

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): December 9, 2002

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington

1-3701

91-0462470

(State or other jurisdiction of
incorporation or organization)

(Commission
File Number)

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

1411 East Mission Avenue, Spokane, Washington

99202-2600

(Address of principal executive offices)

(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)

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Item 5. Other Information

On December 9, 2002, the Federal Energy Regulatory Commission (FERC or Commission) staff, Avista Corporation (Avista Corp. or the Company) and Avista Energy, Inc. (Avista Energy) filed a joint motion that announces that Avista Corp. and the FERC staff have reached an agreement in principle. The joint motion provides that:

- FERC Trial Staff's investigation found no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy;
- FERC Trial Staff's investigation found no evidence that Avista Utilities or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001.
- The responses of Avista Utilities and Avista Energy to the FERC Trial Staff investigation indicated an overall cooperative attitude and response. FERC Trial Staff did not find that Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the western energy markets for 2000 and 2001.

The FERC staff, Avista Corp. and Avista Energy have jointly filed the motion with the FERC's administrative law judge in this case. If approved, the motion will suspend the procedural schedule in the current FERC investigation regarding Avista Corp. and Avista Energy, pending the filing of a formal agreement in resolution of the proceeding. The final agreement for resolution will also be filed with the administrative law judge and, after a comment period, the administrative law judge will be requested to certify the agreement and forward it to the FERC for acceptance.

Avista Corp.'s press release disclosing this agreement in principle is filed as exhibit 99(a) hereto. The Joint Motion of Commission Staff, Avista Corp. and Avista Energy is filed as exhibit 99(b) hereto.

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

Item 7. Exhibits

99(a) Press release dated December 9, 2002

99(b) Joint Motion of Commission Staff, Avista Corporation and Avista Energy, Inc. for Suspension of the Procedural Schedule and Request for Shortened Response Period.

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: December 11, 2002

/s/ Malyn K. Malquist

Malyn K. Malquist
Senior Vice President and
Chief Financial Officer
(Principal Accounting and
Financial Officer)

EXHIBIT 99(A)

NEWS RELEASE

CONTACT: Media: Hugh Imhof (509) 495-4264 hugh.imhof@avistacorp.com
Investors: Angie Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:
December 9, 2002
5:00 p.m.. EST

FERC STAFF AND AVISTA REACH AGREEMENT IN PRINCIPLE
RECOMMEND EARLY RESOLUTION OF CASE

SPOKANE, WASH.: After months of intensive investigation into past energy trading activity, Federal Energy Regulatory Commission staff and Avista Corp. (NYSE:AVA) have today filed a joint motion which announces that the company and staff have reached an agreement in principle. The joint motion provides that:

- FERC Trial Staff's investigation found no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy;
- FERC Trial Staff's investigation found no evidence that Avista Utilities or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001.
- The responses of Avista Utilities and Avista Energy to the FERC Trial Staff investigation indicated an overall cooperative attitude and response. FERC Trial Staff did not find that Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the western energy markets for 2000 and 2001.

FERC staff and Avista have jointly filed the motion with Chief Administrative Law Judge Curtis Wagner. If approved, the motion will suspend the procedural schedule in the current FERC investigation regarding Avista, pending the filing of a formal agreement in resolution of the Section 206 proceeding. The final agreement for resolution will also be filed with Judge Wagner and, after a comment period, he will be requested to certify the agreement and forward it to FERC for acceptance.

A copy of the joint motion as filed is attached to this news release.

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The joint motion describes recommendations of staff regarding record keeping and training. Avista has agreed to continue recording energy trader conversations; develop further documentation for resolution of accounting disputes with counterparties; and maintain a training program on the applicable FERC code of conduct.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com

Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation. All other trademarks mentioned in this document are the property of their respective owners.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2001 and Form 10-Q for the quarters ended March 31, June 30, and Sept. 30, 2002.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

AVISTA CORPORATION) DOCKET NO. EL02-115-000
AVISTA ENERGY, INC.)
ENRON POWER MARKETING, INC.)
PORTLAND GENERAL ELECTRIC COMPANY)

JOINT MOTION OF COMMISSION STAFF, AVISTA CORPORATION
AND AVISTA ENERGY, INC. FOR SUSPENSION OF THE PROCEDURAL
SCHEDULE AND REQUEST FOR SHORTENED RESPONSE PERIOD

TO: THE HONORABLE CURTIS L. WAGNER, JR.
CHIEF ADMINISTRATIVE LAW JUDGE

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission" or "FERC"), 18 C.F.R. Section 385.212, Commission Staff, Avista Corporation (dba "Avista Utilities") and Avista Energy, Inc. submit this Motion for Suspension of the Procedural Schedule in this docket and request a shortened time period to answer this motion.

Pursuant to the current procedural schedule, Commission Staff is slated to file direct testimony on December 20, 2002. However, Staff, Avista Utilities and Avista Energy have achieved an agreement in principle to resolve this proceeding and a conference among all parties was held on December 5, 2002, to discuss that agreement. A follow-up conference was held on Monday December 9, 2002. Commission Staff, Avista Utilities, and Avista Energy intend to execute an "Agreement In Resolution Of Section 206 Proceeding" (Agreement), and anticipate filing the documents required by Commission Rule 602, 18 C.F.R. Section 385.602 no later than January 30, 2003. At the December 5, conference, parties were advised that

Movants would be filing the instant motion and the motion was further discussed at the December 9, 2002 conference. No party objects to the request to shorten the time to respond to this motion to December 13, 2002.

The Agreement will describe the extensive investigation conducted by Commission Trial Staff. Based on that investigation, the Agreement, once executed, will state, inter alia, the following:

- FERC Trial Staff's investigation found no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy;
- FERC Trial Staff's investigation found no evidence that Avista Utilities or Avista Energy engaged in any efforts to manipulate the Western energy markets during 2000 and 2001.
- The responses of Avista Utilities and Avista Energy to the FERC Trial Staff investigation indicated an overall cooperative attitude and response. FERC Trial Staff did not find that Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the Western energy markets for 2000 and 2001 in Docket No. PA02-2-000.
- Avista Utilities and Avista Energy have agreed to provide affidavits of company officials attesting to the accuracy of the companies' responses in this Docket and in Docket No. PA02-2-000 and that to the best of their knowledge all responsive information has been produced.

The Staff investigation resulted in certain Staff recommendations regarding record keeping and training. Staff and the Avista respondents have agreed that Avista Energy and Avista Utilities will inter alia: continue to tape record energy trader conversations; develop further documentation for resolution of accounting disputes with counterparties; and maintain a training program on the applicable FERC Code of Conduct.

Movants, Enron Power Marketing, Inc. and Portland General Electric Company, agree that issues related to the actions of Enron Power Marketing, Inc. and Portland General Electric Company, in the relevant trades with Avista Utilities, are currently being fully adjudicated in Docket No. EL02-114. To the extent necessary, Movants request that this motion be considered a motion under Rule 503, 18 C.F.R. Section 385.503, that, to the extent there are issues set for hearing in this Docket related to respondents Enron Power Marketing, Inc. and Portland General Electric Company, they be severed from this Docket and recognized as being fully adjudicated in Docket No. EL02-114-000.¹ Movants are authorized to state that Enron and Portland General Electric support this request with the understanding, shared by Movants, that it will cause no delay or other change in the procedural schedule in Docket No. EL02-114-000. Should any other party take a contrary position Portland General Electric Company desires to reserve the right to oppose the severance aspect of this joint motion. In addition Movants are authorized to state that the California Independent System Operator Corporation, the City of Seattle and the Industrial Customers of Northwest Utilities do not oppose this motion.

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¹ See Commission Staff's Statement of Asserted Violations filed November 14, 2002 in Docket No. EL02-114-000.

WHEREFORE, for the reasons set forth above, Staff, Avista Utilities and Avista Energy respectfully request that the Chief Administrative Law Judge shorten the time to respond to this motion to December 13, 2002, and grant this Motion seeking suspension of the procedural schedule.

Respectfully submitted,

Office of Administrative Litigation
Federal Energy
Regulatory Commission

Avista Corporation
Avista Utilities
Avista Energy, Inc.

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Dated: December 9, 2002

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Federal Energy Regulatory Commission's Rules of Practice and Procedure, 18 C.F.R. Section 385.2010.

Dated at Washington, D.C. this 9th day of December, 2002.

Gary D. Bachman
Van Ness Feldman, P.C.
1050 Thomas Jefferson Street, N.W.
Washington, DC 20007-3877