	3,738,000
Intangible assets: Other intangible assets	3,402,000
Other assets	24,063,000
TOTAL ASSETS	$424,286,000
LIABILITIES	
Deposits: In domestic offices	$ 90,996,000
Noninterest- bearing	16,729,000
Interest- bearing	74,267,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	206,485,000
Noninterest- bearing	14,474,000
Interest- bearing	192,011,000
Federal funds purchased and securities sold under agreements to repurchase	21,926,000
Demand notes issued to the U.S. Treasury	0
Trading liabilities	19,036,000

Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases): ss	23,128,000
Bank's liability on acceptances executed and outstanding	944,000
Subordinated notes and debentures	9,350,000
Other liabilities	21,755,000
TOTAL LIABILITIES	$393,620,000
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES..	204,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	350,000
Common stock	751,000
Surplus	12,843,000
Retained Earnings	17,625,000
Accumulated net gains (losses) on cash flow hedges	-1,107,000
Other equity capital components	0
TOTAL EQUITY CAPITAL	$ 30,462,000
TOTAL LIABILITIES AND EQUITY CAPITAL	$424,286,000

I, Roger W. Trupin, Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.
ROGER W. TRUPIN CONTROLLER

We, the undersigned directors, attest to the correctness of this Report of Condition. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.
ALAN S. MACDONALD
WILLIAM R. RHODES
VICTOR J. MENEZES
DIRECTORS