
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): May 4, 2007

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction
of incorporation)

1-3701
(Commission File Number)

91-0462470
(I.R.S. Employer
Identification No.)

1411 East Mission Avenue, Spokane, Washington
(Address of principal executive offices)

99202-2600
(Zip Code)

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

509-489-0500

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition.

The information in this report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On May 4, 2007, Avista Corporation (Avista Corp.) issued a press release reporting its earnings for the first quarter of 2007. A copy of the press release is furnished as Exhibit 99.1.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated May 4, 2007, which is being furnished pursuant to Item 2.02.

Neither the furnishing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to Avista Corp.’s Internet address shall, under any circumstances, be deemed to incorporate the information available at such Internet address into this Current Report. The information available at Avista Corp.’s Internet address is not part of this Current Report or any other report furnished or filed by Avista Corp. with the Securities and Exchange Commission.

SIGNATURES

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

AVISTA CORPORATION
(Registrant)

Date: May 4, 2007

/s/ Malyn K. Malquist

Malyn K. Malquist
Executive Vice President and
Chief Financial Officer



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Avista Corp. Reports Final First Quarter 2007 Results

SPOKANE, Wash. – May 4, 2007, 4:05 a.m. PDT: Avista Corp. (NYSE: AVA) today reported its final results for the first quarter of 2007, which were consistent with preliminary results reported on April 18, 2007. Avista Corp. had net income of \$14.1 million, or \$0.26 per diluted share, for the first quarter of 2007, as compared to \$31.6 million, or \$0.64 per diluted share, for the first quarter of 2006.

Results for the first quarter of 2007 as compared to the first quarter of 2006:

(\$ in thousands, except per-share data)	Q1 2007	Q1 2006
Operating Revenues	\$ 459,187	\$ 499,202
Income from Operations	\$ 38,937	\$ 70,938
Net Income	\$ 14,094	\$ 31,572
Net Income (Loss) by Business Segment:		
Avista Utilities	\$ 19,927	\$ 26,172
Energy Marketing & Resource Management	\$ (7,623)	\$ 5,046
Advantage IQ	\$ 1,584	\$ 1,427
Other	\$ 206	\$ (1,073)
Contribution to earnings per diluted share by Business Segment:		
Avista Utilities	\$ 0.37	\$ 0.53
Energy Marketing & Resource Management	\$ (0.14)	\$ 0.10
Advantage IQ	\$ 0.03	\$ 0.03
Other	\$ —	\$ (0.02)
Total earnings per diluted share	\$ 0.26	\$ 0.64

As announced on April 17, 2007, we have entered into an agreement to sell substantially all of Avista Energy's contracts and ongoing operations to Coral Energy Holding, L.P., a subsidiary of Shell, and certain of Coral Energy's subsidiaries. Completion of this transaction will effectively end the majority of the operations of the Energy Marketing and Resource Management business segment. We have made all of the necessary regulatory filings related to this transaction.

The attached condensed consolidated statements of income, condensed consolidated balance sheets, and financial and operating highlights are integral parts of this news release.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides service to 346,000 electric and 306,000 natural gas customers in three Western states. Our non-regulated subsidiaries include Advantage IQ and Avista Energy. Our stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

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

	<i>First Quarter</i>	
	<u>2007</u>	<u>2006</u>
Operating revenues	\$459,187	\$499,202
Operating expenses:		
Resource costs	307,713	321,732
Other operating expenses	66,177	62,038
Depreciation and amortization	22,365	22,428
Utility taxes other than income taxes	23,995	22,066
Total operating expenses	<u>420,250</u>	<u>428,264</u>
Income from operations	<u>38,937</u>	<u>70,938</u>
Other income (expense):		
Interest expense, net of capitalized interest	(21,067)	(23,324)
Other income—net	3,711	2,475
Total other income (expense)—net	<u>(17,356)</u>	<u>(20,849)</u>
Income before income taxes	21,581	50,089
Income taxes	7,487	18,517
Net income	<u>\$ 14,094</u>	<u>\$ 31,572</u>
Weighted-average common shares outstanding (thousands), basic	52,684	48,795
Weighted-average common shares outstanding (thousands), diluted	53,322	49,305
Total earnings per common share, basic	<u>\$ 0.27</u>	<u>\$ 0.65</u>
Total earnings per common share, diluted	<u>\$ 0.26</u>	<u>\$ 0.64</u>
Dividends paid per common share	<u>\$ 0.145</u>	<u>\$ 0.140</u>

Issued May 4, 2007

AVISTA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)

	March 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	\$ 56,974	\$ 28,242
Restricted cash	26,237	29,903
Accounts and notes receivable	258,932	286,150
Current energy commodity derivative assets	—	343,726
Assets held for sale	600,962	3,543
Other current assets	259,920	340,710
Total net utility property	2,232,774	2,215,037
Non-utility properties and investments-net	59,955	60,301
Non-current energy commodity derivative assets	—	313,300
Other property and investments-net	60,653	60,030
Regulatory assets for deferred income taxes	104,718	105,935
Regulatory assets for pensions and other postretirement benefits	53,555	54,192
Other regulatory assets	31,578	31,752
Non-current utility energy commodity derivative assets	16,418	25,575
Power and natural gas deferrals	84,110	97,792
Unamortized debt expense	44,895	46,554
Other deferred charges	12,948	13,766
Total Assets	<u>\$ 3,904,629</u>	<u>\$ 4,056,508</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 243,910	\$ 286,099
Current energy commodity derivative liabilities	—	313,499
Current portion of long-term debt	14,607	26,605
Current portion of preferred stock (subject to mandatory redemption)	26,250	26,250
Short-term borrowings	—	4,000
Liabilities held for sale	574,372	—
Other current liabilities	248,947	288,756
Long-term debt	950,053	949,854
Long-term debt to affiliated trusts	113,403	113,403
Non-current energy commodity derivative liabilities	—	309,990
Regulatory liability for utility plant retirement costs	200,665	197,712
Pensions and other postretirement benefits	98,239	100,033
Deferred income taxes	430,393	461,006
Other non-current liabilities and deferred credits	76,516	62,455
Total Liabilities	<u>2,977,355</u>	<u>3,139,662</u>
Common stock—net (52,736,534 and 52,514,326 outstanding shares)	717,938	715,620
Retained earnings and accumulated other comprehensive loss	209,336	201,226
Total Stockholders' Equity	<u>927,274</u>	<u>916,846</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,904,629</u>	<u>\$ 4,056,508</u>

Issued May 4, 2007

AVISTA CORPORATION
FINANCIAL AND OPERATING HIGHLIGHTS
(Dollars in Thousands)

	<i>First Quarter</i>	
	2007	2006
Avista Utilities		
Retail electric revenues	\$ 151,860	\$ 145,394
Retail kWh sales (in millions)	2,377	2,292
Retail electric customers at end of period	345,907	339,281
Wholesale electric revenues	\$ 26,308	\$ 39,152
Wholesale kWh sales (in millions)	342	474
Sales of fuel	\$ 8,143	\$ 30,937
Other electric revenues	\$ 3,857	\$ 6,525
Retail natural gas revenues	\$ 177,573	\$ 166,961
Wholesale natural gas revenues	\$ 43,534	\$ 31,215
Transportation and other natural gas revenues	\$ 2,991	\$ 3,106
Total therms delivered (in thousands)	246,734	221,623
Retail natural gas customers at end of period	305,821	298,765
Income from operations (pre-tax)	\$ 50,154	\$ 62,912
Net income	\$ 19,927	\$ 26,172
Energy Marketing and Resource Management		
Gross margin (operating revenues less resource costs)	\$ (8,318)	\$ 11,415
Realized gross margin	\$ 12,615	\$ 5,275
Unrealized gross margin	\$ (20,933)	\$ 6,140
Income (loss) from operations (pre-tax)	\$ (13,581)	\$ 6,320
Net income (loss)	\$ (7,623)	\$ 5,046
Electric sales (millions of kWhs)	4,344	6,979
Natural gas sales (thousands of dekatherms)	26,890	50,162
Advantage IQ		
Revenues	\$ 10,999	\$ 9,076
Income from operations (pre-tax)	\$ 2,576	\$ 2,398
Net income	\$ 1,584	\$ 1,427
Other		
Revenues	\$ 4,513	\$ 5,294
Loss from operations (pre-tax)	\$ (212)	\$ (692)
Net income (loss)	\$ 206	\$ (1,073)

Issued May 4, 2007