UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-3701

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington	91-0462470
(State or other jurisdiction of incorporation or organization)	(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: 509-489-0500
Web site: http://www.avistacorp.com

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

At October 31, 1999, 35,644,829 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

AVISTA CORPORATION

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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Avista Corporation

For the Three Months Ended September 30
Thousands of Dollars

	1999	1998
OPERATING REVENUES	$ 3,718,109	$ 1,434,055
OPERATING EXPENSES:		
Resource costs	3,596,506	1,289,400
Operations and maintenance	41,502	61,339
Administrative and general	31,332	30,022
Depreciation and amortization	18,570	17,622
Taxes other than income taxes	12,002	11,369
Total operating expenses	3,699,912	1,409,752
INCOME FROM OPERATIONS	18,197	24,303
OTHER INCOME (EXPENSE):		
Interest expense	(15,855)	(17,104)
Net gain on subsidiary transactions	43,054	48
Other income-net	1,779	2,341
Total other income (expense)-net	28,978	(14,715)
INCOME BEFORE INCOME TAXES	47,175	9,588
INCOME TAXES	19,562	881
NET INCOME	27,613	8,707
DEDUCT-Preferred stock dividend requirements (Note 5)	5,340	608
INCOME AVAILABLE FOR COMMON STOCK	$ 22,273	$ 8,099
Average common shares outstanding (thousands), Basic (Note 5)	36,634	55,960
Average common shares outstanding (thousands), Diluted (Note 5)	52,055	55,960
EARNINGS PER SHARE OF COMMON STOCK, BASIC (Note 5)	$ 0.61	$ 0.14
EARNINGS PER SHARE OF COMMON STOCK, DILUTED (Note 5)	$ 0.52	$ 0.14
Dividends paid per common share	$ 0.12	$ 0.31
NET INCOME	$ 27,613	$ 8,707
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	13	(229)
Unrealized investment gains/(losses)-net of tax	(510)	(1,161)
OTHER COMPREHENSIVE INCOME	(497)	(1,390)
COMPREHENSIVE INCOME	$ 27,116	$ 7,317

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Avista Corporation

For the Nine Months Ended September 30
Thousands of Dollars

	1999	1998
OPERATING REVENUES	$ 6,366,047	$ 2,661,290
OPERATING EXPENSES:		
Resource costs	5,981,449	2,191,459
Operations and maintenance	131,887	164,887
Administrative and general	90,551	92,519
Depreciation and amortization	56,901	52,225
Taxes other than income taxes	39,032	37,255
Total operating expenses	6,299,820	2,538,345
INCOME FROM OPERATIONS	66,227	122,945
OTHER INCOME (EXPENSE):		
Interest expense	(47,593)	(51,151)
Net gain on subsidiary transactions	58,648	7,579
Other income-net	10,576	7,639
Total other income (expense)-net	21,631	(35,933)
INCOME BEFORE INCOME TAXES	87,858	87,012
INCOME TAXES	32,348	30,430
NET INCOME	55,510	56,582
DEDUCT-Preferred stock dividend requirements (Note 5)	16,107	2,219
INCOME AVAILABLE FOR COMMON STOCK	$ 39,403	$ 54,363
Average common shares outstanding (thousands), Basic (Note 5)	39,077	55,960
Average common shares outstanding (thousands), Diluted (Note 5)	54,559	55,960
EARNINGS PER SHARE OF COMMON STOCK, BASIC (Note 5)	$ 1.01	$ 0.97
EARNINGS PER SHARE OF COMMON STOCK, DILUTED (Note 5)	$ 0.98	$ 0.97
Dividends paid per common share	$ 0.36	$ 0.93
NET INCOME	$ 55,510	$ 56,582
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	371	(363)
Unrealized investment gains/(losses)-net of tax	(249)	(2,158)
OTHER COMPREHENSIVE INCOME	122	(2,521)
COMPREHENSIVE INCOME	$ 55,632	$ 54,061

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS
Avista Corporation

Thousands of Dollars

	September 30, 1999	December 31, 1998
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 163,123	$ 72,836
Temporary cash investments	17,490	5,786
Accounts and notes receivable-net	558,388	456,857
Energy commodity assets	530,996	357,581
Materials and supplies, fuel stock and natural gas stored	29,353	42,140
Prepayments and other	50,365	33,396
Total current assets	1,349,715	968,596
UTILITY PROPERTY:		
Utility plant in service-net	2,143,179	2,095,301
Construction work in progress	51,290	45,391
Total	2,194,469	2,140,692
Less: Accumulated depreciation and amortization	706,089	669,750
Net utility plant	1,488,380	1,470,942
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	57,602	62,577
Non-utility properties and investments-net	154,055	206,773
Energy commodity assets	484,040	236,644
Other-net	28,047	26,016
Total other property and investments	723,744	532,010
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	167,698	171,037
Conservation programs	45,338	49,114
Unamortized debt expense	27,941	28,414
Other-net	38,522	33,523
Total deferred charges	279,499	282,088
TOTAL	$3,841,338	$3,253,636
LIABILITIES AND CAPITALIZATION:		
CURRENT LIABILITIES:		
Accounts payable	$ 608,675	$ 406,457
Energy commodity liabilities	538,392	348,387
Taxes and interest accrued	31,780	38,628
Other	39,186	70,721
Total current liabilities	1,218,033	864,193
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	41,023	34,815
Deferred revenue	135,191	145,124
Energy commodity liabilities	437,498	207,948
Deferred income taxes	371,584	357,702
Other deferred credits	9,546	11,571
Total non-current liabilities and deferred credits	994,842	757,160
CAPITALIZATION (See Consolidated Statements of Capitalization)	1,628,463	1,632,283
COMMITMENTS AND CONTINGENCIES (Note 6)		
TOTAL	$3,841,338	$3,253,636

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CAPITALIZATION
Avista Corporation

Thousands of Dollars

	September 30, 1999	December 31, 1998
LONG-TERM DEBT:		
First Mortgage Bonds:		
7 1/8% due December 1, 2013	$ 66,700	$ 66,700
7 2/5% due December 1, 2016	17,000	17,000
Secured Medium-Term Notes:		
Series A - 6.13% to 7.90% due 2000 through 2023	139,400	211,500
Series B - 6.20% to 8.25% due 1999 through 2010	145,000	150,000
Total first mortgage bonds	368,100	445,200
Pollution Control Bonds:		
Floating Rate, Colstrip 1999A, due 2032	66,700	-
Floating Rate, Colstrip 1999B, due 2034	17,000	-
6% Series due 2023	4,100	4,100
Total pollution control bonds	87,800	4,100
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.57% due 1999 through 2007	38,500	38,500
Series B - 6.75% to 8.23% due 2001 through 2023	96,000	115,000
Series C - 5.99% to 6.88% due 2007 through 2028	84,000	84,000
Total unsecured medium-term notes	218,500	237,500
Notes payable (due within one year) to be refinanced	103,500	-
Other	8,894	43,222
Total long-term debt	786,794	730,022
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES:		
7 7/8%, Series A, due 2037	60,000	60,000
Floating Rate, Series B, due 2037	50,000	50,000
Total company-obligated mandatorily redeemable preferred trust securities	110,000	110,000
PREFERRED STOCK-CUMULATIVE:		
10,000,000 shares authorized:		
Subject to mandatory redemption:		
$6.95 Series K; 350,000 shares outstanding ($100 stated value)	35,000	35,000
Total subject to mandatory redemption	35,000	35,000
CONVERTIBLE PREFERRED STOCK:		
Not subject to mandatory redemption:		
$12.40 Convertible Series L; 1,515,460 and 1,540,460 shares outstanding ($182.80 stated value)	264,555	269,227
Total convertible preferred stock	264,555	269,227
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized; 35,644,829 and 40,453,729 shares outstanding	318,682	381,401
Note receivable from employee stock ownership plan	(8,513)	(9,295)
Capital stock expense and other paid in capital	(4,348)	(4,176)
Other comprehensive income	(219)	(341)
Retained earnings	126,512	120,445
Total common equity	432,114	488,034
TOTAL CAPITALIZATION	$ 1,628,463	$ 1,632,283

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Avista Corporation

For the Nine Months Ended September 30
Thousands of Dollars

	1999	1998
OPERATING ACTIVITIES:		
Net income	$ 55,510	$ 56,582
NON-CASH ITEMS INCLUDED IN NET INCOME:		
Depreciation and amortization	56,901	52,225
Provision for deferred income taxes	21,034	8,514
Allowance for equity funds used during construction	(647)	(1,105)
Power and natural gas cost deferrals and amortizations	(8,519)	(2,945)
Gain on sale of subsidiary investments and other-net	(64,641)	(9,068)
(Increase) decrease in working capital components:		
Sale of customer accounts receivables-net	5,000	40,000
Receivables and prepaid expense	(182,927)	(311,481)
Materials & supplies, fuel stock and natural gas stored	(2,087)	(2,959)
Payables and other accrued liabilities	244,208	328,188
Other	(4,013)	(4,341)
NET CASH PROVIDED BY OPERATING ACTIVITIES	119,819	153,610
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(60,193)	(65,097)
Other capital requirements	(22,583)	(9,895)
(Increase) decrease in other noncurrent balance sheet items-net	(15,425)	2,859
Proceeds from sale of subsidiary investments	145,285	16,385
Assets acquired and investments in subsidiaries	(40,735)	(33,804)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,349	(89,552)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	97,151	(52,729)
Proceeds from issuance of long-term debt	84,933	66,615
Redemption and maturity of long-term debt	(98,610)	(18,764)
Redemption of preferred stock	(4,672)	(10,000)
Repurchase of common stock	(82,047)	-
Cash dividends paid	(30,316)	(54,299)
Other-net	(2,320)	10,034
NET CASH USED IN FINANCING ACTIVITIES	(35,881)	(59,143)
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,287	4,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,836	30,593
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 163,123	$ 35,508
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period:		
Interest	$ 45,586	$ 45,912
Income taxes	34,823	33,152
Noncash financing and investing activities:		
Property purchased under capitalized leases	1,386	482

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended September 30
Thousands of Dollars

	1999	1998
OPERATING REVENUES:		
Energy Delivery	$ 74,210	$ 78,871
Generation and Resources	243,727	219,956
National Energy Trading and Marketing	3,364,678	1,077,730
Non-energy	38,557	60,969
Intersegment eliminations	(3,063)	(3,471)
Total operating revenues	$ 3,718,109	$ 1,434,055
RESOURCE COSTS:		
Energy Delivery:		
Natural gas purchased for resale	$ 16,916	$ 17,020
PCA and other	(172)	(599)
Generation and Resources:		
Power purchased	199,118	179,268
Fuel for generation	13,101	12,908
Other	14,245	13,567
National Energy Trading and Marketing:		
Cost of sales	3,356,361	1,070,707
Intersegment eliminations	(3,063)	(3,471)
Total resource costs (excluding Non-energy)	$ 3,596,506	$ 1,289,400
GROSS MARGINS:		
Energy Delivery	$ 57,466	$ 62,450
Generation and Resources	17,263	14,213
National Energy Trading and Marketing	8,317	7,023
Total gross margins (excluding Non-energy)	$ 83,046	$ 83,686
OPERATIONS AND MAINTENANCE EXPENSES:		
Energy Delivery	$ 15,276	$ 15,556
National Energy Trading and Marketing	824	469
Non-energy	25,402	45,314
Total operations and maintenance expenses	$ 41,502	$ 61,339
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 11,875	$ 11,726
Generation and Resources	3,259	2,894
National Energy Trading and Marketing	7,611	6,896
Non-energy	8,587	8,506
Total administrative and general expenses	$ 31,332	$ 30,022
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 9,104	$ 8,638
Generation and Resources	6,411	6,345
National Energy Trading and Marketing	1,036	200
Non-energy	2,019	2,439
Total depreciation and amortization expenses	$ 18,570	$ 17,622
INCOME/(LOSS) FROM OPERATIONS (PRE-TAX):		
Energy Delivery	$ 12,386	$ 18,178
Generation and Resources	4,898	2,385
National Energy Trading and Marketing	(1,178)	(545)
Non-energy	2,091	4,285
Total income from operations	$ 18,197	$ 24,303

	1999	1998
INCOME AVAILABLE FOR COMMON STOCK:		
Energy Delivery and Generation and Resources	$ (4,628)	$ 5,903
National Energy Trading and Marketing	(297)	(345)
Non-energy	27,198	2,541
Total income available for common stock (Note 5)	$ 22,273	$ 8,099
ASSETS: (1998 amounts at December 31)		
Energy Delivery	$ 1,121,479	$ 1,120,323
Generation and Resources	602,856	619,086
Other utility	329,634	265,526
National Energy Trading and Marketing	1,642,904	957,421
Non-energy	144,465	291,280
Total assets	$ 3,841,338	$ 3,253,636
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 15,658	$ 22,530
Generation and Resources	4,747	3,153
National Energy Trading and Marketing	(1,097)	222
Non-energy	10,584	3,025
Total capital expenditures	$ 29,892	$ 28,930

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Nine Months Ended September 30
Thousands of Dollars

	1999	1998
OPERATING REVENUES:		
Energy Delivery	$ 272,030	$ 288,048
Generation and Resources	533,784	466,994
National Energy Trading and Marketing	5,444,698	1,752,223
Non-energy	119,581	162,083
Intersegment eliminations	(4,046)	(8,058)
Total operating revenues	$ 6,366,047	$ 2,661,290
RESOURCE COSTS:		
Energy Delivery:		
Natural gas purchased for resale	$ 73,022	$ 73,509
PCA and other	(1,487)	(2,560)
Generation and Resources:		
Power purchased	395,216	338,776
Fuel for generation	30,871	30,196
Other	37,093	36,073
National Energy Trading and Marketing:		
Cost of sales	5,450,780	1,723,523
Intersegment eliminations	(4,046)	(8,058)
Total resource costs (excluding Non-energy)	$ 5,981,449	$ 2,191,459
GROSS MARGINS:		
Energy Delivery	$ 200,495	$ 217,099
Generation and Resources	70,604	61,949
National Energy Trading and Marketing	(6,082)	28,700
Total gross margins (excluding Non-energy)	$ 265,017	$ 307,748
OPERATIONS AND MAINTENANCE EXPENSES:		
Energy Delivery	$ 41,363	$ 44,368
National Energy Trading and Marketing	2,323	1,648
Non-energy	88,201	118,871
Total operations and maintenance expenses	$ 131,887	$ 164,887
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 35,911	$ 37,517
Generation and Resources	9,663	11,272
National Energy Trading and Marketing	21,522	18,616
Non-energy	23,455	25,114
Total administrative and general expenses	$ 90,551	$ 92,519
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 27,449	$ 25,954
Generation and Resources	19,255	18,786
National Energy Trading and Marketing	2,776	546
Non-energy	7,421	6,939
Total depreciation and amortization expenses	$ 56,901	$ 52,225
INCOME/(LOSS) FROM OPERATIONS (PRE-TAX):		
Energy Delivery	$ 66,356	$ 81,550
Generation and Resources	33,846	24,098
National Energy Trading and Marketing	(32,746)	7,871
Non-energy	(1,229)	9,426
Total income from operations	$ 66,227	$ 122,945

	1999	1998
INCOME AVAILABLE FOR COMMON STOCK:		
Energy Delivery and Generation and Resources	$ 25,338	$ 37,663
National Energy Trading and Marketing	(19,604)	5,744
Non-energy	33,669	10,956
Total income available for common stock (Note 5)	$ 39,403	$ 54,363
ASSETS: (1998 amounts at December 31)		
Energy Delivery	$ 1,121,479	$ 1,120,323
Generation and Resources	602,856	619,086
Other utility	329,634	265,526
National Energy Trading and Marketing	1,642,904	957,421
Non-energy	144,465	291,280
Total assets	$ 3,841,338	$ 3,253,636
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 48,943	$ 54,830
Generation and Resources	10,579	9,816
National Energy Trading and Marketing	5,055	1,124
Non-energy	17,360	8,233
Total capital expenditures	$ 81,937	$ 74,003

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of Avista Corporation (Avista Corp. or the Company) for the interim periods ended September 30, 1999 and 1998 are unaudited but, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations for those interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters which would be included in full fiscal year financial statements; therefore, they should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (1998 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

The FASB issued FAS No. 133, entitled "Accounting for Derivative Instruments and Hedging Activities" which was originally to be effective for fiscal years beginning after June 15, 1999. In May 1999, implementation was delayed for one year, so it is now effective for fiscal years beginning after June 15, 2000. The statement requires that all derivative financial instruments be recognized as either assets or liabilities on a company's balance sheets at fair value. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. Avista Energy currently accounts for derivative commodity instruments entered into for trading purposes using the mark-to-market method of accounting, in compliance with EITF 98-10, "Accounting for Energy Trading and Risk Management Activities." The Company is in the process of determining the impact of the statement on the Company's financial position and results of operations.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current statement format. These reclassifications were made for comparative purposes and have not affected previously reported total net income or common shareholders' equity.

NOTE 2. ENERGY COMMODITY TRADING

Contract Amounts and Terms Under Avista Energy's derivative instruments, Avista Energy either (i) as "fixed price payor," is obligated to pay a fixed price or amount and is entitled to receive the commodity (or currency) or a fixed amount or (ii) as "fixed price receiver," is entitled to receive a fixed price or amount and is obligated to deliver the commodity (or currency) or pay a fixed amount or (iii) as "index price payor," is obligated to pay an indexed price or amount and is entitled to receive the commodity or a variable amount or (iv) as "index price receiver," is entitled to receive an indexed price or amount and is obligated to deliver the commodity or pay a variable amount. The contract or notional amounts and terms of Avista Energy's derivative commodity investments outstanding at September 30, 1999 are set forth below (volumes in thousands of mmBTUs and MWhs, dollars in thousands):

	Fixed Price Payor	Fixed Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	435,647	404,274	5
Electric	133,639	117,204	20
Coal (tons)	2,653	3,054	1
Financial products			
Foreign currency	$ 1,159	$ -	4

	Index Price Payor	Index Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	1,145,199	872,708	5
Electric	744	1,368	2
Coal (tons)	30	123	1

Contract or notional amounts reflect the volume of transactions, but do not necessarily represent the amounts exchanged by the parties to the derivative commodity instruments. Accordingly, contract or notional amounts do not accurately measure Avista Energy's exposure to market or credit risks. The maximum terms in years detailed above are not indicative of likely future cash flows as these positions may be offset in the markets at any time.

Fair Value The fair value of Avista Energy's derivative commodity instruments outstanding at September 30, 1999, and the average fair value of those instruments held during the nine months ended September 30, 1999 are set forth below (dollars in thousands):

	Fair Value as of September 30, 1999				Average Fair Value for the nine months ended September 30, 1999			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas	$151,707	$ 27,300	$165,422	$ 16,181	$145,475	$ 64,785	$154,756	$ 54,171
Electric	371,777	456,153	369,703	420,766	283,886	295,263	278,744	268,277
Coal	7,512	587	3,267	551	3,756	294	1,633	275
Total	$530,996	$484,040	$538,392	$437,498	$433,117	$360,342	$435,133	$322,723

The weighted average term of Avista Energy's natural gas and related derivative commodity instruments as of September 30, 1999 was approximately three months. The weighted average term of Avista Energy's electric derivative commodity instruments at September 30, 1999 was approximately four months. The weighted average term of Avista Energy's coal commodity instruments at September 30, 1999 was approximately seven months. The change in the fair value position of Avista Energy's energy commodity portfolio, net of the reserves for credit and market risk from December 31, 1998 to September 30, 1999 was $6.2 million and is included on the Consolidated Statements of Income in operating revenues.

NOTE 3. FINANCINGS

On September 15, 1999, $83.7 million of Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project), Series 1999A due 2032 and Series 1999B due 2034 were issued by the City of Forsyth, Montana. The proceeds of the bonds were loaned to the Company under a Loan Agreement and were invested in Federal Agency instruments maturing on December 1, 1999. On that date, the funds will be utilized to refund the $66.7 million of 7 1/8% First Mortgage Bonds due 2013 and the $17.0 million of 7 2/5% First Mortgage Bonds due 2016. The Series 1999A and Series 1999B Bonds are backed by an insurance policy issued by AMBAC Assurance Corporation and bear interest on a floating rate basis that will be reset periodically. The initial interest rate until February 2000 is 3.6%.

Reference is made to the information relating to financings and borrowings as discussed under the caption "Liquidity and Capital Resources" in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

NOTE 4. COMMON STOCK REPURCHASE PLAN

On May 12, 1999, the Company's Board of Directors authorized a common stock repurchase program in which the Company may repurchase in the open market or through privately negotiated transactions up to an aggregate of 10 percent of its common stock and common stock equivalents over the next two years. The repurchased shares will be retired as authorized but unissued shares. As of September 30, 1999, the Company had repurchased approximately 4.8 million shares. During the third quarter of 1999, the Company repurchased 250,000 shares of Return-Enhanced Convertible Securities, which is equivalent to 25,000 shares of Convertible Preferred Stock, Series L. The combined repurchases of these two securities represent 9% of outstanding common stock and common stock equivalents.

NOTE 5. EARNINGS PER SHARE

Average shares outstanding for basic earnings per share (EPS) were 36,633,929 and 39,076,962 for the quarter and nine months ended September 30, 1999, respectively. Options to purchase 620,400 shares of common stock were outstanding during the quarter and nine months ended September 30, 1999, but 605,400 shares were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares for the periods and, therefore, the effect was antidilutive. The average number of common shares outstanding for both basic and diluted EPS was 55,960,360 for both periods in 1998 as the Company did not have any common stock equivalents outstanding in either of those periods.

The computation of basic and diluted earnings per common share is as follows (in thousands, except per share amounts):

	3rd Quarter		Nine Months Ended September 30	
	1999	1998	1999	1998
Net income	$ 27,613	$ 8,707	$ 55,510	$ 56,582
Less: Preferred stock dividends	5,340	608	16,107	2,219
Income available for common stock-basic	22,273	8,099	39,403	54,363
Convertible Preferred Stock, Series L,				
dividend requirements	4,732	-	14,282	-
Income available for common stock-diluted	$ 27,005	$ 8,099	$ 53,685	$ 54,363
Weighted-average number of common shares outstanding-basic	36,634	55,960	39,077	55,960
Conversion of Convertible Preferred Stock, Series L	15,298	-	15,369	-
Restricted stock	122	-	113	-
Exercise of stock options	1	-	-	-
Weighted-average number of common shares outstanding-diluted	52,055	55,960	54,559	55,960
Earnings per common share				
Basic	$ 0.61	$ 0.14	$ 1.01	$ 0.97
Diluted	$ 0.52	$ 0.14	$ 0.98	$ 0.97

NOTE 6. COMMITMENTS AND CONTINGENCIES

The Company believes, based on the information presently known, the ultimate liability for the matters discussed in this note, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the consolidated financial position of the Company, but could be material to results of operations or cash flows for a particular quarter or annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular lawsuit.

SPOKANE GAS PLANT

The Spokane Natural Gas Plant site (which was operated as a coal gasification plant for approximately 60 years until 1948) was acquired by the Company through a merger in 1958. The Company no longer owns the property. Initial core samples taken from the site indicate environmental contamination at the site. On January 15, 1999, the Company received notice from the State of Washington's Department of Ecology (DOE) that it had been designated as a potentially liable person (PLP) with respect to any hazardous substances located on this site, stemming from the Company's past ownership of the former Gas Plant. In its notice, the DOE stated that it intended to complete an on-going remedial investigation of this site, complete a feasibility study to determine the most effective means of halting or controlling future releases of substances from the site, and implement appropriate remedial measures.

The Company responded to the DOE acknowledging its listing as a PLP, but requested that additional parties also be listed as PLPs. In the spring of 1999, the DOE named two other parties as additional PLPs. The Company completed additional characterization of the site for the remedial investigation (RI). The PLPs are negotiating with the DOE on an Agreement Order, which will specify the scope of work for the RI and the feasibility study (FS). The Order is expected to be in place by the end of November.

EASTERN PACIFIC ENERGY

On October 9, 1998, Eastern Pacific Energy (Eastern Pacific), an energy aggregator participating in the restructured retail energy market in California, filed suit against the Company and its affiliates, Avista Advantage and Avista Energy in the United States District Court for the Central District of California. Eastern Pacific alleges, among other things, a breach of an oral or implied joint venture agreement whereby the Company agreed to supply not less than 300 megawatts of power to Eastern Pacific's California customers and that Avista Advantage agreed to provide energy-related products and services. The complaint seeks an unspecified amount of damages and also seeks to recover any future profits earned from sales of the aforementioned amount of power to California consumers. The Company and its affiliates intend to vigorously defend against all of the claims.

On December 4, 1998, Avista Advantage, Avista Energy and the Company jointly filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. On May 4, 1999, the Court granted the Company's and its affiliates' motion to dismiss the case and granted the plaintiff the opportunity to file and serve an Amended Complaint, which it did. The Company and its affiliates renewed their motion to dismiss and on October 22, 1999, the Court again granted the motion to dismiss, this time with prejudice. It is unknown, at this time, whether the plaintiff will appeal this adverse determination to the Ninth Circuit Court of Appeals.

THE POWER COMPANY OF AMERICA

On June 25, 1999, the trustee (Trustee) of the PCA Liquidating Trust (Trust), the successor of The Power Company of America, L.P. (PCA), demanded that Avista Energy pay the Trust approximately $22.4 million. Until June 1998, Avista Energy and PCA had entered into forward contracts for the purchase/sale of electric power. In early July 1998, PCA defaulted on its contract obligations with Avista Energy and numerous other counterparties. Accordingly, on July 6, 1998, Avista Energy suspended all business dealings with PCA. On August 17, 1998, an involuntary petition was filed against PCA in the U.S. Bankruptcy Court for the District of Connecticut, and on January 5, 1999, the Court approved a plan of reorganization and established the Trust. Avista Energy has filed a Proof of Claim for approximately $2.6 million, representing the net amount owing by PCA to Avista Energy for power delivered to or received from PCA prior to July 6, 1998.

The Trustee's primary claim is based on the allegation that Avista Energy wrongfully terminated the forward contracts on July 6, 1998, resulting in alleged damages to PCA of about $18.5 million, recoverable under contract and/or bankruptcy law, in connection with those contracts in which Avista Energy was the seller and PCA was the buyer. The Trustee's demand threatens to commence a lawsuit against Avista Energy in the Bankruptcy Court if its claims cannot be settled.

Based on an evaluation of the Trustee's demand, the Company and Avista Energy believe that the Trustee's claims (including the referenced $18.5 million claim) lack substantial merit and they intend to contest them vigorously. Furthermore, the Company and Avista Energy believe that the Trustee's claim under the forward sell contracts, to the extent found to be valid, is subject to significantly offsetting claims from Avista Energy against PCA. Accordingly, while the Company cannot predict the ultimate outcome of this matter, the Company does not believe that the Trustee's claims will be material to the Company's consolidated financial position.

NOTE 7. ACQUISITIONS AND DISPOSITIONS

Effective February 1, 1999, Avista Energy completed and closed the purchase of Vitol Gas & Electric, LLC (Vitol), based in Boston, Massachusetts. Vitol was one of the top 20 energy marketing companies in the United States. Vitol trades gas, electricity, coal and SO2 allowances in markets in the eastern half of the United States.

During the first quarter of 1999, Pentzer Corporation (Pentzer) sold its Creative Solutions Group, a group of five portfolio companies that provide point-of-purchase displays and other merchandising and packaging services to retailers and consumer product companies. The sale resulted in a gain of $10.1 million, net of taxes. During the third quarter of 1999, Pentzer sold its Store Fixtures Group, a group of six portfolio companies that design, manufacture and deliver store fixture products to major retailers. The sale resulted in a gain of $27.6 million, net of taxes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Avista Corporation (Avista Corp. or the Company) operates as a regional utility providing electric and natural gas sales and services and as a national entity providing both energy and non-energy products and services. The utility portion of the Company, doing business as Avista Utilities, consists of two lines of business which are subject to state and federal price regulation -- (1) Energy Delivery and (2) Generation and Resources. The national businesses are conducted under Avista Capital, which is the parent company to the Company's subsidiaries.

The Energy Delivery line of business includes transmission and distribution services for retail electric operations, all natural gas operations, and other energy products and services. The Generation and Resources line of business includes the generation and production of electric energy, and short- and long-term electric and natural gas sales, trading and wholesale marketing primarily to other utilities and power brokers in the Western Systems Coordinating Council.

Avista Capital is the parent company to the National Energy Trading and Marketing and Non-energy businesses. The National Energy Trading and Marketing business is comprised of Avista Energy, Avista Advantage and Avista Power. Avista Energy focuses on commodity trading, energy marketing and other related businesses on a national basis. Avista Energy's primary trading offices are located in Boston, MA, Houston, TX and Spokane, WA, and its principal administrative office is in Boston, MA. Avista Advantage, which is based in Spokane, WA, provides a variety of energy-related products and services, such as consolidated billing and resource accounting, to commercial and industrial customers on a national basis. Avista Power was formed in December 1998 to develop and own generation assets primarily in support of Avista Energy.

The Non-energy business is conducted primarily by Pentzer Corporation (Pentzer), which is the parent company to the majority of the Company's Non-energy businesses. Other non-energy subsidiaries under Avista Capital include Avista Development, Avista Labs, Avista Communications and Avista Fiber. Avista Development manages and markets the corporation's community investments, including real estate and other assets. Avista Labs develops fuel cells and multiple fuel processing approaches using propane, methane and methanol as base fuels to integrate into its fuel cell subsystem. Avista Communications, formed in January 1999, is the newest of the non-energy subsidiaries. It will provide local high-speed telecommunications services to under-served Northwest communities. Avista Communications is a sister company to Avista Fiber, which focuses on building high-speed local dark fiber networks in Northwest communities.

Changes underway in the utility and energy industries are creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company is shifting its strategic direction to growth, which could subject the Company to a higher degree of risk than that of a traditional regulated public utility company.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Basic earnings per share for the third quarter of 1999 were $0.61 compared to $0.14 in the third quarter of 1998. In December 1998, the Company exchanged 15,404,595 shares of its common stock for shares of Convertible Preferred Stock, Series L, which resulted in an increase of $4.7 million in preferred stock dividend requirements in the third quarter of 1999 over 1998. Diluted earnings per share for the third quarter of 1999 were $0.52 compared to $0.14 in the third quarter of 1998. Basic and diluted earnings per share were the same in the third quarter of 1998 as the Company did not have any dilutive common stock equivalents outstanding at that time.

Third quarter 1999 net income available for common stock was $22.3 million, a $14.2 million increase over third quarter 1998. The increase was primarily the result of non-energy earnings that included a transactional gain totaling $27.6 million, net of taxes, recorded by Pentzer as a result of the sale of a group of portfolio companies. The increased earnings were partially offset by the higher preferred stock dividend requirements mentioned above and decreased earnings from non-energy operations due to the loss of income from the first quarter 1999 sale of a group of Pentzer's portfolio companies. Income taxes for the third quarter of 1999 increased substantially over 1998 as a result of taxes on Pentzer's transactional gain.

Utility operations (Energy Delivery and Generation and Resources) had a loss of $0.12 per basic share and no impact on diluted earnings per share for the third quarter of 1999 compared to a contribution of $0.10 in the third quarter of 1998. National Energy Trading and Marketing operations had a loss of $0.01 per basic share and no impact on diluted earnings per share in the third quarter of 1999 compared to a loss of $0.01 in the same period in 1998. Non-energy operations contributed $0.74 per basic share and $0.52 per diluted share for the third quarter of 1999 compared to a contribution of $0.05 in the same period in 1998.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Basic earnings per share for the first nine months of 1999 were $1.01 compared to $0.97 in the same period of 1998. As a result of the exchange of shares of common stock for shares of the Convertible Preferred Stock mentioned above, preferred stock dividend requirements increased $13.9 million in the first nine months of 1999 over 1998. Diluted earnings per share for the first nine months of 1999 were $0.98 compared to $0.97 for the same period in 1998. Basic and diluted earnings per share were the same through year-to-date September 1998 as the Company did not have any dilutive common stock equivalents outstanding at that time.

Net income available for common stock for the first nine months of 1999 was $39.4 million compared to $54.4 million in 1998. Non-energy earnings for 1999 included transactional gains totaling $37.6 million, net of taxes, recorded by Pentzer as a result of the sale of two groups of portfolio companies, which were partially offset by the loss of income from the companies sold in the first quarter of 1999. Non-energy income for 1998 included a $5.5 million transactional gain, net of taxes, from the sale of a portfolio company by Pentzer. The National Energy Trading and Marketing line of business recorded a $19.6 million loss year-to-date in 1999 due to warmer than normal weather, soft national energy markets and a lack of volatility within those markets, as compared to net income of that line of business of $5.7 million in 1998 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations: Results of Operations: National Energy Trading and Marketing"). In addition, earnings from utility operations decreased $12.3 million in the first nine months of 1999 from 1998 due to the increased preferred stock dividend requirements mentioned above and higher purchased power costs and lower wholesale sales prices experienced by the Generation and Resources line of business, particularly in the first quarter of 1999.

Utility operations contributed $0.65 per basic share and $0.72 per diluted share for the first nine months of 1999 compared to $0.67 in 1998. National Energy Trading and Marketing operations had a loss of $0.50 per basic share and a loss of $0.36 per diluted share in the first nine months of 1999 compared to a contribution of $0.10 in 1998. Non-energy operations contributed $0.86 per basic share and $0.62 per diluted share for the first nine months of 1999 compared to $0.20 in 1998.

AVISTA UTILITIES

Avista Utilities is an operating division of Avista Corp. that consists of the two lines of business, (1) Energy Delivery and (2) Generation and Resources, that comprise the utility portion of the Company.

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Avista Utilities' pre-tax income from operations decreased $3.3 million, or 16%, in the third quarter of 1999 from the same period in 1998. Operating revenues and expenses increased $19.1 million and $22.4 million, respectively, during the third quarter of 1999.

Retail electric revenues increased $2.5 million due to customer growth and slightly cooler weather in the third quarter of 1999. Wholesale electric revenues increased $15.4 million, primarily due to sales volumes 2% higher and prices 6% higher in the third quarter of 1999 over 1998. Natural gas revenues increased $0.8 million primarily due to customer growth and slightly cooler weather in 1999.

Purchased power volumes increased 3% and prices were 7% higher than last year, which resulted in a $19.9 million, or 11%, increase in purchased power expense in the third quarter of 1999 over 1998. This increase accounts for the majority of the increase in Avista Utilities' operating expenses.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Avista Utilities' pre-tax income from operations decreased $5.4 million in 1999 from the same period in 1998. Operating revenues and expenses increased $50.8 million and $56.2 million, respectively, during 1999.

Retail electric revenues increased $8.7 million due to customer growth and slightly cooler weather in the first nine months of 1999 over 1998. Wholesale electric revenues increased $41.5 million, primarily due to sales volumes 2% higher and prices 10% higher in the 1999 period. Natural gas revenues increased $2.7 million primarily due to customer growth and slightly cooler weather in 1999.

Purchased power volumes increased 2% and prices were 14% higher than last year, which resulted in a $56.9 million, or 17%, increase in purchased power expense in the first nine months of 1999 over 1998.

The following sections, (1) Energy Delivery and (2) Generation and Resources, provide more detailed explanations of results of operations for the two individual utility lines of business.

ENERGY DELIVERY

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Energy Delivery's pre-tax income from operations decreased $5.8 million, or 32%, in the third quarter of 1999 from the same period in 1998. The decrease was primarily the result of an increase in the transfer price between the two utility lines of business representing the revenue from the sale of the electric energy commodity used to serve Energy Delivery's customers. This transfer of revenues between the two utility lines of business occurs through the use of a transfer price, primarily based on cost of production studies, that is associated with the sale of a kilowatthour of electricity. The electric energy commodity revenues are collected by Energy Delivery and transferred to Generation and Resources. The increase in the transfer price represents the increased cost of purchased power. This amounted to an additional $6.1 million that was transferred from Energy Delivery to Generation and Resources, but this additional amount was not collected from the customers. Energy Delivery's operating revenues decreased $4.7 million in the third quarter of 1999 from 1998 while operating expenses increased $1.1 million.

Retail electric revenues, excluding the effect of the revenues transferred to Generation and Resources, increased $3.6 million and natural gas revenues increased $0.8 million in the third quarter of 1999 over 1998 due to customer growth and slightly cooler weather in the third quarter of 1999.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Energy Delivery's pre-tax income from operations decreased $15.2 million, or 19%, in the first nine months of 1999 from the same period in 1998. The decrease was primarily the result of the increase in the transfer price between the two utility lines of business that was discussed above. The increase in the transfer price amounted to an additional $18.6 million that was transferred from Energy Delivery to Generation and Resources, but this additional amount was not collected from the customers. Energy Delivery's operating revenues and expenses decreased $16.0 million and $0.8 million, respectively, during the first nine months of 1999 from 1998.

Retail electric revenues, excluding the effect of the revenues transferred to Generation and Resources, increased $9.5 million and natural gas revenues increased $2.7 million in the first nine months of 1999 over 1998 due to customer growth and slightly cooler weather in 1999 as compared to 1998 which led to increased customer usage.

Total operating expenses decreased $0.8 million in the first nine months of 1999 from 1998. Other operations and maintenance expenses decreased $3.0 million due to fewer storms, resulting in less storm damage, and realizing the benefit of preventive maintenance programs such as cable replacement, pole test and treat, and tree trimming. Administrative and general expenses decreased $1.6 million from the first nine months of 1998 as a result of increased expenses during 1998 associated with the change in executive officers. These decreased expenses were partially offset by increased depreciation and amortization expenses due to increased plant-in-service and higher taxes other than income due to excise and property taxes.

GENERATION AND RESOURCES

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Generation and Resources' pre-tax income from operations increased $2.5 million, or 105%, in the third quarter of 1999 over 1998. The increase was primarily due to the increase in the transfer price between the two utility lines of business, which resulted in a $6.1 million increase in the electric energy commodity revenues transferred to Generation and Resources by Energy Delivery. Operating revenues and expenses increased $23.8 million and $21.3 million in the third quarter of 1999 over 1998.

Wholesale revenues increased $15.4 million, or 9%, while sales volumes increased only 2% during the third quarter of 1999 over 1998, reflecting higher prices for purchased power in the region. Streamflows in the third quarter of 1999 were 120% of normal, compared to 100% of normal in 1998, which resulted in hydroelectric generation 6% higher in 1999 than 1998. The majority of the remainder of the increased revenues resulted from the higher electric commodity revenues transferred from Energy Delivery.

Purchased power volumes increased 3% and prices were 7% higher than last year, which resulted in a $19.9 million, or 11%, increase in purchased power expense in the third quarter of 1999 over 1998. This increase accounts for the majority of the increase in Generation and Resources' operating expenses.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Generation and Resources' pre-tax income from operations increased $9.7 million, or 40%, in the first nine months of 1999 over the same period in 1998. The increase was primarily due to the increase in the transfer price between the two utility lines of business, which resulted in an $18.6 million increase in the electric energy commodity revenues transferred to Generation and Resources by Energy Delivery. This increase was partially offset by purchased power costs that increased more than the associated wholesale revenues during the first nine months of 1999. The Company committed to electric energy purchases in 1998 based on region-wide forecasts for colder temperatures and the expected higher demand for energy from both retail and wholesale customers during early 1999. When those forecasted colder temperatures did not materialize as anticipated in the first quarter of 1999, the Company sold that energy into wholesale markets at lower prices. Operating revenues and expenses increased $66.8 million and $57.0 million in the third quarter of 1999 over 1998.

Wholesale revenues increased $41.5 million, or 12%, while sales volumes increased only 2% during the first nine months of 1999 over 1998, reflecting higher prices for purchased power in the region. Streamflows in the first nine months of 1999 were 110% of normal, compared to 92% of normal in 1998, which resulted in hydroelectric generation 9% higher in the first nine months of 1999 compared to 1998. The majority of the remainder of the increased revenues resulted from the higher electric commodity revenues transferred from Energy Delivery.

Increased wholesale sales caused purchased power volumes to increase 2%, which, combined with purchased power prices 14% higher than last year, resulted in a $56.9 million, or 17%, increase in purchased power costs in the first nine months of 1999 over 1998. This increase accounts for the majority of the increase in Generation and Resources' operating expenses.

NATIONAL ENERGY TRADING AND MARKETING

National Energy Trading and Marketing includes the results of Avista Energy, the national energy marketing subsidiary; Avista Advantage, the energy services subsidiary; and Avista Power, formed in December 1998 to develop and own generation assets primarily in support of Avista Energy. Avista Power operations have had minimal impact on earnings to date. Avista Energy maintains a trading portfolio that it marks to fair market value on a daily basis (mark-to-market accounting), which causes earnings variability. For additional information about market risk and credit risk, see Energy Trading Business on page 24.

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

National Energy Trading and Marketing income available for common stock for the third quarter of 1999 was a loss of $0.3 million, which was the same as 1998. Avista Energy's positive earnings for the quarter were offset by losses from Avista Advantage and Avista Power. Avista Advantage's results primarily reflect customers and revenue streams that have not materialized as expected and a longer than anticipated sales cycle. Avista Power's results are due to start-up costs.

National Energy Trading and Marketing's revenues and operating expenses increased $2.287 billion and $2.288 billion, respectively, in the third quarter of 1999 over 1998. The increase in revenues and expenses is primarily the result of Avista Energy continuing to grow its business.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

National Energy Trading and Marketing income available for common stock for the first nine months of 1999 was a loss of $19.6 million compared to earnings of $5.7 million in 1998. Avista Energy's operations were primarily affected by warmer than normal weather, soft national energy markets and a lack of volatility within those markets. Avista Energy recognized losses (1) on positions taken in anticipation of certain weather patterns in particular areas of the country, which lost value when the expected patterns did not occur, and (2) on options, also taken in anticipation of certain weather patterns in particular areas of the country, which expired unexercised when the expected patterns did not occur. In addition, Avista Advantage and Avista Power have experienced losses year-to-date due to the factors mentioned above.

National Energy Trading and Marketing's revenues and operating expenses increased $3.692 billion and $3.733 billion, respectively, in the first nine months of 1999 over 1998. The increase in revenues and expenses is primarily the result of Avista Energy continuing to grow its business. Since its inception in 1997, Avista Energy has been developing and expanding its business and adding experienced traders and staff. This growth has continued into 1999 with Avista Energy's purchase of Vitol Gas & Electric, LLC (Vitol) in the first quarter. Vitol, located in Boston, Massachusetts, was one of the top 20 energy marketing companies in the United States.

Late in the second quarter of 1999, Avista Energy added a significant number of energy professionals in its Spokane and Houston offices. The integration of Vitol operations into Avista Energy began during the second quarter and is continuing, with the consolidation of back-office support, improvements in accounting and trading processes and personnel, and continued enhancements in risk management systems across Avista Energy. The addition of new systems, new leadership, and new financial and trading personnel has begun to turn results around, but have not been large enough to overcome earlier losses.

National Energy Trading and Marketing's balance sheet increased $685.5 million from December 1998 to September 1999. Avista Energy's energy commodity assets and liabilities increased as a result of additional trading volumes, which were partially offset by market price declines. Trade receivables and payables increased due to additional volumes of sales and purchases.

NON-ENERGY

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Non-energy operations primarily reflect the results from Pentzer. Non-energy income available for common stock for the third quarter of 1999 was $27.2 million, compared to third quarter 1998 earnings of $2.5 million. The 1999 earnings primarily resulted from a transactional gain totaling $27.6 million, net of taxes, recorded by Pentzer as a result of the sale of a group of its portfolio companies. The gain was partially offset by the loss of income due to the sale of a group of Pentzer's portfolio companies during the first quarter of 1999. Income taxes for the third quarter of 1999 increased substantially over 1998 as a result of taxes on Pentzer's transactional gain.

Non-energy operating revenues and expenses decreased $22.4 million and $20.2 million, respectively, during the third quarter of 1999, as compared to 1998, primarily due to the sale of a group of Pentzer's portfolio companies during the first quarter of 1999.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Non-energy income available for common stock for the first nine months of 1999 was $33.7 million, compared to 1998 earnings of $11.0 million. The 1999 earnings include transactional gains totaling $37.6 million, net of taxes, recorded by Pentzer as a result of the sale of two groups of portfolio companies. The 1998 earnings included a transactional gain totaling $5.5 million, net of taxes, recorded by Pentzer as a result of the sale of one of its portfolio companies, Systran Financial Services. Non-transactional income from portfolio companies decreased $5.5 million in the first nine months of 1999 from 1998 primarily due to the loss of income from the sale of a group of Pentzer's portfolio companies in the first quarter of 1999.

Non-energy operating revenues and expenses decreased $42.5 million and $31.8 million, respectively, during the first nine months of 1999, as compared to 1998, primarily as a result of the sale of a group of Pentzer's portfolio companies during the first quarter of 1999.

LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities   Cash provided by operating activities in the first nine months of 1999 totaled $119.8 million, compared to $153.6 million during the same period in 1998. The primary reason for decreased cashflows was that only $5.0 million of customer accounts receivables were sold during the first nine months of 1999 compared to $40.0 million in 1998. Other various working capital components, such as receivables and payables, continued to change substantially in the 1999 period, although to a lesser degree than in the 1998 period, primarily due to Avista Energy's operations.

Investing Activities   Investing activities provided net cash of $6.3 million in the first nine months of 1999 compared to net cash used of $89.6 million in the same period in 1998. The primary cause of the change for investing activities in 1999 was the sale of two groups of portfolio companies by Pentzer.

Financing Activities   Cash used in financing activities totaled $35.9 million in the first nine months of 1999 compared to $59.1 million in 1998. Short-term borrowings increased $97.2 million and $84.9 million of long-term debt was issued, while $103.3 million of long-term debt and preferred stock matured or was redeemed in the first nine months of 1999. In the 1998 period, short-term borrowings decreased $52.7 million, $66.6 million of long-term debt was issued and $28.8 million of preferred stock and long-term debt was redeemed or matured. The repurchase of company stock (see paragraph below) used $82.0 million in 1999. Dividends paid decreased $24.0 million in the first nine months of 1999 compared to 1998 as a result of the Company's dividend restructuring that occurred in December 1998.

On May 12, 1999, the Company's Board of Directors authorized a common stock repurchase program in which the Company may repurchase in the open market or through privately negotiated transactions up to an aggregate of 10 percent of its common stock and common stock equivalents over the next two years. The repurchased shares will be retired as authorized but unissued shares. As of September 30, 1999, the Company had repurchased approximately 4.8 million common shares and 250,000 shares of Return-Enhanced Convertible Securities (which is equivalent to 25,000 shares of Convertible Preferred Stock, Series L). The combined repurchases of these two securities represent 9% of outstanding common stock and common stock equivalents.

On September 15, 1999, $83.7 million of Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project), Series 1999A due 2032 and Series 1999B due 2034 were issued by the City of Forsyth, Montana. The proceeds of the bonds were loaned to the Company under a Loan Agreement and were invested in Federal Agency instruments maturing on December 1, 1999. On that date, the funds will be utilized to refund the $66.7 million of 7 1/8% First Mortgage Bonds due 2013 and the $17.0 million of 7 2/5% First Mortgage Bonds due 2016. The Series 1999A and Series 1999B Bonds are backed by an insurance policy issued by AMBAC Assurance Corporation and bear interest on a floating rate basis that will be reset periodically. The initial interest rate until February 2000 is 3.6%.

In August 1999, the Company completed the documentation to issue up to and including $400 million of Medium-Term Notes (MTNs), Series D. As of September 30, 1999, the Company had a total of $541.0 million of MTNs authorized to be issued. In October 1999, the Company issued $25.0 million of 8.02% MTNs, Series C due 2010.

In October 1999, the Company implemented a $50.0 million commercial paper program.

The Company's total common equity decreased $55.9 million during the first nine months of 1999 to $432.1 million, primarily due to the repurchase and retirement of shares of the Company's common stock. The Company's consolidated capital structure at September 30, 1999, was 48% debt, 25% preferred securities and 27% common equity, compared to 45% debt, 25% preferred securities and 30% common equity at year-end 1998. Had the convertible preferred stock been converted back to common stock, the Company's consolidated capital structure at September 30, 1999, would have been 48% debt, 9% preferred securities and 43% common equity.

Capital expenditures are financed on an interim basis with notes payable (due within one year). The Company has $260 million in committed lines of credit. In addition, the Company may currently borrow up to $100 million through other borrowing arrangements with banks. As of September 30, 1999, $53.5 million was outstanding under other short-term borrowing arrangements and $50.0 million was outstanding under the committed line of credit.

ENERGY DELIVERY AND GENERATION AND RESOURCES OPERATIONS

The Company funds capital expenditures with a combination of internally-generated cash and external financing. The level of cash generated internally and the amount that is available for capital expenditures fluctuates annually. Cash provided by operating activities remains the Company's primary source of funds for operating needs, dividends and capital expenditures.

NATIONAL ENERGY TRADING AND MARKETING OPERATIONS

Avista Energy and its subsidiary, Avista Energy Canada, Ltd., as co-borrowers, have a credit agreement with two commercial banks in the aggregate amount of $110 million, expiring May 31, 2000. The credit agreement may be terminated by the banks at any time and all extensions of credit under the agreement are payable upon demand, in either case at the banks' sole discretion. The agreement also provides, on an uncommitted basis, for the issuance of letters of credit to secure contractual obligations to counterparts. The facility is guaranteed by Avista Capital and is secured by substantially all of Avista Energy's assets. The maximum amount of credit extended by the banks for cash advances is $30 million, with availability of up to $110 million (less the amount of outstanding cash advances, if any) for the issuance of letters of credit. At September 30, 1999, there were no cash advances (demand notes payable) outstanding, and letters of credit outstanding under the facility totaled $80.0 million.

At September 30, 1999, National Energy Trading and Marketing operations had $72.9 million in cash and marketable securities with $3.7 million in long-term debt outstanding.

NON-ENERGY OPERATIONS

The non-energy operations have $29.0 million in short-term borrowing arrangements available ($4.2 million outstanding as of September 30, 1999) to fund Pentzer's portfolio companies' requirements on an interim basis. The short-term borrowing arrangements available and the amounts outstanding have decreased substantially during 1999 as a result of the sales of two groups of portfolio companies by Pentzer. Capital expenditures have increased in 1999 over 1998 as a result of the increased requirements of the newer start-up subsidiaries, such as Avista Communications and Avista Fiber.

At September 30, 1999, the non-energy operations had $20.9 million in cash and marketable securities with $7.6 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets as other current liabilities).

YEAR 2000

State of Readiness

As of the end of September 1999, the Company believes all of its internal business critical systems that could affect the Company's ability to deliver electric and natural gas are Year 2000 ready. During the remainder of 1999, the Company will complete the remaining non-mission critical tasks, continue to work with key suppliers, and refine and test contingency plans. Key activities include the assignment of resources to key locations for the evening of December 31, 1999 and the morning of January 1, 2000, training of personnel, testing of contingency procedures and completion of other tasks that support the Company's contingency plans. The Company participated in two region-wide contingency planning drills coordinated by the Western Systems Coordinating Council (WSCC) on April 9, 1999 and September 8-9, 1999.

Desktop Computer Systems   The Company performed Year 2000 testing on all desktop computer hardware and inventoried and assessed desktop resident third-party software. All non-compliant third-party software programs and critical business desktop applications have been made Year 2000 ready. All desktop hardware requiring remediation has either been fixed or replaced.

Business Systems   Several of the Company's business systems would not have operated correctly in the year 2000 and beyond. The Company has completed Year 2000 remediation and testing of mainframe computer code. A failure of these systems would not jeopardize the Company's ability to deliver energy services to customers, but might affect its ability to perform selected accounting and business-related functions.

Supply Chain   The Company recognizes its dependence on outside suppliers of goods and services and has worked to assure that the necessary products and services are available. The Company identified and communicated with critical suppliers in order to investigate their efforts to become Year 2000 ready. In addition, the Company made site visits to selected key suppliers and reviewed their contingency plans.

Embedded Systems   Inventory, assessment, testing and remediation of microprocessor-controlled devices is complete. Very few embedded systems required remediation, and none requiring remediation would have caused a disruption in service to customers.

Contingency Planning   The Company has developed contingency plans for the Company's electric and natural gas services and continues to participate in the development of region-wide contingency plans for electric service through the WSCC, the Company's electric reliability region.

Costs

The Company estimates that the cost of its Year 2000 project will be approximately $7 million in incremental costs during the 1997-1999 time period. Through September 30, 1999, the Company has spent $6.1 million in incremental costs. These costs are being funded through operating cashflows. The Company does not expect costs associated with the Year 2000 project to materially affect the Company's earnings in any one year.

Risks

Based upon information to date, the Company believes that, in the most reasonably likely worst-case scenario, Year 2000 issues could result in abnormal operating conditions, such as short-term interruption of generation, transmission and distribution functions, as well as Company-wide loss of system monitoring and control functions and loss of voice communications. These conditions, along with disruptions in natural gas service caused by failures of gas suppliers or interstate gas pipelines coupled with power outages due to the possible instability of the regional electric transmission grid, could result in the possible temporary interruption of service to customers. The Company does not believe the overall impact of this scenario will have a material impact on its financial condition or operations due to the anticipated short-term nature of interruptions.

The Company believes the primary areas of Year 2000 risk to be internal business systems, which are discussed above, and external factors, which include the regional electric transmission grid and natural gas pipelines. There can be no guarantee that systems of other companies on which the Company's systems rely will be timely converted. A failure to convert by another company or a conversion that is incompatible with the Company's systems could have an effect on the Company's ability to provide energy services.

Electric   The Company is working with the other energy suppliers in the area to address risks related to the regional electric transmission grid, which consists of the interconnected transmission systems of each utility within the WSCC. Such interconnected systems are critical to the reliability of each interconnected electric service provider, as the failure of one such interconnected provider to achieve Year 2000 compliance could disrupt the others from providing electric services. Should the regional electric transmission grid become unstable, power outages may occur. The Company cannot assure Year 2000 compliance or assess the effect of non-compliance by systems or parties that the Company does not control.

Natural Gas   The Company has performed an inventory and assessment of the equipment in its natural gas distribution systems and believes that there are no devices in the systems that will cause a disruption in the delivery of natural gas to customers due to a Year 2000 problem. However, the Company depends on natural gas pipelines which it does not own or control, and if one or more of the pipelines is unable to deliver natural gas, the Company in turn will be unable to deliver natural gas to customers. In order to address this issue, the Company has contacted each of the natural gas pipeline companies with which it has contracts to assess their Year 2000 readiness efforts and will continue to take reasonable steps to ensure that these suppliers are addressing any Year 2000 related problems that would result in a disruption in natural gas services to customers.

Energy Trading   In addition to the traditional utility operations of the Company, the energy trading business conducted by Avista Energy is subject to Year 2000 risk. Most of Avista Energy's internal business systems do not require any significant upgrading and those that do have been addressed. With the integration of Avista Energy's and Vitol's systems, an entire new infrastructure is being implemented, scheduled to be complete by the end of September, which will be Year 2000 compliant. However, if any of Avista Energy's counterparties experience Year 2000 problems (including, but not limited to, problems arising out of failures in the generation or transmission systems of utilities or other energy suppliers), such problems could impair the ability of Avista Energy or any of its counterparties to fulfill their contractual obligations. Avista Energy has contacted its counterparties and various power pools to assess their Year 2000 readiness and is developing contingency plans. See "Energy Trading Business".

ENERGY TRADING BUSINESS

The participants in the emerging wholesale energy market are public utility companies and, increasingly, power marketers which may or may not be affiliated with public utility companies or other entities. The participants in this market trade not only electricity and natural gas as commodities but also derivative commodity instruments such as futures, forwards, swaps, options and other instruments. This market is largely unregulated and most transactions are conducted on an "over-the-counter" basis, there being no central clearing mechanism (except in the case of specific instruments traded on the commodity exchanges). Power marketers, whether or not affiliated with other entities, generally do not own production facilities and are not subject to net capital or other requirements of any regulatory agency.

The Company (to the extent that the Generation and Resources segment conducts energy trading) and Avista Energy are subject to the various risks inherent in commodity trading including, particularly, market risk and credit risk.

Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply (in the case of electricity, adequacy of generating reserve margins as well as scheduled and unscheduled outages of generating facilities) and demand (extreme variations in the weather, whether or not predicted). Market risk includes the risk of fluctuation in the market price of associated derivative commodity instruments. All market risk is influenced to the extent that the performance or non-performance by market participants of their contractual obligations and commitments affect the supply of the commodity.

Credit risk relates to the risk of loss that the Company (to the extent of Generation and Resources' trading activities) and/or Avista Energy would incur as a result of non-performance by counterparties of their contractual obligations under the various instruments with the Company or Avista Energy, as the case may be. Credit risk may be concentrated to the extent that one or more groups of counterparties have similar economic, industry or other characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in market or other conditions. In addition, credit risk includes not only the risk that a counterparty may default due to circumstances relating directly to it, but also the risk that a counterparty may default due to circumstances which relate to other market participants which have a direct or indirect relationship with such counterparty. The Company and Avista Energy seek to mitigate credit risk (and concentrations thereof) by applying specific eligibility criteria to prospective counterparties. However, despite mitigation efforts, defaults by counterparties may occur from time to time. To date, no such default has had a material adverse effect on the Company or Avista Energy.

Avista Capital provides guarantees for Avista Energy's line of credit agreement, and in the course of business may provide guarantees to other parties with whom Avista Energy may be doing business. The Company's investment in Avista Capital totaled $275.8 million at September 30, 1999.

RISK MANAGEMENT

The risk management process established by the Company is designed to measure both quantitative and qualitative risk in the business. The Company and Avista Energy have adopted policies and procedures to manage the risks inherent in their businesses and have established a comprehensive Risk Management Committee, separate from the units that create the risk exposure and overseen by the Audit and Finance Committee of the Company's Board of Directors, to monitor compliance with the Company's risk management policies and procedures on a regular basis. Nonetheless, adverse changes in interest rates, commodity prices and foreign currency exchange rates may result in losses in earnings, cash flow and/or fair values.

Interest Rate Risk   The Company's market risks related to interest rates have not changed materially from those reported in the 1998 Form 10-K.

Commodity Price Risk   The Company's market risks related to commodity prices have not changed materially from those reported in the 1998 Form 10-K. The following Value-at-Risk (VAR) information has been updated for the current period. At September 30, 1999, Avista Energy's estimated potential one-day unfavorable impact on gross margin was $4.0 million, as measured by VAR, related to its commodity trading and marketing business. The average daily VAR for the first nine months of 1999 was $4.4 million.

Foreign Currency Risk   The Company's market risks related to foreign currency have not changed materially from those reported in the 1998 Form 10-K.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS.

The Company is including the following cautionary statement in this Form 10-Q to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," and similar expressions. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, changes in the utility regulatory environment, wholesale and retail competition, weather conditions and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of the report. The Company expressly undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based. See "Safe Harbor for Forward Looking Statements" in the Company's 1998 Form 10-K under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Future Outlook.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations: Liquidity and Capital Resources: Energy Trading Business and Risk Management."

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Avista Utilities/Avista Energy Agency Agreement   Effective September 1, 1999, Avista Energy began managing the natural gas assets and natural gas purchasing operations for Avista Utilities' Energy Delivery line of business. Under the agreement, Avista Energy will serve as agent for Avista Utilities, managing its pipeline transportation and natural gas storage assets, as well as purchasing natural gas for Energy Delivery's retail customers. The assets will continue to be owned by Avista Utilities, but they will be fully integrated operationally into Avista Energy's portfolio to optimize the value. The incentive plan allows Avista Energy the opportunity to retain a portion of the benefits associated with asset optimization and the efficiencies gained in purchasing natural gas for the utility. The Company received approval from the state regulatory agencies in Washington, Idaho and Oregon. The incentive plan began September 1, 1999 and will end March 31, 2002. The Company may seek continuation of the plan from regulators with six months notice prior to the end of the term.

Washington Electric and Natural Gas Rate Filings   In October 1999, the Company filed for electric and natural gas rate increases with the Washington Utilities and Transportation Commission (WUTC). The Company is requesting an overall electric revenue increase of $26.3 million, or 10.4%, and a natural gas increase of $4.9 million, or 6.5%.

Idaho Electric Rate Increase   In December 1998, the Company filed for a general electric rate increase of $14.2 million, or 11.56%, with the Idaho Public Utilities Commission (IPUC), which was later reduced to approximately

$13.5 million or 10.9%. In July 1999, the IPUC approved a rate increase of $9.3 million or 7.58%, effective August 1, 1999. The Company is implementing a 2.5% power cost adjustment (PCA) rebate, also effective August 1, 1999.

Centralia Power Plant In May 1999, the owners of the Centralia Power Plant announced an agreement to sell the plant to TransAlta, a Canadian company. Avista Corp. has a 15% interest in the generating plant. The Company expects to receive gross proceeds of approximately $60 million for its share of the plant. Final accounting for the sale of the plant is still being determined. The sale must be approved by federal and state regulators, as well as the city councils or directors who control the municipal utilities and public utility districts that also have ownership interests in the Centralia plant. It is expected that all approvals will be completed by the end of the first quarter of 2000.

Avista Labs Avista Labs selected a Spokane company, Logan Industries, Inc., to manufacture its introductory proton exchange membrane (PEM) fuel cell generators. Manufacturing began in June, with the first units scheduled to ship in November. Avista Labs will then begin installing demonstration sites throughout the United States to prove the reliability and ease of operation.

Avista Power In September 1999, Avista Power and STEAG AG, Germany's largest independent power producer, completed the formation of a joint venture to develop, build and/or buy electric generation assets in strategic locations throughout North America. The level of investment may vary between projects, but is normally expected to be equally shared.

Avista Communications Avista Communications continues to rapidly expand its business as a provider of local, facilities-based telecommunications services, including local dial tone, data transport, Internet access and data networking connectivity in communities with populations under 250,000. In May 1999, Avista Communications finalized an acquisition agreement with Western Technology Partners, a Billings, Montana internet service provider, to form Avista Communications of Montana. Avista Communications also recently announced plans to expand into a number of regional cities, including Bellingham and Yakima, Washington; Coeur d'Alene and Lewiston, Idaho; and Medford, Oregon.

Coeur d' Alene Lake Court Decision On July 28, 1998, the United States District Court for the District of Idaho issued its finding that the Coeur d' Alene Tribe of Idaho owns the bed and banks of the Coeur d' Alene Lake and the St. Joe River lying within the current boundaries of the Coeur d' Alene Reservation. The disputed bed and banks comprise approximately the southern one-third of Lake Coeur d' Alene. This action had been brought by the United States on behalf of the Tribe against the State of Idaho. While the Company is not a party to this action, which has been appealed by the State of Idaho to the Ninth Circuit, the Company is continuing to evaluate the impact of this decision on the operation of its hydroelectric facilities on the Spokane River, downstream of the Coeur d' Alene Lake, which is the reservoir for these plants.

ADDITIONAL FINANCIAL DATA

At September 30, 1999, the total long-term debt of the Company and its consolidated subsidiaries, as shown in the Company's consolidated financial statements, was approximately $786.8 million. Of such amount, $218.5 million represents long-term unsecured and unsubordinated indebtedness of the Company, and $455.9 million represents secured indebtedness of the Company. The balance of $112.4 million includes short-term notes to be refinanced as well as indebtedness of subsidiaries. Consolidated long-term debt does not include the Company's subordinated indebtedness held by the issuers of Company-obligated preferred trust securities.

The following table reflects the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred dividend requirements:

	12 Months Ended	
	September 30, 1999	December 31, 1998
Ratio of Earnings to Fixed Charges	2.71 (x)	2.66 (x)
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	1.81 (x)	2.25 (x)

The Company has long-term purchased power arrangements with various Public Utility Districts and the interest expense components of these contracts are included in purchased power expenses. These interest amounts are not included in the fixed charges and would not have a material impact on fixed charges ratios.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

12 Computation of ratio of earnings to fixed charges and preferred dividend requirements.
27 Financial Data Schedule.

(b) Reports on Form 8-K.

Dated January 6, 1999, regarding the Company's name change to Avista Corporation.

Dated June 15, 1999, regarding anticipated lower second quarter earnings.

SIGNATURE

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: November 15, 1999 /s/ J. E. Eliassen

J. E. Eliassen
Senior Vice President and
Chief Financial Officer
(Principal Accounting and
Financial Officer)

EXHIBIT 12

AVISTA CORPORATION

Computation of Ratio of Earnings to Fixed Charges and Preferred
Dividend Requirements Consolidated
(Thousands of Dollars)

	12 Mos. Ended Sep. 30, 1999	Years Ended December 31 1998	1997	1996	1995
Fixed charges, as defined:					
Interest on long-term debt	$ 65,519	$ 66,218	$ 63,413	$ 60,256	$ 55,580
Amortization of debt expense and premium - net	1,442	2,859	2,862	2,998	3,441
Interest portion of rentals	4,458	4,301	4,354	4,311	3,962
Total fixed charges	$ 71,419	$ 73,378	$ 70,629	$ 67,565	$ 62,983
Earnings, as defined:					
Net income from continuing ops.	$ 77,067	$ 78,139	$114,797	$ 83,453	$ 87,121
Add (deduct):					
Income tax expense	44,917	43,335	61,075	49,509	52,416
Total fixed charges above	71,419	73,378	70,629	67,565	62,983
Total earnings	$193,403	$194,852	$246,501	$200,527	$202,520
Ratio of earnings to fixed charges	2.71	2.66	3.49	2.97	3.22
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 71,419	$ 73,378	$ 70,629	$ 67,565	$ 62,983
Preferred dividend requirements (1)	35,275	13,057	8,261	12,711	14,612
Total	$106,694	$ 86,435	$ 78,890	$ 80,276	$ 77,595
Ratio of earnings to fixed charges and preferred dividend requirements	1.81	2.25	3.12	2.50	2.61

(1) Preferred dividend requirements have been grossed up to their pre-tax level.

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF AVISTA CORPORATION, INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1999
SEP-30-1999
PER-BOOK
1,488,380
723,744
1,349,715
279,499
0
3,841,338
310,169
(4,567)
126,512
432,114
145,000
264,555
618,792
107,659
1,395
0
61,898
0
4,707
2,269
2,202,949
3,841,338
6,366,047
32,348
6,299,820
6,299,820
66,227
69,224
135,451
47,593
55,510
16,107
39,403
14,023
0
119,819
1.01
0.98

LONG-TERM DEBT-NET DOES NOT MATCH THE AMOUNT REPORTED ON THE COMPANY'S CONSOLIDATED STATEMENT OF CAPITALIZATION AS LONG-TERM DEBT DUE TO THE OTHER CATEGORIES REQUIRED BY THIS SCHEDULE.
OTHER ITEMS CAPITAL AND LIABILITIES INCLUDES THE CURRENT LIABILITIES, DEFERRED CREDITS AND MINORITY INTEREST, LESS CERTAIN AMOUNTS INCLUDED UNDER LONG-TERM DEBT-CURRENT PORTION AND LEASES-CURRENT, FROM THE COMPANY'S CONSOLIDATED BALANCE SHEET.
THE COMPANY DOES NOT INCLUDE INCOME TAX EXPENSE AS AN OPERATING EXPENSE ITEM. IT IS INCLUDED ON THE COMPANY'S STATEMENTS AS A BELOW-THE-LINE ITEM.
INCOME BEFORE INTEREST EXPENSE IS NOT A SPECIFIC LINE ITEM ON THE COMPANY'S INCOME STATEMENTS. THE COMPANY COMBINES TOTAL INTEREST EXPENSE AND OTHER INCOME TO CALCULATE INCOME BEFORE INCOME TAXES.