

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 25, 2000

AVISTA CORPORATION  
(Exact name of registrant as specified in its charter)

Washington  
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1-3701  
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91-0462470  
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(State or other jurisdiction of  
incorporation or organization)

(Commission  
File Number)

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

1411 East Mission Avenue, Spokane, Washington  
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(Address of principal executive offices)

99202-2600  
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(Zip Code)

Registrant's telephone number, including area code:  
Web site: <http://www.avistacorp.com>

509-489-0500  
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(Former name or former address, if changed since last report)

## ITEM 5. OTHER INFORMATION

On October 25, 2000, the Company issued a press release reporting third quarter earnings and the resignation of T. M. Matthews, the Company's Chairman of the Board, President and Chief Executive Officer. A copy of the press release is attached hereto as Exhibit 99 and is incorporated herein by reference. Neither the filing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to the Company's Internet address shall, under any circumstances, be deemed to incorporate the information available at such Internet address into this Current Report. The information available at the Company's Internet address is not part of this Current Report or any other report filed by the Company with the Securities and Exchange Commission.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVISTA CORPORATION  
(Registrant)

Date: October 27, 2000

/s/ Jon E. Eliassen  
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Jon E. Eliassen  
Senior Vice President and  
Chief Financial Officer  
(Principal Accounting and  
Financial Officer)

[AVISTA LOGO]

## NEWS RELEASE

CONTACT: Media: Laurine Jue (509) 495-2510 ljue@avistacorp.com  
 Investors: Dave Brukardt (509) 495-2833 dbrukardt@avistacorp.com

FOR IMMEDIATE RELEASE:  
 October 25, 2000  
 4:05 p.m. EDT

AVISTA CORP. REPORTS THIRD-QUARTER 2000 EARNINGS  
 GROWTH STRATEGIES REMAIN ON TARGET  
 LEADERSHIP TRANSITION UNDERWAY

SPOKANE, WASH.: Avista Corp. (NYSE: AVA) today reported third-quarter 2000 consolidated revenues of \$2.86 billion and net income available for common stock of \$33.9 million, or \$0.72 per diluted share. This compares with revenues of \$3.7 billion and earnings of \$0.52 per diluted share for the same quarter last year. For the first nine months of 2000, Avista Corp. had earnings of \$0.45 per diluted share, or \$0.01 per basic share, on consolidated revenues of \$5.6 billion.

The better-than-anticipated third-quarter 2000 results were primarily the result of the strong performance of Avista Energy, the company's unregulated energy trading and marketing business, and the deferral of \$30.8 million, or \$20.0 million after-tax, of purchased-power costs at Avista Utilities for Washington.

The company's business segments reported the following results comprising the \$0.72 per diluted share for third-quarter 2000:

Avista Utilities (loss).....	(\$0.02)
Energy Trading & Marketing.....	\$0.89
Information & Technology (loss).....	(\$0.14)
Avista Ventures (loss).....	(\$0.01)

In August, the Washington Utilities and Transportation Commission (WUTC) approved a request to allow Avista Utilities to defer for later prudency review a portion of the purchased-power costs incurred from July 1, 2000 to June 30, 2001. During the third quarter, \$30.8 million, or approximately 75 percent, of the increased purchased-power costs incurred in Washington were deferred. The power cost adjustment mechanism already in place for electricity in Idaho will allow Avista Utilities to later recover \$6.0 million of purchased-power costs.

As previously announced, the WUTC in a separate proceeding ordered a reduction in electricity rates of \$3.4 million a year, and an increase of \$1.7 million in natural gas rates. Avista has filed a petition for the WUTC to reconsider portions of its order. Depending on the commission's ultimate decision, the items reconsidered, if granted, could range between \$0.7 million and \$5.1 million in additional revenue. Later this year, Avista anticipates filing a new rate case specifically focused on higher power supply costs plus an electricity power cost adjustment and tracker mechanism in the state of Washington.

T. M. "Tom" Matthews, Avista Corp. chairman of the board said, "We are working to find a long-term solution to deal with the record high prices and volatility in the wholesale power markets in the Pacific Northwest and across the West. Despite the challenges these fundamental shifts have presented to Avista Utilities, our non-regulated Avista Energy operations have benefited from favorable positions in the western markets."

Avista Energy turned in a strong financial performance, posting better-than-anticipated earnings of \$41.9 million after taxes, or \$0.89 per diluted share, during the third quarter.

#### GENERATING CAPACITY

Matthews said, "Avista Power is moving ahead with construction of our 49-percent-owned combined-cycle gas turbine power plant in Rathdrum, Idaho. This 270-megawatt facility is currently scheduled to be on-line in fall 2001. In addition, several other Avista Power projects are in the works, including the Coyote Springs 2 project, a 280-megawatt combined-cycle gas turbine plant near Boardman, Ore. That project should be completed in mid-2002."

The Pacific Northwest region will require an estimated 3,000 megawatts of additional generating capacity to meet load requirements according to Northwest Power Planning Council estimates.

#### FUEL CELL TECHNOLOGY

Avista Labs, a pioneer developer of modular proton exchange membrane (PEM) fuel cell systems, continues to work with Merrill Lynch to determine the appropriate timing to raise additional capital in this business. During the third quarter, the fuel cell business started working with other companies to broaden its strategies to include a variety of component options in an effort to speed the pathways to innovative PEM fuel cell systems for industrial and residential users.

"We are currently in final evaluation of options for public or private financing for Avista Labs," stated Matthews.

**B2B FACILITY MANAGEMENT & INFORMATION SERVICES**

Avista Advantage, the leading provider of Internet-based facility management and information services, continues to grow, adding new customers and offering expanded services in the areas of telecommunication and repair-and-maintenance invoice analysis and payment services. In addition, Avista Advantage concluded an agreement with GE Exchange Services aimed at reducing processing costs for key accounts with major utilities. New customer additions included Circle K, Toys R Us, and ShopKo.

**LEADERSHIP**

Last week, Avista Corp. announced that Matthews will leave the company at the end of the year. The board of directors appointed Executive Vice President Gary G. Ely as acting president and chief executive officer, effective immediately. The next regularly scheduled meeting of the board of directors, to be held in November, will include a discussion relative to succession planning and board membership. The board of directors remains committed to the company's strategic direction.

**OUTLOOK**

Looking ahead to the fourth quarter of 2000, Avista Corp. expects to be slightly above break-even earnings on a diluted basis for the quarter. These expectations reflect the company's continued investment in the Avista Advantage, Avista Labs, and Avista Communications businesses, plus the effects of additional purchased-power costs, and the potential benefits of expected continued price volatility in western power markets.

Avista Corp. is an energy, information and technology company whose utility and subsidiary operations focus on delivering superior products and providing innovative solutions to business and residential customers throughout North America.

Avista Corp.'s affiliate companies include Avista Utilities, which operates the company's electric and natural gas generation, transmission and distribution business. Avista's non-regulated businesses include Avista Advantage, Avista Labs, Avista Communications, Avista Energy, Avista Energy Canada, Ltd., Avista Power, and Avista Ventures. Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista Corp. and its affiliate businesses, visit the corporate website at [www.avistacorp.com](http://www.avistacorp.com).

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

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 1999, and Form 10-Q for the quarters ended March 31, 2000, and June 30, 2000.

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NOTE:

Avista Corp. will host an investor conference call on Oct. 25, at 5 p.m. EDT. To participate call (773) 756-4602 approximately 5 minutes in advance to ensure you are connected. The password is "Avista investor conference call."

A digital replay will also be available by calling (402) 530-7760 on Oct. 25, beginning at 8 p.m. EDT for 48 hours.

The attached income statement and financial and operating highlights are an integral part of this earnings release.

AVISTA CORPORATION  
CONSOLIDATED COMPARATIVE STATEMENTS OF INCOME (UNAUDITED)  
(Dollars in Thousands except Per Share Amounts)

	3RD QUARTER		YEAR-TO-DATE SEPTEMBER	
	2000	1999	2000	1999
OPERATING REVENUES	\$ 2,864,305	\$ 3,718,109	\$ 5,599,693	\$ 6,366,047
OPERATING EXPENSES:				
Resource costs	2,702,225	3,596,506	5,248,183	5,981,449
Operations and maintenance	30,033	41,502	82,132	131,887
Administrative and general	30,532	31,332	90,279	90,551
Depreciation and amortization	19,680	18,570	57,662	56,901
Taxes other than income taxes	13,936	12,002	42,401	39,032
Exit costs - Avista Energy's Eastern energy business (Note 1)	--	--	7,865	--
Restructuring charges - Pentzer (Note 2)	--	--	1,940	--
Total operating expenses	2,796,406	3,699,912	5,530,462	6,299,820
INCOME FROM OPERATIONS	67,899	18,197	69,231	66,227
OTHER INCOME (EXPENSE):				
Interest expense	(19,808)	(15,855)	(49,774)	(47,593)
Net gain on subsidiary transactions	--	43,054	--	58,648
Other - net	9,950	1,779	29,421	10,576
Total other income (expense) - net	(9,858)	28,978	(20,353)	21,631
INCOME BEFORE INCOME TAXES	58,041	47,175	48,878	87,858
INCOME TAXES	23,501	19,562	25,305	32,348
NET INCOME	34,540	27,613	23,573	55,510
DEDUCT - Preferred stock dividend requirements (Note 3)	608	5,340	23,127	16,107
INCOME AVAILABLE FOR COMMON STOCK	\$ 33,932	\$ 22,273	\$ 446	\$ 39,403
Average common shares outstanding (thousands), Basic	47,147	36,634	45,193	39,077
EARNINGS PER COMMON SHARE, BASIC	\$ 0.72	\$ 0.61	\$ 0.01	\$ 1.01
EARNINGS PER COMMON SHARE, DILUTED (Note 3)	\$ 0.72	\$ 0.52	\$ 0.01	\$ 0.98
DIVIDENDS PER SHARE OF COMMON STOCK	\$ 0.12	\$ 0.12	\$ 0.36	\$ 0.36
SUPPLEMENTAL INFORMATION				
NET INCOME BY BUSINESS SEGMENT:				
Avista Utilities	\$ (361)	\$ 731	\$ (42,581)	\$ 41,538
Energy Trading and Marketing (Avista Energy, Avista Power)	\$ 42,049	\$ 597	\$ 85,812	\$ (17,416)
Information & Technology (Avista Advantage, Avista Labs, Avista Communications)	\$ (6,767)	\$ (1,908)	\$ (18,679)	\$ (4,487)
Avista Ventures (Pentzer and others)	\$ (381)	\$ 28,193	\$ (980)	\$ 35,875

Note 1. Reflects charges related to Avista Energy's sale of the Eastern power book, the closing of its office in Houston, completed in the first quarter, and further downsizing at the Boston office, which was closed in the second quarter.

Note 2. Reflects charges related to restructuring of Pentzer Corporation's operations.

Note 3. In February 2000, the Company converted all remaining outstanding shares of Series L Preferred Stock back into common stock, which resulted in a one-time charge of \$21.3 million to preferred stock dividend requirements. Excluding the effects of this transaction, earnings per share would have been \$0.45 for the nine months ended September 30, 2000.

AVISTA CORPORATION  
FINANCIAL AND OPERATING HIGHLIGHTS  
(Dollars in Thousands)

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2000	1999	2000	1999
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<b>AVISTA UTILITIES</b>				
Retail electric revenues	\$ 98,883	\$ 92,279	\$ 298,273	\$ 282,807
Retail Kwh sales (in millions)	1,981,545	1,968,137	6,060,037	6,025,109
Retail electric customers at end of period	310,507	307,138	310,507	307,138
Wholesale electric revenues	\$ 265,251	\$ 192,568	\$ 565,808	\$ 375,643
Wholesale Kwh sales (in millions)	3,660,933	6,315,505	13,125,370	15,061,133
Other electric revenues	\$ 10,331	\$ 6,447	\$ 21,520	\$ 15,160
Total natural gas revenues	\$ 23,196	\$ 26,643	\$ 129,385	\$ 132,204
Total therm sales (in thousands)	82,591	119,424	396,812	486,129
Total natural gas customers at end of period	273,171	262,498	273,171	262,498
<b>ENERGY TRADING AND MARKETING (AVISTA ENERGY, AVISTA POWER)</b>				
Revenues	\$ 2,480,990	\$ 3,364,316	\$ 4,630,646	\$ 5,443,706
Electric sales (thousands of Mwhs)	36,216	61,446	88,554	102,556
Natural gas sales (thousands of dekatherms)	69,606	213,286	194,196	680,704
Coal sales (tons)	886,405	508,489	2,746,500	1,121,024
<b>INFORMATION AND TECHNOLOGY</b>				
<b>Avista Advantage</b>				
Revenues	\$ 1,276	\$ 361	\$ 3,240	\$ 992
Operating Income (pre-tax)	\$ (3,591)	\$ (1,268)	\$ (9,953)	\$ (3,072)
Net Income	\$ (2,472)	\$ (893)	\$ (6,794)	\$ (2,188)
<b>Avista Labs</b>				
Revenues	\$ 130	\$ 303	\$ 663	\$ 433
Operating Income (pre-tax)	\$ (3,694)	\$ (550)	\$ (8,071)	\$ (1,699)
Net Income	\$ (2,417)	\$ (358)	\$ (5,406)	\$ (1,095)
<b>Avista Communications</b>				
Revenues	\$ 1,496	\$ 811	\$ 3,517	\$ 1,642
Operating Income (pre-tax)	\$ (3,328)	\$ (1,144)	\$ (9,778)	\$ (2,036)
Net Income	\$ (1,878)	\$ (657)	\$ (6,479)	\$ (1,204)
<b>AVISTA VENTURES (PENTZER AND OTHERS)</b>				
Revenues	\$ 9,272	\$ 37,444	\$ 25,046	\$ 117,506

The revenues by business segment do not total to the amounts reported on the Consolidated Comparative Statements of Income due to intersegment eliminations.