

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): October 13, 2004

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))

Section 8 – Other Events

Item 8.01 Other Events.

On October 13, 2004, Avista Corporation (Avista Corp. or the Company) and an indirect subsidiary of Mirant Corporation, Mirant Oregon, LLC (Mirant Oregon), entered into an Asset Purchase and Sale Agreement (the Agreement). A copy of Avista Corp.'s press release with respect to the Agreement is filed as exhibit 99(a). The Agreement provides for Avista Corp.'s acquisition of Mirant Oregon's 50 percent ownership interest in the 280 megawatt (MW) combined cycle natural gas-fired Coyote Springs 2 Generation Project (Coyote Springs 2) at a price of \$62.5 million (subject to adjustment). Mirant Oregon acquired its 50 percent ownership interest in Coyote Springs 2 from the Company during construction in 2001. Mirant Corporation and certain of its affiliates are currently in bankruptcy. As a result, the Agreement will be subject to higher or otherwise better offers submitted in connection with a competitive auction to be held on or before December 17, 2004. The transaction would need to be approved by the U.S. Bankruptcy Court and the Federal Energy Regulatory Commission and would also need to meet certain other federal and state regulatory requirements.

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 Internet address of Avista Corp. or Avista Utilities shall, under any circumstances, be deemed to incorporate the information available at such Internet addresses into this Current Report. The information available at the Internet address of Avista Corp. or Avista Utilities is not part of this Current Report or any other report furnished or filed by Avista Corp. with the Securities and Exchange Commission.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(a) Exhibits

99 (a) Press release dated October 15, 2004.

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

Date: October 15, 2004

By: /s/ Malyn K. Malquist

Malyn K. Malquist
Senior Vice President, Chief Financial Officer
and Treasurer

CONTACT: Media: Hugh Imhof (509) 495-4264, hugh.imhof@avistacorp.com
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FOR IMMEDIATE RELEASE:
October, 15, 2004
4:30 p.m. EST

AVISTA TO BUY REMAINING INTEREST IN COYOTE SPRINGS 2

TRANSACTION WILL HELP MEET FUTURE ENERGY DEMANDS

SPOKANE, WASH.: Avista Corp. (NYSE: AVA) has entered into an agreement to purchase the remaining half interest in the Coyote Springs 2 generating station from Mirant (OTC PINK SHEETS: MIRKQ). If the sale is completed, Avista will own the entire facility and an additional 140 megawatts of generating capacity to serve its customers' future energy needs.

The proposed purchase price is \$62.5 million, subject to adjustment.

Because Mirant and certain of its affiliates are currently in bankruptcy, the agreement will be subject to a competitive auction. The transaction must be approved by the U.S. Bankruptcy Court and the Federal Energy Regulatory Commission, and must meet a number of other federal and state regulatory requirements. The transaction could be completed by the end of 2004 or early in 2005.

Coyote Springs 2 is located near Boardman, Oregon. The 280-megawatt, natural gas powered, combined cycle combustion turbine began commercial operation in July 2003. Mirant purchased a half interest in the plant from Avista during construction in 2001.

Avista's decision to reacquire full ownership of the plant was driven primarily by the fact that the company's long-term resource plan includes the need for the acquisition of additional gas-fired resources to complement its long-term resource portfolio as well as an attractive purchase price, familiarity and experience with the project, the opportunity for sole ownership and control, and close proximity to Avista's service area.

"This transaction represents an excellent opportunity for our company and our customers as we continue to focus our business strategy on the Northwest," said Gary G. Ely, chairman, president and chief executive officer of Avista Corp. "This generating station will be a valuable and cost-effective resource to meet the growing energy demands in our region."

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Coyote Springs 2 is now fully operational following the replacement of its main transformer. The transformer failed in January and required a shutdown until Sept. 7, when the plant came back on-line. An additional transformer is being built and will be kept as a backup to minimize any future interruptions.

ABOUT AVISTA CORP.

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 service to 325,000 electric and 300,000 natural gas customers in four western states. Avista's non-regulated subsidiaries include Avista Advantage and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

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