

Pricing Supplement  
Dated December 26, 2000  
(To Prospectus dated August 17, 1999  
as supplemented by Prospectus  
Supplement dated August 19, 1999 and  
Pricing Supplement dated December 13, 2000)

Filing under Rule 424(b)(3)  
Registration No. 333-82165

AVISTA CORPORATION  
MEDIUM-TERM NOTES, SERIES D  
FIXED RATE NOTES

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Avista Corporation is offering hereby \$4,000,000 principal amount of its Medium-Term Notes, Series D - Fixed Rate Notes (the "Notes") as an addition to, and under identical terms with, \$45,000,000 principal amount of its Notes issued on December 18, 2000, pursuant to the Prospectus dated August 17, 1999 as supplemented by the Prospectus Supplement dated August 19, 1999 and the Pricing Supplement dated December 13, 2000, for an aggregate principal amount of \$49,000,000 of Notes.

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Principal Amount: \$4,000,000  
Original Interest Accrual Date: December 18, 2000  
Stated Maturity: December 20, 2001  
Interest Rate: 8.00% per annum\*  
Interest Payment Dates: Each March 1 and  
September 1, commencing March 1, 2001  
Regular Record Dates: February 15 and August 15

Price to Public: 100%  
Agent's Commission: \$6,000  
Proceeds to Company: \$3,994,000(1)  
Redeemable at Company's Option: Yes    No    X  
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OID: Yes    No    X  
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CUSIP No.: 05379FAB4

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(1) Plus accrued interest from December 18, 2000.

Use of Proceeds: To reduce short term debt.

Other Provisions: \*The interest rate payable on the Notes will be subject to permanent adjustment to (i) 8.25% per annum in the event that one of Moody's Investors Service, Inc. and Standard & Poor's Rating Services changes its rating on the Medium-Term Notes, Series D program to be below investment grade, and (ii) 8.50% per annum if the other rating agency subsequently changes its rating on the Medium-Term Notes, Series D program to be below investment grade, as described in Attachment 1 to this Pricing Supplement.

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

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MORGAN STANLEY DEAN WITTER

MERRILL LYNCH & CO.

SALOMON SMITH BARNEY

THIS PRICING SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS SUPPLEMENT AND PROSPECTUS INCORPORATE BY REFERENCE IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT AVISTA CORP. THAT IS NOT INCLUDED IN OR DELIVERED WITH THE PROSPECTUS. THIS INFORMATION IS AVAILABLE TO YOU AS SET FORTH IN THE ACCOMPANYING PROSPECTUS.

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## INTEREST RATE ADJUSTMENT

The interest rate on the Notes will be subject to adjustment in the event that Moody's Investors Service, Inc. ("Moody's") and/or Standard & Poor's Rating Services ("S&P") change their ratings on the Medium-Term Notes, Series D program to be below investment grade (below Baa3 for Moody's or below BBB- for S&P). Avista Corp.'s current Medium-Term Notes, Series D program rating is Baa2 by Moody's, and BBB by S&P.

If only one of Moody's and S&P announces such a negative rating change, the initial interest rate on the Notes will be permanently increased by 25 basis points, to 8.25% per annum, commencing with the first Interest Payment Date following such announcement. If the other rating agency subsequently also announces such a negative rating change, the interest rate on the Notes will be permanently increased by an additional 25 basis points, to 8.50% per annum, commencing with the first Interest Payment Date following the date the second downgrade is announced.