

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 23, 2006

**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: 509-489-0500  
Web site: <http://www.avistacorp.com>

(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))

---

**Section 7 – Regulation FD Disclosure****Item 7.01**      **Regulation FD Disclosure.**

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 24, 2006, management of Avista Corporation (Avista Corp. or the Company) will be participating in meetings with investors and will provide a business update presentation at the 2006 Edison Electric Institute Annual Finance Committee Meeting. A copy of the business update presentation is furnished as Exhibit 99.1.

**Section 9 – Financial Statements and Exhibits****Item 9.01**      **Financial Statements and Exhibits.****(d) Exhibits**

99.1 Business update presentation dated May 2006, which is being furnished pursuant to Item 7.01.

Neither the furnishing of any presentation as an exhibit to this Current Report nor the inclusion in such presentation 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 23, 2006

/s/ Malyn K. Malquist

Malyn K. Malquist  
Executive Vice President and  
Chief Financial Officer

# *Business Update*

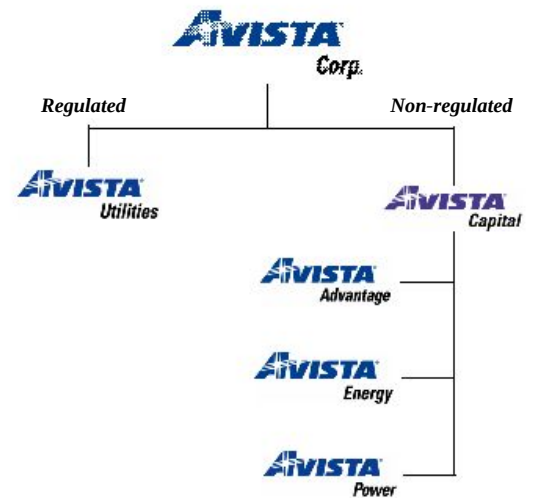
**EEI, New York City  
May 2006**

NYSE: AVA

[www.avistacorp.com](http://www.avistacorp.com)

## Corporate Summary

- Energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses
- Incorporated in 1889 and headquartered in Spokane, Washington
- Avista Utilities is a company operating division comprising the regulated utility operations that provides electric and natural gas service to customers in Washington, Idaho and Oregon
- Avista Advantage is a business process outsourcer that provides facilities resource management
- Avista Energy provides electricity, natural gas and hydroelectric portfolio optimization and management, as well as risk management services



# *Avista Utilities*

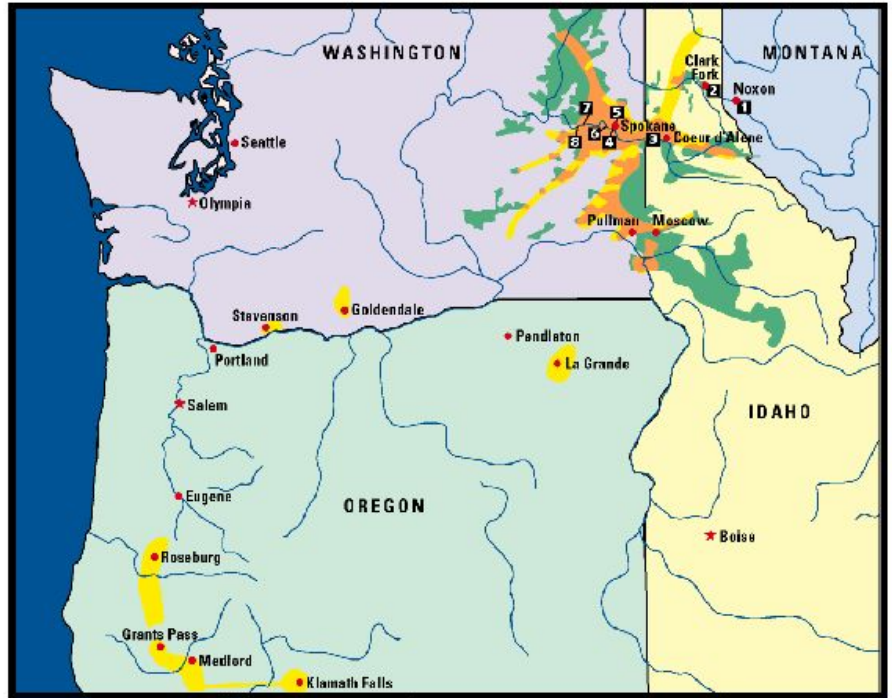
# Electric and Natural Gas Service Areas

## Legend

	Electric Service Areas
	Natural Gas Service Areas
	Electric and Natural Gas Service Areas
	River

## Avista Hydroelectric Projects

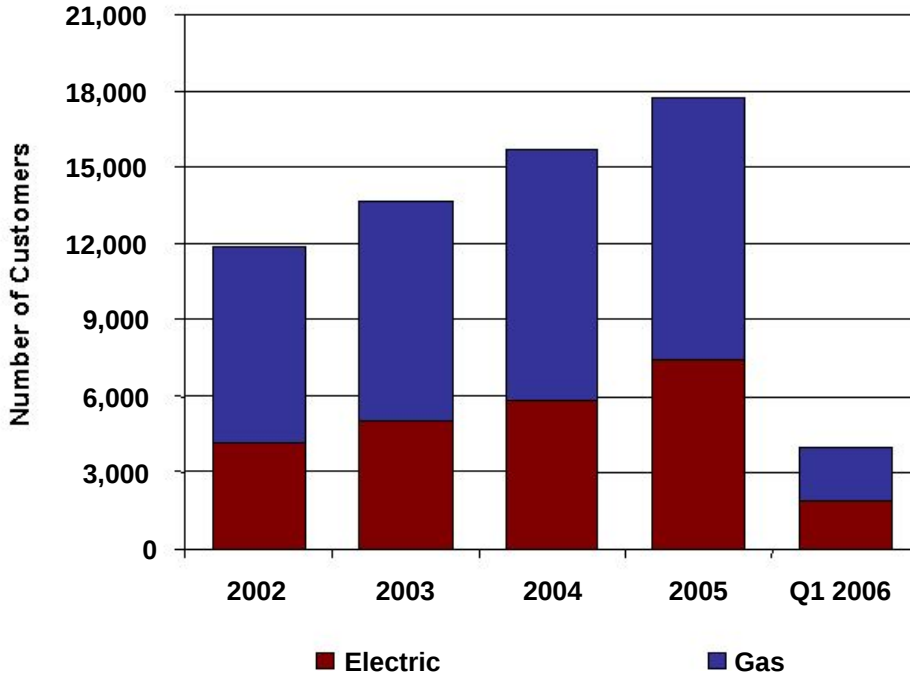
<b>1</b> Noxon Rapids	<b>5</b> Monroe St.
<b>2</b> Cabinet Gorge	<b>6</b> Nine Mile
<b>3</b> Post Falls	<b>7</b> Long Lake
<b>4</b> Upper Falls	<b>8</b> Little Falls



## Customer Growth

### Forecasted growth for the next four years:

- 2.5% for electric customers
- 4.0% for natural gas customers



### Q1 2006 Results

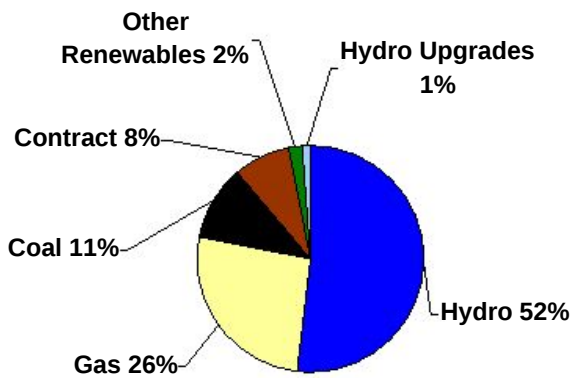
- 1,885 new electric customers
- 2,091 new natural gas customers
- Extended service to:
  - 589 electric development lots
    - > 6,012 in planning stage
  - 1,118 gas development lots
    - > 5,291 in planning stage



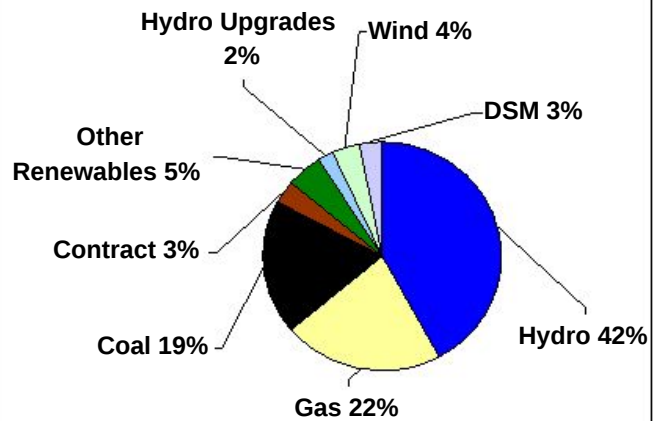
## Integrated Resource Plan (IRP)

- Acquiring additional transmission is critical to the Company's plans
- Over half of future energy needs are met with renewables, plant upgrades and conservation
- Energy and capacity deficits begin in 2010 and 2009, respectively
  - Avista's 2005 IRP calls for acquisition of 69 MW of conservation, 400 MW of wind, 80 MW of other renewable resources, 52 MW of hydroelectric efficiency upgrades and 250 MW of coal-based generation over a period of ten years

**2006 Resource Mix**

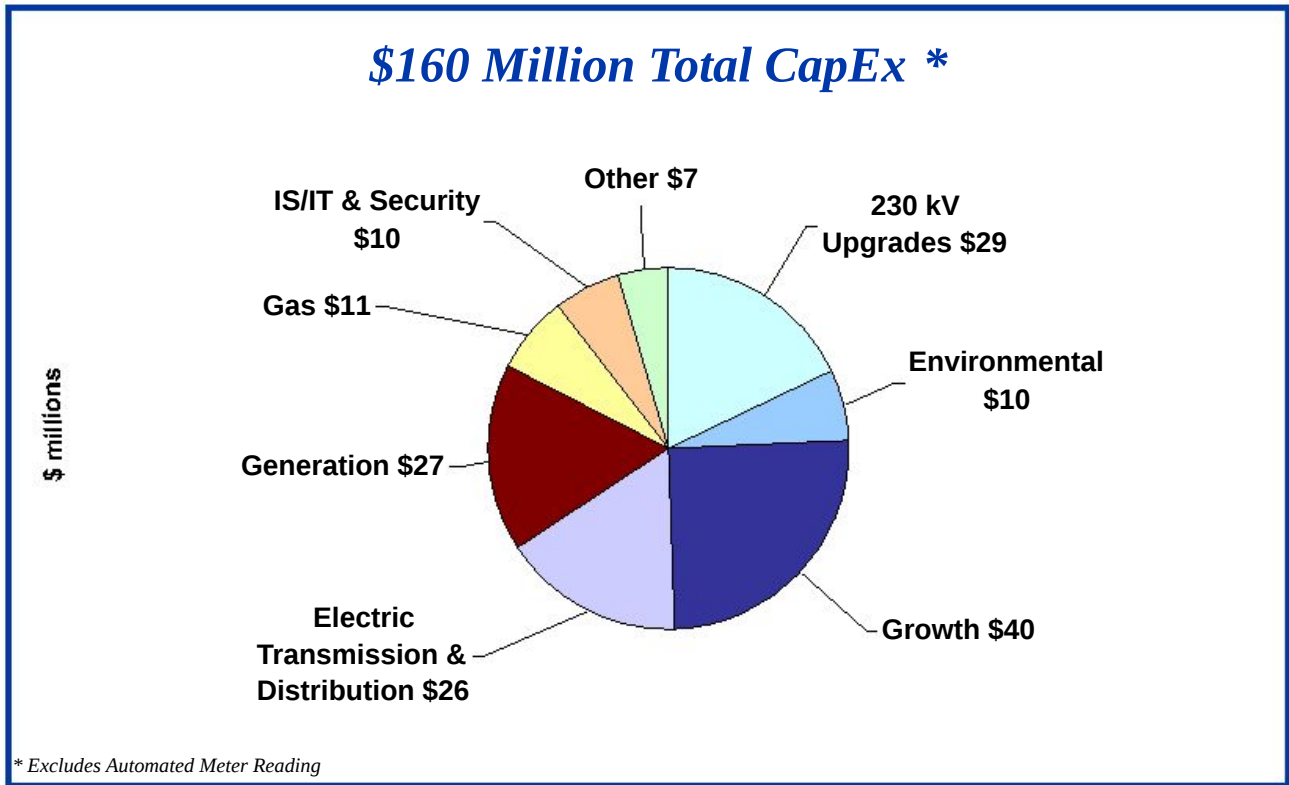


**2016 Resource Mix**



## 2006 Utility Capital Expenditures

Total Utility capital expenditures results in an additional \$80 million to net rate base



# Transmission System Upgrades



230 kV Construction Schedule and Cost Trend

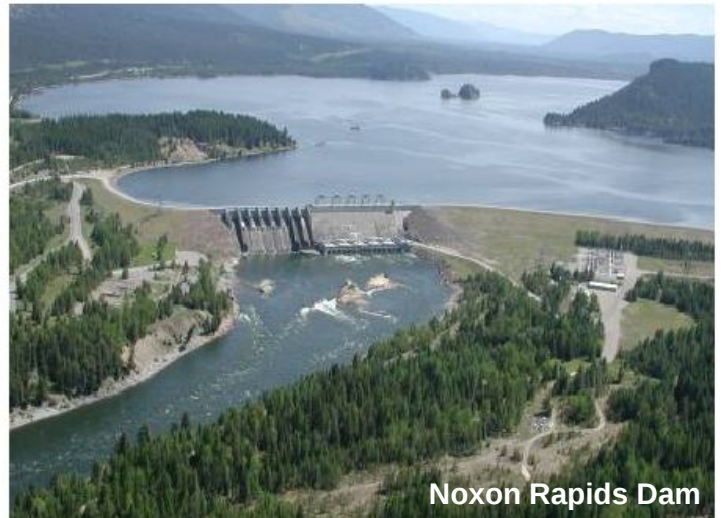
(\$ thousands)	2003	2004	2005	2006	2007
Beacon-Rathdrum Line	[Red bar]				
Dry Creek Sub & 230 Lines	[Red bar]				
Boulder Sub & 230 Lines		[Red bar]		[Blue bar]	
Fiber Optic and C. Fork RAS	[Red bar]			[Blue bar]	
Benewah Substation			[Red bar]	[Blue bar]	
Palouse 230 Line				[Blue bar]	[Blue bar]
Lolo Substation		[Red bar]			[Blue bar]
Beacon-Bell 230 Lines			[Red bar]	[Blue bar]	
230 kV Upgrade Total CapX	\$21,041	\$21,926	\$27,104	\$29,200	\$20,835

- 19 of 30 projects fully **commissioned** (63%)
- 50 of 115 miles of 230 kV line **constructed**
- 4 of 6 – 230 kV substations **energized**
- 90 of 200 miles of F/O cable **installed**
- Total project cost is approximately \$120 million through 2007

# Hydro Upgrades

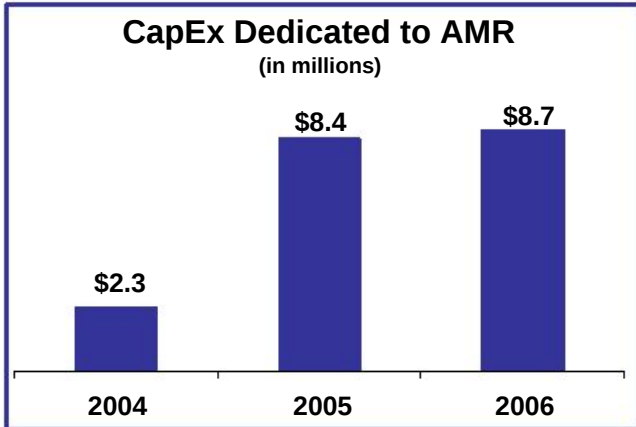
## Noxon Rapids Runner Upgrade

- Noxon Rapids is Avista's largest hydro project
- Upgrade Units 1-4 to improve efficiency, reliability and eliminate operating restrictions
  - Replace turbine runners on Units 1-4
  - Requires \$31.4 million of capital over the next seven years
  - Requires \$1.4 million for maintenance over the same period
- Noxon Rapids capacity improvements
  - Maximum capacity is 554 MW; currently at 532 MW due to operating restrictions
  - Upgrade expected to restore maximum capacity, improve unit availability and add an additional 16 MW
  - Total plant increased to 570 MW



Noxon Rapids Dam

## Advanced Meter Reading (AMR)



### Oregon

- 93,000 gas meters installed
- Oregon granted a 35% Business Tax Credit on a portion of the cost of the project

### Idaho

- Completed installation of 112,000 electric and gas meters in 2005; additional 60,000 to install through 2008
- IPUC pre-approved \$16 million, four-year project, including current return on investment



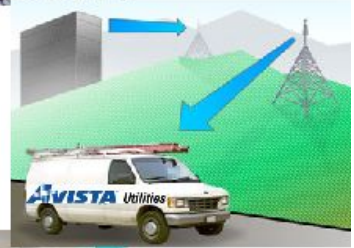
# *Mobile Dispatch*

## *Process improvements unlock expense savings*

- Field worker to dispatcher ratio is currently at 8:1
- Phase I target ratio is 14:1
- Phase II target ratio is 43:1

Category	Phase I	Phase II Estimate
Mobile Users	68	63
Capital Expenditures	\$2.8 million	\$1.6 million
Average Annual Benefit	\$1.3 million	\$0.8 million
Expense Increase	\$0.4 million	\$0.4 million
Energy Business Tax Credit	\$700,000 Approved	N/A

- Phase I: Gas service and collections company-wide, gas compliance Oregon
- Phase II: Gas compliance in WA/ID, electric service workers company-wide
- Phase II: Excludes construction crews & CPCs



# Avista Utilities

## Regulatory Update

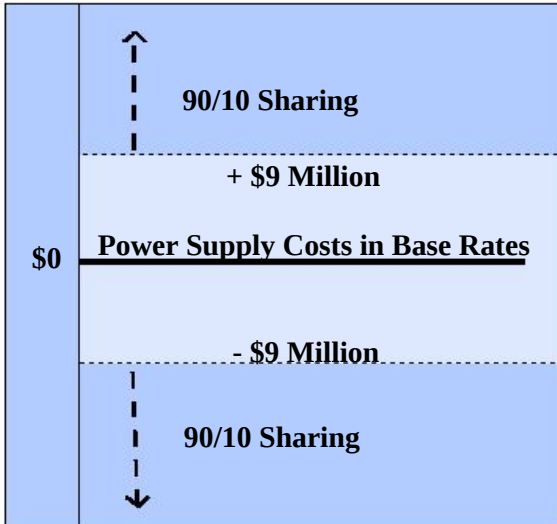
Rate Base				
Washington		Idaho		Oregon
Electric	Gas	Electric	Gas	Gas
\$801 million	\$136 million	\$447 million	\$63 million	\$67 million

	Authorized		
	Rate of Return	Return on Equity	Common Equity Level
<b>Jurisdiction and service</b>			
Washington Electric and Natural Gas (implemented in January 2006)	9.11%	10.40%	40%
Idaho Electric and Natural Gas (implemented in September 2004)	9.25%	10.40%	43%
Oregon Natural Gas (implemented in October 2003)	8.88%	10.25%	48%

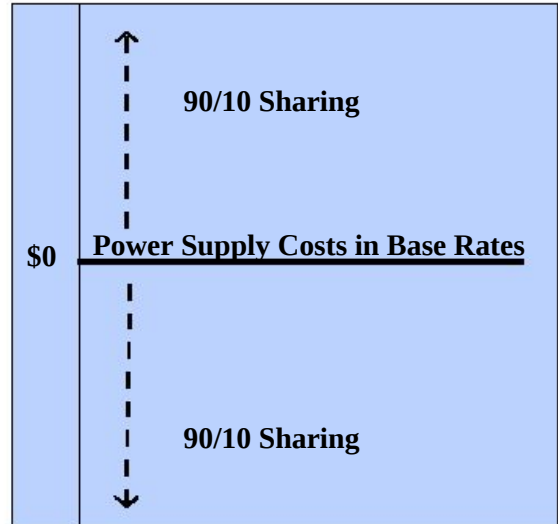
# Avista Utilities

## Electric Power Cost Mechanism

**Washington ERM\***



**Idaho PCA**



\* On January 31, 2006 Avista filed with the WUTC to review the ERM and eliminate the \$9 million deadband. The Commission has made a commitment to expedite the process. Any changes made to the ERM will be effective January 1, 2006.



# *Avista Advantage*

# *Avista Advantage*

## *Facility Information and Expense Management Services for Utilities, Telecom and Waste*

1

### **PROCESS & PAY**

Receive, enter and scan invoices, cost allocate, issue vendor payments.

Bill Receipt, Processing and Payment, Expense Management

2

### **AUDIT & REPORTING**

Validate invoices, identify and resolve errors, optimize services.

Bill and Service Rate Accuracy, Initial Recovery Audit, Inventory Tracking and Management, Online Reports and Measurements.

3

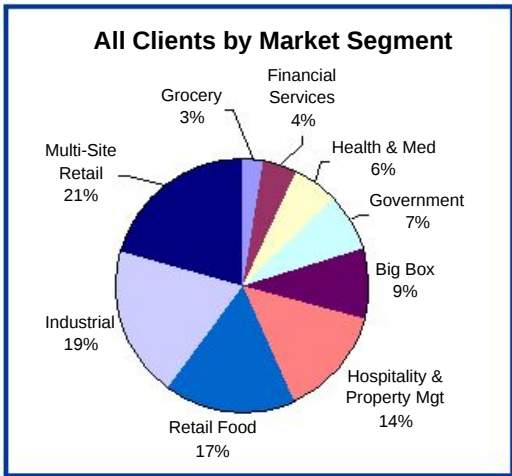
### **ENHANCED SERVICES**

Post payment analysis, leverage data and execute strategies.

Rate Optimization, Contract Management, Energy Supply Management, Network Planning, Usage Trending, Executive Reporting and EPA Energy Star Measurement.

# Avista Advantage

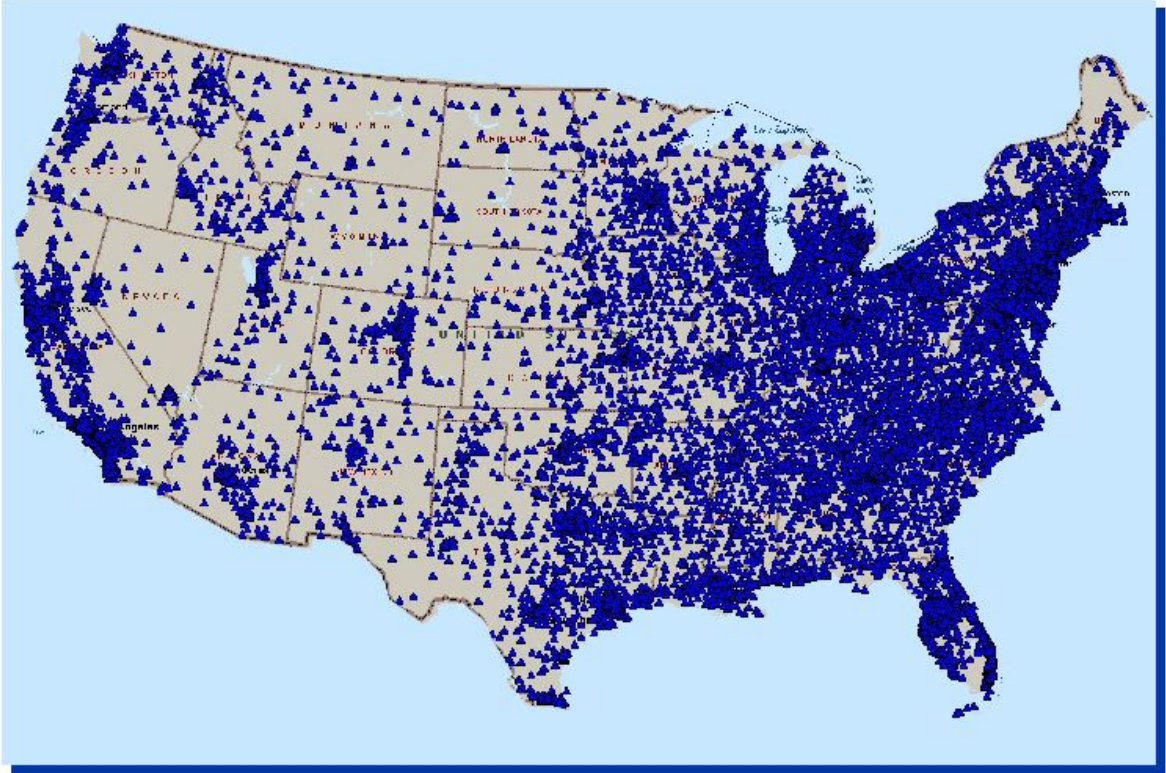
## Client sampling:



*Avista Advantage has penetration in virtually all market segments; industry penetration is approximately 18%.*

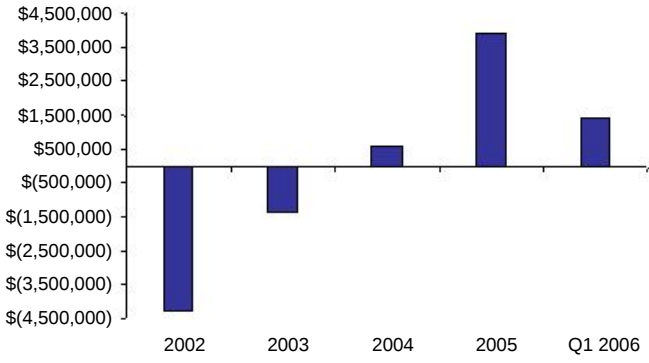
## *Avista Advantage*

*Provides services for more than 175,000 Client sites throughout the United States*



# Avista Advantage

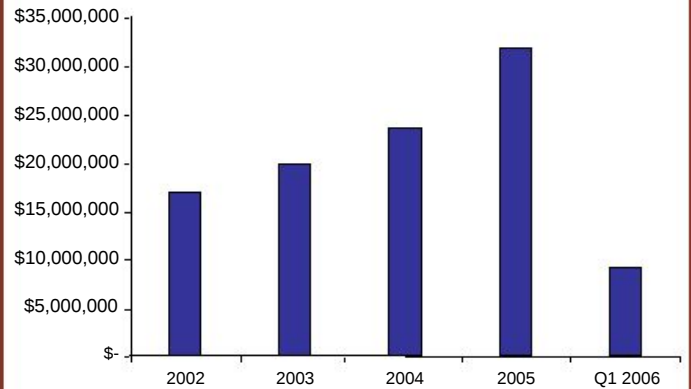
*Net Income*



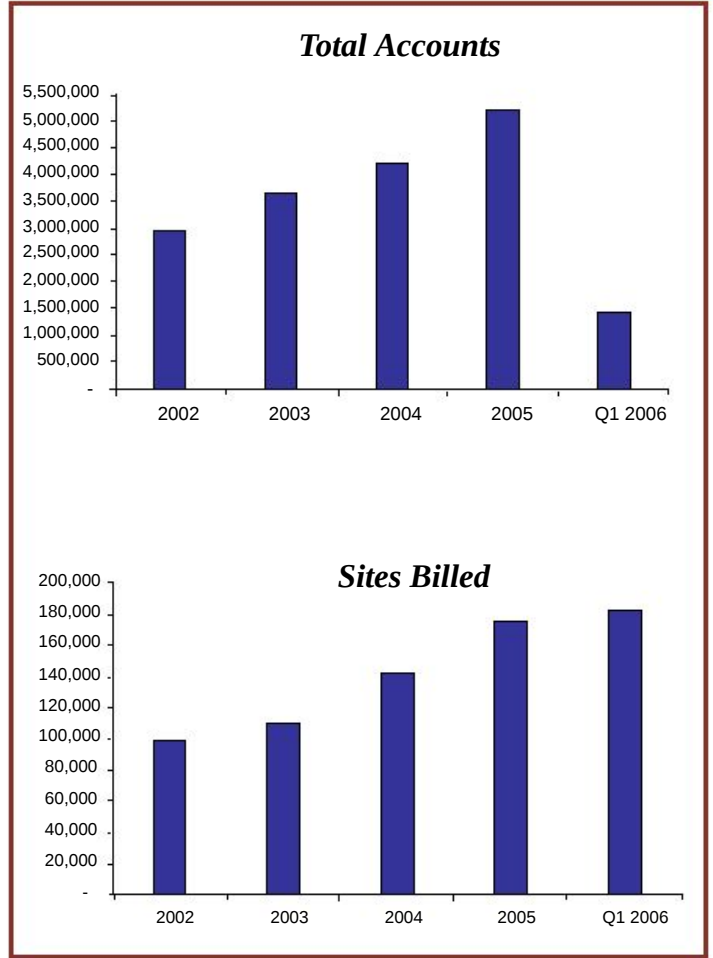
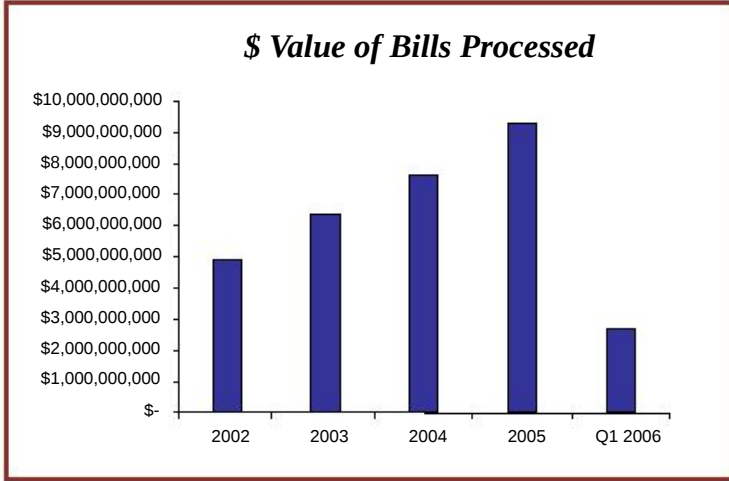
*Avista Advantage's revenues increased by 35% for 2005, as compared to 2004.*



*Revenue*



# Avista Advantage



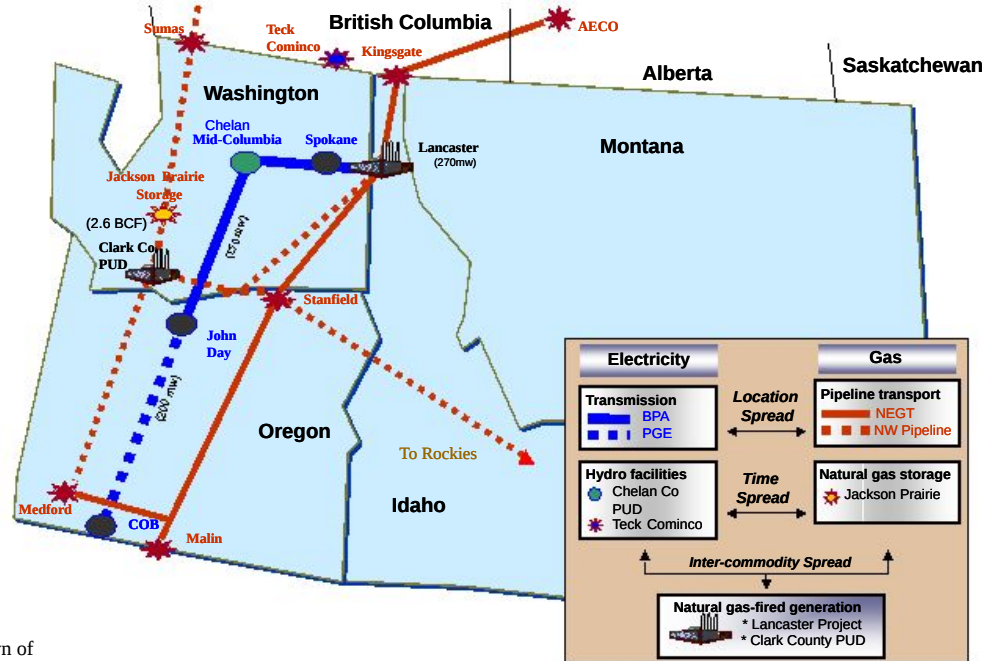
*The number of billed sites increased by approximately 33,000, or 25% in 2005.*

# *Avista Energy*

# Avista Energy

## Energy Marketing and Resource Management

- Long-term contract rights to physical assets in the West
  - Generation, transmission, pipelines and storage



<i>Earnings per Diluted Share</i>	
2002	\$0.47
2003	\$0.43*
2004	\$0.20*
2005	\$(0.18)
Q1 2006	\$0.10

\* Includes Avista Power asset impairment write-down of \$(0.06) per share in 2003 and \$(0.07) in 2004.



# *Avista Energy*

## *Key Contractual Assets and Strategic Agreements*

### *Power Generation and Transmission*

- Lancaster 270 MW CCCT power project
- 250 MW of NW point-to-point transmission (BPA)
- 200 MW of firm AC intertie transmission capacity
- Chelan PUD: real-time management of 2000 MW hydro system
- Teck-Cominco: 450 MW hydro optimization
- Clark PUD: 280 MW CCCT optimization
- Barrick Goldstrike Mines: 115 MW thermal optimization
- Columbia Power Corporation: 70 MW hydro optimization in 2007

### *Natural Gas*

- Jackson Prairie Natural Gas Storage  
(2.7 million MMBtu's working capacity; 100,000 MMBtu's per day)
- Nova/ANG/GTN: long-term natural gas transport
- 250 plus end-user customers and growing
- Clark County PUD: fuel manager (48,000 m/day)
- City of Ellensburg: utility operations (storage, transportation, commodity, scheduling)

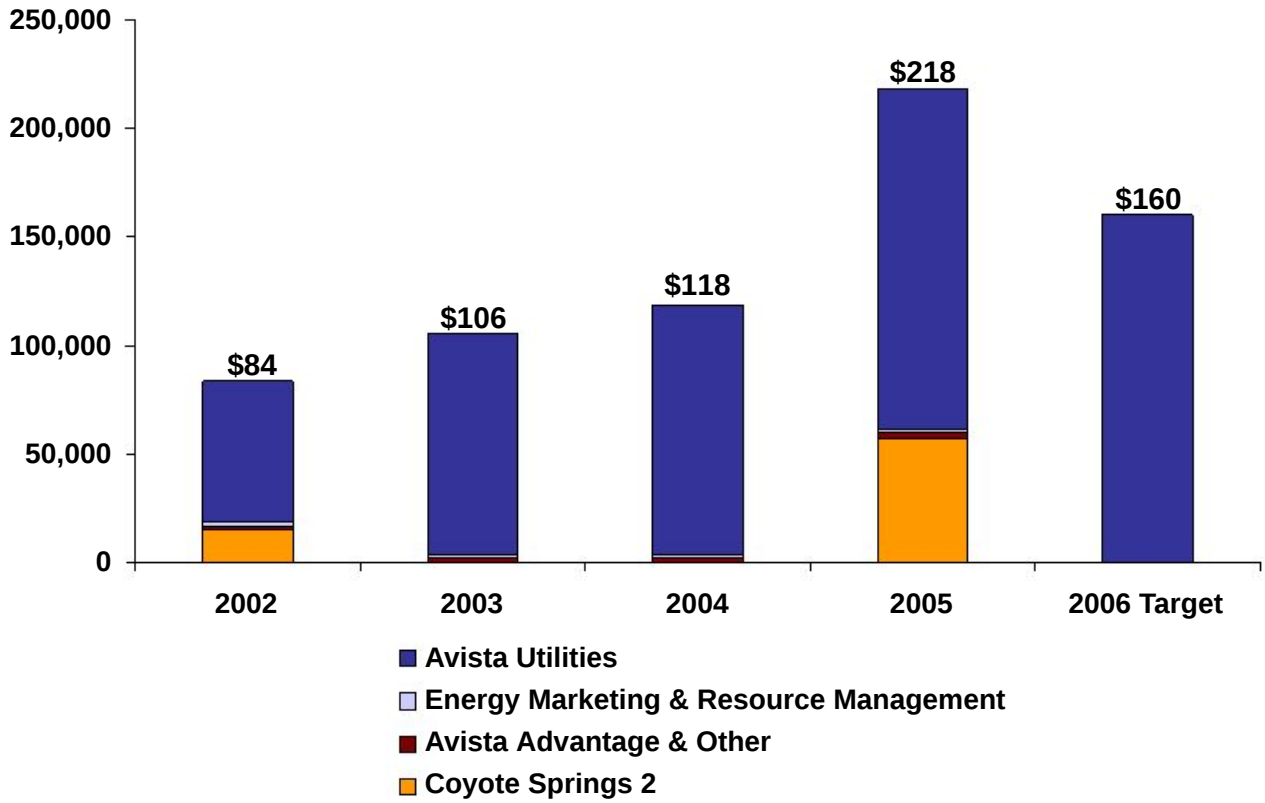
# *Financial*

## *Cash Flow – First Quarter 2006*

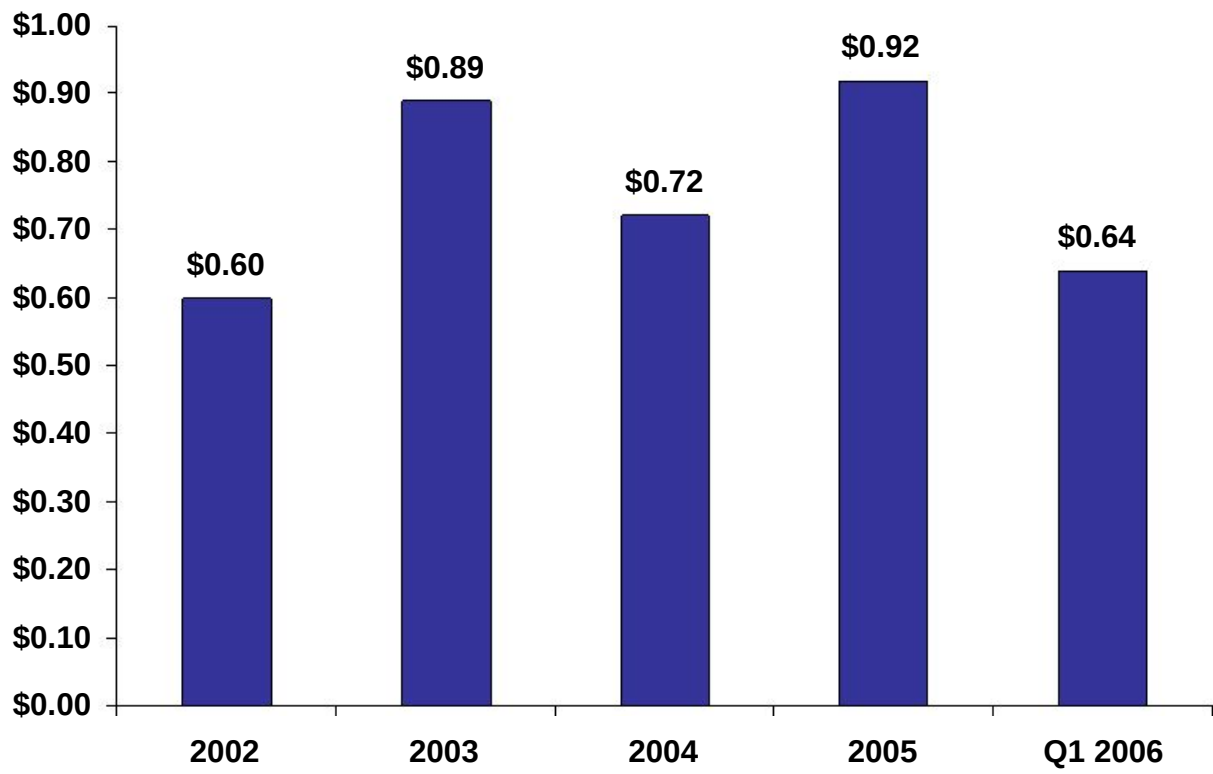
(\$ thousands)

	Three Months Ended March 31,	
	2006	2005
Net Income	\$31,572	\$10,189
Cash Flow from Operations	107,088	67,948
Net Investing Activities	(16,377)	(69,911)
Free Cash Flow	90,711	(1,963)
Dividends on Common Stock	(6,803)	(6,544)
Debt Increase (Decrease), Net	(40,425)	(20,459)
Other	1,690	(126)
Increase (Decrease) in Cash	45,173	(29,092)
Beginning Cash	25,917	88,317
<b>Ending Cash</b>	<b>\$71,090</b>	<b>\$59,225</b>

## Capital Expenditures (\$ millions)



## *Consolidated Earnings*



## 2006 Earnings Guidance

	<u>2006</u>
Consolidated	\$1.30-\$1.45
Avista Utilities	\$1.00-\$1.15
Energy Marketing & Resource Management	\$0.20-\$0.30
Avista Advantage	\$0.10-\$0.12
Other	\$(0.05)

*This presentation contains forward-looking statements, including statements regarding the company's current expectations for future financial performance and cash flows, capital expenditures, the company's current plans or objectives for future operations, future hydroelectric generation projections, projected energy deficits in future periods and other factors, which may affect the company in the future. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control and many of which could have significant impact on the company's operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from the those anticipated in such statements.*

*The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: weather conditions, including the effect of precipitation and temperatures on the availability of hydroelectric resources and the effect of temperatures on customer demand; changes in wholesale energy prices that can affect, among other things, cash requirements to purchase electricity and natural gas for retail customers, as well as the market value of derivative assets and liabilities and unrealized gains and losses; volatility and illiquidity in wholesale energy markets, including the availability and prices of purchased energy and demand for energy sales; the effect of state and federal regulatory decisions affecting the ability of the Company to recover its costs and/or earn a reasonable return; the outcome of pending regulatory and legal proceedings arising out of the "western energy crisis" of 2001 and 2002, and including possible retroactive price caps and resulting refunds; changes in the utility regulatory environment in the individual states and provinces in which the Company operates as well as the United States and Canada in general; the outcome of legal proceedings and other contingencies concerning the Company or affecting directly or indirectly its operations; the potential effects of any legislation or administrative rulemaking passed into law, including the Energy Policy Act of 2005 which was passed into law in August 2005; the effect from the potential formation of a Regional Transmission Organization; wholesale and retail competition; changes in global energy markets; the ability to relicense the Spokane River Project at a cost-effective level with reasonable terms and conditions; unplanned outages at any Company-owned generating facilities; unanticipated delays or changes in construction costs with respect to present or prospective facilities; natural disasters that can disrupt energy delivery as well as the availability and costs of materials and supplies and support services; blackouts or large disruptions of transmission systems; the potential for future terrorist attacks, particularly with respect to utility plant assets; changes in the long-term climate of the Pacific Northwest; changes in future economic conditions in the Company's service territory and the United States in general; changes in industrial, commercial and residential growth and demographic patterns in the Company's service territory; the loss of significant customers and/or suppliers; failure to deliver on the part of any parties from which the Company purchases and/or sells capacity or energy; changes in the creditworthiness of customers and energy trading counterparties; the Company's ability to obtain financing through the issuance of debt and/or equity securities; the effect of any potential change in the Company's credit ratings; changes in actuarial assumptions, the interest rate environment and the actual return on plan assets with respect to the Company's pension plan; increasing health care costs and the resulting effect on health insurance premiums paid for employees and on the obligation to provide postretirement health care benefits; increasing costs of insurance, changes in coverage terms and the ability to obtain insurance; employee issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, as well as the ability to recruit and retain employees; changes in rapidly advancing technologies, possibly making some of the current technology quickly obsolete; changes in tax rates and/or policies; and changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs.*

*For a further discussion of these factors and other important factors, please refer to the company's Annual Report on Form 10-K for the year ended Dec. 31, 2005. The forward-looking statements contained in this presentation speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made 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 the company'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.*

