

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): September 19, 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))
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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 September 20 and 21, 2006, management of Avista Corporation (Avista Corp. or the Company) will be participating in meetings with investors and will provide a business update presentation. 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 September 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)

/s/ Marian M. Durkin

Marian M. Durkin
Senior Vice President, General Counsel
and Chief Compliance Officer

Date: September 19, 2006

Business Update

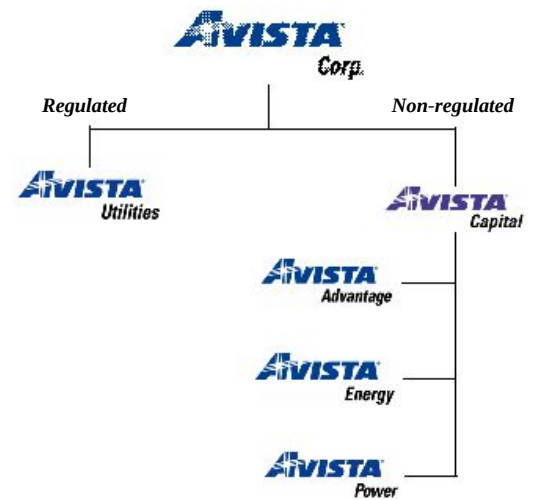
September 2006

NYSE: AVA

www.avistacorp.com

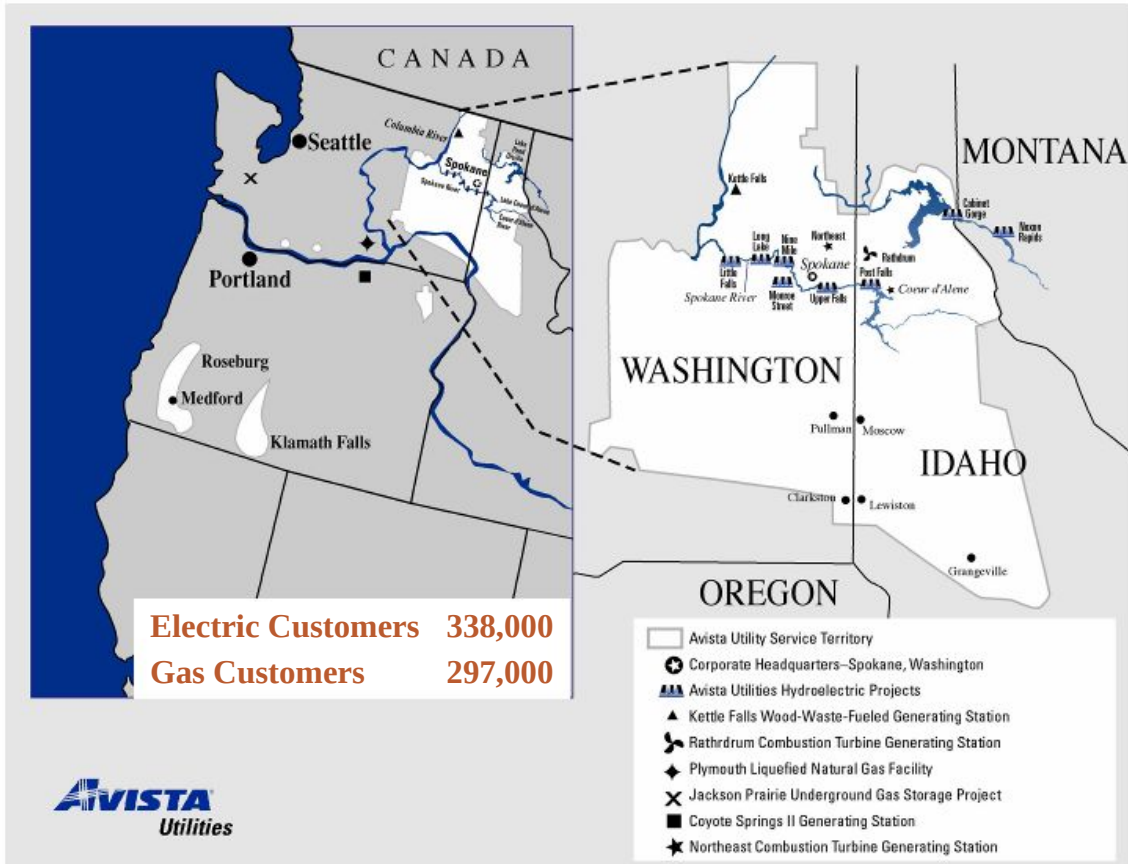
Corporate Summary

- 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

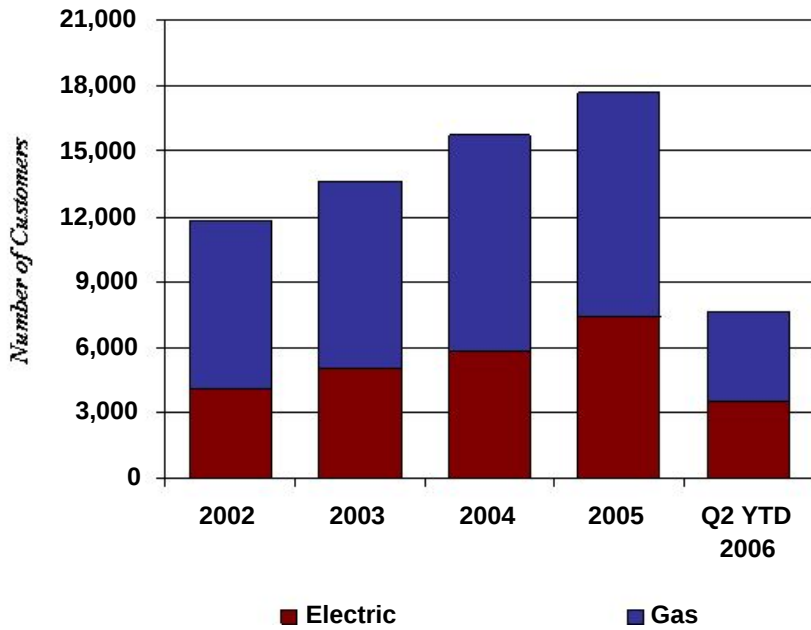
Avista Service Territory



Customer Growth

Forecasted growth for the next four years:

- 2+% for electric customers
- 3+% for natural gas customers

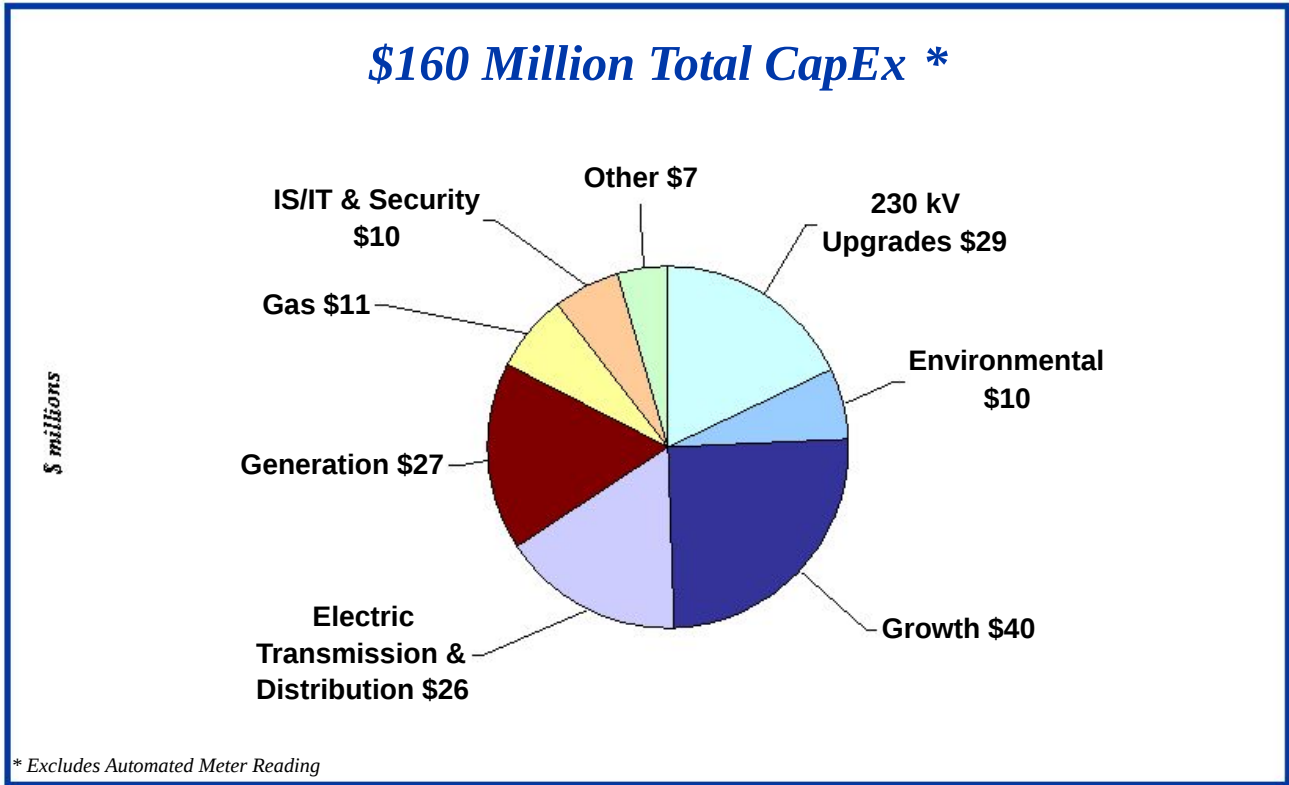


Q2 YTD 2006 Results

- 3,547 new electric customers
- 4,080 new natural gas customers
- Extended service to:
 - 1,683 electric development lots
 - 3,719 gas development lots

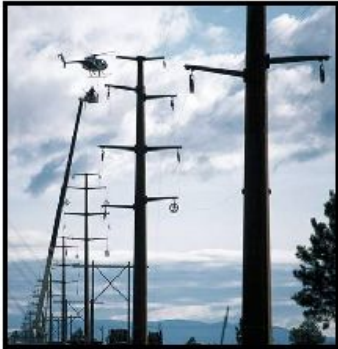
2006 Utility Capital Expenditures

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



Transmission System Upgrades

Total project cost is approximately \$120 million through 2007



230 kV Construction Schedule and Cost Trend

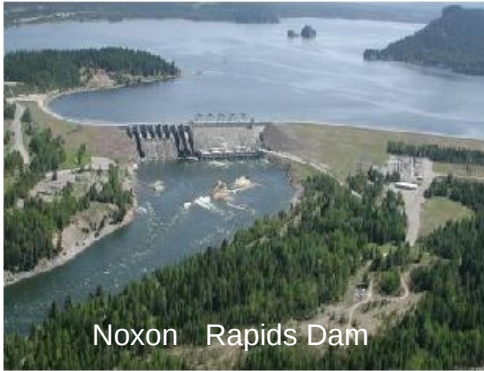


(\$ thousands)	2003	2004	2005	2006	2007
Beacon-Rathdrum Line	█				
Dry Creek Sub & 230 Lines	█				
Boulder Sub & 230 Lines		█			█
Fiber Optic and C. Fork RAS	█				█
Benewah Substation			█	█	
Palouse 230 Line				█	█
Lolo Substation		█		█	
Beacon-Bell 230 Lines			█	█	
230 kV Upgrade Total CapX	\$21,041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

Noxon Rapids/Cabinet Gorge Turbine Upgrades ***Avista's two largest hydro projects***

Noxon Rapids

- 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
- Capacity increase of 38 MW, bringing total capacity to 570 MW



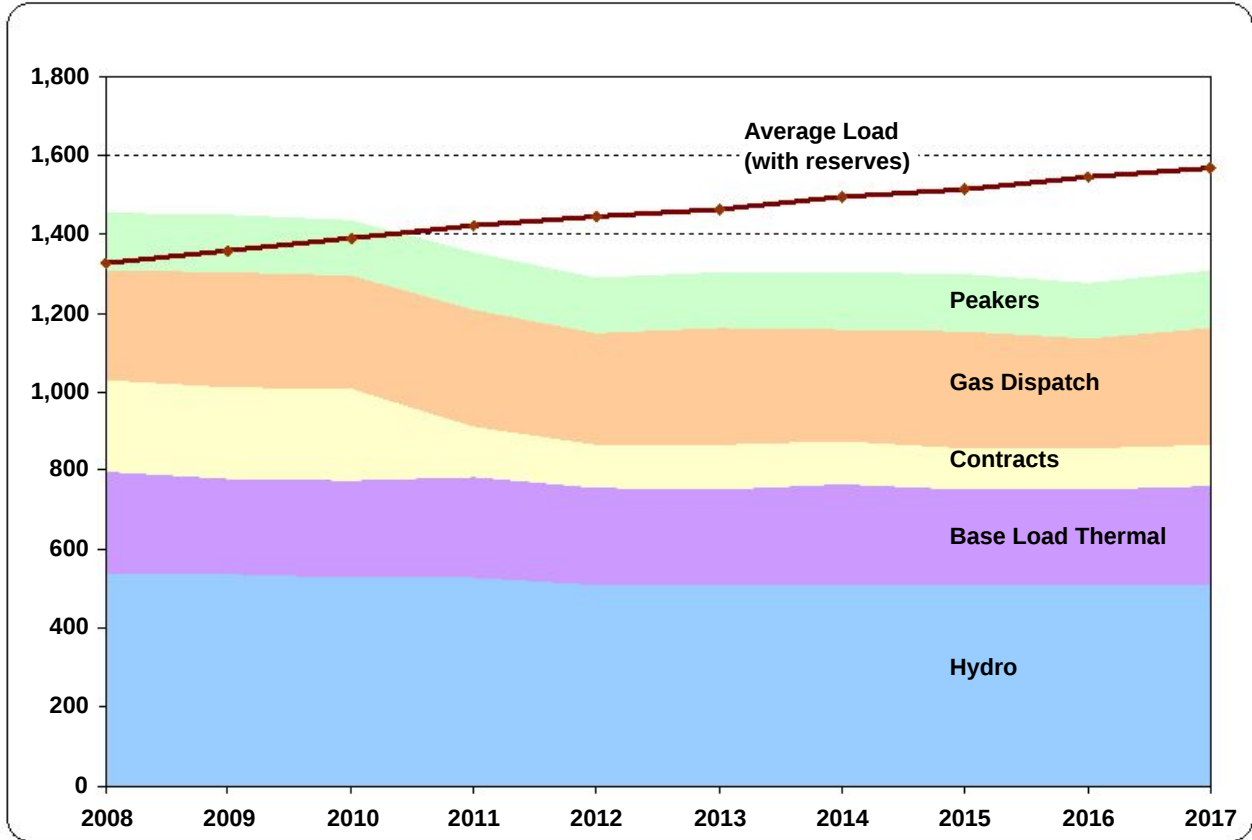
Cabinet Gorge

- Unit #4 turbine upgrade
- Scheduled September 2006-March 2007
- Project cost \$6 million
- Capacity increase of 10 MW, bringing total capacity to 271 MW



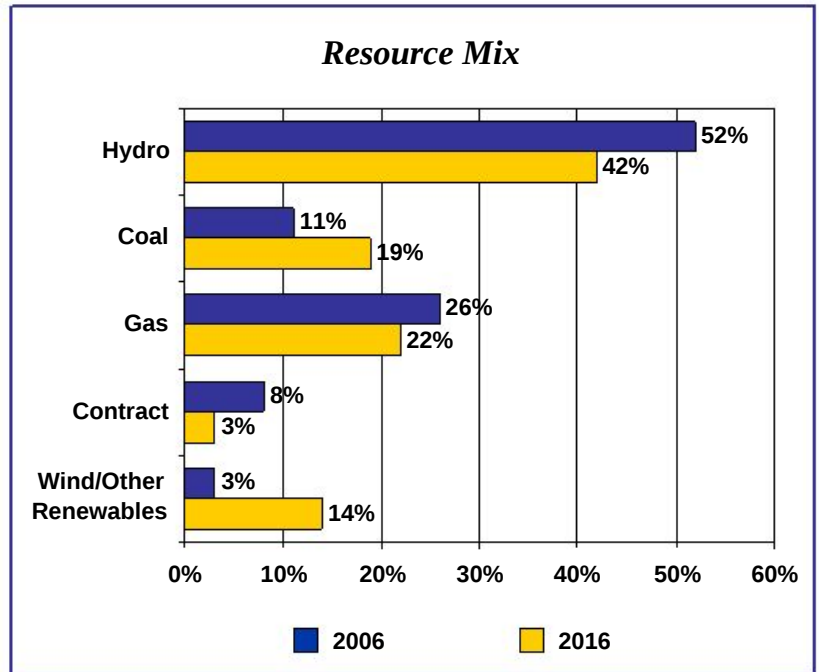
Annual Average Loads and Resources 2008-2016

(in aMW)



Integrated Resource Plan (IRP)

- Over half of future energy needs are met with renewables, plant upgrades and conservation
- A Request for Proposal for up to 35 average MW of renewable energy was issued to the public on January 4, 2006
- Energy and Capacity deficits begin in 2010 and 2009, respectively. Over a period of ten years, 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
 - 250 MW of Coal-based Generation



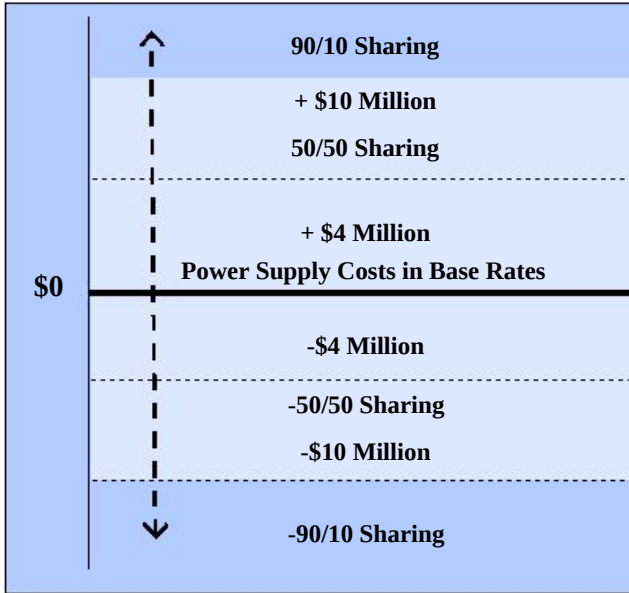
Avista Utilities *Regulatory Update*

Rate Base				
Washington		Idaho		Oregon
Electric	Gas	Electric	Gas	Gas
\$845 million	\$141 million	\$466 million	\$66 million	\$73 million

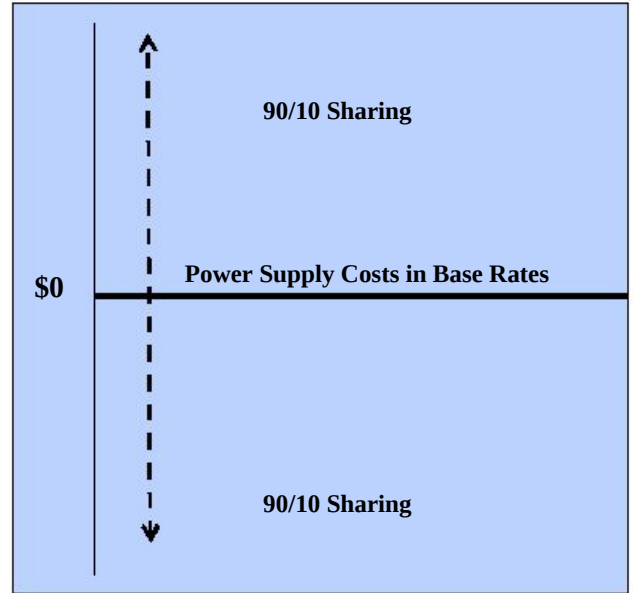
	Authorized		
	Rate of Return	Return on Equity	Common Equity Level
Jurisdiction and service			
Washington Electric and Natural Gas (implemented in January 2006)	9.11%	10.40%	40%
Idaho Electric and Natural Gas (implemented in September 2004)	9.25%	10.40%	43%
Oregon Natural Gas (implemented in October 2003)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

Electric Power Cost Mechanisms

Washington ERM

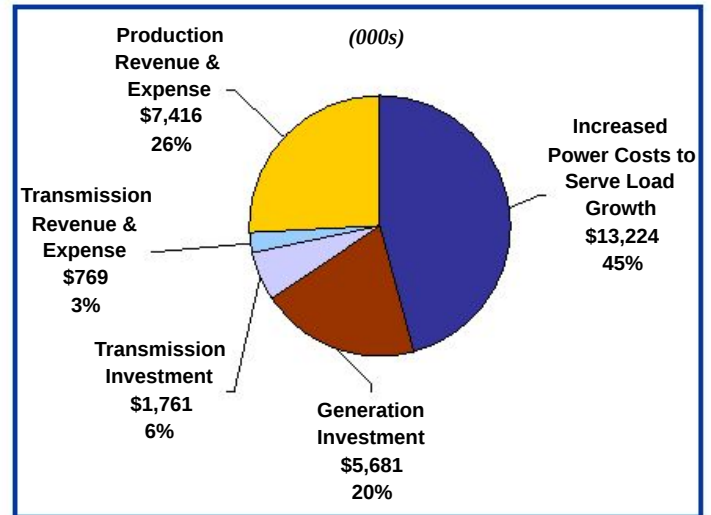


Idaho PCA



Washington Production and Transmission Update

- Filed August 31, 2006
- Increase of 8.8% or \$28.9 million in revenue
- Rates effective on or before February 1, 2007
- Increase driven by:
 - Additional investments in Avista’s hydroelectric and thermal generating plants
 - Upgrades to 230 kV transmission system
 - Higher operating costs for purchasing and generating electricity
- Request includes pro-forma period loads for the 2007 calendar year
- Proposing to pass on to customers the reduction in average cost of debt
- Not proposing changes to the capital structure, the cost of equity or O&M and A&G expenses



Purchased Gas Adjustment Filings

	<i>Washington</i>	<i>Idaho</i>	<i>Oregon</i>
Filing Date	Aug. 31, 2006	Sept. 14, 2006	Aug. 31, 2006
Amount	\$16.7 m	\$2.7 m	\$11.0 m
% Increase	8.1%	3.2%	8.8%
Proposed Effective Date	Nov. 1, 2006	Nov. 1, 2006	Nov. 1, 2006

Advantage IQ

Advantage IQ

- Bill payment processing and related services for large, multi-site customers
- Started in 1996
- Today we manage \$10.0 billion annually in customer payments
- Pay over 500,000 bills per month supporting 180,000 sites in the United States and Canada
- \$75 million in client savings in the past two years from bill errors
- Management services include electricity, natural gas, water, sewer, waste and telecom expenses

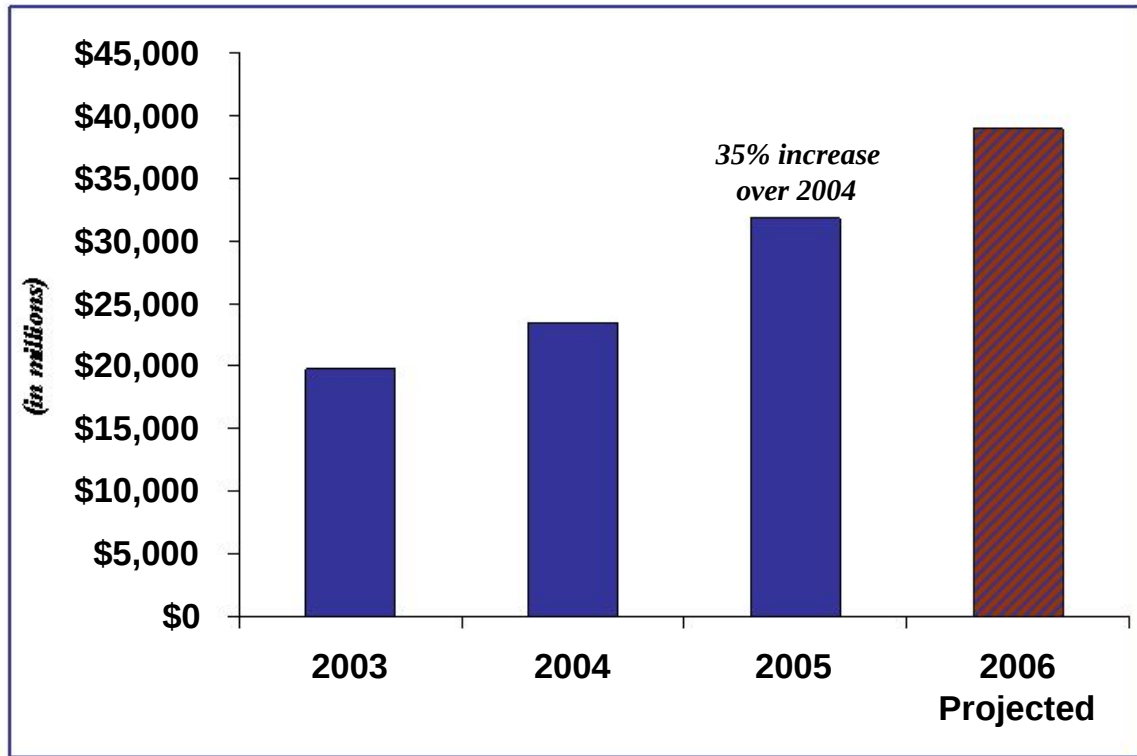


Advantage IQ serves more than 350 customers in the following industry categories

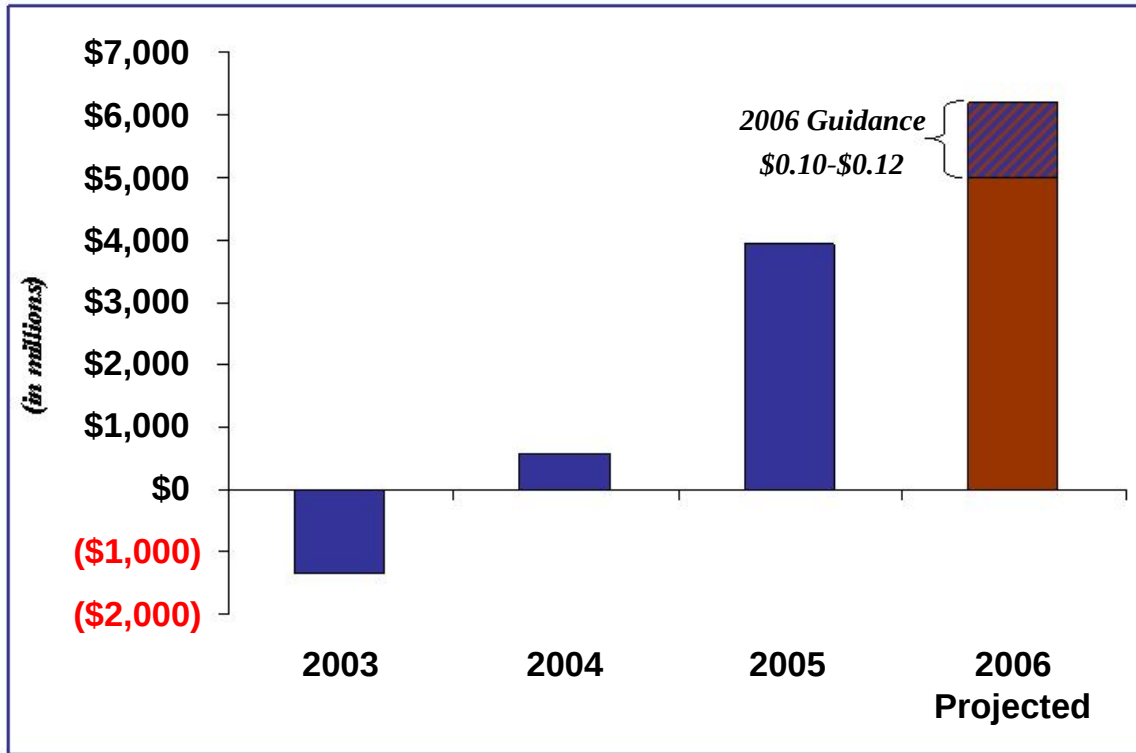
- ▶ Airlines
- ▶ Banking/Finance
- ▶ Big Box Retail
- ▶ Casual Dining
- ▶ Communications
- ▶ Convenience Stores
- ▶ Entertainment
- ▶ Education
- ▶ Fast Food
- ▶ Government
- ▶ Grocery
- ▶ Medium Box Retail
- ▶ Industrial
- ▶ Small Box Retail
- ▶ Hospitality
- ▶ Commercial



Revenue Growth



Net Income



Advantage IQ Growth Opportunities

- **Existing Customers**
 - We grow as our customers grow
 - Expanded services
- **New Customers**
- **New Services**
 - Advanced analysis, budgeting, consulting
 - Supply Management
- **International**
- **Acquisition/Merger/Monetization**

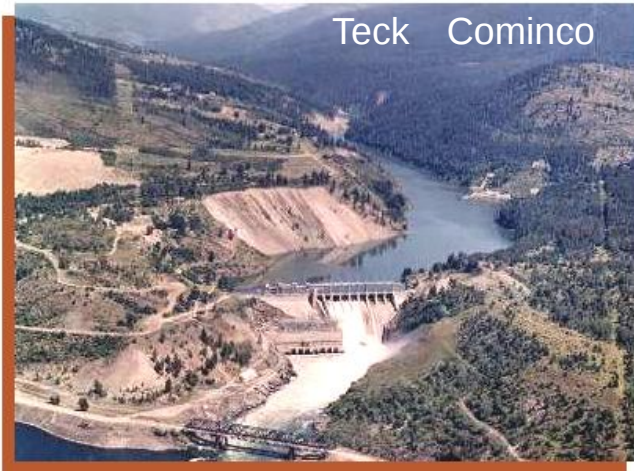
Avista Energy

Avista Energy

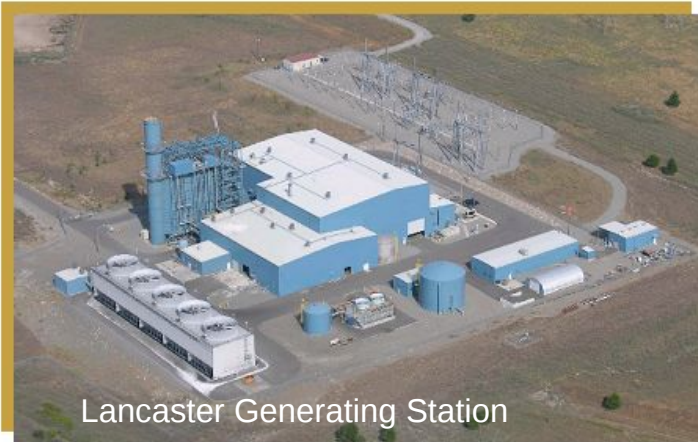
Energy Marketing and Resource Management



*Adding customer value through our
experience and knowledge of the
integrated gas and electric systems.*



Avista Energy Overview



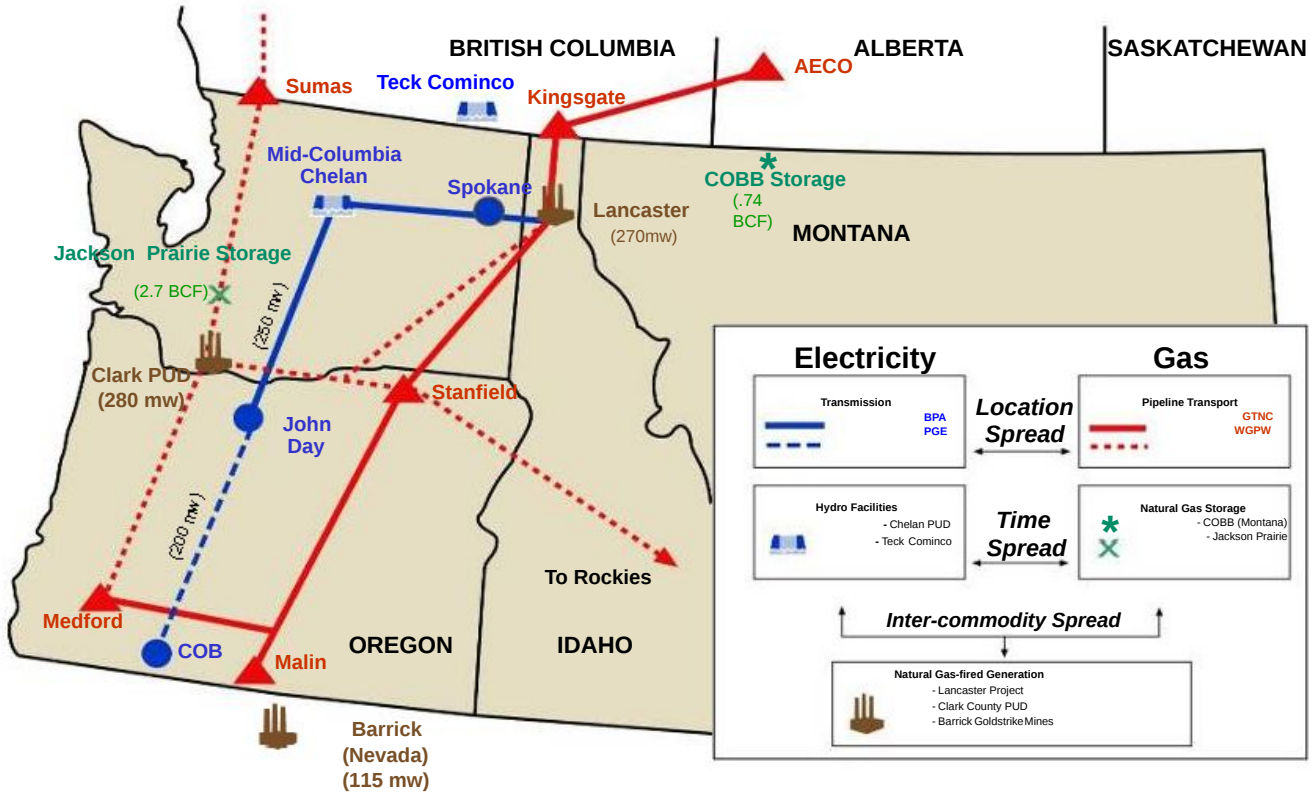
- **51 employees headquartered in Spokane, Washington**
 - Deep operating experience within the region
- **Four employees in Vancouver, BC office**
 - Natural gas end-use marketing with over 250 customers
- **Two employees in Montana**
 - Natural gas end-use marketing with over 12 customers
- **Strong record of financial performance**
 - Annual Average Return on Equity approximately 15% (1997 to 2005)
 - Net income of \$277 million since 2000
 - Total dividends to Avista Capital of \$176 million

Avista Energy Business Model

How the business operates ...

- **Marketing** energy to wholesale and large end-use customers
- Moving energy between **locations**, by transporting to higher price markets
- Moving energy between **time periods**, by storing it in the interim
- Capturing price differences **between commodities**, by converting gas into power
- **Speculating** on future price movements

Firm Electric and Natural Gas Resources



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

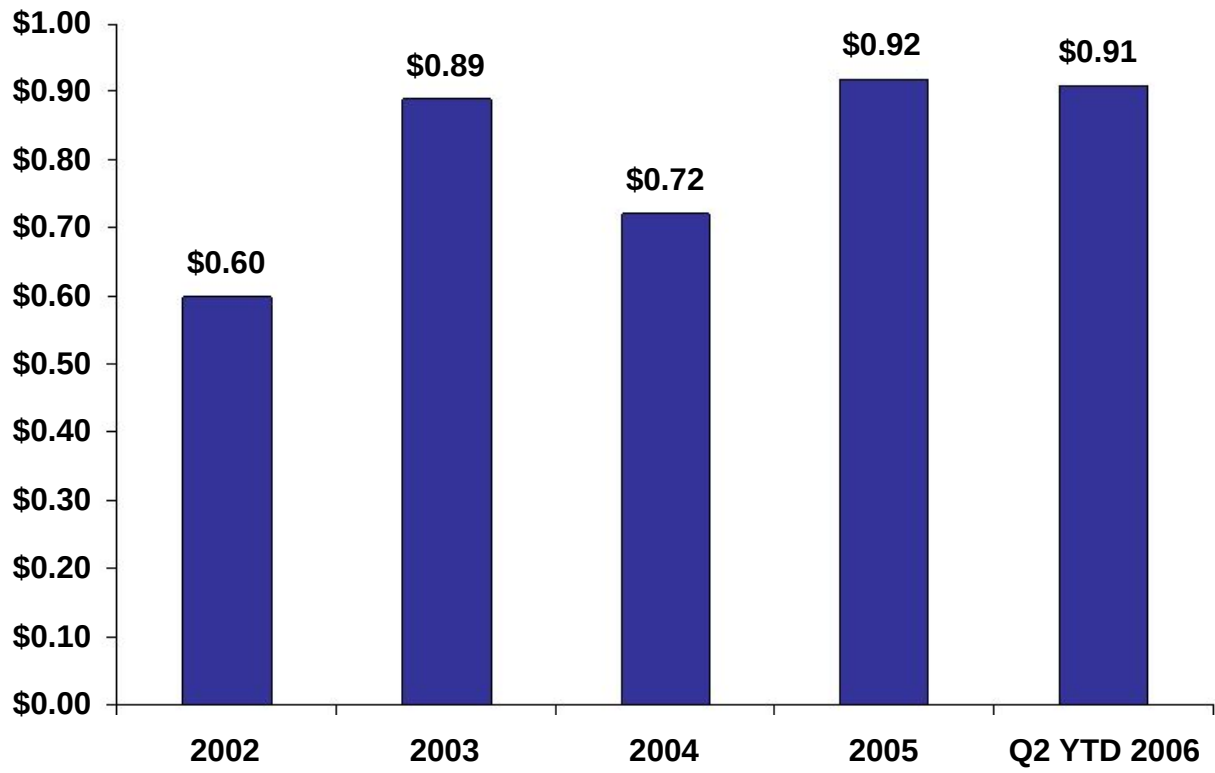
- Jackson Prairie Natural Gas Storage
(2.7 million MMBtu's working capacity; 100,000 MMBtu's per day)
- Nova/ANG/GTN: long-term natural gas transport
- 250 plus end-user customers and growing
- Clark County PUD: fuel manager (48,000 m/day)
- City of Ellensburg: utility operations (storage, transportation,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

Avista Energy Growth Opportunities

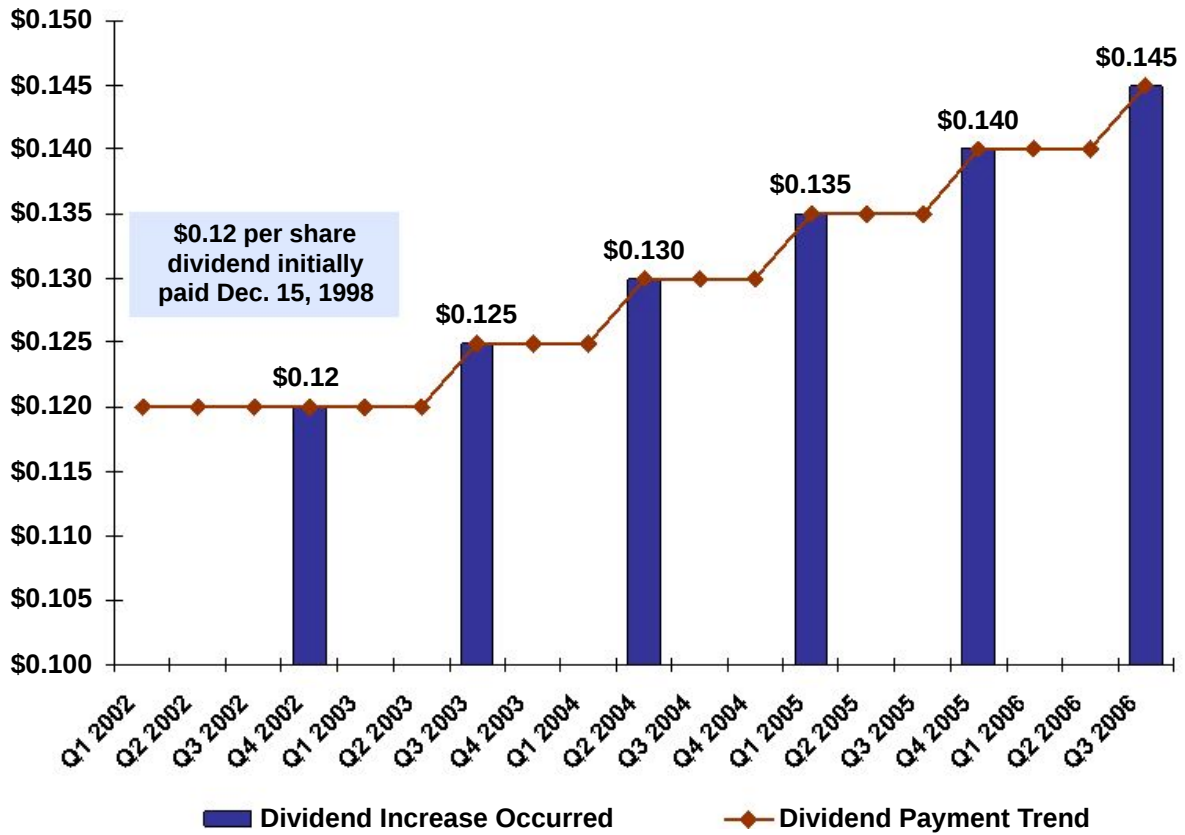
- **Improve recent ROE performance**
- **Grow asset base that we manage for other firms**
- **Grow end-use gas customer business**
- **Consider strategic alternatives**

Financial

Consolidated Earnings



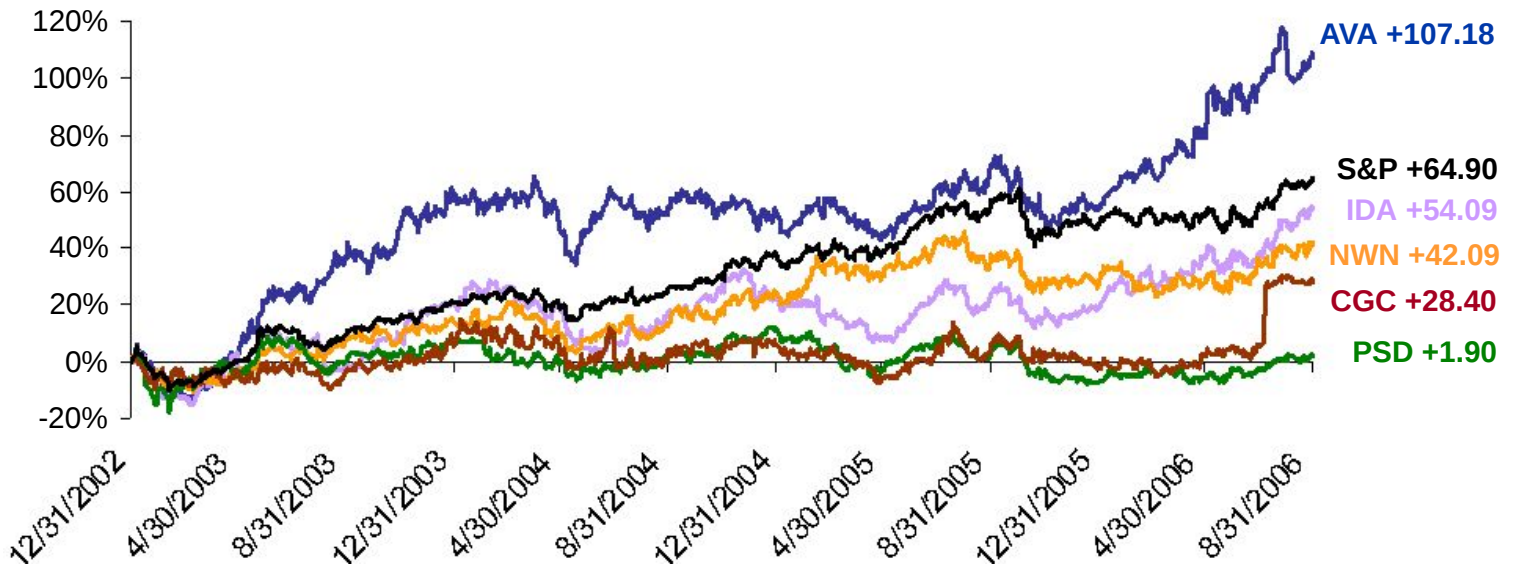
AVA Dividend Payment History



Percent Change in Stock Price

Compared to Northwest Utilities and the S&P MidCap Utilities

December 31, 2002 through September 1, 2006



2006 Earnings Guidance

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 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. 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.

